

MINUTES OF REGULAR MEETING OF COMMISSIONERS
OF PUBLIC UTILITY DISTRICT NO. 3
OF MASON COUNTY, WASHINGTON

President Gott called a regular meeting of the Mason County PUD No. 3 board of commissioners to order at 10:00 a.m. The meeting was held in the PUD 3 auditorium, at 2621 E Johns Prairie Road in Shelton, Washington, on Tuesday, October 25, 2016.

District officers present were: Commissioners Thomas J. Farmer, Linda R. Gott, and Bruce E. Jorgenson; Manager Annette Creekspaum; Finance Manager/Auditor Sherry Speaks; Treasurer Brian Taylor; and Attorney Robert Johnson.

The following PUD 3 personnel were present: Director of Business Operations Michelle Burleson; Customer Service Manager Diane Hennessy; Engineering Services & Community Relations Manager Justin Holzgrove; Public Information & Government Relations Manager Joel Myer; Energy Resource Manager Michele Patterson; Director of Engineering Terry Peterson; Records Coordinator Jennifer Renecker; Safety Manager Bob Smith; and Administration & Communication Services Manager Lynn Eaton (recorded minutes).

Members of the public included: Ken Rasmussen of Shelton. Several of the winners of the 2016 Public Power art contest and their families such as; the Mason County Christian School 1st grade class; The Wulf family; Darrin Hodgson; Morgan Cathers; Jan Mauer; and the Morgan Family.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented. It was noted that an executive session would be held for the purposes of item 42.30.110(1) (g) to review the performance of a public employee. The executive session is estimated to last approximately 5 minutes, with no action to follow.

CONSENT AGENDA

Ms. Gott reviewed the items listed on the consent agenda. Mr. Jorgenson moved, motion seconded by Mr. Farmer, to adopt the consent agenda. MOTION PASSED UNANIMOUSLY. By adopting the consent agenda, the following items were approved:

- a. Minutes of the October 11, 2016 regular commission meeting.
 - b. Voucher Nos. (dated October 18, 2016) 138971 through 139092 — \$ 2,318,287.70
(Includes electronic funds transfer payment Nos. 4777 - 4785.)
 - c. Voucher Nos. (dated October 25, 2016) 139093 through 139177 — \$ 1,092,910.19
(Includes electronic funds transfer payment Nos. 4786 - 4940.)
- TOTAL \$ 3,411,197.89
- d. Void accounts payable checks for the week ending October 14, 2016, in the total amount of \$16,720.52.
Void accounts payable checks for the week ending October 20, 2016, in the total amount of \$298.92.

* Vouchers audited and certified by the district auditing officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing which has been made available to the board.

PUBLIC COMMENT

Ms. Gott welcomed the public and the 2016 Public Power Week art and photography contest winners and their families. Mr. Holzgrove informed commission the theme for the contest was “your favorite use of electricity”. The winning art will stay on display for the year. Ms. Gott announced then that the meeting would recess at 10:04 for photos with the contestants and Mr. Holzgrove would lead them on a utility tour. The meeting reconvened at 10:10. There were no further comments from the public after the recess.

ACTION ITEM

Recommendation was made to Adopt Resolution No. 1671, which is “Authorizing the Execution of Revision 5 to Exhibit F, Section 4.3.6 Transmission Curtailment Management Services (TCMS) Coverage by Resource and Revision 6 to Exhibit F, Section 4.2 Real Time Scheduling to Power Sales Contract” These revisions for the Bonneville Power Administration Contract (BPA) 09PB-13068 update how the District schedules its dedicated resources.

Mr. Farmer moved, motion seconded by Mr. Jorgenson to Adopt Resolution No. 1671, a “Resolution Authorizing the Execution of Revision 5 to Exhibit F, Section 4.3.6 TCMS Coverage by Resource and Revision 6 to Exhibit F, Section 4.2 Real Time Scheduling to Power Sales Contract 09PB-13068 Executed by the Bonneville Power Administration and Public Utility District No. 3 Of Mason County.” MOTION PASSED UNANIMOUSLY.

Recommendation was made to Adopt Resolution No. 1672, a “Resolution to Declare a State of Emergency and Designate Agents for a FEMA Application”. Mrs. Creekspaum explained while the storm was not as powerful as

original estimates, the District still battled several outages throughout the county. By declaring a state of emergency, the District can be eligible for FEMA funding should it become available. Mason County Commissioners have also adopted an emergency declaration for the same time period.

Mr. Jorgenson moved, motion seconded by Mr. Farmer to Adopt Resolution No. 1672, a “Resolution to Declare a State of Emergency and to Designate Agents from PUD 3 to Sign Application for FEMA Funds.” MOTION PASSED UNANIMOUSLY.

A Recommendation was made to approve renewals to the benefit plans for 2017.

Ms. Burleson reviewed the recommendations from the insurance committee for the 2017 plan year. She explained that the optional accidental death and dismemberment (AD&D coverage) underwritten with Zurich American has zero increase for the new plan year. Group Health Cooperative will receive a 5.47 percent increase based upon the utilization and trend of the plan we are on. Self-Insured Plan premiums will remain. Dental is at the end of the first plan year with Met Life, after a few hurdles with the initial implementation that have been worked through. While many of these issues have subsided, there are still restrictions on the plan that are different from our previous self-insured plan. Met Life has provided us with a quote of 3.5 percent increase to make the plan reflect our previous dental plan exactly.

Ms. Gott moved, motion seconded by Mr. Farmer, to approve the recommendations from the insurance committee for the 2017 plan year renewals for benefits programs as presented. MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Speaks reviewed the status of the budget as of September 30, 2016, with the commissioners. Month-end receipts were \$4.4 million which is approximately 75 percent of the total budget, while expenditures were \$4.9 million. Year to date cash receipts total 47.8 million with expenditures at 46.6 million leaving a positive budget balance of just over one million. Mrs. Speaks noted that the utility is on-track for a balanced budget by year end.

Mr. Taylor gave the treasurer’s report of funds through September 2016. The opening cash balance was \$5.4 million and was \$3.8 million at month’s end. The utility’s investments totaled at \$12.6 million as of September 30, 2016. The total of all funds at month-end were \$33,493,356.61.

At Mrs. Creekpaum’s request, Mr. Myer gave a storm report. Mr. Myer noted that although the storm turned its course and we didn’t see the big hit we had anticipated and prepared for we did have outages to contend with. Friday the 14th saw the majority of issues with outages affecting approximately 1,500 customers Hartstine Island due to trees and Lake Cushman with approximately 1,800. The biggest outage occurred in the Shelton Matlock area with trees taking down transmission lines and a 20-foot pole needed to be replaced. Staff was able to bring two thirds of customers back with switching, the entire outage took 24 hours for restoration. Overall the storm had an effect 7,000 customers.

Mr. Myer noted that the new software Outage Management System was a benefit in the outage center during the storm. Calls were easily answered with the information available on the new system.

At Mrs. Creekpaum’s request, Mr. Myer gave a legislative report. He highlighted several issues that have potential impacts to the District. Some of the issues include the National Environmental Protection Act and Biological Opinions, the Washington State Initiative-732, carbon reduction.

Ms. Patterson went over the Power Situation Statement for September 2016 with commissioners. She noted that September looks representative of the year with 5 percent less MWh’s purchased at 4 percent higher cost year to date. Total cost for the Packwood hydro resource decreased by 13 percent and remains the less expensive resource. White Creek Wind resource had an increase of approximately 3 percent, while Nine Canyon Wind resource decreased by 40 percent.

Ms. Patterson explained that some of the reductions are the results of BPA method for calculating its resource support services which this year have provided mostly a credit since the planned output was less than the actual.

Ms. Patterson also informed commission of the year to date price per Renewable Energy Credits (REC’s). Year to date price is substantially lower due to Mason PUD 3 purchased the REC’s from Klickitat PUD for January through June, this is a REC only purchase and is significantly less per MWh. The October statement will show the REC only purchase from Emerald People’s Utility. These purchases were made to comply with the Energy Independence Act (EIA).

Mrs. Creekpaum informed commission staff is finalizing budget information and the hearing is scheduled for November 8, 2016.

Mrs. Creekpaum noted her and several staff visit to Pen Light October 24, 2016 to share aspects of the future for utilities and the differences between a Co-op versus PUD.

COMMISSIONERS REPORT

Mr. Farmer reported his attendance to the Economic Development Council (EDC) meeting and his budget meeting with Mrs. Creekpaum and Mrs. Speaks.

Ms. Gott reported her attendance at the Shelton Kiwanis, Mason County Chamber lunch, and EDC meetings all last week.

CALENDAR REVIEW

Ms. Gott asked the board to consider changes in the December meeting schedule considering November has five Tuesdays and Decembers last meeting would be the day after the holiday. Possible consideration would be amending December meetings to the first and third Tuesdays.

GOOD OF THE ORDER

Following the calendar review and with no further business appearing, the commission meeting recessed at 10:43 a.m. for a short break, and reconvened at 10:47 a.m.

The commissioners then adjourned and met in executive session for no more than 5 minutes to review the performance of a public employee.

At 10:52 the executive session adjourned and the regular meeting reconvened. With no further business appearing, the commission meeting adjourned at 10:52.

Linda R. Gott, President

ATTEST:

Bruce E. Jorgenson, Vice President

Thomas J. Farmer, Secretary