

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, November 22, 2016.

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

The following PUD 3 personnel were present: Director of Business Services John Bennett; Director of Business Operations Michelle Bursleson; Engineering Services & Community Relations Manager Justin Holzgrove; Director of Engineering and Utility Services Dale Knutson; Interim Power Supply Manager Pat McGary; 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; Customer Service Revenue Protection Supervisor Mary Taylor; and Administration & Communication Services Manager Lynn Eaton (recorded minutes).

Members of the public in attendance were Dedrick Allen of *Mason Web TV*; Kathy McDowell of *City of Shelton Commissioner*; Randy Lewis of Shelton; and Kevin Schmelzlen of Shelton.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented. It was noted that an executive session would be held as noted on the agenda under item 7.b. as authorized by the Open Public Meetings Act, RCW 42.30.110 (1) (c) to consider the minimum price at which real estate will be offered for sale or lease. The executive session is estimated to last approximately 10 minutes, with possible 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 November 8, 2016, public hearing and regular commission meeting.
- b. Voucher Nos. (dated November 15, 2016) 139328 through 139443 — \$ 2,114,336.54
(Includes electronic funds transfer payment Nos. 4950-5112.)
- c. Voucher Nos. (dated November 22, 2016) 139444 through 139514 — \$ 368,164.53
(Includes electronic funds transfer payment Nos. 5113-5118.)
- TOTAL \$ 2,482,501.07
- d. Void accounts payable checks for the week ending November 18, 2016, in the total amount of \$3,729.21.

* 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.

COMMENTS FROM THE PUBLIC

Shelton resident Kevin Schmelzlen addressed the commission and explained that he started the Shelton to the Top movement which has done several community clean ups. He expressed his opposition to selling the PUD's downtown administration building to the Thurston Mason Behavioral Health Organization for the purposes of establishing an involuntary triage facility. He said he believed there were alternate locations for such a facility and that the downtown retail center was not ideal.

Kathy McDowell said that as a city commissioner, she did not believe the PUD's downtown administration building was a good location for the triage facility. She expressed that the Cota Street area was projected to transition into an arts district. She encouraged the commission not to go through with the sale.

ACTION ITEMS

Recommendation was made to adopt Resolution No. 1674 which is “A Resolution Adopting the Budget for Fiscal Year 2017.” The proposed budget was presented and discussed with the commissioners during a public hearing which was held on November 8, 2016.

Mrs. Speaks pointed out the balanced budget anticipates \$66.98 million in cash receipts and expenditures and does not include a retail rate increase.

Mrs. Speaks went over some of the information that was discussed at the public hearing in which she highlighted that PUD 3 uses a zero based budget system. Mrs. Speaks explained that the budget assumes an increase in revenues. In addition, the budget includes the increase in wholesale rates from the Bonneville Power Administration, as well as expenditures required to meet The Energy Independence Act (Initiative 937) requirements for renewable energy purchases and conservation programs which increase from a 3% renewable portfolio requirement to a 9% renewable portfolio requirement. Mrs. Speaks explained that the 2017 budget also includes increased capital expenses due to anticipated upgrades to substation(s).

Mr. Jorgenson moved, motion seconded by Mr. Farmer to adopt Resolution No. 1674 “A Resolution Adopting the Budget for Fiscal Year 2017.” The MOTION PASSED UNANIMOUSLY.

A recommendation was then made to adopt Resolution No. 1675, “A Resolution Modifying the Violence in the Workplace Policy.”

Mrs. Creekpau explained that this is a policy that has been prepared with input from the District’s attorney Rob Johnson and brings the policy in line with current practices. He anticipates that future changes may be made once the District has evaluated its security options more closely.

Mr. Farmer moved, motion seconded by Ms. Gott to adopt Resolution No. 1675, “A Resolution Modifying the Violence in the Workplace Policy.” MOTION PASSED UNANIMOUSLY.

Recommendation was made to adopt Resolution No. 1676, “A Resolution to Declare December 15, 2016 as Hydropower Appreciation Day.”

Mr. Myer explained that the resolution is in response to the struggle to communicate the value of the system to our region. He noted that the Columbia River systems provides electricity, irrigation, flood control, recreation, transportation for cargo, as well as acts as a battery to solar and wind. He expressed that the amount of funding that goes towards fish and wildlife have produced fish returns at the highest levels since 1938. Mr. Myer said that a Hydro Appreciation Day would give the utility an opportunity to educate its customers about these benefits, as well as highlight the utility’s 97% clean energy portfolio. He also noted that a number other utilities in the state will be adopting similar resolutions.

Ms. Gott moved, motion seconded by Mr. Jorgenson to Adopt Resolution No. 1676, “A Resolution to Declare December 15, 2016 as Hydropower Appreciation Day.” After a brief discussion, the MOTION PASSED UNANIMOUSLY.

DISCUSSION ITEMS

Mr. Johnson informed the commission that the District has received an offer for its downtown administration building at 307 West Cota Street, from the Thurston Mason Behavioral Health Organization (BHO) for \$250,000. He explained that this is a cash offer with minimal contingencies. The building would be used as an involuntary triage facility.

At 10:26 Commissioner Gott announced that the commission would break briefly before meeting in executive session for the purposes of RCW 42.30.110 (1) (c) to consider the minimum price at which real estate will be offered for sale or lease. The executive session is estimated to last approximately 10 minutes, with possible action to follow.

The executive session began at 10:27. At 10:37, the commission announced it would extend the executive session for 5 minutes. At 10:42, the executive session was adjourned and the regular commission meeting resumed.

Mr. Farmer moved, Mr. Jorgenson seconded to send a counter offer to BHO at \$300,000, subject to a public hearing if accepted. The MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Speaks reviewed the status of the budget as of October 31, 2016, with the commissioners. Month-end receipts were approximately \$4.3 million, while expenditures were approximately \$4.7 million leaving the month with a negative budget balance of (\$358,741). However, the year-to-date budget balance is positive at \$853,444. Mrs. Speaks noted that there were some capital expenses anticipated to hit the budget bringing the year end to a balanced zero budget.

Mr. Taylor gave the treasurer's report of funds through October 2016. The beginning cash balance was \$3.8 million, ending cash balance was \$3.6 million. The total investments equaled \$12.6 million and the total of all funds at month-end were \$33.1 million. Mr. Taylor noted that the semi-annual fiscal payments will be made on the bonds this week. He also noted that there was one government security that was called during the month of October, so commission will see that another security was purchased in its place during the month.

Mrs. Creekpaum updated the commission on the grid modernization project. Currently staff is working in the downtown Shelton and will be headed to the Buck's Prairie area next.

Mrs. Creekpaum informed the commission that to date through the end of October, the engineering department received 223 applications for service compared to 152 for the same period last year.

Mrs. Creekpaum reported that staff will be responding to a request from the West Canal Community Broadband Project (WCCBP) written by Jim Boldt. While staff has been in contact with the group and informed them of their options, the group is asking for a written response on letterhead to provide to their community group. The total project as proposed would cost in excess of \$20 million with many permitting issues along the way. In order to finance this project through a Local Utility District (LUD), the value added to the properties specially benefited by having fiber available must be equal to or greater than the cost per benefited property. Current projected increase in property values by having fiber available to a property would not be able to support the costs of this project as required by RCW 54.16.130. Staff has provided the group with an alternative service proposal which involves a wireless broadband link to Mt. Jupiter from the Clifton Ridge site once connected. The area is officially in PUD 3's territory however its electrical needs are served by Mason PUD 1.

At Mrs. Creekpaum's request, Mr. Myer reported on the various communication awards the utility received from the American Public Power Association (APPA). Mr. Myer noted that it was an honor to receive these national awards, especially four awards, when many utilities received zero or one. The areas PUD 3 was recognized for included; the website, the annual report, a video regarding heat pumps, and a video regarding gang switches. All communications are produced in house by the communications team.

At Mrs. Creekpaum's request, Mr. Myer gave a legislative report. He reported on issues that may be impacting the industry and PUD 3 including such things as the Columbia River System, post 2020 renewable standards under the Energy Independence Act (I-937), and carbon legislation.

COMMISSIONERS' REPORT

Mr. Farmer reported his intention to attend the North Mason Chamber of Commerce event this week.

Ms. Gott reported her attendance at NoaNet in Spokane, and the Washington Public Utilities Districts Association (WPUDA) Meetings.

GOOD OF THE ORDER

Following a calendar review and with no further business appearing, the commission meeting adjourned at 11:07.

Linda R. Gott, President

ATTEST:

Bruce E. Jorgenson, Vice President

Thomas J. Farmer, Secretary