

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

President Bruce Jorgenson 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, February 7, 2017.

District officers present were: Commissioners, Thomas J. Farmer, Linda R. Gott and Bruce E. Jorgenson. Manager Annette Creekpaum; 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 Burlison; Communications & Community Relations Coordinator Asia Cline; Customer Service Manager Diane Hennessy; Engineering Services & Community Relations Manager Justin Holzgrove; Director of Engineering and Utility Services Dale Knutson; Shelton Line Superintendent Chris Miller; Engineering Project Manager – Metering Specialist Koral Miller; Public Information & Government Relations Manager Joel Myer; Energy Resources Manager Michele Patterson; Facilities Superintendent Dennis Simon; Director of Engineering Terry Peterson; Records Coordinator Jennifer Renecker; Engineering Project Manager (Grid Analysis) Brandon Smith; Customer Service Revenue Protection Supervisor Mary Taylor; and Administration & Communication Services Manager Lynn Eaton (recorded minutes).

Members of the public in attendance were: Ken Adkison of Shelton and Randy Lewis of Shelton.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented.

CONSENT AGENDA

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

- a. Minutes of the January 31, 2017, regular commission meeting.
- b. Voucher Nos. (dated February 7, 2017) 140486 through 140600 — \$ 319,549.99
(Includes electronic funds transfer payment Nos. 5951-5964.)
TOTAL \$ 319,549.99
- c. Write off deceased, no assets, and bankruptcies in the total amount of \$1,185.67.

* 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.

DISCUSSION ITEMS

In response to a recent customer concern about the safety of the meters being installed and protection of customer privacy, staff provided a public presentation addressing those concerns. Justin Holzgrove, PUD 3 engineering services and community relations manager, said the PUD took exceptional care to adopt a privacy policy to protect customers. This means only those authorized, including the customer, may have access to energy usage data. The data is encrypted for secure transfer of meter readings to the PUD. No customer information is stored in the meter (e.g. name, address, account number).

Mr. Holzgrove also explained that there is a distinct difference between “smart” meters, the basis of the concern, and the PUD’s new “advanced” meters that are being installed. He explained that the PUD’s meters are configured to take readings of customer energy use at the whole building level; not interact with appliances or devices in a home.

Koral Miller, PUD 3 engineering project manager and metering specialist, told those in attendance that during meter replacement, accredited staff inspect the meter base and connections for safety. If defects are found, the PUD replaces the customer-owned meter base. This ensures safe and reliable operation of the new equipment.

Mrs. Miller also addressed the transfer of data via radio waves. She noted the advanced meters typically send encrypted usage reads at midnight each day, which takes just 48 milliseconds. As such, the radio frequency emissions are extremely brief. Their intensity is much less than a laptop computer, Wi-Fi router, microwave oven, or a cell phone:

- Even though the emissions from meters are 100,000 times less than a cell phone, it is common practice to equate cell phone emissions to meter emissions.
- The World Health Organization, the National Cancer Institute, and American Cancer Society agree that cell phones are not harmful to human health.
- 15 minutes of cell phone usage \approx 375 years of advanced meter exposure.
- Following this logic, if cell phone emissions have been deemed safe for human exposure, then the radio frequency emissions from advanced meters, which is significantly less powerful and less present than cell phones, must also be deemed safe.

Mrs. Miller showed the group a handheld meter used by PUD 3 staff to measure radio frequency emissions from various electronic devices. She explained that at about three inches from the face of the meter, there was no recordable RF exposure. She offered to host a field trip after the meeting to a nearby advanced meter, so others can verify for themselves that measured emissions are far below the FCC maximum allowable. There were also analog, digital, and advanced meters on display for those in attendance to handle and inspect.

Although new advanced meters are the most visible part of the project, Mr. Holzgrove that they are only one component to the overall project. With the meters serving as an end point, the upgraded equipment will benefit the distribution system by allowing for more efficient voltage regulation to reduce energy waste; faster outage response and restoration times; a customer's direct access to information about their energy use; and future automation opportunities for the local electricity distribution system. Continued efficiency improvements within the PUD 3 power grid will help to mitigate the impact of future rate increases from the Bonneville Power Administration.

Mr. Holzgrove also pointed out that planning for PUD 3's grid modernization began in the 1990's. He explained that the project is funded by savings in capital bond fund projects, which are specifically designated for grid modernization.

COMMENTS FROM THE PUBLIC

PUD attorney, Mr. Johnson, began the public comment session by clarifying that the purpose of the meeting is to conduct PUD business. He said it is important to explain what the public comment section of the meeting is intended for. He noted that it is an opportunity for members of the public to provide comment on any topic they wish, however it is not a two-way conversation or a question and answer session. If the commission feels that an issue requires a response, they may instruct staff to respond appropriately or discuss it at a future meeting.

Randy Lewis commented that he appreciated the information the district provides on its website. He asked for clarification on how the cost of the meter project would not affect rates. He also asked if there was an additional cost to the utility for manually reading meters when customers opted out of the advanced meter program.

ACTION ITEM

Recommendation was made to adopt Resolution No. 1681, "A Resolution Declaring Electric System Items Surplus (Non-PCB Contaminated)." The resolution is consistent with District policy to document surplus transformers, regulators, and reclosers removed from service and sent to be recycled.

Mr. Farmer moved, motion seconded by Ms. Gott to adopt Resolution No. 1681, "A Resolution Declaring Electric System Items Surplus (Non-PCB Contaminated)." MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Creekpaum updated the commission on the need for additional security at the Belfair office due to safety concerns for staff. She explained that while options are being explored, the doors to the office are being kept locked and customers are being helped only through the drive through. Unfortunately this is not an ideal situation, as it has caused some other safety concerns with backed up traffic and blocking the trucks ability to enter and exit the yard. She informed the commission that she will be looking at the situation weekly and will be bringing a recommendation to the board for a longer term solution within the next few weeks.

At Mrs. Creekpaum's request, Mr. Myer gave an update on outages in the area. He noted that PUD 3 fared well compared to some neighboring utilities with the recent snow storm. With only a few scattered outages, compared to over seventy thousand people who went without power in western Washington, Mr. Myer attributed the District's reliability to its tree trimming efforts and use of tree wire.

At Mrs. Creekpaum's request, Mr. Myer then gave a legislative update. He informed the commission of various bills and activities that may impact the utility. He reported that staff will be at the Washington State Capitol for Washington Public Utility Districts Association's (WPUDA) Day on the Hill, Thursday, February 16, where utilities have the opportunity to educate legislators and members of the public about the issues that are important to their utility.

At Mrs. Creekpaum's request, Ms. Patterson updated the commission on power supply issues. She shared the power situation statement with commissioners noting that the amount of power purchased in December was about eleven percent higher than December of 2015 with approximately nine percent increase in cost. She explained that December was an incredibly cold month, twenty-two percent colder than last year and ten percent colder than normal.

Ms. Patterson updated the commission on several issues that could have impacts on wholesale rates from the Bonneville Power Administration (BPA), which ultimately affects PUD 3's retail rates. She spoke about the proposed rate increase from BPA, effective October 1, 2017. Currently the projected increase is expected to be approximately 2.84-3.51 percent increase for energy and 1.1 percent increase for transmission. In addition, the upcoming BiOp decision by Judge Simon in mid-March could trigger a Cost Recovery Adjustment Clause in 2017 and 2018 increasing wholesale rates by as much as five to nine percent. Bonneville customers already pay over \$15 billion in fish and wildlife requirements, which equates to about 30 percent PUD's purchased power costs. Ms. Patterson also pointed out that the BPA's proposed financial reserves policy could also trigger a CRAC as early as October 2018. Other potential drivers include potential fish litigation, Columbia River Treaty, new policies due to the new federal administration, new state legislation, the risk of losing the low density discount, and the expiration of the customer refund from BPA set to end after 2019.

Ms. Patterson informed the commission that staff would be meeting with representatives from the BPA later this month to discuss what is necessary for them to remain our provider of choice post-2028 when the regional contracts expire. With that, she did point out that while BPA's tier 1 product is the lowest cost and lowest risk option, the unsustainable trajectory of the BPA's rate increases may require the district to purchase its power on the market.

Mrs. Creekpaum told the commission that she wanted to clarify for the record that the District does not make donations. She noted that there has been some public comments about PUD donations. She said that some of the projects that may be perceived as donations have a business purpose, such as conservation, public education, or serve a business case such as avoided costs. For example, the LED street light conversion not only conserves energy but the cost is being recaptured through the rate schedule. She also pointed out that no PUD funds are put into the Project Share Assistance Program. It is simply a pass-through of customer donations, which are administered by the Community Action Council.

Mrs. Creekpaum informed the commission that one of its larger customers is beginning phase one of an expansion project which will eventually require a substation. She noted that she will be bringing a proposal to the board on its policy for recapturing substation costs due to customer load growth.

Mrs. Creekpaum announced that this is Director of Engineering Terry Peterson's last official commission meeting. He is scheduled to retire on February 17.

COMMISSIONERS' REPORT

Ms. Gott reported her attendance at the evening event Winter Bill Workshop hosted by PUD 3 to help customers understand their bills and high usage. She said the customers in attendance were appreciative of the help.

Capital Land Trust breakfast where the new Department of Natural Resources (DNR) Commissioner of Public Lands Hilary Franz spoke.

Mr. Farmer commented that while it has been a difficult winter for North Mason with outages, he believes that the district's reliability was clear during the last storms where the map of outages from Kitsap county clearly delineated PUD 3's territory. He expressed that he feels the investment the utility makes into tree wire and tree trimming makes a difference.

GOOD OF THE ORDER

After a calendar review and with no further business appearing, the commission meeting adjourned at 10:57.

Bruce E. Jorgenson, President

ATTEST:

Thomas J. Farmer, Vice President

Linda R. Gott, Secretary