

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, April 25, 2017.

District officers present were: Commissioners, Thomas J. Farmer, Linda R. Gott and Bruce E. Jorgenson. Manager Annette Creekpau; 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; Communications & Community Relations Coordinator Asia Cline; Customer Service Manager Diane Hennessy; Engineering Services and Community Relations Manager Justin Holzgrove; Director of Engineering and Utility Services Dale Knutson; Public Information & Government Relations Manager Joel Myer; Energy Resources Manager Michele Patterson; Records Coordinator Jennifer Renecker; Engineering Manager Hamid Rezaei; Safety Manager Bob Smith; Customer Service Revenue Protection Supervisor Mary Taylor; and Administration and Communications Services Manager Lynn Eaton (recorded minutes).

Members of the public in attendance were: Dedrick Allen of *Mason Web TV*; Joel Baxter of *Olympia Master Builders*; Marty Crow of *Habitat for Humanity of Mason County*; Jerry Eckenrode of *iFIBER ONE*; Gary Huard of Belfair; Randy Lewis of Shelton; Brianna Loper of *Shelton-Mason County Journal*; Heidi McCutcheon of *Shelton Mason County Chamber of Commerce*; Kathy McDowell *Shelton City Commissioner*; Roy Miller of North Mason; Melanie Wagner of North Mason; and John Weidenfeller *Manager of Thurston County PUD*.

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 April 11, 2017, regular commission meeting.
 - b. Minutes of the April 20, 2017, substation system capacity fee workshop.
 - c. Voucher Nos. (dated April 18, 2017) 141444 through 141546 — \$ 2,623,888.85
(Includes electronic funds transfer payment Nos. 6838-6847.)
 - d. Voucher Nos. (dated April 25, 2017) 141547 through 141624 — \$ 1,271,971.86
(Includes electronic funds transfer payment Nos. 6847-7018.)
- TOTAL \$ 3,895,860.71

* 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

Randy Lewis commended commissioner Gott for calling for a public meeting, however he said he was not personally thrilled with the format. Instead of being an informal give and take discussion, the meeting was the opposite and an attempt to clarify a response to a question was stifled. On the other hand he said that he believes the staff he has dealt with wants transparency and goes out of their way to answer questions. He complimented Annette for a culture of openness and he stated that the excellence of the financial staff is true, however he said this does not mean that public scrutiny is not needed. He objected to the waiving of fees for the school district. He noted that he was a member of the Citizen’s Bond Committee that created and promoted the recent successful bond measure and is pro school. But he feels that homeowners in other school district’s should not subsidize the Shelton School District’s build as it has funds available for the system capacity fee.

Thurston County PUD manager John Weidenfeller addressed the commission and shared his appreciation for the time and advice that Mason PUD 3’s Director of Engineering and Utility Services,

Dale Knutson, provided to their utility while it was considering adding telecommunications as an additional service. He provided Mr. Knutson with a certificate of appreciation.

Joel Baxter of the Olympia Master Builders read a statement to the commission in opposition of Resolution No. 1682. He stated that the PUD has had more than a decade to plan for substation construction and collect revenue. He also suggested that by passing the resolution, the commission would be setting a dangerous precedent in Washington state that other utilities would follow. He pointed out that the District already charges a line extension fee for the building of infrastructure to a new home or connection. He claimed that he thought the PUD failed to budget appropriately and could find another method to pay for substations. He pointed out that builders need to make a living like everyone else and implied that the new fees would impact their ability to do so.

Heidi McCutcheon of the Shelton-Mason County Chamber read aloud and submitted a letter of opposition to Resolution No. 1682 to the commission. The letter was signed by Mrs. McCutcheon and Chamber President John Lester and stated that the proposed fee structure could have unintended consequences to economic growth. The letter also expressed concerns for the fee structure's impact on a potential YMCA building project. It concluded by declaring that if the board moves forward with the resolution, the Chamber will look for continued transparency and continue to monitor this line item specific to building substations and additional load.

ACTION ITEMS

Mrs. Creekpauam noted that staff wanted to clarify some questions from the workshop and asked Mr. Holzgrove to explain.

Mr. Holzgrove explained that there was skepticism as to whether four or five substations would be needed in the near future. He explained that historically the District has only had to build or re-build a substation every ten years or so, however the forecast is due to actual applications received from large entities. On the other hand, he wanted to show a visual to explain that whether one substation is needed or five, the system capacity fee is a financial model that will ensure that the District collects the right amount of funds, without over-collecting because each fee is directly tied to the additional load that the customer is adding to the system. He noted that larger commercial and/or industrial customers will pay a higher fee in proportion to the capacity they take up. He also said that even if the District experience slow growth, residential only for example, it may take longer to need a new substation, but the District would have still collected enough to cover the cost when it is needed.

Mr. Farmer moved, the motion was seconded by Ms. Gott to adopt Resolution No. 1682, A Resolution Modifying the Electrical Service Rules and Regulations including Fee Schedule A and authorize establishing a separate account for system capacity fees using \$2.5 million from reserves for future substation construction projects.

A discussion ensued.

Mr. Farmer pointed out that this is a complicated issue with many stakeholders, but there is a need to move forward and deal with growth and identify a way to fund substations. He said the only other method to pay for the substations is through the rates, and he was adamant that he would not support a rate increase for this purpose. He does not think it is fair to ask our low income customers to subsidize a business. He said he feels it is the responsibility of the business owners to allow enough profit to support their families. He said he believed the county is on the cusp of growth and that this is the fairest method to each rate class. One key point, he said, was that this is the hybrid model, where 40% of the substation was being paid for by the District and its ratepayers for the purpose of system reliability. He pointed out that this is a value to all customers.

Ms. Gott said that initially she felt the concept had been vetted thoroughly and made the motion several meetings ago to pass the resolution, but it did not pass. However, since that meeting she has met with the Chamber, the Economic Development Council, and has heard from several builders and stakeholders. She thanked those who contacted her and said it is a difficult decision. She pointed out that the reason the District did not plan for this growth a decade ago is because the economy was very bad then and it would have been poor planning at that point. She said she has heard studies that predict a major growth in the need for electricity in the future, and the District would be remiss if it did not start planning for that now. She explained that she has seen examples of where government entities

have not planned and she does not want the PUD in that position. She finished by stating that while the District will most likely have to raise rates for reasons beyond its control, such as fish costs, Bonneville Power wholesale rate increases, costs associated with requirements under the Energy Independence Act (I-937), or future carbon tax initiatives, she would not favor a rate increase to fund a substation.

Mr. Jorgenson stated that the District has had to raise rates to its customers regularly because of the rate increases from the Bonneville Power Administration on its wholesale power rates. He pointed out that the District did not raise rates in 2017. Mr. Jorgenson noted that Mason PUD 3's rates are below most of its neighboring utilities. He believes this is the most prudent way to look at the substation funding issue. He explained that each of the commissioners are ratepayers as well.

Mr. Farmer followed up by pointing out that it is a transparent issue and the substation funding would be its own line item to be reviewed by staff and public. He talked about the fairness of the methodology and the benefits of being a public utility.

THE MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Creekpaum reported that the District intends to notify the Bonneville Power Administration (BPA) by May 1, 2017, of its intention to change its Operating Reserve Service Provider to Tacoma Power.

Ms. Patterson explained that staff is working on an agreement with Tacoma Power to have them supply the District's operating reserve obligation for Fiscal Year 2018-2019. She noted that operating reserves are needed to serve load in the event of a system contingency. There are two types. One is spanning which is required immediately when the BPA dispatch requires. Whereas, supplemental is not required immediately.

Ms. Patterson further explained that because PUD 3 is not a generating utility, it simply pays the BPA a rate for its obligation. Currently, Tacoma Power self-supplies its operating reserves obligation and would simply increase their obligation by Mason PUD 3's requirement.

Ms. Patterson informed the commission that under this agreement, Mason PUD 3 will save between \$40,000 and \$80,000. The reason for the large range is due to a possible change in the Western Electric Coordinating Council's (WECC) standards, whereby it would no longer require the higher-cost spinning reserves, and allow all of the output as supplemental.

She told commissioners that staff is working with Terry Mundorf of Mill Creek Law for provisions as well as consulted with individuals from the BPA, Northwest Requirements Utilities (NRU) and the Public Power Council (PPC). Ms. Patterson also informed the commission that staff is continuing to research other options for cost savings.

Mrs. Creekpaum followed up by saying that it is a benefit for the District to begin a working relationship with Tacoma Power as the two utilities will be working together on the installation of fiber for mutual benefit and to support the District's Grid Modernization project.

Mrs. Creekpaum gave an update on the Grid Modernization project. She said that approximately 10,750 meters have been installed, 132 routers, and 10 collectors. She noted that 3 customers have opted-out so far.

Mrs. Creekpaum reported that the District will begin the process to move its bill printing and mailing service from the 3rd party of Infosend to the National Information Solutions Cooperative (NISC) which is the integrated system that the utility uses throughout its departments.

Mrs. Creekpaum then reported that the District is making progress on its lease negotiation for the Belfair office location.

Mrs. Creekpaum informed the commission that the Washington Public Utility Districts Association (WPUDA) will be holding several meetings at the Alderbrook Resort in Union for technical training and sharing of information. She noted that the customer service group, records group, finance officers group, and managers will all be meeting throughout the week.

Mrs. Creekpaum announced that the District received a second place safety award for from the Northwest Public Power Association.

At Mrs. Creekpaum's request, Mr. Myer gave a legislative update. He noted that the legislature is in special session and the District is monitoring bills that may have new life which could impact the industry and/or PUD 3 directly.

Mrs. Creekpaum noted that there will be a special meeting on May 2nd, since the May 9th meeting has been cancelled for lack of a quorum.

COMMISSIONERS' REPORT

Ms. Gott said she attended a NoaNet meeting on April 12 in Spokane.

Mr. Farmer reported that he will be attending the Northwest Public Power Association Annual Conference in May. He also plans to attend the WPUDA strategic planning session on the 18th.

DISCUSSION

Mr. Farmer asked if staff could prepare a presentation about the Federal low-income energy assistance programs as well as the low-income senior, low-income disabled discounts, and budget billing programs.

Mrs. Creekpaum suggested that could be prepared for the May 23rd meeting.

GOOD OF THE ORDER

After a calendar review and with no further business appearing, the commission meeting adjourned at 10:59.

Bruce E. Jorgenson, President

ATTEST:

Thomas J. Farmer, Vice President

Linda R. Gott, Secretary