

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

President Bruce Jorgensen called a regular meeting to order on 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, July 24, 2018.

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

The following PUD 3 personnel were present: Director of Business Services John Bennett; Director of Business Operations Michelle Burleson; Customer Service Manager Diane Hennessy; Telecommunications & Community Relations Manager Justin Holzgrove; Director of Engineering and Utility Services Dale Knutson; Public Information & Government Relations Manager Joel Myer; Assistant Public Information & Government Relations Manager Lynn Eaton (recorded minutes).

Members of the public in attendance were: Tom Hyde of Shelton, Tim Karnoski of Castle Rock, Billy Lesmeister of Tenino, Randy Lewis of Shelton, Trent McGhee of Kelso, Roger Nelson of Auburn, Norm Olson of Port Orchard, Dick Roderick of Public Utility Risk Management Services (PURMS), and Kevin Shutty *Mason County Commissioner.*

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented

CONSENT AGENDA

Mr. Jorgensen 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 July 10, 2018 regular commission meeting		
b. Voucher Nos. (July 17, 2018)	146675 through 146783	\$ 2,873,142.29
	(Includes electronic funds transfer payment Nos. 12725–12910	
c. Voucher Nos. (July 24, 2018)	146784 through 146839	<u>\$ 250,915.27</u>
	(Includes electronic funds transfer payment Nos. 12911-12913	
	TOTAL	\$ 3,124,057.56

\* 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

At Mrs. Creekpaum’s request, Mr. Knutson provided the history of the easement request to the Department of Natural Resources (DNR) for overhead primary power to the Parkerville and Tenas Lake area that began in 2007. The first request was denied by DNR. However, PUD 3 continued to pursue an easement with DNR in order to provide electrical redundancy (a backfeed) into divisions 2, 3, and 4 from 2007 to 2014. Multiple PUD 3 electrical designs and the submission of two professional surveys were submitted however proved unsuccessful.

In 2012, the United States Forest Service (USFS) sought to provide underground service to the Big Creek Campground. Ultimately the USFS agreed to pay for an underground primary extensions, this brought power less than 2,000 feet from the Parkerville development. At first USFS denied the PUD 3 request to extend the power line to the Parkerville development. In March 2017, another request was submitted by PUD 3 and the USFS processed a Special Use Permit. Upon legal review by PUD 3’s attorney Robert Johnson, it was discovered that the language in the permit included “strict liability”. The USFS ultimately modified its language to remove the “strict liability” term, however added language that implies strict liability, removed a \$1 million cap, and required specific insurance coverage.

Mr. Johnson stated that the PUD cannot legally agree to requirements within the permit as it stands. Mr. Roderick also explained that the district’s insurance provider, the Public Utility Risk Management Services (PURMS), is unable to provide coverage required by the language in the permit as it is currently written. Mr. Johnson explained that an agreement like this could also set a precedent and impact an industry currently not liable for failures as PUDs could face expensive costs for restoration and fire suppression.

Several members of the community spoke, and after a brief discussion it was decided that Mr. Johnson will attempt to contact the United States Attorney’s Office to discuss a possible solution. Mr. Knutson noted that he would be the contact person for the community to stay in touch with as the process continues.

COMMENTS FROM THE PUBLIC

Public comment was given by resident Hyde and resident Lewis.

### ACTION ITEMS

Recommendation was made to Adopt Resolution No. 1711, A Resolution “Authorizing the Application to the Community Economic Revitalization Board (CERB) Rural Broadband Program”.

Mr. Farmer moved, motion seconded by Ms. Gott, to approve the Resolution No. 1711, “Authorizing the CERB grant/loan submission in resolution form”. After a short discussion, MOTION PASSED UNANIMOUSLY.

### STAFF REPORT

Mr. Taylor reviewed the status of the budget as of June 30, 2018, with the commissioners. The month-end receipts for June were \$5.4 million, expenditures were \$4.8 million. Finishing the month with a budget balance of \$543,000 for the month and \$2.8 million for the year to date.

Mr. Taylor then provided the treasurer’s report of funds through June 2018. The opening cash balance for June was \$5 million and was \$5.7 million at month’s end. The total of all funds at month-end were \$35.5 million.

Mrs. Creekpauam reported that the bid opening for the Totten substation transformer will be held this week.

Mrs. Creekpauam also noted that staff is in discussions with the Bonneville Power Administration (BPA) regarding its Potlatch substation. The district is obtaining permission from the BPA to conduct a survey and obtain an appraisal to determine the current value and options for future substation needs in that area.

Mrs. Creekpauam then informed the commission that the temporary spill surcharge will begin appearing on customer bills in August. For August, the amount added to PUD 3 customer bills is \$1.32 per customer. The other three months are expected to be comparable. PUD 3’s total share of the program costs is estimated at \$150,000 for the four-month biological experiment. She explained that customers will be notified through a billing message on their bills, an article in the newsletter, a news release, and additional information on the PUD’s website.

Mrs. Creekpauam also noted that the BPA’s wholesale power bill for the month of June included an oversupply charge for wind which happens when there is a high-water month and wind production must be curtailed as they lose production tax credits. She explained that while this surcharge will not be passed along as a line item on customers’ bills this month, it is something to consider if the PUD continues to see charges like this from the BPA.

At Mrs. Creekpauam’s request, Mrs. Hennessey gave a report on the status of the District’s low income programs. Mrs. Hennessey noted that she looked at neighboring utility programs and compared them to Mason PUD 3’s. She noted that the combination of our low-income senior and low-income disabled discounts are generous programs compared to other surrounding utilities. She said that there are currently 2,766 accounts receiving a discount amounting to a \$1.1-million-dollar savings for those customers combined. She further explained that the income qualifications along with the value of the discount are both greater than most other utilities and added that some utilities (including Mason PUD 1) do not offer a discount program at all. Her recommendation was to not make any changes to the PUD’s current low-income programs.

At Mrs. Creekpauam’s request, Mr. Holzgrove then gave an overview of a potential “low-income fiber” program to help the District’s qualifying low-income customers with the cost to access broadband. He explained that if approved, the PUD would reduce its wholesale network access port cost from \$35 to \$25 and require the retailer to pass along the savings to its qualifying customers. He also noted that he has been in contact with two of the District’s retailers who have both verbally agreed to match the discount, lowering the cost by another \$10 to the end user. He noted that this is another way the PUD is demonstrating a public/private partnership. He explained that if the commission is interested in exploring this type of program, staff would be able to bring a full proposal to the commission at a future meeting. Mr. Farmer and Ms. Gott both expressed interests in pursuing this type of program.

Mrs. Creekpauam then reported that letters were being mailed to customers in the Collins Lake area notifying them of the ability to connect under the recently completed Fiberhood build.

Mrs. Creekpauam asked the commission if they were interested in adopting a resolution in support of the sixth District U.S. Representative Derek Kilmer’s co-sponsored bill *H.R.6442 Broadband for All Act* that creates refundable tax credits for businesses and groups of people who team up to build the infrastructure that connects them to the country’s existing rural broadband service. She explained that a tax credit of this type would benefit customers who participate in the Fiberhood programs as well as other joint projects. Mr. Farmer and Ms. Gott both expressed an interest in considering a resolution in support of the bill.

Mrs. Creekspaum informed the commission that the Behavioral Health Organization (BHO) which purchased the District's downtown administration building, recently received a \$1.9 million dollar grant to renovate the building.

At Mrs. Creekspaum's request, Mr. Myer gave a legislative update. He expanded on several issues that may have an impact on the utility such as the status of the Columbia River Treaty, rural broadband, potential legislation by Governor Inslee on broadband, cryptocurrency, electric vehicles, fire liability, 100% clean energy bill, carbon free bills, post 2020 energy independence act, etc. He also reported on the District's participation in the Shelton Mason County Chamber of Commerce Business Expo and the Allyn Day's festivities.

#### COMMISSIONERS' REPORT

Ms. Gott reported that she called in to the July 10 commission meeting as she was traveling for Energy Northwest (ENW) and the Northwest Power Conservation Council (NWPCC) meetings. She also noted that the Policy Makers Council participants are in Washington DC, however she declined to travel this year for that group. She also reported her attendance to the Washington Public Utility Districts Association (WPUDA) meetings in Chehalis.

Mr. Farmer also reported his attendance at the Washington Public Utility Districts Association (WPUDA) meetings in Chehalis. He also noted his attendance to Allyn Days.

#### GOOD OF THE ORDER

After a calendar review and with no further business appearing, the meeting adjourned 11:23 a.m.

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Bruce E. Jorgenson, President

ATTEST:

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Thomas J. Farmer, Vice President

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Linda R. Gott, Secretary