

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

The Commissioners of Public Utility District No. 3 of Mason County, Washington met in a meeting in the PUD 3 auditorium at 307 W. Cota Street in Shelton, Washington on Tuesday, August 4, 2009.

President Linda Gott called the meeting to order at 10:03 a.m. District officers present were Commissioners Thomas J. Farmer, Linda R. Gott, and Bruce E. Jorgenson; Manager Wyla Wood; Finance Manager/Auditor Annette Creekpaum; and Attorney Rob Johnson. (Treasurer Sherry Speaks was on personal leave.)

PUD 3 employees in attendance were: Power Supply Analyst Diane Archer; Accounts Payable Specialist Dani Benedict; IS Manager John Bennett; Distribution Engineer/Metering Supervisor Koral Buck; Service Engineering Technician Mike Dahman; Administrative Assistant (HR) Thedra Flink; Temporary Accounting Assistant Emily Gott; System Engineering Supervisor Chris Hancock; Administrative Assistant Lynn Harvey; Storekeeper Jason Hitsman; Facilities Specialist Randy Howard; Maintenance Engineering Technician Chris Jorgensen; Telecommunications Manager Dale Knutson (arrived at 10:09 a.m.); Public Information Officer Joel Myer; Benefits Coordinator Ilene Olson; Shelton Line Superintendent Scott Peterson; Engineering Manager Terry Peterson; Energy Services Coordinator Renee Porter; Senior Power Supply Analyst Matt Samuelson; Telecom Customer Care Coordinator LaDonna Schuh; Distribution Engineer Mike Simmons; Operations Manager Bob Smith; Purchasing Assistant Tina Ward; Human Resources Manager Michelle Wicks; IS Support Technician Janet Vazquez; Purchasing Manager Terry Young; and Assistant to the Manager Nancy Bolender (recorded minutes).

Members of the public in attendance included: Randy Cook of TCF Architecture; Peter Gonzales of Pyramid Engineering; Jeff Green of *The Shelton-Mason County Journal*; Shelly Hargraves of Shelton; Court Olson of Olympic Associates; and Steve Strand of Shelton.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was approved as presented.

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. The MOTION PASSED UNANIMOUSLY.

By adopting the consent agenda, the following items were approved:

- A. Minutes of the July 21, 2009, regular commission meeting.
- B.\*

Voucher Nos. (dated July 28, 2009) 102507 through 102611	— \$	493,191.39
(includes electronic funds transfer payment number 255)		
Voucher Nos. (dated August 4, 2009) 102612 through 102686	— \$	<u>468,877.08</u>
(includes electronic funds transfer payment number 254)		
TOTAL	\$	962,068.47
- C. Void accounts payable checks for the week ending July 24, 2009, in the amount of \$78.00.
- D. Contract Action:
  - (1) Call for Bids L1-2009, Reconstruction of Mountain View Substation

Recommendation was made to issue a formal call for bids for the reconstruction of the Mountain View substation. The engineer's estimate for the work is \$1,523,000. The project will involve the removal of all existing equipment at the current substation, except for the power transformer; and the construction of a new control building with solid state electronic protection and controls; four new 1200 amp 15 kV breakers, distribution bus and regulation. Also, an additional four 1200 amp SF6 115 kV breakers will be installed in a ring bus fashion to provide reliable transmission protection to the Johns Prairie and Mason substations.

\* 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

Ms. Gott welcomed those present and stated that comments would be accepted throughout the meeting.

ACTION ITEMS

Resolution No. 1479 was presented to the commissioners for their consideration. It is "A Resolution Adopting Amendment No. 1 to Public Utility District No. 3 of Mason County OPEB Trust Agreement" which was originally adopted by Resolution No. 1446. It was explained that the OPEB (Other Post Employment Benefits) trust agreement had been sent to the Internal Revenue Service (IRS) to get a letter ruling as required by the

Governmental Accounting Standards Board (GASB) statement 45. The IRS is requesting minor modifications, as proposed in this resolution, in order for the PUD to be in compliance with GASB 45 and receive its letter ruling.

Mr. Farmer moved, motion seconded by Mr. Jorgenson, to adopt Resolution No. 1479. Following questions regarding the trust and the modifications to it, the MOTION PASSED UNANIMOUSLY.

The commissioners then brought Resolution No. 1480 up for consideration. It is "A Resolution Appointing the General Manager for the Purpose of Designating Certain Expenditures for Potential Reimbursement From Obligations That May Be Authorized and Approved for Issuance by the Board of Commissioners of Public Utility District No. 3 of Mason County in the Future."

It was explained that Energy Northwest is submitting an application for Clean Renewable Energy Bonds (CREB) for the proposed Mustang Ridge and Radar Ridge Wind Projects, in which PUD 3 has expressed interest in participating. As part of the submittal, each participating utility in the projects must adopt a similar resolution in order to allow Energy Northwest to proceed with the application for CREBs, and to allow the utilities to include in the bond request the amount of money they've already spent towards the projects.

Mr. Farmer moved, motion seconded by Mr. Jorgenson, to adopt Resolution No. 1480, "A Resolution Appointing the General Manager for the Purpose of Designating Certain Expenditures for Potential Reimbursement From Obligations That May Be Authorized and Approved for Issuance by the Board of Commissioners of Public Utility District No. 3 of Mason County in the Future." MOTION PASSED UNANIMOUSLY.

Resolution No. 1481, "A Resolution Declaring Vehicle Surplus," was presented to the commissioners. This resolution declares vehicle 456, a 1998 Jeep Cherokee 4x4 SUV surplus and authorizes the sale or disposal of it as appropriate. The vehicle will be offered as surplus under surplus sale bid number S6-2009.

Mr. Jorgenson moved, motion seconded by Mr. Farmer, to adopt Resolution No. 1481, "A Resolution Declaring Vehicle Surplus." MOTION PASSED UNANIMOUSLY.

A recommendation was made to approve the purchase of a 2009 Ford Escape for a price of \$20,730 plus taxes off the Washington State Contract No. 04708. This vehicle will replace the 1998 Jeep Cherokee surplus under Resolution No. 1481.

Mr. Jorgenson moved, motion seconded by Mr. Farmer, to approve the purchase of a 2009 Ford Escape off the Washington State contract for a price of \$20,730 plus taxes. MOTION PASSED UNANIMOUSLY.

#### STAFF REPORTS

A copy of a letter addressed to Public Lands Commissioner Peter Goldmark about the proposed Radar Ridge Wind Project was given to the commissioners. Mr. Samuelson explained the letter was written by participants in the project, including PUD 3, to clarify the record about the wind project following concerns expressed in a letter previously written and distributed by the Pacific Seabird Group on June 24, 2009.

Mrs. Wood provided a copy of an email from the Public Power Council regarding the Bonneville Power Administration's (BPA) decision to increase wholesale power rates by 6.95 percent beginning October 1<sup>st</sup> (for the 2010-2011 rate period). PUD 3 staff had budgeted for a five percent increase in 2009, but will have to review what impacts there will be, if any, in the 2010 budget.

Mrs. Wood also handed out a graph of the BPA's balancing authority load and total wind generation for the period of July 23-30, 2009. During this time the region's weather was influenced by a strong high pressure system that caused extremely hot temperatures. The graph shows that during these high pressure systems, which occur in the spring and winter causing periods of extreme temperatures, wind generation is negligible and can't be counted upon to handle much of the increased energy demand.

#### REPORT OF COMMISSIONERS

Mr. Farmer reported he had attended the American Public Power Association's economic development and broadband conference last week in San Francisco. However, he said he would defer his report on the conference until a later meeting due to the full agenda today.

Mr. Jorgenson gave a brief report on the Western Public Agencies Group (WPAG) meeting he attended on July 23<sup>rd</sup> in Tacoma. An update on current issues was given, including BPA's proposals to serve the direct service industries.

Ms. Gott reported on the Energy Northwest (ENW) board of directors and executive committee meetings she attended in Richland July 22-23. She noted that two utilities, the City of Centralia and Lewis County PUD, had applied to join ENW and were approved as new members by the board of directors. She also said she was invited to attend meetings of the succession planning committee, made up of executive board members, as they discuss finding a replacement for Chief Executive Officer Vic Parrish, who is retiring mid-2010.

Ms. Gott also reported on the PUD's booth at the Mason County fair which was held July 24-26. Turnout was lower than past years, possibly due to the extreme heat. The PUD's handheld fans were popular with the fair attendees.

Together the commissioners reported on their walk-through of the new Mason County public works facilities with Mrs. Wood and Mr. Myer. The facilities were designed to allow additions to them in the future. They noted that the 100-plus temperatures of the last week have caused problems with asphalt at the site, as well as at other areas in the county.

#### DISCUSSION ITEMS

Ms. Gott introduced Mr. Randy Cook, of TCF Architecture, who presented an overview of the cost estimate summary that was derived from the schematic design phase of the proposed Johns Prairie operations center construction. He explained that the schematic design is a process to develop the proposed building footprints for what could be developed on the site. These footprints, together with the associated preliminary designs and square footages begin to give building volumes, which in turn help to better develop cost estimates.

Mr. Cook provided copies of the cost estimate summary (attached to these minutes), which outlined six areas of estimates. These areas include: site work; buildings; project soft cost estimates, such as taxes, permits, consulting services and testing services; furnishings, fixtures and equipment estimates; owner-provided construction scope; and a project construction contingency. The total project cost estimate, with the construction contingency, is \$41,917,173. Mr. Cook explained that this is a conservation estimate and the costs could be less, especially with the competitive bidding climate.

Ms. Gott then introduced Court Olson, of Olympic Associates Company (OAC), who has been retained by PUD 3 as the project manager for the proposed Johns Prairie project.

Mr. Olson explained that his firm was hired by PUD 3 to help with project development and management and that OAC has no connection to TCF Architecture. He proceeded to give a background review of the process to date and economic calculations used to evaluate the four options previously presented to the commissioners. He pointed out that all four options retain a customer service presence in downtown Shelton. He also noted that deferring any construction increases the costs by inflation alone. A copy of the information he presented is also attached to these minutes.

TCF Architecture had estimated the costs of four different facilities scenarios: 1) build new warehouse at Johns Prairie now and defer administrative and engineering offices in downtown Shelton for ten years (\$50.3 million); 2) build new operations center at Johns Prairie now including administrative and engineering offices (\$41.2 million); 3) build new warehouse at Johns Prairie and new administrative and engineering offices downtown now (\$41.5 million); and 4) building new warehouse at Johns Prairie now and defer administrative and engineering offices at Johns Prairie for 10 years (\$51.2 million). Mr. Olson explained that these costs are referred to as the first major cost for consideration.

The second major cost identified were costs associated with trips between the present administrative and engineering offices and the warehouse facilities. TCF estimated that with new warehouse facilities at Johns Prairie and administrative and engineering offices downtown, likely staff costs for travel between the two locations would be \$370,000 in the first year, and \$50.7 million over the fifty-year building life. However, if the full build-out were done at Johns Prairie, the travel cost would disappear. Mr. Olson pointed out that although the travel costs could be reduced from what they are estimated to be, they would never be as low as having the offices located together.

A third major cost estimated over 50 years was the cost to operate and maintain the new buildings. However, since each of the four project scenarios anticipated all new facilities of about the same size, these operations and maintenance costs did not significantly differ.

Another consideration, and a fourth major cost, was the expected savings in staff productivity that would occur with staff working in new "green building" facilities. Over the expected fifty-year life of the new facilities, this cost element turned out to be the largest of the major cost factors and also the one with the most variability between the four scenarios. Using information from recent research studies in office buildings (two percent productivity increase savings for green buildings and an additional two percent savings increase with co-location and resulting convenient adjacencies), OAC with TCF estimated this saving to be about \$52 million over 50 years for the project scenario with all facilities located on a single campus.

When looking at each of the major cost concerns, except the operation and maintenance (third) major cost which showed negligible differences, Mr. Olson confirmed that the full build-out of facilities (option 2) at the Johns Prairie location is the most cost-effective long-term facilities scenario and it is this option recommended by both OAC and TCF Architecture. Mr. Olson stated that it is a "no brainer" from a cost standpoint to build everything at the Johns Prairie site now. In other words, he feels the full build-out on the property is the obvious economic choice.

Following Mr. Olson's presentation, Ms. Gott called for staff comments. She proceeded to note for the record that

a little over one and one-half years ago a construction committee had formed to consider new warehouse facilities. At that time, a commissioner was asked to participate on the committee. She noted Mr. Jorgenson was not interested as he was just finishing up his integral role as a member of the Washington PUD Association's new building committee. Mr. Whalen was not interested either, so she attended as many meetings as possible on behalf of the board.

Mrs. Wood emphasized the project to build new facilities has been planned for a very long time (since 1994) and has taken a large number of staff hours over the years. The goals for the project were for low maintenance facilities that have a light footprint environmentally and are long lasting (at least 50 years). She pointed out TCF Architecture had expertise in the types of buildings desired, and Court Olson had done a great job as project manager for the Washington PUD Association's new building. Therefore, the selections of these two firms were good choices. She feels the community needs the PUD to provide leadership with this project, and from her discussions with Pierce and Mason County officials, there is a large value to be recognized in employees being in one location. Therefore, she and staff support the recommendation of the consultants to proceed with the full build-out at the Johns Prairie site while maintaining a customer service office in downtown Shelton.

At Ms. Gott's request, Mrs. Creekpauam explained that staff has been planning for several years to be able to proceed with building new facilities while maintaining our monthly cost for debt service at the current level. She has provided graphs of how some of the PUD's bonds will be paid off in the next few years, so borrowing money for this and other needed projects will not raise the utility's debt service costs above current levels. Mrs. Creekpauam has spoken to the PUD's financial advisor and bond attorney and both are comfortable with the proposed project.

Mr. Farmer explained that over the seven months he has been commissioner, he has met with employees, toured the PUD's facilities, as well as other agencies' facilities and attended several meetings of the building committee. He stated that the utility could defer the project and lower costs, but questioned how anyone could sleep knowing they're putting off the decision onto future generations. While it is a costly decision, and a hard one to make, Mr. Farmer said he would support moving to the next phase of the project.

Mr. Jorgenson said his position hadn't changed and reiterated his ongoing support for a portion of this project, and that is building new warehouse facilities at the Johns Prairie site. He stated that he knows TCF can build a great building, but sees no reason to move out of the downtown buildings. He told Mr. Olson that he found his math "very innovative" and would leave his comments at that.

Ms. Gott expressed her appreciation for everyone's comments and Mr. Jorgenson's concerns.

Ms. Gott moved to accept the schematic design phase of the Johns Prairie Operations Center as outlined by Randy Cook of TCF Architects and authorize the manager to bring before the commission at its next meeting quotes from TCF Architects and Court Olson of Olympic Associates for performance of the phase two design development stage. This final design stage will incorporate building of a new operations, warehouse, and maintenance facility with engineering and administrative offices at our Johns Prairie property in accordance with the cost estimate summary as presented today. Mr. Farmer seconded the motion and a brief discussion ensued.

Mr. Farmer pointed out that a customer service presence would remain in downtown Shelton and he wants the PUD to be a major partner with the city. He noted that an industrial utility needs to be in an industrial area.

Ms. Gott explained she always felt that engineering and operations should be located at the Johns Prairie site, but hadn't planned on the other offices moving. However, she changed her mind as she realized the efficiencies to be gained by moving other utility functions to the property. In addition she has received overwhelming feedback in favor of the move.

Ms. Gott called for the vote on the motion and the MOTION PASSED with Mr. Jorgenson voting no.

GOOD OF THE ORDER

Following a calendar review, during which it was noted that the next regular commission meeting will be held on August 18, 2009, and with no further business appearing, the meeting adjourned at 11:30 a.m.

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Linda R. Gott, President

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Bruce E. Jorgenson, Vice President

ATTEST:

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Thomas J. Farmer, Secretary