

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 conducted a regular business meeting in the PUD 3 auditorium at 307 W. Cota Street in Shelton, Washington on Tuesday, October 27, 2009.

President Linda Gott called the meeting to order at 10:00 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; Treasurer Sherry Speaks; and Attorney Rob Johnson.

PUD 3 employees in attendance were: Service Engineering Assistant Theresa Ancich; E&O Assistant/ Environmental Technician Season Eddings; Temporary Accounting Assistant Emily Gott; Maintenance Engineering Technician Chris Jorgensen; Administrative Assistant Lynn Harvey; Power Supply Manager Jay Himlie; CSR-Customer Credit Wendi Kirk; Telecom Manager Dale Knutson (arrived at 10:05 a.m.); CSR-Account Specialist Terri Lanman; Public Information Officer Joel Myer; Engineering Manager Terry Peterson; Junior Accountant Jennifer Renecker; Senior Power Supply Analyst Matt Samuelson; GIS Technician Brian Schneidmiller; Telecom Customer Care Coordinator LaDonna Schuh; Operations Manager Bob Smith (arrived at 10:16 a.m.); Service Engineering Supervisor Brad Smotherman; E&O Support and Special Projects Bellaine West; and Assistant to the Manager Nancy Bolender (recorded minutes).

Members of the public in attendance were: Dedrick Allen of KMAS Radio; Louis Cofoni of Shelton; Herta Fairbanks of HDR Engineering, Olympia; Pete Gonzales of Pyramid Engineering, Federal Way; Tim Hume of HDR Engineering, Olympia; and John Komen of Mason Lake.

MODIFICATION AND/OR APPROVAL OF AGENDA

The agenda was accepted as presented.

CONSENT AGENDA

Ms. Gott reviewed the items listed on the consent agenda.

Mr. Farmer moved, motion seconded by Ms. Gott, to adopt the consent agenda. Following questions relating to various voucher items, the MOTION PASSED UNANIMOUSLY.

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

- A. Minutes of the October 20, 2009, regular commission meeting.
- B.* Voucher Nos. 103865 through 103972 — \$ 1,690,383.23
(Includes electronic funds transfer payment number 282)
- C. Void accounts payable checks for the week ending October 23, 2009, in the total amount of \$5,208.07.
- D. Contract Action:
 - (1) Issue a Request for Qualifications (RFQ) for Design Engineer (Johns Prairie Water System Extension)

Recommendation was made to issue a request for qualifications to begin the process of selecting an engineer to design the water extension on Johns Prairie Road to the proposed operations center.
 - (2) Selection of Vendor for Scrap Metal Disposal Service

Recommendation was made to select Wilson Recycling, Inc. of Shelton to dispose of scrap metal. The contract will be for two years with the option to extend by one year if agreed upon. Wilson provided the best quotation for this disposal.

* 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 comments would be accepted throughout the meeting.

Mr. Komen commented on the number of items on the commission agenda related to the design and construction of the new Johns Prairie Operations Center. He asked the commission to stop the current process and set the proposal aside for future consideration.

Mr. Cofoni provided some suggestions for highlighting articles of key importance in the PUD's newsletter.

ACTION ITEMS

Ms. Gott stated the large number of action items on the agenda were due to the fact that the last two weeks' meetings had only two commissioners present.

Resolution No. 1491, "A Resolution Adopting an Administration Filing Fee for Appeal of SEPA Determination," was presented to the commissioners for consideration.

Mr. Farmer moved, motion seconded by Mr. Jorgenson, to adopt Resolution No. 1491, "A Resolution Adopting an Administration Filing Fee for Appeal of SEPA Determination." The board then asked for further clarification.

Mr. Johnson explained that the SEPA process involves an agency issuing a determination, hearing/receiving comments on that determination, and issuing a final determination. Upon the issuance of a final determination, if an individual or agency feels that the environmental impacts of a project have not been mitigated sufficiently, an appeal can be filed to the agency. This resolution, if adopted, would require that when an appeal is filed with the PUD as lead agency, a fee of \$200 would be paid. The \$200 fee recommended for adoption is significantly lower than the cost of a SEPA appeals process to the issuing agency. His review of various agencies' filing fees found they ranged up to \$500.

Following additional questions, the MOTION PASSED UNANIMOUSLY.

A recommendation was made to authorize the manager to sign the contract for TCF Architecture to create the construction documents necessary for the Johns Prairie operations center. It was explained that the construction documents use the design documents to develop comprehensive construction drawings and specifications that are used to secure a building permit, to competitively bid the work among qualified contractors and ultimately as the basis for the construction of the project. The cost of this contract with TCF Architecture, which is based on the American Institute of Architects (AIA) and state fee schedules, is \$1,341,622.

Mr. Farmer moved, motion seconded by Ms. Gott, to authorize the construction documents phase of the Johns Prairie operations center and authorize the manager to sign the contract with TCF Architecture in the amount of \$1,341,622.

Mr. Jorgenson reiterated his position in favor of moving the warehouse and operations to Johns Prairie but against moving the administrative offices. He estimated that 150 people have approached him about the proposed move and only one person has expressed support for it. As a result, he would like the PUD to hold another, well advertised meeting, with only the commissioners presenting information to interested members of the public.

Mr. Jorgenson moved to table the motion before the board until after such a meeting. The motion died for lack of second.

Ms. Gott revisited the motion before the board authorizing the construction documents phase of the Johns Prairie operations center and authorizing the manager to sign the contract with TCF Architecture in the amount of \$1,341,622. MOTION PASSED with Mr. Jorgenson voting no.

A recommendation was made for the commissioners to adopt extension #3 with Olympic Associates Company for project management services on the Johns Prairie operations center. This extension would continue Court Olson's role as project manager through April 2010 and adds \$32,400 to already agreed upon contracts. The scope of work includes project management support during ongoing design work, but does not include any services supporting construction work.

Mr. Farmer moved, motion seconded by Ms. Gott, to adopt extension #3 with Olympic Associates Company for project management services on the Johns Prairie operations center through April 2010 for a cost of \$32,400. MOTION PASSED with Mr. Jorgenson voting no.

Recommendation was made for the board to release a State Environmental Policy Act (SEPA) threshold determination of nonsignificance for the Johns Prairie operations center project. The SEPA checklist has been completed as have studies required as part of the SEPA process including traffic impact, geotechnical, wetland and stream reconnaissance and hydrogeologic. These studies are included as part of the SEPA checklist. A legal notice opening a two week comment period will be in *The Shelton-Mason County Journal* beginning November 5th. Comments must be submitted by November 19th, with a final determination scheduled to be issued November 24th.

Ms. Gott moved, motion seconded by Mr. Farmer, to release a SEPA threshold determination of nonsignificance for the Johns Prairie operations center project. MOTION PASSED with Mr. Jorgenson voting no.

Mr. Farmer suggested talking to Mason Transit to see about extending its bus service out to the operations center site in the future.

Recommendation was made to authorize the manager to sign a contract with Olympic Associates Company for

project management on the Johns Prairie water system extension of the city of Shelton's water. Court Olson will act as owner's representative and assist with the selection committee and other design-related issues. The total not-to-exceed amount of this contract is \$35,300.

Mr. Farmer moved, motion seconded by Ms. Gott, to contract with Olympic Associates Company for project management on the Johns Prairie water system extension for a not-to-exceed amount of \$35,300. MOTION PASSED with Mr. Jorgenson voting no.

Mr. Himlie reported that November 1 is a decision point as to if what tier two product, if any, PUD 3 wants to take from the Bonneville Power Administration (BPA). He explained that BPA is offering a new tiered rate system in the upcoming long-term power contract. Under the program, utilities are allocated a certain level of electricity in one tier that can be purchased at the lowest available rate provided by the federal generation system. Energy loads above that level would be in the second tier, and purchased at a higher rate provided by market purchases.

Mr. Himlie handed out information on the various alternatives from BPA, needs under Washington's Initiative 937, and comparisons of costs.

Staff recommended that the PUD meet energy needs above its initial BPA allocation with the short-term tier two option. In the interim, the PUD will be considering the short and long-term energy requirements of its customers and how the new structure will complement the requirements of Washington State's renewable energy mandates. On average, this will not have an immediate impact on the price of electricity purchased from BPA, but because it will result in some price volatility from month to month, it will mean more active management of PUD reserves to minimize local budget impacts.

Mr. Jorgenson moved, motion seconded by Mr. Farmer to purchase the short-term tier two option from the BPA for the PUD's energy needs above its initial BPA tier one allocation. MOTION PASSED UNANIMOUSLY.

Resolution No. 1492, which is "A Resolution Authorizing the Execution of Amendment No. 1 to Power Sales Contract (Contract No. 09PB-13068 Executed 11/25/08) Executed by the Bonneville Power Administration and Public Utility District No. 3 of Mason County, Washington," was brought before the commissioners. The amendment revises definitions in the power sales contract to be consistent with the final tiered rate methodology and other agreed upon revisions.

Mr. Jorgenson moved, motion seconded by Mr. Farmer, to adopt Resolution No. 1492, "A Resolution Authorizing the Execution of Amendment No. 1 to Power Sales Contract (Contract No. 09PB-13068 Executed 11/25/08) Executed by the Bonneville Power Administration and Public Utility District No. 3 of Mason County, Washington." MOTION PASSED UNANIMOUSLY.

Resolution No. 1493 "A Resolution Declaring Distribution System Items Surplus," was then presented. It authorizes the sale or disposal of the various transformers and system equipment.

Mr. Jorgenson moved, motion seconded by Mr. Farmer, to adopt Resolution No. 1493, "A Resolution Declaring Distribution System Items Surplus." MOTION PASSED UNANIMOUSLY.

Mr. Himlie recommended changes to the way in which PUD 3 addresses the removal, decommissioning, and disposal of a customer's inefficient refrigerator or freezer. He explained that BPA has made changes to this program that requires verification that the appliance is operable, along with additional paperwork. Under the proposal the process would be contracted to JACO Environmental (for a two-year period), which would handle all of the new requirements thereby easing the work load on PUD 3 energy services staff. Customers will receive a \$30 billing credit for up to two units removed from their home and JACO will be reimbursed for its role in the process through BPA conservation programs.

Mr. Jorgenson moved, motion seconded by Mr. Farmer, to modify the appliance recycling program as outlined by Mr. Himlie and authorize contracting with JACO Environmental for a two-year period to operate the program. MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mr. Samuelson reported that the Discovery Chapter (Pacific County) of the Audubon Society has issued a statement of support for the Radar Ridge wind project in southwest Washington that it sent to the Washington State Congressional delegation, US Fish and Wildlife Service and others. After reviewing the scientific studies on the project's relationship to endangered species and other wildlife, the group concluded that the impact of the wind turbines will be minimal.

Mrs. Wood provided the commissioners with a copy of a brief submitted by the Sovereigns to Judge Redden regarding their support of the 2008 Biological Opinion on the operation of the Columbia River hydropower system. The Sovereigns include the Confederated Tribes of the Warm Springs Reservation of Oregon, the Yakama Nation, the Confederated Tribes of the Umatilla Indian Reservation, the Confederated Tribes of the Colville Reservation,

the Kootenai Tribe of Idaho, the Confederated Salish and Kootenai Tribes and the states of Washington, Montana and Idaho.

COMMISSIONERS' REPORT

Mr. Farmer, Ms. Gott and Mrs. Wood gave a brief report on the Energy Northwest Members' Forum they attended October 22 and 23.

Mr. Farmer also reported that he had attended two meetings with PUD staff to discuss 2009-2010 budgets and to learn more on the tier two power issues.

Mr. Jorgenson reported that the Washington PUD Association is looking at changes to the bylaws and committees. He suggested a future discussion on the proposals.

Ms. Gott also attended the Energy Northwest board of directors and executive board meetings on October 21 and 22. A report on the status of the Columbia Generating Station was given and outside contractors are assessing its future capabilities as it ages.

GOOD OF THE ORDER

Following a calendar review and with no further business appearing, the regular meeting adjourned at 11:12 a.m.

Linda R. Gott, President

ATTEST:

Bruce E. Jorgenson, Vice President

Thomas J. Farmer, Secretary