

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, March 9, 2010.

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 Robert Johnson.

PUD 3 employees in attendance were: Power Supply Analyst Diane Archer; IS Manager John Bennett; E & O Assistant/Environmental Technician Season Eddings; Power Supply Manager Jay Himlie; E & O Support Supervisor Mary McKay; Public Information & Governmental Relations Manager Joel Myer; Engineering Manager Terry Peterson; Assistant Power Supply Manager Matt Samuelson; GIS Technician Brian Schneidmiller; Operations Manager Bob Smith; and Assistant to the Manager Nancy Bolender (recorded minutes).

Members of the public in attendance were: Louis Cofoni of Shelton; Steve Strand of Shelton; Vice President of Energy Business Services Jack Baker and Project Manager Dave Kobus, both of Energy Northwest.

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. Jorgenson moved, motion seconded by Mr. Farmer, to adopt the consent agenda. MOTION PASSED UNANIMOUSLY.

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

- A. Minutes of the March 2, 2010, commission meeting.
- B.* Voucher Nos. 105758 through 105960 — \$ 830,231.92
(Includes electronic funds transfer payment Nos. 318-320)
- C. Void accounts payable checks for the week ending March 5, 2010, in the amount of \$500.63.
- D. Write-off of uncollectible merchandise accounts in the total amount of \$6,311.84. These accounts will be forwarded to a collection agency for further collection efforts.
- E. Contract Action:
(1) RECOMMENDATION to Release Partial Payment No. 5, Bid L1-2009, Mountain View Substation Construction Project

Recommendation was made to release the fifth partial payment in the amount of \$107,431.90 plus taxes (less retainage) to Mountain Power for the satisfactory completion of work to-date on the Mountain View substation construction project. Previous payments totaling \$512,512.58 (plus taxes, less retainage) have been made on this \$1,197,720 bid.

The project involves the removal of all existing equipment at the current substation, except the power transformer; and the construction of a new control building with solid state electronic protection and controls; four new 1200 amp 15 kW 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.

Mr. Peterson informed the commissioners that he anticipates the contractor to put in for a time extension for completion of the construction project. Several of the foundations poured by the contractor have the wrong elevation and will need to be removed and re-poured.

* 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.

CORRESPONDENCE

Ms. Gott remarked on the receipt of a letter from Benton County PUD regarding its Commissioner Lori Sanders' intention to run for a position on the executive board of Energy Northwest and asking for support from PUD 3.

COMMENTS FROM THE PUBLIC

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

ACTION ITEMS

A recommendation was brought before the commissioners to approve a list of contractors as pre-qualified for inclusion on the PUD's public works roster. The contractors have met the financial and insurance requirements in order for them to be considered pre-qualified.

The contractors are as follows: Asplundh Tree Expert Company of Kenmore, WA; Aztech Electric Inc. of Spokane Valley, WA; Burke Electric LLC of Bellevue, WA; Dial One Telecommunications, Inc. of East Wenatchee, WA; DJ's Electrical, Inc. of Battle Ground, WA; Hawkeye Construction, Inc. of Troutdale, OR; Henkels & McCoy, Inc. of Portland, OR; International Line Builders, Inc. of Tualatin, OR; Michels Corporation (Michels Power Division) of Tumwater, WA; Mountain Power Construction Company of Post Falls, ID; Moza Construction, Inc. of Tacoma, WA; Pape & Sons Construction, Inc. of Gig Harbor, WA; Par Electrical Contractors, Inc. of Boring, OR; Pivetta Brothers Construction, Inc. of Sumner, WA; Power City Electric, Inc. of Spokane, WA; PowerCom, Inc. of Bothell, WA; Power Technology, Inc. of Battle Ground, WA; SEFNCO Communications of Kent, WA; Taurus Industries, Inc. of Olympia, WA; Tice Electric Company of Portland, OR; and Wilson Construction Company of Canby, OR.

Mr. Jorgenson moved, motion seconded by Mr. Farmer, to approve the above listed contractors as pre-qualified for inclusion on the PUD's public works roster. MOTION PASSED UNANIMOUSLY.

STAFF REPORTS

Mrs. Creekpau informed the commissioners that the budget status through February is positive with both receipts and expenditures year-to-date on track at 19 percent of budgeted amounts.

Mrs. Speaks reported no change in PUD 3's investments or interest rates during February. The PUD ended the month with a reserve balance of \$25.9 million. Total investments were \$28.4 million.

Mr. Himlie reported on his attendance at the Regional Technical Forum on March 2nd in Portland. One of the items discussed during the meeting was the Northwest Power Planning Council's Sixth Power Plan's ambitious level of conservation potential for energy-efficient television sets. He stated that of the Plan's goal of conserving at least 1,200 average megawatts by 2015, a portion will be reached through the purchase and use of the more efficient TVs. The Northwest Energy Efficiency Alliance (NEEA) believes this goal can be met by working with suppliers, manufacturers and the Energy Star program requirements. NEEA would document the annual savings with utilities getting a proportionate share to claim for their areas' conservation targets.

Mr. Himlie also reported on a meeting of the Nine Canyon Wind Project participants on March 3. He learned that a legal settlement between Energy Northwest (ENW) and Siemens is nearly complete. The settlement involves defective bearings in wind turbines at the Nine Canyon wind farm in south central Washington. The resulting settlement funds could be used in the future to repair or replace bearings on other wind turbines at the site and will be placed in a reserve fund. The 2011 budget was also adopted (July 1, 2010 through June 30, 2011) which is slightly lower than the 2010 fiscal year budget.

Mr. Himlie also learned that the Nine Canyon project had the lowest three-month wind speeds recorded during December 2009, January 2010 and February 2010 resulting in capacity factors of 16, 21.4 and 16 percent respectively.

Mr. Himlie and Energy Services Coordinator Renee Porter met on March 8th with an engineering contractor for the Bonneville Power Administration (BPA) who will be auditing the district's industrial customers. As part of the audit, the PUD will also be provided the actual potential of savings in order for staff to update the district's conservation plan.

Mr. Samuelson reported that the Federal Energy Regulatory Commission (FERC) has issued an extension of the operating license through February 2011 for the Packwood hydroelectric project.

Mrs. Wood informed the commissioners that two employees will be traveling to Vancouver on Thursday to meet with officials from the Western Electric Coordinating Council (WECC) as part of the WECC audit of the PUD's records. PUD 3 continues to maintain that it should not be subject to the federally mandated reliability and reporting requirements standards because it is not able to impact the bulk power system.

Following the commissioners' findings of fact for the appeal of the determination of non-significance under the State Environmental Policy Act for the proposed Johns Prairie Operations Center, which was released last Friday, Mrs. Wood asked to include a discussion of the next steps for the project at the March 16 meeting, which the commissioners agreed to do.

COMMISSIONERS' REPORT

Mr. Farmer reported on his attendance at the Public Power Council executive committee meeting in Portland on March 4 and his plans to attend the monthly Tahuya Community Association meeting tonight.

Mr. Jorgenson gave a brief legislative report and noted the legislative session is winding down.

Ms. Gott reported on her attendance at a Pioneer Kiwanis breakfast meeting on March 3, following which she traveled to Portland for the Public Power Council executive committee meeting.

DISCUSSION ITEMS

Jack Baker, vice president of energy business services for Energy Northwest (ENW), and Dave Kobus, project manager, reported on the status of the Radar Ridge wind power project proposed for the Naselle area in Pacific County.

Energy Northwest is talking with all the project participants, which includes PUD 3, to gauge their opinions on permitting issues and the consequences of increased costs for the project and budget overruns.

Messrs. Baker and Kobus noted a number of factors have slowed the development process for the project, resulting in increased costs. Factors include studies on impacts to the marbled murrelet; peer reviews requested by natural resource agencies; investigation of enhanced radar studies and bird diversion strategies, and uncertainty over the level of environmental assessments prior to permitting. (A copy of the presentation is attached to these minutes.)

They reviewed the strategies taken as well as future options and the history of costs and how the cost overruns occurred. They also discussed corrective measures to avoid future overruns and providing more information to participating utilities. They are looking for feedback from participants on the strategies and how to fund the overruns and additional costs. Energy Northwest will also be recalculating the budgets to determine the additional amount in 2010 for each participant.

The initial development budget for the project was estimated to be \$2.3 million. With the delays and additional studies or measures it is possible the development budget could increase to over \$3.8 million.

Mason County PUD No. 3, Clallam County PUD, Grays Harbor County PUD, and Pacific County PUD are participants in the project. PUD 3 has committed to a 15% share of the project.

While the commissioners generally expressed support for the project, they emphasized the need for cost controls and were disturbed that ENW had allowed cost overruns. They stated they would need time to review the information and updated budget numbers before making a determination. Specifically needed are the financial impacts for 2010 and 2011; the cash flow for all three options presented; information on permitting; and the Department of Natural Resources lease for the site and its options.

GOOD OF THE ORDER

Ms. Gott stated she would be unable to attend the March 23 regular commission meeting due to a scheduling conflict. She asked the other commissioners if they would like to cancel the meeting.

Mr. Farmer moved, motion seconded by Mr. Jorgenson, to cancel the March 23 regular commission meeting.
MOTION PASSED UNANIMOUSLY.

Ms. Gott expressed interest in having a discussion on disaster planning in light of the recent major earthquakes in Haiti and Chile. She also thought it would be a good discussion for the Council of Governments meeting scheduled for April 28th.

Following a calendar review, and with no further business appearing, the regular meeting adjourned at 11:34 a.m.

Linda R. Gott, President

Bruce E. Jorgenson, Vice President

ATTEST:

Thomas J. Farmer, Secretary