

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

The Commissioners of Public Utility District No. 3 of Mason County met in a joint commission workshop in the PUD 3 auditorium in Shelton, Washington, on Wednesday, April 7, 2010.

The workshop began at 10:12 a.m. District officers present were Commissioners Linda R. Gott, Bruce E. Jorgenson and Thomas J. Farmer; Manager Wyla Wood; Auditor Annette Creekpau; and Attorney Robert Johnson.

The following PUD 3 employees were present: Public Information and Government Relations Manager Joel Myer; Assistant Power Supply Manager Matt Samuelson; Power Supply Analyst Diane Archer; and Administrative Services Assistant Lynn Harvey (recorded minutes).

Also in attendance were: Manager Doug Nass, Commissioners Hugh Haffner, Will Purser and Ted Simpson and Power Supply & Utility Services Manager Fred Mitchell of Clallam County PUD; Manager Rick Lovely, Assistant General Manager Doug Smith, Commissioners Tom Casey, Truman Seely and Russ Skolrood, Community and Government Relations Director Liz Anderson and General Council Rick Pitt of Grays Harbor PUD; Manager Doug Miller, Commissioners Ron Hatfield, Diana Thompson and Michael Swanson of Pacific County PUD No. 2.

Arriving at 11:00 a.m. were: Vice President of Energy/Business Services Jack Baker, Project Development Manager Tom Krueger, Project Manager David Kobus, and Project Coordinator Bernice Kasko of Energy Northwest; and Attorney Jim Lynch with K&L Gates, LLP.

Members of the public in attendance were: David Galle, Mason County PUD No. 1 customer; Eric Schallon of Green Diamond Resource Company; and Arnie Martin of Hoquiam. (Attendance list attached.)

The purpose of the workshop was to discuss the proposed Radar Ridge wind project near Naselle, Washington.

Mason County PUD No. 3 Power Supply Analyst and Radar Ridge Participants Committee Chair Mr. Samuelson welcomed everyone and had each attendee introduce themselves. He then went over the agenda and explained that representatives from Energy Northwest would be joining the workshop at approximately 11:00 a.m. to answer any questions that the group may have.

Mr. Samuelson summarized Energy Northwest's current recommendations made via the proposed amendment to the development agreement and budget and asked participants for comments. Energy Northwest, which is the project developer but also has a 25 percent stake in the project development costs, made several recommendations including a budget adjustment from \$2,333,000 to \$5,322,000 through September 2011.

Discussion began with concerns regarding the project timeline and the deadline of the Department of Natural Resources (DNR) Project Development Lease. It was deemed that the driver of the development timeline has to do with the availability of Clean Renewable Energy Bonds (CREBS). Participants considered asking DNR for a lease extension and other possible alternatives for acquiring the land.

Questions were raised about why Energy Northwest was seeking an Environmental Impact Statement (EIS) instead of an Environmental Assessment (EA) for the project as was originally planned. The participants exchanged views and weighed the options between the two alternatives. Concerns about the EIS process and potential delays due to the public comment period were raised. It was pointed out that the timeline necessary to complete an EIS may be optimistic on the part of Energy Northwest considering the active opposition to the project. However, it was explained that during a recent presentation from Energy Northwest that most of the work for an EIS has been done through the EA process and the EIS would be less risk for the participants and may also be required for bond financing.

In addition to potential delays due to the EIS project, the members discussed the necessary permits at the federal, state, and county levels and the various options for obtaining them.

The workshop participants examined the potential involvement of Bonneville Power Administration (BPA) in the project and the initial investment required for its involvement. There was an exchange of views on the benefits of having a federal agency obtaining the necessary permits and whether that would expedite the process or not.

Some members questioned whether going forward with the Merlin technology (which is a radar system designed to recognize a Marbled Murrelet and shut down the wind turbines) would improve the process and reduce opposition to the project. It was pointed out that United States Fish and Wildlife service would have to award an Incidental Take Permit (ITP) if the science supported it. Some speculated that although the science can not be disputed, the method of the testing can. Some members opined that this is a political issue not a scientific issue.

Members of the group expressed a concern with extending the construction timeframe due to the favorable construction bidding market. With the current economic situation, the opportunity to build at lower costs is better now.

The group discussed the cost over-runs and communication disconnect with Energy Northwest. Various members felt that Energy Northwest didn't follow the participants' agreement and made financial commitments to contractors without getting permission from the various participants' boards which led the project to be over budget. Several members of the group expressed their concerns with the various risks involved and investing more money without a guarantee that permits would be obtained or an extension in the lease would be granted.

The next topic of discussion was the Development Agreement and the associated rights and responsibilities of the participants. Members examined Energy Northwest's responsibilities for monies spent beyond the approved budget. In addition the group considered the ramifications if any of the participants elect to drop out of the project. Members suggested that it would be necessary for individual boards to make a decision about the future direction and their involvement in the project before they approve Energy Northwest's proposed budget amendments. It was put forward that participants committee's members should come to each board with their recommendations. The participants committee will schedule a meeting in early May.

Energy Northwest representatives joined the workshop at 11:00 a.m. and attendees were introduced again.

Mr. Samuelson expressed to Energy Northwest representatives that the workshop attendees had identified some questions and concerns that they would like clarified by Energy Northwest.

The main concern expressed was related to the DNR lease. Members of the group would like Energy Northwest's stance on why they are not pursuing an extension of the lease immediately in light of the potential delays in the project. Energy Northwest explained to the group that the proposed timeline to complete the permit phase of the project is well within the deadline of the lease and includes a buffer of time for unforeseen delays.

Mr. Baker shared with the group that Energy Northwest has been working closely with the Department of Fish and Wildlife and feels that they are committed to supporting the timeline.

At the group's request, Energy Northwest reviewed the language of the lease and examined the deadlines in connection with the proposed timeline of the permit process. They also weighed the option of delaying construction and how that could affect the lease.

Energy Northwest was questioned about what harm there was in requesting an extension to the lease. Besides the political issues which have been discussed, an executive session was requested to discuss potential litigation.

The regular workshop recessed at 11:53 a.m. at which time members of the public left. The workshop reconvened at 11:55 a.m. at which time the remaining members (listed below) went into executive session to discuss potential litigation for no more than 30 minutes.

Those in attendance during the executive session included: PUD 3 Commissioners Linda R. Gott, Bruce E. Jorgenson and Thomas J. Farmer; Manager Wyla Wood; Auditor Annette Creekpau; and Attorney Robert Johnson. PUD 3 employees: Assistant Power Supply Manager Matt Samuelson; Power Supply Analyst Diane Archer; and Administrative Services Assistant Lynn Harvey.

Also in attendance were: Manager Doug Nass, Commissioners Hugh Haffner, Will Purser and Ted Simpson and Power Supply & Utility Services Manager Fred Mitchell of Clallam County PUD; Manager Rick Lovely, Assistant General Manager Doug Smith, Commissioners Tom Casey, Truman Seely and Russ Skolrood, Community and Government Relations Director Liz Anderson and General Council Rick Pitt of Grays Harbor PUD; Manager Doug Miller, Commissioners Ron Hatfield, Diana Thompson and Michael Swanson of Pacific County PUD 2; Vice President of Energy/Business Services Jack Baker, Project Development Manager Tom Krueger, Project Manager David Kobus, and Project Coordinator Bernice Kasko of Energy Northwest; and Attorney Jim Lynch with K&L Gates, LLP.

The executive session adjourned at 12:25 p.m. and the regular workshop reconvened. The workshop recessed at 12:26 p.m. for lunch. The regular workshop reconvened at 12:54 p.m. at which time members called for another executive session to discuss potential litigation to last no longer than 10 minutes. The regular workshop recessed at 12:55 and members went into executive session. The executive session adjourned at 1:05 p.m. at which time the regular workshop reconvened.

Energy Northwest expressed to the group that going forward they would communicate on a monthly basis summarized costs-to-date compared to the budget as well as obtaining authorization from the individual

participants' boards for future expenditures. Further discussion took place on proposed budget items including a deposit for BPA's substation facilities upgrades and the Merlin test system.

At 1:32 p.m. two members of the public returned to the meeting. They were: David Galle, Mason County PUD No. 1 customer and Arnie Martin of Hoquiam.

Energy Northwest shared with those present Citigroup's interest in helping participants fund the project. They discussed various options including selling municipal bonds, tax leveraging, and CREBS. The group examined the details of the various options available.

The group discussed possibilities for moving forward including reporting from Energy Northwest, participants meetings, and having unified information brought before each board.

With no further discussion ensuing, the workshop adjourned at 2:20 p.m.

Linda R. Gott, President

ATTEST:

Bruce E. Jorgenson, Vice President

Thomas J. Farmer, Secretary