

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, April 13, 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: Administrative Assistant (E&O) Stephanie Beacraft; IS Manager John Bennett; E&O Assistant/Environmental Technician Season Eddings; Administrative Services Assistant Lynn Harvey; Power Supply & Energy Services Manager Jay Himlie; Public Information & Governmental Relations Manager Joel Myer; Acting Human Resources Manager Ilene Olson; Shelton Line Superintendent Scott Peterson; Engineering Manager Terry Peterson; Assistant Power Supply Manager Matt Samuelson; Operations Manager Bob Smith; Service Engineering Supervisor Brad Smotherman; and Assistant to the Manager Nancy Bolender (recorded minutes).

Members of the public in attendance were: Louis Cofoni of Shelton; John Komen of Shelton; and Matt Matayoshi of the Economic Development Council of Mason County.

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. Following questions about the accounts being sent to collection, the MOTION PASSED UNANIMOUSLY.

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

- A. Minutes of the April 6, 2010, regular commission meeting.
- B.* Voucher Nos. 106279 through 106444 — \$ 977,507.84
(Includes electronic funds transfer payment Nos. 328 through 329)
- C. Write-off of closed, delinquent accounts in the total amount of \$118,059.26. These accounts will be forwarded to a collection agency for further collection efforts.

* 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 in attendance and stated that comments would be accepted throughout the meeting.

Mr. Komen commented that he had kept himself informed while he was in Arizona over the winter about PUD 3's activity regarding the proposed Johns Prairie operations center and re-stated his opposition to the project. He also expressed his concern about the environmental impacts from a wood-fired electricity generator being considered for the Shelton-area by the ADAGE company. He inferred that the PUD's Johns Prairie water line was being built to benefit the proposed power plant.

Mr. Cofoni expressed his concern about people who, upon moving to the county from big cities, become opponents of local economic development. Mr. Cofoni said he believed that the proposed ADAGE power plant would benefit forest health by utilizing slash and other woody forest debris. He stated his concern that while PUD 3 and other utilities are being required to integrate more expensive renewable energy, they do not receive credit for clean hydropower derived from Pacific Northwest dams.

In response to Mr. Komen's comments, Mrs. Wood responded that the PUD water line is not related to the ADAGE project. Although the company, as well as other properties in the area, will have the opportunity to connect to the water line, the PUD is building it to serve the Johns Prairie operations center project.

ACTION ITEMS

A recommendation was made to authorize the manager to sign an agreement with the Economic Development Council of Mason County (EDC). The total annual compensation for the time period of March 1, 2010 through February 28, 2011 is \$32,920. The EDC assists the district by keeping it informed of potential added load and coordination of services with other public agencies; promoting conservation efforts and telecommunication projects and providing statistical and other information as needed.

Mrs. Wood noted that the PUD has had a great relationship with the EDC and this annual agreement gives the

utility the ability to be involved early on with commercial prospects and their need for power, conservation information and telecommunications.

Mr. Jorgenson agreed that the relationship with the EDC has been good, and asked Mr. Matayoshi if he continues to see a decrease in support from other entities as in years past and with the current economic situation.

Mr. Matayoshi replied that membership and contractual arrangements with other public and private entities have increased. He has enjoyed partnering with the PUD on various projects and the PUD's continued support has set a good example for the community.

Mr. Jorgenson moved, motion seconded by Mr. Farmer to authorize the manager to sign an agreement with the Economic Development Council of Mason County for the time period of March 1, 2010 through February 28, 2011 in the amount of \$32,920. Following additional questions, the MOTION PASSED UNANIMOUSLY.

It was recommended to the commissioners that they approve Amendment No. 1 with TCF Architecture in an amount not to exceed \$38,620. The amendment is necessary for TCF Architecture, using Pyramid Engineering, to provide coordination of civil engineering services and construction support for Phase 1 (site preparation) of the Johns Prairie operations center. Construction and engineering services for Phase 2 (Full Build) will be offered at a later date.

Mr. Farmer moved, motion seconded by Ms. Gott, to approve Amendment No. 1 with TCF Architecture in an amount not to exceed \$38,620. Mr. Farmer then reviewed the scope of services that the civil engineering firm (Pyramid Engineering) would be doing under the amendment. Mrs. Wood noted that Pyramid Engineering is the civil engineering firm that prepared the technical information for the bid for site preparation work.

The MOTION PASSED with Mr. Jorgenson voting no.

STAFF REPORTS

Mrs. Creekpauam gave an overview of the March 31, 2010, status of the budget. She pointed out that receipts were at 29 percent of budget and expenditures were at 28 percent of this year's budget. New and added load is at 73 percent due in large part to the extension fees for the Belfair sewer project.

Mrs. Speaks reported the March 31st cash balance for the PUD is \$26,359,134. She also noted that interest rates on most investments have increased very slightly from .50 percent to .51 percent.

Mr. Himlie commented on Mason County PUD No. 3's efforts to acquire qualifying renewable energy as defined by the Washington State Energy Independence Act (Initiative 937). He said that he has concerns that biomass power plants are considered renewable under the state law, while the region's hydropower system is not. He pointed out that utilities and citizens have attempted several times to change the law to address this, but the efforts have been averted by the environmental lobby.

Mrs. Wood informed the commissioners of some construction projects that have been completed recently. The rural nature of the construction projects assists the PUD in meeting low-density discount criteria from the Bonneville Power Administration (BPA).

Mrs. Wood reported that the State Environmental Policy Act (SEPA) checklist for the Johns Prairie water line extension to the proposed operations center has been turned into the county. Mason County is lead agency on the project, with the city of Shelton as applicant and PUD 3 as the installation contractor.

Mrs. Wood told the commissioners that Jim Oakley from Energy Northwest would be at the regular commission meeting on April 20th, as would Alan Dashen, the PUD's financial advisor. In addition, she noted two presentations that will be given on April 27th.

The commissioners were provided additional information on potential certification for the proposed Johns Prairie operations center under the Leadership in Energy & Environmental Design (LEED) program. The Commissioners continued this discussion from the April 6 meeting. Mr. Farmer said such certification would enhance the PUD's accountability for an environmentally sustainable project, along with documenting a commitment to energy efficiency.

Ms. Gott stated that she wanted to make a closer examination of the information provided regarding the rate of return for the certification. She expressed her feelings that PUD 3 has a responsibility to set an example of efficiency and sustainability for its customers.

Mr. Himlie pointed out that there may be benefits derived from a LEED designation under the Washington State Energy Independence Act in the areas of conservation and possible solar power applications. Mr. Himlie said that the installation of solar panels could be coordinated as a generation project and funded in a different manner than the overall operation center. The commission will continue the discussion at the April 20 meeting.

The commissioners will have a discussion on April 27th about the status of the Radar Ridge wind power project proposed for southwest Pacific County. Mason County PUD No. 3 commissioners met with fellow commissioners and staff from other project participants, including Clallam, Grays Harbor and Pacific County PUDs and Energy Northwest (as the project developer) on April 7th in the PUD 3 auditorium. There have been concerns about increased costs related to the development phase of the project and whether delays due to increased environmental studies will conflict with the expiration of a lease with the state for the project site. The Department of Natural Resources manages the property on which the wind turbines would be constructed.

Mrs. Wood inquired into the commissioners' interest in touring the reconstruction site of the Mt. View substation and the Johns Prairie property, especially in the area around the creek.

COMMISSIONERS' REPORT

Mr. Farmer reported on his attendance at the Twanoh Grange meeting on Monday, April 12th in Grapeview. He was asked, and he responded to, various questions on the proposed Johns Prairie operations center.

Mr. Jorgenson said he would be attending the Washington PUD Association meetings this week in Olympia. One of the activities is the retirement party for the current Association Director, Steve Johnson.

Ms. Gott reported that the joint meeting on the proposed Radar Ridge wind project provided her with much more information on the issues involved. She noted that as the Radar Ridge meeting lasted longer than planned, staff attended the BPA celebration on the completion of the Olympic Peninsula Reinforcement Project in Mason County, and the afternoon meeting held by ADAGE relating to its proposed biomass project. Ms. Gott was able to attend the evening meeting held by ADAGE and she noted the good attendance, but said the project is certainly not a sure thing.

GOOD OF THE ORDER

During the calendar review Ms. Gott noted that the PUD would be hosting the quarterly Council of Governments meeting involving the city of Shelton, Port of Shelton, Mason County and the utility. The meeting will be held April 28, 2010, at 10:00 a.m. in the PUD auditorium.

With no further business appearing, the regular meeting adjourned at 10:51 a.m.

Linda R. Gott, President

Bruce E. Jorgenson, Vice President

ATTEST:

Thomas J. Farmer, Secretary