

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, May 11, 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 & Energy Services Manager Jay Himlie; Facilities Specialist Randy Howard (arrived at 10:02 a.m.); Public Information & Government Relations Manager Joel Myer; Engineering Manager Terry Peterson; Assistant Power Supply Manager Matt Samuelson; Journeyman Lineman Dennis Simon; Operations Manager Bob Smith; Service Engineering Supervisor Brad Smotherman; Belfair Line Superintendent Mike Speaks; and Assistant to the Manager Nancy Bolender (recorded minutes).

Members of the public in attendance were Louis Cofoni of Shelton and Terry Hogan of Harstine Island (arrived at 10:09 a.m.).

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

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

- A. Minutes of the May 4, 2010, regular commission meeting.
- B.* Voucher Nos. 106702 through 106815 — \$ 971,153.15
(Includes electronic funds transfer payment Nos. 334-335)

* 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. Cofoni expressed his feelings about the tone of the debate over the proposed ADAGE biomass power plant on Johns Prairie. He also provided commissioners with information about the Cape Wind project off the Massachusetts coast including the production output, which forecasts are expecting to produce electricity for 75 percent of Cape Cod's residences, as well as the opposition that has arisen over environmental and aesthetic issues.

Following his arrival, Mr. Hogan asked about the proposed Johns Prairie water line for PUD 3's operations center. Mrs. Wood informed him that the engineer's estimate for the project is \$1.2 million and would most likely be funded as part of a bond sale. She explained the latecomer agreement, which would be in effect for 20 years, will provide reimbursement to the PUD as adjacent properties connect to the water line.

STAFF REPORTS

Mrs. Creekpaum reported on the PUD's status of the budget with the commissioners as of April 30, 2010. She pointed out expenditures are at 36 percent of budgeted amounts while revenues are at 38 percent. Purchased power costs as of month's end are at 40 percent of budget levels.

Mr. Jorgenson commented on his surprise to see the "New and Added Load Capital Expenditures" line item at 63 percent given the economic situation.

Mrs. Speaks reviewed the April treasurer's report including the cash balance of all funds and the schedule of investments.

Mr. Himlie reported that staff had been receiving a number of inquiries from PUD 3 customers as well as citizens from outside the PUD's service territory about the proposed Shelton-area ADAGE biomass plant. Mr. Himlie noted that the Energy Independence Act (Initiative 937) approved by Washington State voters included biomass as a qualifying renewable resource, but excluded existing hydroelectricity. He also pointed out that if the merchant power plant is built, federal law would require the PUD to allow ADAGE to use the local power lines to get its output onto the regional transmission grid. Although the PUD signed a non-binding expression of interest in the

project, Mr. Himlie pointed out that the PUD's main interests are to protect the local energy infrastructure and try to avoid additional federal or state requirements that may be triggered by a third party's use of the system.

Mrs. Wood stated that at a recent meeting of the Public Power Council (PPC) executive committee it was reported that upgrades to hydroelectric turbines at federal dams on the Columbia River have improved electrical output for those sites. However, she said that older-generation turbines have seen declining output due to mechanical degradation. This degradation appears to be occurring at a faster pace than the efficiency gains from the upgrades, which may reduce the overall amount of energy available for allocation to public power utilities from the Bonneville Power Administration. If so, this could result in higher wholesale power costs.

COMMISSIONERS' REPORT

Mr. Farmer reported that he had attended a meeting of the Allyn Association, at which he reported on the upgrade to the PUD's bond rating. He also attended the May 10th Twanoh Grange meeting.

Mr. Farmer stated that the Olympia Federal Savings in Belfair will be constructing a new building for which it is attempting to get a Leadership in Energy Efficiency and Design (LEED) certification.

Ms. Gott reported on the exit conference with the state auditor's office which occurred on May 10th. Once again, there were no findings and the auditor's office commended the PUD on its recent bond upgrade.

GOOD OF THE ORDER

Following a calendar review and good of the order, and with no further business appearing, the regular meeting adjourned at 10:30 a.m.

Linda R. Gott, President

ATTEST:

Bruce E. Jorgenson, Vice President

Thomas J. Farmer, Secretary