

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, June 15, 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: IS Manager John Bennett; Assistant to the Manager Nancy Bolender; Power Supply & Energy Services Manager Jay Himlie; Maintenance Inspector Leonard Knudson (PUD 3 commission candidate); Telecommunications Manager Dale Knutson; Public Information & Government 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; GIS Technician Brian Schneidmiller; Operations Manager Bob Smith; Service Engineering Supervisor Brad Smotherman; Purchasing Manager Terry Young and Administrative Services Assistant Lynn Harvey (recorded minutes).

Members of the public in attendance were: Bill Bingham of Shelton; Barbara Parsloe of Shelton; Lillis Nogler of Grapeview; Louis Cofoni of Shelton; Steve Ness of Shelton; Bill and Marvie Cromwell of Shelton; John Komen of Grapeview; Theresa Jacobson of Shelton (PUD 3 commission candidate); Janice Vocke of Shelton; and Shawnie (Whelan) Vedder of Shelton.

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. The MOTION PASSED UNANIMOUSLY.

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

- A. Minutes of the June 8, 2010, regular commission meeting.
- B.* Voucher Nos. 107198 through 107306 — \$ 608,088.72
(Includes electronic funds transfer payment Nos. 342-343)
- C. Void accounts payable check for the week ending June 11, 2010, in the amount of \$1,707.89.

* 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 referred to a request received from Mason County Fire District No. 5 for time on a future meeting agenda to give a brief presentation regarding the annexation of the city into Fire District 5's district. After discussion, it was decided to invite them to attend either the June 29 or July 10 meeting.

COMMENTS FROM THE PUBLIC

Ms. Gott welcomed those in attendance and stated that comments would be accepted throughout the meeting. Mr. Komen of Mason Lake spoke in opposition to the extension of the proposed water main on the agenda to the site of the PUD 3 Johns Prairie operations center. He stated his concern that the proposed biomass power plant by ADAGE may connect to the extended water main, resulting in adverse environmental impacts. He questioned the necessity for the pipeline and its anticipated costs.

Ms. Jacobson also voiced her continued opposition to the watermain as well as the construction of the new operations center on Johns Prairie.

Shelton area resident Ms. Vocke asked commissioners to delay their decision on the watermain.

Mr. Cofoni cited news articles about bird kills at wind turbines in eastern Washington. He expressed his desire that a high state official, such as the Governor, come out in favor of building wind farms for renewable electricity. Mr. Cofoni also commended Commissioner Gott for taking a position on the watermain and operations center projects, regardless of the political consequences.

Ms. Vedder of Shelton asked commissioners to stop the Johns Prairie watermain, stating her concern for the health of her family if the project resulted in the ADAGE biomass power plant being constructed.

ACTION ITEMS

A recommendation was made for the board to authorize a call for bids, L3-2010 for the rebuild of the underground electricity distribution line (URD) and setting of conduit for future fiber installation in the Hartstene Pointe south community. The engineer's estimate for the project is \$450,098.70 plus taxes.

At Mr. Farmer's inquiry, Mrs. Wood explained that laying conduit for future fiber optic use is a common practice only when the utility has considered all the factors and weighed the benefits on a case by case basis.

Mr. Jorgenson moved, motion seconded by Mr. Farmer to issue a call for bids, L3-2010 for the Hartstene Pointe South URD rebuild. MOTION PASSED UNANIMOUSLY.

Recommendation was also made to call for bids, L4-2010 for the construction of the Johns Prairie watermain extension. The water line would be constructed from the city's existing line to the PUD's Johns Prairie property. It includes the construction of approximately 8400 lineal feet of 16-inch ductile iron water main, 150 lineal feet of 10-inch main, and the valves, pipe fittings, surface restoration and related work. It also includes connecting to the Port of Shelton's existing 16-inch water main. The engineer's estimate is \$1.3 to \$1.6 million.

Mr. Farmer moved, seconded by Ms. Gott, to issue a call for bids, L4-2010 to construct the Johns Prairie watermain.

Mr. Jorgenson motioned to table the matter until an advisory vote could take place. With no second, Mr. Jorgenson asked Ms. Gott to proceed with a vote due to the size of the board. MOTION FAILED with Ms. Gott and Mr. Farmer voting no.

A discussion ensued in which Ms. Gott said she is unaware of any official announcement or action including a signed lease indicating that ADAGE has made a final commitment to locate in Mason County. Members of the public expressed their views that they felt ADAGE has made a commitment and that the watermain is key to that decision.

Mr. Farmer said that while he is neutral on the ADAGE issue, he does not feel that a single project should stop the watermain. He stated that nearly two hundred property owners on Johns Prairie could benefit from the watermain, not to mention the many benefits to the county, city and port as well as the potential for job growth.

Some members of the public urged the commission to delay its decision on the watermain project and expressed concerns about ADAGE not paying connection fees. Mrs. Wood explained that based on the interlocal agreement, the Port of Shelton will not be charged a latecomer fee in credit for its contribution of its portion of the 16-inch watermain already in place. Mrs. Wood further explained that there would be other connection fees charged by the city that all connecting customers would be required to pay except for the PUD in return for its construction of the line. However, everyone would have to pay for water usage charges, including PUD 3.

Mr. Farmer suggested that the members of the public wishing to keep ADAGE from building address the agencies with the authority to directly stop the project.

Mr. Komen requested again that the commission meetings be recorded and asked the commissioners to consider it at a future meeting.

When asked to delay the watermain decision again, Mrs. Wood stated that the watermain provides a significant public benefit. Wells are an issue in the Johns Prairie area and the Department of Ecology is watching the PUD's progress with the water line expansion due to water issues in the area. With the Johns Prairie urban growth area being one of the only areas where businesses can locate in the county, Mrs. Wood feels that a single potential tenant should not stop the project from moving forward.

Following the discussion, the MOTION PASSED with Mr. Jorgenson voting no.

It was then recommended that the commissioners authorize contracting with Hayre McElroy and Associates, LLC of Redmond, Washington for special inspection and testing services for Johns Prairie Operations Center. Four firms were originally reviewed and staff selected Hayre McElroy as the firm that best fit the criteria. The services that would be provided under the contract, such as concrete testing, welding inspections, etc., are required by the county building department during construction of buildings. The estimated cost of service is \$176,955.50.

Mrs. Wood explained that if the construction bid is not awarded, this money would not be spent. She also shared with the commissioners that the consultant from Olympiac Associates felt that the estimate given from Hayre McElroy is in line with the project's size and scope.

Mr. Farmer moved, seconded by Ms. Gott. MOTION PASSED with Mr. Jorgenson voting no.

STAFF REPORTS

Mr. Himlie reported that he attended a Nine Canyon wind project quarterly meeting in Kennewick, WA. He shared with the commissioners that three more bearing required replacement which brings the total for the project to 30 bearings out of 49 turbines requiring replacements. The settlement with Siemens resulted in a \$2 million payment to Energy Northwest and three replacement bearings to be on-site for potential future repairs. He also mentioned that Energy Northwest had been contacted by Timken who is working on constructing a bearing with a ceramic coating as opposed the hardened steel bearings that are seeing the failures. Mr. Samuelson noted that the bearing issue is an industry-wide issue and turbines throughout the world are experiencing it.

Mr. Samuelson reported that the first of two public scoping meetings relating to the proposed Radar Ridge wind project would be held at the Department of Fish and Wildlife tonight and that he would be attending. He informed the commissioners that the end of the public comment period is scheduled for the 28th of June.

Mrs. Wood announced that the dates have been set for the annual employee picnic and retiree luncheon. The picnic is scheduled for August 26 and the retiree luncheon for August 12.

Mrs. Wood asked commissioners if they would like to cancel next week's meeting as Ms. Gott, Mrs. Creekspaum and she will be in Orlando, Florida attending the national conference for APPA.

Mr. Jorgenson moved, seconded by Mr. Farmer to cancel the June 22, 2010 regular business meeting. MOTION PASSED UNANIMOUSLY.

Mrs. Wood then informed the commissioners that she would be on vacation for the week of June 28, and Mr. Smith would be filling in as acting manager at the June 29 regular commission meeting.

COMMISSIONERS' REPORTS

Mr. Jorgenson reported on the Washington PUD Association (WPUDA) reform workshop he attended along with Ms. Gott and Mrs. Wood in Wenatchee, WA. He explained that members of the association are concerned with the association's ability to respond quickly to legislative issues.

Ms. Gott also reported on the workshop and said she was impressed with the large turnout. Ms. Gott and Mr. Jorgenson discussed possible solutions to the association's issues.

GOOD OF THE ORDER

Following a calendar review and good of the order, and with no further business appearing, the regular meeting adjourned at 11:03 a.m.

Linda R. Gott, President

ATTEST:

Bruce E. Jorgenson, Vice President

Thomas J. Farmer, Secretary