

**Mason County PUD 1
Board of Commissioners Regular Meeting
May 28, 2013**

The regular meeting of the Board of Commissioners Meeting of Public Utility District No. 1 of Mason County was called to order at 1:00 p.m. on May 28, 2013 at the District Office Board Room in Potlatch.

Present

Ron Gold- President
Karl Denison- Vice President
Steve Taylor- General Manager
Tracy Colard- Director of Ops- Electric
Greg Kester- District Auditor & Dir. of Finance/Customer Svc.
Kristin Masteller- Dir. of Employee & Public Relations
Jocelyne Gray- Director of Ops-Water
Rob Johnson- District Legal Counsel

Visitors

Marcus Perry, BPA Account Representative

Excused

Jack Janda- Board Secretary

CONSENT AGENDA

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

The minutes of the May 14, 2013 regular meeting.

Payroll warrants #106240-106246 in the amount of \$ 78,792.41; Accounts Payable warrants #106247-106296 \$571,867.57 and #106238-106239 \$580.81 for a total vouchers amount of \$651,240.79.

Karl made a motion to approve the consent agenda as presented; Ron seconded the motion. Jack was absent from voting. Motion carried.

PUBLIC COMMENTS

No public was in attendance for the business meeting. Marcus from BPA was welcomed.

BUSINESS AGENDA

Marcus Perry, BPA- Columbia River Treaty

Marcus gave an overview of the history of the treaty and why it is relevant now in 2013. There must be a 10 year notice to terminate the treaty, which expires in 2024, so that is why it's being reevaluated this year so a recommendation can be made next year on whether to continue or not with the flood control aspect of the agreement. Since 2003, Canada has been keeping their half of the generation power from the dams and not selling it back to the PNW at a discounted rate, where previously for 30 years they sold it back to the PNW based on a settlement calculation that helped Canada build their energy storage facilities. Karl suggested that BPA put together some kind of matrix with various scenarios to show to utilities before the individual utilities can offer a recommendation to them one way or the other. Karl also asked Marcus if he could find out what the costs would be to implement fish passages over Grand Coulee Dam.

Marcus addressed Karl's previous comments regarding every other year, double digit rate increases and how they are unsustainable. The non-slice power rebate is being reduced to make up for market

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power sales losses to BPA's revenue requirements. Karl asked Marcus to find out what percentage of sales over the last five years are spot market sales.

Resolution No. 1038- Authorizing Auditor to Sign Warrants Prior to Board Approval

This is a remedy for something that was supposed to be (and may have been) in place many years ago but we couldn't locate a copy of it. This allows the auditor to sign checks for items like power purchases, prior to board approval to avoid incurring late penalties. Federated will bond Greg for this.

Karl made a motion to adopt Resolution No. 1038 authorizing the auditor to sign warrants prior to board approval; Ron seconded the motion. Jack was absent from voting. Motion carried.

March 2013 Financials for Electric & Water

Greg stated that although our power sales are down a bit from last year (2.9% less consumption), our revenues remain up due to the last installment of the 4% rate increase this year. We are on target for budget with the exception of a few items that have been expended at a different time of year from this year compared to last year. General Fund cash is lower this year because we haven't had to borrow as much money. Most capital expenses have been paid out of pocket.

Water is in line with last year; basically no real growth. It owes less payable to electric than last year at this time. Cash reserves are higher as well.

RPA No. 98- Canal Mutual System Improvement Construction Award

Jocelyne stated that this RPA will award the construction bid to the sole bidder, Kamin Excavating, in the amount of \$369,000 plus sales tax. We have two sections of the Canal Mutual project that will not be completed due to lack of funding. We will have materials on site so we can look at completing those two sections in house at a later date. However, with what is being done, everyone should be able to connect with the increased system capacity.

Karl made a motion to approve RPA No. 98 in the amount of \$369,000.00, plus sales tax. Ron seconded the motion. Jack was absent from voting. Motion carried.

RPA No. 99- Canal Mutual Construction- Cultural Monitoring Contract

The DOH and Tribes are requiring that we have cultural monitoring while we're digging along Highway 101 and different areas of the project.

Karl made a motion to approve RPA No. 99 for Canal Mutual Construction Cultural Monitoring not to exceed \$25,103.00. Ron seconded the motion. Jack was absent from voting. Motion carried.

RPA No. 100- Hood Canal Intertie Additional Engineering Services

This RPA for engineering services will get us through state approval at the completion of construction. These funds are in addition to the original project costs and total \$2,973.00 including tax.

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Karl made a motion to approve RPA No. 100 for additional engineering services for the Hood Canal Intertie in the amount of \$2,973.00, including tax. Ron seconded the motion. Jack was absent from voting. Motion carried.

Change Orders for the t3ba'das Substation- C.O. #1, #2, & #3

Two of these changes are drawing errors, and one is a safety issue. The first change order is the addition of a polling vault to the project in the amount of \$882.62. The second change order is the result of lines that are too close to the foundation for one of the feeders. We had to drop the foundations from 4.6 feet to 7 feet to give it stability. This change order is in the amount of \$1,572.63. Change order #3 is a safety issue correction. Around the transformer pad there is a "moat" and it has to be big enough to hold all the oil in that transformer. The change order will allow a platform to be installed that allows inspectors or anyone else to access that area without stepping into the "moat" area \$4,965.12.

Karl made a motion to approve the t3ba'das Substation change orders Nos. 1, 2, & 3 as presented totaling \$7,420.37, plus tax. Ron seconded the motion. Jack was absent from voting. Motion carried.

CORRESPONDENCE:

No correspondence.

GENERAL MANAGER'S REPORT- Steve Taylor

Steve gave a brief recap of the meetings he attended the last couple weeks with NWPPA including the annual meeting and NWWH quarterly meeting.

STAFF REPORTS

Tracy Colard:

Tracy reported that our new temporary brushing crew is on board and is working well. The Skokomish Valley area is completed. Contract tree trimming for the transmission line will be lined up in the next week or so. New schedule for the substation has been revised and they're ahead of schedule by about 10 days. Contractor will have a 19 day layoff in June while they're waiting for the transformer to arrive. Will take readings next week to determine how many grounding wells are needed. Doing some underground replacement at Suncrest.

Jocelyne Gray:

Jocelyne stated that construction will begin this week on the Hood Canal Intertie project. Major construction will proceed next Monday. Hood Canal B and Harstene Retreat are being chlorinated due to total coliform. We are still working on diagnosing the issues with those. Had a 30 minute water outage Saturday at Canal Mutual and then it suddenly came back on. We are not sure why it went out in the first place. It didn't go back out again after the initial outage call down at the bottom of the hill.

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Greg Kester:

Greg attended a weatherization conference last week. The direction of conservation is moving toward smart grid for thermostats, water heaters, etc. They did not provide a lot of insight for us on budgeting or voltage regulation.

Greg received the letter of credit proposal from Key Bank and did not find it advantageous to the district. Will discuss the issues with Key Bank's representative next week. Greg will continue to look at other options.

Karl asked the Policy Committee to review the pros and cons of setting up a payment plan for system development fees. Greg and staff discussed this earlier and are not in favor of having to administer oversight over payment plans for fees. It is administratively burdensome for our size of staff. Greg stated that we had similar issues with having to collect from people on the weatherization program loans and the District ended up writing several loans off for non-payment. Staff will revisit the issue in policy committee per Karl's request. Rob stated interest cannot be charged for SDF payment plans.

Kristin Masteller:

Kristin reported that the air quality samples taken from both buildings came back good with no presence of black mold, no concern in the levels of dust, dust mites, airborne allergens, etc. There was an elevated level of scents detected due to an office wall recently being painted and then alcohol based products, like cleaners or hand sanitizers. We have had no complaints of scent sensitivities with our employees. If that surfaces in the future, we can look at implementing a scent-free workplace policy. Kristin attended the NWWH meeting in Leavenworth this month and received some assistance from a couple other utilities on some HR questions that Kristin had. Will be attending some webinars to get orientated with the new MRSC rosters process for our small works roster. Kristin was asked to speak at the WPUA Communicators roundtable next month and do a presentation on our online/social media communications processes.

Rob Johnson:

Rob just got back from vacation. The power in the US Virgin islands is very expensive, around 40 cents/kWh. There are also no wells on the islands so you buy expensive water or collect rainwater.

BOARD REPORTS/COMMENTS

Karl: Was elected as president of the PRB group this year.

Ron: Also attended the NWPPA Annual Meeting last week. Was really impressed with new BPA administrator Bill Drummond.

Jack: No report.

Meeting adjourned at 3:25 p.m.

Ron Gold, President

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