

**THE BOARD OF COMMISSIONERS  
OF PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY**

MINUTES OF JANUARY 26, 2010  
REGULAR COMMISSION MEETING

**MEETING CALLED TO ORDER**

The Board of Commissioners of Public Utility District No. 1 of Franklin County held their regular meeting at 1411 West Clark, Pasco, Washington, on January 26, 2010.

Those present from the District were Commissioner Chuck Hall, President; Commissioner Bill Gordon, Vice President; Commissioner Stu Nelson, Secretary; Ed Brost, General Manager; Steve Palmer, General Counsel; Tim Nies, Director of Administrative Services; Susan Paysse, Director of Human Resources; Linda Boomer, Director of Power Management; Dale Gutmann, Director of Operations; Duane Sams, Director of Engineering; and Susan Bauer, Executive Assistant.

District staff members present for all or part of the meeting were Richard Sargent, Power Analyst, and Dave Reed, Substation Electrician/Foreman.

Public present for part of the meeting was Larry Felton, BPA Senior Account Executive.

Commissioner Hall called the regular meeting to order at 1:10 p.m.

**PUBLIC COMMENT**

No public comments were offered.

**COMMISSIONER REPORTS**

Commissioner Nelson reported that he attended PPC and WPUDA meetings, and reported that in February WPUDA will provide a training session on Roberts Rules of Order.

Commissioner Gordon reported on the status of the selection process and criteria for the next CEO of Energy Northwest (ENW). He reported that the process is moving along with interviews scheduled in February, and an estimated start date in April.

Commissioner Hall reported that he attended WPUDA where he participated in the Telecom, Energy, and Legislative committee meetings.

**CONSENT AGENDA**

The Commissioners reviewed the Consent Agenda. Mr. Nies provided and reviewed a report comparing 2008 to 2009 write-offs, which showed a significant reduction. The Commissioners and Mr. Nies commended the Customer Service Supervisor and staff on the very good progress in reducing write-offs.

Commissioner Gordon moved and Commissioner Nelson seconded to approve the Consent Agenda as follows:

1. To approve the minutes of the Regular Commission Meeting of December 8, 2009.
2. To approve payment of expenditures amounting to \$4,064,547.43 as audited and certified by the auditing officer as required by RCW 42.24.080, and as certified by the General Manager as required by RCW 54.16.100, and expense reimbursement claims certified as required by RCW 42.24.090 and as listed and made available to the Commission for inspection prior to this action, as follows:
  - a.) Automated vouchers 46070 through 46111, 46113 through 46169, 46171, 46172, 46278 through 46357, 46359 through 46424, 46492, 46558 through 46583, 46585 through 46658, 46660 through 46678, and 00001 through 00026 in the amount of \$4,037,185.71;
  - b.) ACH vouchers 557, 559, 560, 562 through 564, 566 through 568, 570, 572, and EFT 00001 in the amount of \$10,683.46;
  - c.) Refund vouchers 46174 through 46276, 6709, 46426 through 46490, and 46494 through 46556 in the amount of \$31,733.75;
  - d.) Voids in the amount of \$15,055.49;
  - e.) November wire transfers totaling \$5,148,053.73 to the following; and

To:	For Payment of:	In the Amount of:
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$ 356,199.15
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$ 213,083.93
DEPT RETIREMENT	PERS 1,2,&3	\$ 52,654.09
ICMA	DEFERRED COMPENSATION	\$ 50,768.41
REHN	125 PLAN	\$ 3,223.82
REHN	VEBA contributions 9/20 -11/2, Meritain setup	\$ 44,872.35
BPA	SLICE	\$ 1,487,409.00
BPA	TRANSMISSION	\$ 309,418.00
BPA	BLOCK	\$ 936,012.00
DEPT OF REVENUE	EXCISE TAX	\$ 203,640.86
TERASEN	GAS PURCHASE	\$ 153,570.69
LL&P WIND	WHITE CREEK WIND ENERGY	\$ 122,084.79
FREDERICKSON	ENERGY	\$ 445,495.51
IGI	GAS PURCHASE/SALE	\$ 550,682.21
POWEREX	GAS FINANCIAL SWAP	\$ 4,617.00
MACQUARIE COOK	POWER FINANCIAL SWAP	\$ 13,416.00
SHELL ENERGY	GAS FINANCIAL SWAP	\$ 107,091.00
KLICKITAT PUD	ENERGY PURCHASES	\$ 93,814.92
<b>TOTAL</b>		<b>\$ 5,148,053.73</b>

f.) December wire transfers totaling \$4,988,216.66 to the following:

To:	For Payment of:	In the Amount of:
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$ 593,411.00
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$ 167,220.00
DEPT RETIREMENT	PERS 1,2,&3	\$ 79,663.17
ICMA	DEFERRED COMPENSATION	\$ 96,891.43
REHN	125 PLAN	\$ 4,835.73
REHN	VEBA	\$ 25,184.36
BPA	SLICE	\$ 1,487,409.00
BPA	TRANSMISSION	\$ 309,900.00
BPA	BLOCK	\$ 934,165.00
BPA	TRANSMISSION ADJUSTMENT	\$ 60,844.00
DEPT OF REVENUE	EXCISE TAX	\$ 167,700.04
TERASEN	GAS PURCHASE	\$ 92,987.75
LL&P WIND	WHITE CREEK WIND ENERGY	\$ 131,211.33
POWEREX	GAS PURCHASE	\$ 17,146.08
FREDERICKSON	ENERGY	\$ 399,032.36
IGI	GAS PURCHASE/SALE	\$ 51,206.90
POWEREX	GAS FINANCIAL SWAP	\$ 101,088.00
POWEREX	GAS FINANCIAL SWAP	\$ 14,211.64
SHELL ENERGY	GAS FINANCIAL SWAP	\$ 99,345.70
KLICKITAT PUD	ENERGY PURCHASES	\$ 154,763.17
<b>TOTAL</b>		<b>\$ 4,988,216.66</b>

3. To approve payment for work completed from October 26, 2009 to November 28, 2009, by Power City Electric, in the amount of \$114,736.26 for Contract 4944B, 2009 Miscellaneous Projects.
4. To approve payment for work completed from November 29, 2009 to December 31, 2009, by Power City Electric, in the amount of \$109,650.93 for Contract 4944B, 2009 Miscellaneous Projects.
5. To approve payment for work completed from October 26, 2009 to November 30, 2009, by Power City Electric, in the amount of \$25,862.00 for Contract 5931, 2009 Street Light Relamping.
6. To approve final payment for work completed from December 1, 2009 to December 28, 2009, by Power City Electric, in the amount of \$29,361.00 for Contract 5931, 2009 Street Light Relamping.
7. To approve payment for work completed from November 9, 2009 to November 30, 2009, by Aztech Electric, Inc., in the amount of \$89,484.07 for Contract 6002, Kenneth R. Cochrane Substation Additions.
8. To approve payment for work completed from December 1, 2009 to December 31, 2009, by Aztech Electric, Inc., in the amount of \$54,460.71 for Contract 6002, Kenneth R. Cochrane Substation Additions.

9. To approve for write-off uncollectible accounts, for December and January, as listed on the Franklin PUD Customer Write-Off Final reports dated January 19, 2010, in the amount of \$24,220.71.

The motion passed unanimously.

### **AUTHORIZING THE GENERAL MANAGER OR HIS DESIGNEE TO EXECUTE THE ENERGY AUTHORITY (TEA) 2010 CONSULTING TASK ORDER**

Ms. Boomer introduced this item and reported that the District annually approves a task order for consulting activities that TEA is expected to perform throughout the year.

The TEA 2010 Consulting Task Order includes current Slice contract related activities, BPA power issues not included in the "Pre-Commercial Activities" task order, transmission issues, general power management, and finalizing the new long-term load forecast model. Given the number of projects and issues TEA is assisting the District with this year, the estimated monthly cost for this service is \$13,500, which is the same amount paid in 2009.

Ms. Boomer reported on the group of clients who are engaged in work under a separate task order for Slice Computer Application software for the Post-FY2011 BPA power contract. Discussion ensued about TEA services.

Commissioner Nelson moved and Commissioner Gordon seconded to authorize the General Manager or his designee to execute the TEA 2010 Consulting Task Order.

The motion passed unanimously.

### **REPORTING ON THE IDENTITY THEFT PREVENTION PROGRAM**

Mr. Palmer introduced this item, reporting on the security issues facing the District. He noted that in January 2009, the District initiated an Identify Theft Prevention Program (ITPP), and that under this program there is a requirement to annually report to the Commissioners on the success of the program.

Mr. Palmer reported that there were three security related incidents last year: a laptop computer was stolen from a vehicle; a non-district employee accessed a meter shop computer; and a laptop computer used to control the HVAC system was stolen from District premises. Mr. Palmer assured the Commission that each incident was investigated and that none resulted in a release of personal information.

### **ADOPTING A RESOLUTION REVISING THE DISTRICT'S ORGANIZATIONAL STATEMENT**

Mr. Palmer introduced this item, reporting on the requirement for the District to identify and advertise publicly the frequency, time, date and place of commission meetings. Mr. Palmer reported that the Commission adopted by resolution an organizational statement, which outlined the required information regarding commission meetings.

Mr. Palmer reported that the revised Organizational Statement now before the Commission more clearly identifies the commission meeting frequency, time, date and place. The revised Organizational Statement also more clearly identifies that the commission will hold meetings when it has business to transact.

Commissioner Nelson moved and Commissioner Gordon seconded to adopt Resolution 1141 as presented. The motion passed unanimously.

### **AUTHORIZING THE GENERAL MANAGER OR HIS DESIGNEE TO EXECUTE A CONTRACT FOR DOCK CREW SERVICES**

Mr. Sams introduced this item and reported that in December 2009, the District requested bids to furnish labor and equipment needed to complete miscellaneous system projects included in the 2010 Capital Budget. Mr. Sams reported that the District received five bids in response to the request, and after evaluation, determined that Power City Electric was the lowest responsive bidder.

Commissioner Gordon asked whether the bid amount was included in the 2010 budget. Mr. Sams confirmed, after some discussion, that the bid amount was included in the 2010 capital budget; however, all of the specific projects had not yet been identified.

Commissioner Gordon moved and Commissioner Nelson seconded to find Power City Electric, Inc. the lowest responsive bidder, and to authorize the General Manager or his designee to execute Contract No. 6024 - 2010 Miscellaneous Projects, with Power City Electric, Inc., in an amount not to exceed \$1,214,076.24.

### **CLAIMS REPORT**

Mr. Palmer reported that there was a claim against the District alleging a loss of food in a refrigerator following a disruption of power caused by a 'car hit pole' accident. Mr. Palmer also reported on an incident, not currently a claim against the district, related to a fall at a construction site transformer location.

### **SPECIAL REPORT: CT PROJECT**

Mr. Gutmann introduced Mr. Dave Reed, Substation Electrician/Foreman, to provide the Commission an update on the combustion turbine (CT) project. Mr. Gutmann reported that last week the District met with Grays Harbor PUD, a partner in the CT project, and NAES Corporation, the contract operator, to review the budget and the maintenance and repair issues that continue to arise with the CT project.

Mr. Brost recalled that in April of 2009, the District contracted with NAES to make the CT plant operational, and how the project was not proceeding as well the District expected.

Mr. Reed reported that there were many problematic issues with the project. Mr. Reed reported that the Operator is doing a good job and working hard to get the plant running. However, the difficulties include that the plant is over ten years old, it is hard to find parts and hard to repair parts, and the plant sat idle for a long time prior to the recent efforts.

Mr. Sargent reported that since the NAES contract started in 2009, there has been concern regarding the lack of timely response. Mr. Sargent also noted that environmental issues added to the complexity of problems. Environmental testing determined evidence of contaminants, which resulted in a prohibition against running the CT plant. Mr. Sargent reported that right now all four units would start; however, we cannot run the units for power until the environmental issues are resolved.

Mr. Reed added that we have until July to complete corrections for the environmental issues, and we are looking into getting a second environmental testing firm before July 1, thinking that the first test may have been inaccurate. He reported that two days ago another one of the SCADA computers crashed, and that they are out of date, difficult to repair and it is hard to get parts.

Mr. Brost added that it is not yet clear whether the District will renew the contract with NAES, which expires in April. Discussion ensued on the value of continuing to try to repair the plant, and if the investment will outweigh the value.

Mr. Brost reported that the team would come back to the Commission with a recommendation in the near future.

#### **GENERAL MANAGER'S REPORT**

Mr. Brost reported that he has been involved in BPA/PPC post-2011 conservation program discussions. He also reported on his involvement in I-937 activities, specifically, that he became involved with the issues at WPUDA and the WPUDA legislative committee, and is now the East Side Manager Representative on the committee.

Mr. Brost reported that he was in Olympia yesterday and testified at a House Energy Committee hearing on I-937. The utility/industrial customer coalition came across as very united in our position. However, the coalition and wind developers are not close to reaching agreement on an acceptable package of changes.

#### **STAFF REPORTS**

Mr. Nies reported that:

- NoaNet postponed their January meeting because they expect a stimulus grant award, and that the District is in the running for funding for the Fiber to Connell and Kahlotus project. Mr. Nies and the Broadband team will attend the NoaNet meeting on February 10.
- The building remodel is coming along; construction is nearly complete. Security and HVAC are not quite completed. Most employees have moved into new offices.
- The District has scheduled an Open House and Dedication February 26; there is a meeting pending to discuss the solar system and if it can be up and running in time for open house.
- The financial software (FIS) recently went live on General Ledger, Purchasing and Accounts Payable. It is going well. The team expects to go live with Payroll

on March 8 if all goes as planned. Mr. Nies commended the Accounting and IS teams who have put in extra time and effort to make this all work.

- The budget status report in the board packet shows the District net revenues up \$2.8M; ending reserves are about \$3M higher than projected in September.

Mr. Sams reported that:

- Start of construction on the Connell/Kahlotus 34 KV line was delayed when the County unexpectedly started construction on the Pasco Kahlotus Highway and needed to have some power poles moved. Mr. Sams expects to have Power City start on this project in March.
- The Port of Pasco is starting their Osprey Point business park project; Engineering has been working on the design for electrical service, and there are about 20 buildings in the plan.
- End of 2009 statistics show that there were 14 miles of line added, 220 work orders completed, and 901 service requests received. These numbers are all slightly less than the 10 year averages. Mr. Sams reported that the frequency of outages was down, but the length of outages was up.

Mr. Gutmann reported that:

- Dave Reed has done a fantastic job on the CT project. Mr. Gutmann reported that Mr. Reed's historical knowledge of the plant is invaluable to the project, and he has been instrumental in assisting both NAES and the operator in the project.
- Diana Hamilton, Meter Shop Foreman, has been educating meter readers to troubleshoot when they are out in the field, and as a result, they have discovered many issues with the meters. These repairs will help keep losses down.

Ms. Paysse reported that:

- Robert J. Whitlow was hired for the vacant Lineman position and reported to work on January 4, 2010. Mr. Whitlow previously worked on the District's dock crew, so is familiar with our system and employees. This brings the full-time employee count to 98, of 101 jobs.
- The HR/Payroll software set-ups continue, with plans to go live on the new payroll system on March 8. HR and Accounting are running parallel payrolls on the old and new systems, to check for accuracy in the new set ups. The new software will eliminate many manual processes associated with employee benefits.
- All employees received training recently on Administrative Policy #50, Acceptable Use of Electronic Resources. Because of the importance placed on system security and guarding customer information, the District requires employees to sign and return the Policy's signature page, stating that they have read and understand the policy. She is pleased to report that all employees in active work status have signed and returned the signature page.
- Informed the Commission that Meritain, the new third party administrator for employee and Commissioner VEBA accounts, has had some challenges, but is working through them. Employees continue to call with concerns, but she feels Meritain is making progress resolving them.

- On behalf of the General Manager and staff, it was her pleasure to congratulate President Chuck Hall on his fifth anniversary with the Commission, and she thanked him for his service.

Ms. Boomer reported that:

- Within their department, she manages the BPA contracts and Frederickson, and Rich Sargent manages other resources. Rich reported on Packwood, Nine-Canyon, a solar project in southern Oregon, and CWPA solar, and on the Renewable Energy Credits (RECs). He also reported that Energy Northwest is continuing to investigate modular nuclear options.
- She attended the TEA Semiannual Partners meeting, and a Slice computer application software meeting.
- She will be participating in the Key Accounts Meeting on February 11, and has invited representatives from BPA to do presentations.

Mr. Palmer reported that:

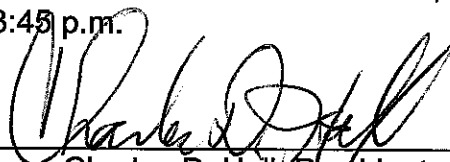
- The District recently filed a lawsuit against a long overdue account holder. Mr. Palmer is awaiting notification of a trial date. A response to the lawsuit was received from the account holder's counsel, but no payment has been received.
- House Bill 2707 on Commission Compensation is moving forward in the current legislative session. Mr. Palmer spoke briefly on the issue of commissioner compensation and discussion among the Commission followed.

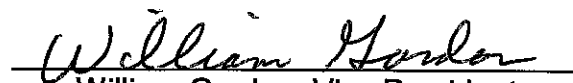
Commissioner Gordon moved and Commissioner Nelson seconded to comply with the District's resolution on commissioner compensation, to take into account the increase in per diem rates, as determined by the Office of Financial Management (OFM), and to make the increased per diem effective July 2008, as provided in the OFM notice dated June 24, 2008. The motion passed unanimously.

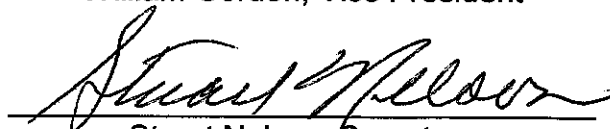
- The Small Works Contracts Award List for 2009 was completed and Mr. Palmer provided that list to the Commission.

### MEETING ADJOURNED

With no further business to come before the Commission, Commissioner Hall adjourned the meeting at 3:45 p.m.

  
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Charles D. Hall, President

  
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William Gordon, Vice President

  
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Stuart Nelson, Secretary