

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

MINUTES OF NOVEMBER 17, 2009
SPECIAL COMMISSION MEETING

MEETING CALLED TO ORDER

The Board of Commissioners of Public Utility District No. 1 of Franklin County held their special meeting at 1411 West Clark, Pasco, Washington, on November 17, 2009.

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

The one member of the public present for all or part of the meeting was Larry Felton, Bonneville Power Administration Account Executive.

Commissioner Nelson called the special meeting to order at 1:00 p.m.

COMMISSIONER REPORTS

Commissioner Hall reported that he attended the Columbia Snake River Irrigators Association meeting. He also reported that Marisa Davidson, from Mason County PUD No. 3, will be awarded the Walkley Scholarship from the Washington Public Utility District Association (WPUDA). Commissioner Hall reported that a Cowlitz PUD customer who sustained injury after coming in contact with a secondary wire while cleaning his roof was awarded damages. Commissioner Gordon expressed interest in looking at the possible liabilities in this scenario for the District, and Mr. Palmer offered to investigate. Commissioners Hall and Nelson gave an update of the bylaws and procedural revisions to the WPUDA voting policy, which is being undertaken by an Ad Hoc Voting Reform Committee. There are at least four proposals for WPUDA voting. The various proposals were discussed. No final actions by the WPUDA Board is expected for a couple more months as the members will continue to debate and refine the various proposals.

Commissioner Gordon reported that he attended the Corporate Nuclear Safety Review Board meeting at Energy Northwest where nuclear experts from other plants reviewed the management and performance of the Columbia Generating Station. He agrees that equipment and processes should be scrutinized beyond just the plant managers and engineers. He suggested that he would like to see the District start printing documents double sided when possible. He was assured we do a lot of that already but we can do more. Commissioner Gordon then asked for clarification of the location and materials used for the new thermal wall that is part of the building remodel. Mr. Nies pointed out the wall location and described how it operates. Commissioner Gordon also reported that the Columbia Snake River Irrigators Association wants the State to recognize past

practices and conservation techniques when dealing with new water rights. He agreed with this position.

Commissioner Nelson reported that in addition to attending the WPUA meetings, he attended PPC where he heard from Energy Northwest and BPA speakers regarding performance of the Columbia Generating Station.

CONSENT AGENDA

The Commissioners and staff reviewed the Consent Agenda. Commissioner Gordon stated that at the next Commission meeting he would like to see a comparison of current write-off totals to the 2008 totals. Commissioner Hall moved and Commissioner Gordon seconded to approve the Consent Agenda as follows:

1. To approve the minutes of the Regular Commission Meeting of October 27, 2009.
2. To approve payment of expenditures amounting to \$6,372,591.75 as audited and certified by the auditing officer as required by RCW 42.24.080, and as certified by the General Manger 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 45628 through 45676, 45760 through 45810, 45864 through 45904, in the amount of \$1,609,213.47;
 - b.) ACH vouchers 546 through 549, in the amount of \$3,083.65;
 - c.) Handwritten voucher 6708 in the amount of \$487.93;
 - d.) Refund vouchers 45678 through 45758, 45812 through 45862, in the amount of \$21,080.90;
 - e.) Voids in the amount of \$11,571.32; and
 - f.) Wire transfers totaling \$4,750,297.12 to the following:

To:	For Payment of:	In the Amount of:
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$ 356,586.00
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$ 141,427.00
DEPT RETIREMENT	PERS 1,2,&3	\$ 52,550.58
ICMA	DEFERRED COMPENSATION	\$ 50,960.20
REHN	125 PLAN	\$ 3,223.82
BPA	TRANSMISSION PENALTY	\$ 101,423.00
BPA	SLICE	\$ 1,369,142.00
BPA	TRANSMISSION	\$ 341,984.00
BPA	BLOCK	\$ 883,172.00
DEPT OF REVENUE	EXCISE TAX	\$ 244,712.12

LL&P WIND	WHITE CREEK WIND ENERGY	\$ 125,412.15
FREDERICKSON	ENERGY	\$ 424,640.21
IGI	GAS – PASCO CT	\$ 14,536.00
IGI	GAS – FREDERICKSON/NET WITH SALES	\$ 362,300.40
SHELL ENERGY	GAS FINANCIAL SWAP	\$ 171,761.70
KLICKITAT PUD	ENERGY PURCHASES	\$ 106,465.94
TOTAL		\$4,750,297.12

3. To approve payment for work completed from October 1, 2009 to October 24, 2009, by Power City Electric, in the amount of \$128,721.63 for Contract 4944B, 2009 Miscellaneous Projects.
4. To approve payment for work completed from October 13, 2009 to October 24, 2009, by Power City Electric, in the amount of \$22,311.00 for Contract 5931, 2009 Street Light Relamping.
5. To approve for write-off uncollectible accounts as listed on the Franklin PUD Customer Write-Off Final report dated November 9, 2009, in the amount of \$15,887.66.

The motion passed unanimously.

REOPEN PUBLIC HEARING AND REPORT STATUS OF THE 2010 OPERATING AND CAPITAL BUDGETS

Commissioner Nelson reopened the public hearing on the 2010 Operating and Capital Budgets and discussion occurred. Mr. Nies explained that since the last meeting there was an increase in power revenues and costs due to updated price forecasts and one labor change related to temporary staffing for the meter shop. There were no changes to the Capital Budget. Commissioner Gordon asked if the ASC credit was subtracted from the retail revenue, and Mr. Nies explained that it was, but not from individual rate classes. Commissioner Gordon also asked if the Senior/Disabled Low Income discounts could be incorporated into the totals for the December meeting. He also asked whether the Broadband budget included the I-182 build. Mr. Nies would address both issues at the next meeting.

Commissioner Hall moved and Commissioner Gordon seconded, to recess the 2010 Operating and Capital budgets hearing until the December 8, 2009 regular Commission meeting. The motioned passed unanimously.

CONDUCTING A PUBLIC HEARING ON COMMISSIONER REDISTRICTING

Commissioner Nelson opened the second of two planned public hearings on the matter of Commissioner Redistricting.

Mr. Brost introduced this agenda item, reviewing the redistricting options as presented and the steps taken to bring this matter before the Commission. Mr. Brost pointed out how each option met the decision criteria. The three options selected for more discussion by the Commission at the November meeting were reviewed and compared.

Commissioner Nelson indicated a preference for option 1D. Commissioner Gordon indicated a preference for option 1A, as did Commissioner Hall.

After further discussion, Commissioner Hall moved and Commissioner Gordon seconded to close the public hearing. The motion passed unanimously.

ADOPTING RESOLUTION 1136, ESTABLISHING NEW COMMISSIONER DISTRICT BOUNDARIES

This action was withdrawn and will be brought back for action at the December 8, 2009 regular Commission meeting.

EXECUTING CONTRACT 6018 – PRIMARY UNDERGROUND CABLE

Mr. Sams explained that this contract was for underground cable, which will replenish warehouse stock. He described the cable function and size. Commissioner Gordon questioned whether staff takes into consideration the quality of the cable, along with the costs. Mr. Sams responded yes and also explained the specifications and criteria that are used in evaluating the cable quality and that the District's experience with this particular cable had been very good.

Commissioner Hall moved and Commissioner Gordon seconded to find WESCO Distribution Inc. the lowest responsive bidder, and authorize the General Manager or his designee to execute Contract 6018 – Primary Underground Cable, with WESCO Distribution Inc., in an amount not to exceed \$121,182.00. The motion passed unanimously.

APPROVING THE 2010 FRANKLIN PUD REGULAR COMMISSION MEETING SCHEDULE

Mr. Brost presented the Commission with a proposed 2010 Commission Meeting schedule and asked if there were any conflicts with the meeting dates. With no conflicts or suggested changes, he recommended the schedule be approved with a motion.

Commissioner Hall moved and Commissioner Gordon seconded to approve the 2010 Regular Commission Meeting schedule. The motion passed unanimously.

GENERAL MANAGER'S REPORT

Mr. Brost provided the latest draft of the District's 2010-2011 Operating Plan to the Commissioners and asked that they review it and provide comments, and that he will ask for Commissioner approval at the December 8, 2009 regular Commission meeting.

He also presented the idea of individual Commissioner travel budgets and asked for Commissioner input at or prior to the December meeting, when the Commissioners will discuss and approve the District's representation at outside organizations.

Mr. Brost reported he is continuing to work with a utility and industry group discussing I-937 revisions. Alternatives and options for the Initiative were analyzed and will be presented to General Managers to determine a consensus. If consensus is reached to support a particular proposal, it will be presented to environmental groups and legislators. He also reported that he had submitted comments on the Power and Conservation Council's Sixth Power Plan.

Mr. Brost presented two letters to the Commissioners for signature. The letters express the District's support of legislation allowing Health Reimbursement Arrangement

balances to be available for non-dependent beneficiaries' medical expenses when no surviving spouse or qualified dependents remain after a participant's death. The Commissioners agreed to sign the letters which will be mailed to Senator Cantwell and Senator Murray.

STAFF REPORTS

Mr. Nies reported that:

- NoaNet will discuss and pass their 2010 budget in December. At that time, the District will know the amount of the third repayment plan. They will also discuss how stimulus funds may help pay for the fiber project to Connell and Kahlotus.
- There is no Budget Status report because of the early November Commission meeting.
- The District has rating agency presentations and a rate advisory meeting this week. The Moody's presentation was this morning and it went very well. The Rate Advisory Committee will meet Thursday, and the Standard & Poor's presentation will occur on Friday.
- There is a customer that would like to prepay a large amount on their account. The District is planning to treat the prepay as a credit on the customer's bill. No interest component will be included.

Ms. Boomer reported that:

- Mr. Sargent, Power Analyst, received a better price (from \$9 to \$12) for the sale of the District's White Creek Renewable Energy Certificates. The sales agreement will be soon finalized. The sale has already been authorized by the Commissioners.

Ms. Bone-Harris reported that:

- Terry Flores, Northwest River Partners Executive Director, will be the main speaker at the Tri City Regional Chamber luncheon tomorrow.
- Columbia Basin Badger Club will be holding a forum on dam breaching and she invited questions to be provided to Ms. Boomer, as she will be attending the meeting.
- Avista Utilities and Snohomish County PUD were awarded stimulus funding for infrastructure projects.
- The Rural Economic Development Fund received a loan request from Elite Renovations for \$75,000. The company performs house remodels and hopes to increase their staff from 11 to 26 with the requested money.
- Updated the Commissioners on the Ambassador program that is currently being developed and presented on the District's website.

Mr. Gutmann reported that:

- Benton PUD Commissioners declined to be the primary tenants on Rattlesnake Mountain due to liability concerns. Benton PUD staff will continue to meet with the Department of Energy and Energy Northwest to resolve the issues. Currently, Franklin PUD is to be a secondary tenant.
- The District delivered an antenna to the Rattlesnake Mountain site for installation by Benton PUD.

Ms. Paysse reported that:

- Dave Hebky filled the vacancy in the Meterman shop, and he was previously in the Transformer shop.
- The last interview for the vacancy in the Customer Service department will be conducted tomorrow.
- Interviews for the Lineman position will start Friday.
- The personnel performance evaluation training sessions for management and staff went well, and use of the new evaluating system has begun.

Mr. Sams reported that:

- The Connell/Kahlotus transmission line update is proceeding. The linemen have been choosing the location for the new fiberglass poles. Commissioner Gordon questioned the update of this transmission line versus finding a different route and discussion followed. Staff is considering options for overhead and underground lines, and will continue to look at line access issues.


Mr. Palmer reported that:

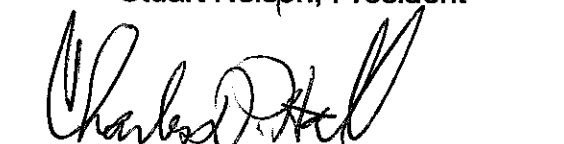
- He sent a letter to an irrigation customer with long standing delinquent accounts. The letter contains terms set forth by the District on addressing these delinquent accounts. Mr. Nies and Mr. Pryce will continue to work with the customer, and Mr. Palmer will handle the legal aspects of the situation. The customer was to present a proposal for payment by next Monday or his power would be cut off.

At this time, Mr. Nies gave a building remodel update. The solar panels have been installed and there will be a solar activity display in the main lobby; sheet rock and painting will occur this week; and sod and irrigation sprinklers have been installed in the swell south of the garage.

MEETING ADJOURNED

With no further business to come before the Commission, Commissioner Nelson adjourned the meeting at 3:00 pm.


Stuart Nelson, President


Charles D. Hall, Vice President


William Gordon, Secretary