

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

MINUTES OF DECEMBER 8, 2009  
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 December 8, 2009.

Those present from the District were Commissioner Stu Nelson, President; Commissioner Chuck Hall, Vice President; 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; Debbie Bone-Harris, Public Affairs Manager, and Susan Bauer, Executive Assistant.

Staff present for part of the meeting was Bonnie Hickman, Technical Systems Manager.

Members of the public present for all or part of the meeting were Ron Riemann, Rate Advisory Committee member; Delbert Mendoza, Rate Advisory Committee member; and Carl Holder, ratepayer.

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

**SERVICE AWARD**

Tim Nies introduced Bonnie Hickman, who received her thirty-year award. Bonnie has been with the District since 1979, and progressed through jobs including Field Engineer, Lead Engineer, Engineering Supervisor, and then began working with the GIS and Technical systems, where she was instrumental in initiating these systems. Ms. Hickman has been the District's Technical Systems Manager since 2004, and has since initiated the District's Records Management System, which other local entities have viewed as a model. Ms. Hickman also created efficiencies related to Human Resources, and just over a year ago, took the lead on the financial systems software project, and Mr. Nies reported that she has done a fantastic job. Ms. Hickman accepted her award and said that she was pleased to work with such a great team.

**PUBLIC COMMENT**

Mr. Nies introduced Mr. Riemann who spoke about the Rate Advisory Committee, and the most recent meeting. Mr. Riemann reported on the committee's deliberations on rates and reviewed the committee's recommendation; to keep rates level for 2010 and implement small, steady increases when necessary. Mr. Riemann expressed his appreciation and support for the District and its approach in keeping the rates stable. Mr. Nies introduced Mr. Mendoza, who expressed his appreciation and his interest in being on the committee.

Mr. Nies introduced Mr. Holder, who expressed his opinion on the rate decisions, the 6<sup>th</sup> Power Plan, and the impact on the region. Discussion ensued.

### **COMMISSIONER REPORTS**

Commissioner Gordon reported on his experiences from the WPUDA annual meeting and shared information from the meeting. He reported that Energy Northwest Calibration Laboratory had received its accreditation. He noted that Energy Northwest is working diligently on the CEO selection process, accepting resumes this month, planning to select an interview pool in January, and anticipating a new CEO start of May 1. Mr. Gordon noted that this is an ambitious schedule.

Discussion ensued regarding Energy Northwest and nuclear power.

Commissioner Hall reported that he attended the Tri-Port meeting last week, the topic of which was water and dams. He also attended the WPUDA annual meeting, where he attended the NoaNet meeting; he reported that the broadband technology was very interesting and exciting. He reported that WPUDA was also looking for a CEO, and noted that he received a letter from Dan Peterson who expressed interest in the position.

Commissioner Nelson reported that he attended the same meetings as the other two Commissioners and echoed the opinion that the NoaNet meeting was very interesting.

### **CONSENT AGENDA**

Commissioner Gordon requested a review of the write-offs, from 2008 to 2009. Mr. Nies passed out a report and he reviewed for the Commission.

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

1. To approve the minutes of the Special Commission Meeting of November 17, 2009.
2. To approve payment of expenditures amounting to \$922,951.52 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 45906 through 45935, 45989 through 46040, 46042 through 46068, in the amount of \$901,944.57;
  - b.) ACH vouchers 551, 553 and 555, in the amount of \$1,746.47;
  - c.) Refund vouchers 45937 through 45987, in the amount of \$19,384.92; and
  - d.) Voids in the amount of \$124.44.

The motion passed unanimously.

**ADOPTING A RESOLUTION ESTABLISHING A RATE STABILIZATION FUND**

Mr. Nies introduced this item, and reported that a Rate Stabilization Fund (RSF) is a tool used to manage fluctuations in rates. He reported that the RSF could be used to meet bond covenant requirements that call for a utility to raise rates in order to meet minimum debt service coverage levels (1.25 times the annual debt service) out of current revenues. The District's internal policy is to have debt service coverage of 1.6 times the annual debt service.

Creation of an RSF allows the District to use excess reserves, rather than raising rates, to meet coverage requirements in a specific year. The Commission designates the funds to be used for stabilizing rates but RSF funds remain available for any legal purpose of the District as determined by the Commission.

Staff recommended that the Commission adopt Resolution 1140, establishing a Rate Stabilization Fund in an amount not to exceed \$6 million dollars.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution 1140 as presented. The motion passed unanimously.

**ADOPTING A RESOLUTION AMENDING THE SALARY ADMINISTRATION PLAN FOR 2010**

Ms. Paysse introduced this item, reporting that the proposed Operating Budget for 2010 includes a 2.75% general wage increase for non-bargaining employees; the bargaining unit will receive 3.5%.

Ms. Paysse reported that positions within the salary grades were reviewed and compared to similar positions in our region, and staff is proposing two additions to the District's Salary Administration Plan. They are the positions of an Operations Coordinator at Salary Grade 7, and Accountant/Financial Analyst II at Salary Grade 13. Both positions recognize the skills necessary for the District to extract more value from its new financial software. The proposed 2010 budget funds these positions as promotions of existing employees.

Staff recommended the Commission adopt Resolution 1137, which establishes the new positions and increases the wages, as well as the minimums, position rates, and maximums amounts for all salary grades by 2.75%, for the 2010 payroll year, which begins on December 28, 2009.

Commissioner Hall moved and Commissioner Gordon seconded to accept Resolution 1137 as presented. The motion passed unanimously.

**RE-OPENING THE 2010 BUDGET HEARING AND CLOSING THE HEARING, AND ADOPTING A RESOLUTION ESTABLISHING THE 2010 CAPITAL AND OPERATING BUDGETS**

Commissioner Nelson re-opened the budget hearing.

Mr. Nies reported that the Operating Budget presented today has not changed since the last meeting; however, the Capital Budget has increased. Mr. Nies indicated that the broadband budget was increased, due to the start of the broadband build over the I-182 Bridge moving to 2010.

Commissioner Nelson asked for public comment, and hearing none, closed the final 2010 budget hearing.

Staff recommended the Commission adopt Resolution 1133, establishing the 2010 Capital and Operating Budgets, which will be in place for the District's fiscal year January 1 to December 31, 2010.

Commissioner Hall moved and Commissioner Gordon seconded the motion to adopt Resolution 1133 as presented. The motion passed unanimously.

**ADOPTING A RESOLUTION ESTABLISHING NEW COMMISSIONER DISTRICT BOUNDARIES**

Mr. Brost introduced this item, reviewing past progress toward a redistricting decision on the part of the Commissioners.

Mr. Brost reported that at the October 27, 2009 Commission meeting, Commissioner Nelson noted his preference for Option 1C, and Commissioners Hall and Gordon noted their preference for Option 1A.

Mr. Brost reported that at the November 17, 2009 Commission meeting, Commissioner Nelson suggested Option 1D as a compromise. Commissioners Hall and Gordon restated their preference for Option 1A. At that time, the Commissioners decided to table the discussion of redistricting to the December 8, 2009 meeting.

Commissioner Nelson stated that his preference continued to be for Option 1D. Commissioner Hall thanked the staff for their work in producing the options and called for a motion.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution 1136, revising the District boundaries according to Option 1A. Commissioner Hall and Commissioner Gordon voted in favor of the motion, and Commissioner Nelson voted as opposed to the motion. The motion passed.

### **APPROVING THE 2010 ORGANIZATION REPRESENTATION LIST**

Mr. Brost introduced this item, reporting that each year the Commission updates the list of organizations on which the Commissioners represent the District. Mr. Brost noted that the list is shorter than it has been in the past since it includes only those organizations on which the Commissioners are represented, with one exception. The list is as follows:

<b>Organization</b>	<b>Delegate</b>	<b>Alternate</b>
APPA – L & R Committee	B. Gordon	C. Hall
Columbia REA	C. Hall	D. Gutmann
Columbia-Snake River Irrigators	C. Hall	D. Clark
Energy Northwest	B. Gordon	S. Nelson
ENW Participant's Review Board	S. Nelson	
Hispanic Pasco Chamber of Commerce	A. Hernandez	D. Bone-Harris
NWPPA	S. Nelson	
Pasco Chamber of Commerce	C. Hall	D. Bone-Harris
PNWA	C. Hall	D. Bone-Harris
Tri-City Chamber of Commerce	S. Nelson	D. Bone-Harris
WPUDA	C. Hall	S. Nelson

Staff recommends the Commission approve the 2010 Organization Representation List.

Commissioner Gordon moved and Commissioner Hall seconded to approve the list as presented. The motion passed unanimously.

### **APPROVING THE 2010-2011 OPERATING PLAN**

Mr. Brost introduced this item, and noted that at the last meeting he provided the Commissioners with a detailed plan, and that the summary plan is in the packet. There have not been changes to the document since that time.

The District develops the Operating Plan with input from staff, management and the Commissioners. Mr. Brost reported that he would provide a report on plan progress to the Commission every six months.

Staff recommended the Commission approve the 2010-2011 Operating Plan as attached.

Commissioner Hall moved and Commissioner Gordon seconded to approve the District's 2010-2011 Operating Plan. The motion passed unanimously.

### **ELECTING THE 2010 COMMISSION OFFICERS**

Mr. Palmer introduced this item, and reported that pursuant to RCW 54.12.090, at the end of each year, the District Commissioners appoint new officers for the next year.

The 2009 Commission Officers are: Stu Nelson, President; Chuck Hall, Vice President; and Bill Gordon, Secretary.

Based on the customary rotation, the 2010 Commission Officers would be: Chuck Hall, President; Bill Gordon, Vice President; and Stu Nelson, Secretary.

Staff recommends the Commission approve new Commission Officers for 2010.

Commissioner Gordon moved and Commissioner Hall seconded to approve the customary rotation of District officers for 2010. The motion passed unanimously.

#### **APPROVING THE ANNUAL PRE-QUALIFIED CONTRACTORS LIST**

Mr. Palmer introduced this item, and reported that, pursuant to RCW 54.04.085, the District annually proposes to pre-qualify contractors for large dollar projects (over \$300,000.00). Such work may consist of electrical substation, transmission and overhead and underground distribution construction projects. Mr. Palmer reported that the resolution includes the named contractor's and their maximum bid limits.

Staff reviewed all contractor applications and recommended the maximum bid amounts.

Staff recommended the Commission adopt Resolution 1138 as presented.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution 1138 as presented. The motion passed unanimously.

#### **APPROVING A NEW POLE ATTACHMENT RATE**

Mr. Sams introduced Mr. Bob Wyatt to report on this item. Mr. Wyatt reported that RCW 54.04.045 directs Washington state utilities to address the joint use of utility-owned poles for providing telecommunications and information services. The RCW establishes a consistent cost-based formula for calculating just and reasonable pole attachment rates in Washington State.

Mr. Wyatt reported that the District used the rate calculation formula as set out by the RCW, and that resulted in the proposed rate of \$13.96 for telecommunication and information services providers attaching to District poles. Discussion ensued regarding a comparison of the proposed rates to current rates.

Staff recommended that the Commission approve the Pole Attachment Rate Schedule.

Commissioner Hall moved and Commissioner Gordon seconded to approve the Pole Attachment Rate Schedule as presented. The motion passed unanimously.

#### **ADOPTING A RESOLUTION AUTHORIZING THE DISPOSAL OF SURPLUS STOCK INVENTORY ITEMS**

Mr. Gutmann introduced this item, and reported that this request is to dispose of items that are surplus to the District because they have become unserviceable, inadequate, obsolete, worn-out, or unfit for use.

Staff recommended the Commission adopt Resolution 1139, Authorizing the Disposal of Surplus Stock Inventory Items.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution 1139 as presented. The motion passed unanimously.

### **CLAIMS REPORT**

Mr. Palmer reported that there was a claim against the District regarding a tree limb hitting a car, and there is an investigation underway. The claim has been submitted to the District's insurance carrier.

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

Mr. Brost reported that he is active in a group of public and private utilities and industrial customers whose goal is to develop a proposal to make implementation of I-937 more affordable for consumers. Mr. Brost reported on progress toward this goal and the proposal being developing.

Mr. Brost reported on his understanding of the WPUDA voting and organizational restructuring, and on how that relates to the development of the role of the new WPUDA Executive Director position.

Mr. Brost reported on the WPUDA Managers meeting, and the discussion on the role of PUD managers, including whether managers could be on the board of directors of WPUDA. Currently, there is no restriction against managers being on the board, or being on any of the committees.

Mr. Brost reported on the question of 'what role should BPA play in the post 2011 Conservation Program?' He reported that this ties into the issue of paying B&O tax on conservation rate credit dollars. Many utilities, including Franklin, want more local control of energy efficiency funding.

Mr. Brost recalled that he disseminated the draft Commissioner travel policy two meetings ago, and that the Commission indicated they are in favor of going to a per diem system. Mr. Brost proposed that the policy be in effect beginning January 1, 2010, and that there be a Commissioner workshop in January to review the travel policy, train on the travel forms, discuss the travel budgets, and discuss other items related to travel. The Commissioners agreed. The workshop will be the morning of January 26, prior to the Regular Commission meeting.

Mr. Brost reported that there is an existing District policy on early release on Christmas Eve and New Years Eve, and that he has been asked to consider making an exception to that policy. Mr. Brost asked for Commissioner input on a plan for the District to close at 2:00 pm on Christmas Eve, with no early release on New Years Eve. The Commission agreed to let the General Manager make that decision.

Mr. Brost reported that he would be out of the office the first two weeks of January.

## **STAFF REPORTS**

Mr. Nies reported that:

- The Budget Status Report is in the packet and he reviewed the figures for the Commission.
- NoaNet is having their annual meeting tomorrow.
- The District received, for the fifth consecutive year, a certificate of achievement from the Government Financial Officers Association, and he commended his staff on good work.
- By December 23, the construction inside the middle of the building will be completed and offices can start to move the next week. He reported that the entire construction project should be completed by the second week in January. The District will schedule a Grand Opening, and more information on this will be available later.
- The District received about \$45K from the Enron settlement, which the District must use for low-income programs. Staff recommends that we send the money to the Franklin County Community Action Council for use in their low-income assistance programs. Mr. Palmer indicated the recommendation would fulfill the intent of the distribution requirement. The Commission was in favor of the recommendation.

Mr. Gutmann reported that:

- Operations has been "keeping the lights on" for the District. Specifically, with the latest windstorms, there have been extra hours put in to take care of outages and wind damage. He reported that Operations crews are checking the substations for hot spots.

Ms. Bone-Harris reported that:

- The media has been calling regularly with the recent outages, and she commended the crews for keeping the outages short.
- Tri City Legislative Council is preparing for the upcoming legislative session and they voted her secretary of the group.
- She is anticipating scheduling a Grand Opening for the Administration Building, date to be determined later.
- She is anticipating scheduling a Key Accounts meeting on February 11.
- The Pasco Ag show will be held at TRAC; they have tentatively requested the safety trailer.

Ms. Paysse reported that:

- She expects the District to be fully staffed on December 28, 2009.
  - Mr. Bill Latimer, Substation Electrician, reported to work on November 30.
  - The District has hired Leticia Monroy-Iglesias to fill the vacant Customer Service Representative position; she is scheduled to start December 14.
  - The District made an offer to a Lineman applicant. Pre-employment screening is nearly complete. Assuming all reports are acceptable, the new employee will begin work on December 28.
- She wanted to recognize the work of HR Coordinator Sylvia Hubbard during the week of November 30, when Cogsdale representative Stephen Gordon was here. The two worked up to 12 hours each day, working on set-ups in the new

payroll system that will handle the non-standard features of the District's benefits and compensation programs. These non-standard features currently require manual entries to be accurate. The goal is to eliminate those manual tasks.

- In addition to selling raffle tickets for a Christmas stocking filled with toys, District employees have created their own fund-raiser for the Helping Hands program, "Comfy Clothes Day". Employees who pay \$5 will be allowed to wear comfortable clothing to work on December 9. The Helping Hands program is administered by the Community Action Council, and offers assistance to those who need help to pay their power bill.
- In 2008, Commissioner Gordon had suggested that Human Resources add a commissioner orientation binder to the department's 2008-2009 goals. She plans to hand out the finished product at the February meeting, as part of her staff report.

Mr. Sams reported that:

- The District's construction contract with Power City expires at the end of December 2009. Mr. Sams requested that the Commission authorize the General Manager to extend the contract for one month in order to allow enough time for the District to complete their bid process for the 2010 construction contract, based on the need to undertake work during January 2010. He also indicated the General Manager would be executing a contract change order for \$65,000 to assure sufficient 2009 funding. Commissioner Hall moved and Commissioner Gordon seconded to authorize the General Manager to extend the contract with Power City for one month in an amount not to exceed \$110,000, and to authorize a \$65,000 increase to the contract amount for December 2009. The motion passed unanimously. Mr. Sams reported that he would bring the 2010 contract award to the Commission on their January 26, 2010 meeting.
- The Connell/Kahlotus transmission line update is proceeding. He noted that the fiberglass test poles are satisfactory and the line will be strengthened in place between Nordheim and Stein; there will be further rebuilding and installing new cross arms. A field engineer is working on the estimate of costs to rebuild the full phase 1 (seven miles of lines) in place.

Mr. Palmer reported that:

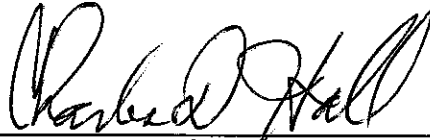
- He had more information on the individual who claimed he was electrocuted by a Cowlitz PUD electrical line. Mr. Palmer updated the Commission on the facts of the case.
- Cowlitz PUD is appealing the assessment of the B&O tax on the conservation credit from BPA, and Mr. Palmer continues to follow the case.
- A WPUA contract attorney has produced an update on the commissioner per diem and mid-term salary increase issue; the Commissioners agreed to leave the per diem at \$90 per day at this time.
- He was presenting an issue for Linda Boomer, Director of Power Management; Energy Northwest and the participants of Nine Canyon Wind are discussing settlement vs litigation of a contract dispute regarding turbines.
- The District disconnected, except for a domestic account, the accounts of the irrigation customer with long-standing delinquent accounts. The District has received some payment from the customer, but litigation is pending.

Mr. Brost reported for Ms. Boomer that:

- Energy Northwest requested letters of interest regarding a biomass project in Mason County. The District is planning to submit a non-binding letter of intent.

**MEETING ADJOURNED**

With no further business to come before the Commission, Commissioner Nelson adjourned the meeting at 4:20 pm.



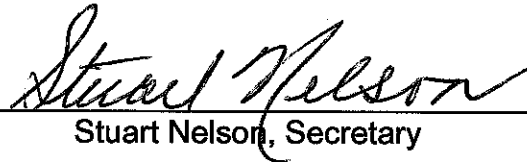
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Charles D. Hall, President



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William Gordon, Vice President



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Stuart Nelson, Secretary