

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

MINUTES OF JUNE 8, 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 June 8, 2010.

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

District staff present for all or part of the meeting were Darroll Clark, Energy Services Manager; Todd Blackman, Energy Services; Doug Gould, Information Services and Broadband Manager; and Joe Pryce, Customer Service Supervisor.

Public present for all of the meeting was Roger Wright, customer.

Commissioner Hall called the regular meeting to order at 1:00 p.m., and called for the service awards.

**SERVICE AWARD**

Mr. Nies introduced Mr. Joe Pryce, who has been with the District for thirty years. Mr. Nies noted that he has worked with Joe for six years, and that he is a dependable, loyal employee. He noted that Joe started out as a Billing Clerk at \$5.48/hr and that he progressed four times in the first two years, showing his potential. Mr. Pryce has been Customer Service Supervisor for 11 years. Mr. Nies introduced Mr. Doug Gould, who told a light-hearted story about Joe. Commissioners and staff congratulated Joe on his service.

Mr. Clark introduced Mr. Todd Blackman, who has been with the District for twenty years. Mr. Clark reported that Todd started in June of 1990, as a meter reader. Mr. Clark noted that Todd was a 'gadget guy,' very innovative, always looking for ways to improve, including using snowshoes to read meters, putting GPS locations on hard to read meters, and even using bicycles to improve the efficiency of meter reading. Todd was an important member of the building remodel team, looking for ways in which to capitalize on energy improvements and comply with LEED requirements.

Commissioner Hall noted that after one year of driving the electric car in a parade, and suffering from the heat, he reported his discomfort to Todd. The next year, Todd had installed a solar panel overhead that powered an electric fan, so the Commissioner had shade and a cool breeze. Commissioners and staff congratulated Todd on his service.

## **PUBLIC COMMENT**

Commissioner Hall called for public comment, and acknowledged Mr. Wright.

## **COMMISSIONER REPORTS**

Commissioner Nelson attended the NWPPA conference in Sacramento, and noted there were good speakers and a good program. He reported that he also attended PPC last week, and that there was information on the Tier 2 methodology. He reported that the Energy Northwest Participant's Review Board wants to meet with the Executive Board to discuss refinancing the CGS debt.

Commissioner Gordon added that BPA was interested in reducing the debt payment for Bonneville either by postponing/extending or trading the expensive debt of BPA for the less expensive debt of the CGS. However, he noted that it might be better to pay the debt now rather than later, not knowing the extent of the increased percentages that might be put on the debt between now and 2018. He reported that there is still no final action on selection of a CEO at Energy Northwest, and that the CGS plant has now run over 200 consecutive days.

Commissioner Gordon reported that he would like to see the staff research the differences in residential rates between Franklin PUD and BBEC. Mr. Nies indicated that he was already researching the matter.

Commissioner Gordon had two housekeeping items; one, he noted that he was pleased to see that some of his WPUDA packet was printed on two sides; and two, that for the record, when he referenced an article in the Commission meetings, such as last month with 'Clearing Up,' that the topic of the article be included in the minutes.

Commissioner Hall reported that the May WPUDA meetings were interesting and he reported that there were approximately 12 finalists for the position of Executive Director. He reported that the selection was on hold as the WPUDA reform efforts are underway and the selection committee is not anxious to hire until the reform is settled. He reported generally on the many emails and viewpoints on the WPUDA reform issue and noted that he and Commissioner Nelson would be attending a 2-day workshop on the topic later this week. He reported that he attended the Tri-City Legislative Council meeting, and he spoke to several legislators. He attended the Columbia/Snake River Irrigators meeting and will attend the Pacific Northwest Waterways Association meeting in Stevenson at the end of June.

**CONSENT AGENDA**

The Commissioners reviewed the Consent Agenda. Commissioner Gordon moved and Commissioner Nelson seconded to approve the Consent Agenda as follows:

1. To approve payment of expenditures for May amounting to \$5,851,694.05 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 01327 through 01359, 01428 through 01475, 01477 through 01531, 01562 through 01603, and 01605 through 01608, in the amount of \$1,335,320.48;

b) EFT vouchers 00034 through 00044 in the amount of \$8,144.92;

c) Refund vouchers 01360 through 01427, and 01532 through 01560, in the amount of \$15,081.28;

d) Voids in the amount of \$17,280.50; and

e) Wire transfers totaling \$4,510,427.87 to the following:

To:	For Payment of:	In the Amount of:
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$ 376,211.51
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$ 155,788.80
DEPT RETIREMENT	PERS 1,2,&3	\$ 55,736.30
ICMA	DEFERRED COMPENSATION	\$ 51,649.22
REHN	125 PLAN	\$ 2,948.40
MERITAIN	VEBA	\$ 17,935.72
BPA	SLICE	\$ 1,487,409.00
BPA	TRANSMISSION	\$ 246,726.00
BPA	BLOCK	\$ 767,315.00
DEPT OF REVENUE	EXCISE TAX	\$ 204,415.54
TERASEN	GAS PURCHASE/SALE	\$ 389,620.67
LL&P WIND	WHITE CREEK WIND ENERGY	\$ 145,074.03
KLICKITAT PUD	ENERGY PURCHASES	\$ 112,532.05
FREDERICKSON	ENERGY	\$ 428,349.42
IGI	GAS PURCHASE/SALE	\$ 68,716.21
TOTAL		\$ 4,510,427.87

2. To approve payment for work completed from March 31, 2010 to April 24, 2010, by Power City Electric, in the amount of \$121,137.55 for Contract 6024, 2010 Miscellaneous Projects.

3. To approve for write-off uncollectible accounts for March as listed on the Franklin PUD Customer Write-Off Final report dated June 1, 2010, in the amount of \$35,708.97.

The motion passed unanimously.

**AUTHORIZING THE GENERAL MANAGER OR HIS DESIGNEE TO EXECUTE A CONTRACT TO REPLACE METALCLAD SWITCHGEAR AT THE COURT STREET SUBSTATION**

Mr. Sams introduced this agenda item. He reported that in May 2010, the District publicized a request for bids to furnish labor and equipment needed to replace metalclad switchgear at the Court Street Substation, and that staff received and evaluated five (5) bids.

Aztech Electric Inc. submitted the lowest bid, which was within the District Engineer's Estimate. Mr. Sams noted that the bid award was considerably lower than the project budget in the 2010 capital budget. The 2010 capital budget also includes project material purchased by the District and District labor. Mr. Sams expects the total project cost to be near the budgeted amount.

Commissioner Hall asked if there was any concern because of the vast differences in the bid amounts, and Mr. Sams indicated that no, it was not concerning.

Staff recommended that the Commission authorize the execution of a contract with Aztech Electric Inc.

Commissioner Nelson moved and Commissioner Gordon seconded to find that Aztech Electric was the lowest responsive bidder, and to authorize the General Manager or his designee to execute Contract No. 6200 - Court Street Substation – Replace Metalclad Switchgear Project, with Aztech Electric Inc., in an amount not to exceed \$333,012.00. The motion passed unanimously.

**AUTHORIZING THE GENERAL MANAGER OR HIS DESIGNEE TO EXECUTE A CONTRACT WITH DATABAR INC. FOR UTILITY BILL MAILING SERVICES.**

Mr. Nies introduced this agenda item. He reported that in April 2010, the District publicized a request for proposals for electronic data processing, collating, and mailing of electric utility billings to District customers.

Staff received and evaluated four proposals.

After evaluation, staff determined that DataBar Inc. submitted the most responsive and advantageous proposal. DataBar is the current service provider.

Staff recommended that the Commission authorize the execution of a contract for billing services with DataBar Inc. The initial contract will be for a term of 24 months, with an option to extend for another 24-month term. The District expects to spend approximately \$225,000 annually or \$450,000 for the initial term of the contract.

Commissioner Nelson asked if the proposal included the cost of postage and Mr. Nies indicated that it did.

Commissioner Nelson moved and Commissioner Gordon seconded to authorize the General Manager or his designee to execute Contract No. 6168 with DataBar Inc., in an amount not to exceed \$450,000. The motion passed unanimously.

**ADOPTING RESOLUTION 1149, AUTHORIZING THE GENERAL MANAGER OR HIS DESIGNEE TO EXECUTE A BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS WITH OCCIDENTAL ENERGY MARKETING, INC.**

Ms. Boomer introduced this agenda item. She reported that operation of its thermal power generation resources (Frederickson and Pasco CT) requires the District to purchase and sell natural gas from time to time. She reported that the District has similar agreements with a number of counterparties including Powerex, Puget Sound Energy and Louis Dreyfus. This contract with Occidental Energy Marketing, Inc., will add another counterparty with which the District can transact natural gas purchases and sales.

Staff recommended that the Commission adopt Resolution 1149 authorizing the General Manager or his designee to execute a North American Energy Standards Board, Inc. (NAESB) agreement with Occidental Energy Marketing, Inc.

Commissioner Gordon moved and Commissioner Nelson seconded to adopt Resolution 1149 as presented. The motion passed unanimously.

**ADOPTING RESOLUTION 1147, AUTHORIZING THE GENERAL MANAGER OR HIS DESIGNEE TO EXECUTE A BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS WITH NATIONAL FUEL MARKETING COMPANY, LLC.**

Ms. Boomer introduced this agenda item, and reported that it is virtually the same as the previous action but with a different counterparty.

Staff recommended that the Commission adopt Resolution 1147 authorizing the General Manager or his designee to execute a NAESB agreement with National Fuel Marketing Company, LLC.

Commissioner Gordon moved and Commissioner Nelson seconded to adopt Resolution 1147 as presented. The motion passed unanimously.

**ADOPTING RESOLUTION 1148, COMMITTING DISTRICT RESERVES TO FUND A PORTION OF THE CONNELL/KAHLOTUS BROADBAND PROJECT COSTS.**

Mr. Nies introduced this agenda item, and reported that in March 2010, the federal government awarded NoaNet an \$84M grant to expand broadband access in Washington State. He reported that a \$2M portion of the grant is to fund the District's Connell/Kahlotus Broadband project and that of the \$2M, the NoaNet grant will fund \$1.6M and the District will fund approximately \$400K in matching funds.

Mr. Nies explained that one condition to receiving the grant funding is that the District commit reserves as security for the District's cash contribution portion of the project. The portion of the reserves committed will only be used to pay the District's cash contribution requirement.

Staff recommended that the Commission commit District reserves in the amount of \$400,000.

Commissioner Gordon asked if there was an impact on the grant to be using the BBEC poles, and Mr. Nies indicated that there was no impact on the award decision.

Commissioner Nelson moved and Commissioner Gordon seconded to adopt Resolution 1148 as presented. The motion passed unanimously.

## **CLAIMS**

Mr. Nies reported, in Mr. Palmer's absence, that there was one new claim filed against the District. He reported that there was an unexplained circuit operation – off and on power interruption – which caused the claimant's kitchen range circuit board to burn out. The District forwarded the claim to Federated.

## **GENERAL MANAGER'S REPORT**

Mr. Nies requested, in the absence of Mr. Brost, that on July 27, in addition to the regular meeting, the Board of Commissioners also hold a special meeting. The special meeting would be to review the proposed changes to the Rules and Regulations for Electric Service for Franklin PUD. Mr. Nies reported that the time of the meeting would be determined later, but that the meeting would take place in the morning, before the regular meeting. The Commissioners agreed.

## **STAFF REPORTS**

Mr. Nies reported for Mr. Palmer that:

- Mr. Palmer was attending a WPUDA attorney's conference at the end of this week.
- Elena Ramirez, Records Officer, received certification as an Email Management Practitioner.
- Rebecca Diaz, Administrative Assistant, will be serving on jury duty for a high profile case and will be unavailable for possibly five to seven weeks.

Mr. Nies reported that:

- The monthly budget status report for April was available in the Commissioners packet, and he reviewed the report. He noted that the reserves continue to hold strong. He also noted that on the report, under 'quick facts,' there was quite a disparity between the wholesale sales from last year to this year, and noted specifically that the sales were much lower since the water was so much lower. Commissioner Gordon asked about renewable power expenses being quite a bit higher, and Mr. Sargent reported that because the White Creek facility had been producing a lot of generation, the expenses associated with the additional generation drive up the total costs.
- Mr. Ben Hooper is doing a great job for the broadband. He reported that the District is close to finalizing a broadband contract with the City of Richland. Commissioner Gordon asked why the broadband report was a month old, why a newer report was not available. Mr. Nies reported that the broadband data lags because the Accounting department requires proofing prior to distribution, and that this is not available for early month meetings.

- Regarding the NoaNet stimulus project, NoaNet accepted the federal grant on April 30, and the District will sign a Participation Agreement once the District and NoaNet finalize the Agreement terms.
- The State Auditor completed the 2009 financial audit, and scheduled the Exit Conference for tomorrow. Mr. Nies noted that the Audit did not raise any significant issues.
- The kickoff for the Cost of Service study has started, and the first meeting with the Rate Advisory Committee is planned for the end of August or the beginning of September.
- Staff is preparing to kickoff the 2011 Budget process, which will begin later this month.

Ms. Bone-Harris reported that:

- She attended the NWPPA conference, where Jean Ryckman, former District Manager received the NWPPA Life Membership Award, given to honor individuals who have worked tirelessly on behalf of the industry. Ms. Bone-Harris reported that it was a good conference, great speakers, and she reported that the conference message was that while there has been a history of change over the last 45-50 years, there will be exponentially more changes in the next 25 years.
- PUD commissioners and managers will discuss the issue of WPUA reform at a meeting in Wenatchee this week.
- She continues to work together with Clark, Tacoma, Grant and Benton PUDs on a third party communication plan.
- The District is preparing to begin publishing the annual fuel mix report on a quarterly basis.
- She attended the PPC workshop forum which was on Bonneville rates, and that the talk was about BPA cost increases, which could drive rates up by 12-20% by themselves.
- There is a 2010 supplemental Bi-Op and the fish costs are extraordinary.

Mr. Gutmann reported that:

- As of June 1, meterman Sam Penhallagon left the District and now there is only one District employee left in the metershop, the new journeyman, Dave Hebky. We do have an offer out to another meterman, but we are waiting on background and testing results.
- A consulting firm is doing a meter audit on the commercial accounts in Pasco.
- He contacted NAES regarding the CT plant, and advised them that the District would let the operation and maintenance contract expire on July 6. Additionally, we will offer the District's CT operator position to the current NAES operator.

Commissioner Gordon asked about the Cochrane Substation, and Mr. Gutmann deferred the question to Mr. Sams.

Mr. Sams reported that:

- There have been two recent unrelated outages at Cochrane substation, which while built in 1990, and was recently improved with new, state of the art electronic relays. On May 12, there was a feeder that tripped after detecting a problem on our distribution system. The feeder lines were patrolled but the cause of the outage could not be found. The loads were switched to other substations and the power was back on after an outage of a couple of hours. The next day, the circuit switcher tripped, and there were about 2500 accounts out of service. After analysis, it was determined that the substation relays detected a significant amount of harmonics on our electrical system as a problem and tripped the circuit switcher. Mr. Sams spent some time detailing the outage issues, and reported that he believes the adjustments made will keep the harmonic load from causing the circuit switcher to trip. Commissioner Gordon asked about the customer's ability to call in and get information. Ms. Bone-Harris reported that Operations was in touch with her during the outage, and Operations provided her outage information that she passed on to the media. Mr. Nies reported that the phones did get overloaded and that IS is investigating and hopes to develop a solution to the phone problem. Commissioner Gordon asked about coordinating with Benton and/or City of Richland to contract for outage response service. Mr. Nies responded that the District is looking into our phone services to handle the call volume better during outages. He reported that when a solution is identified he will advise the Commission.
- Mr. Sams indicated that the next phase of Connell/Kahlotus 34 kV line rebuild project would be starting as soon as the contractor completes other projects.

Ms. Paysse reported that:

- The background report on the applicant for the meterman position is not yet complete, but she expects to see results in the next two weeks.
- As Mr. Gutmann reported, an offer of employment with the District has been made to the NAES contracted CT Plant operator. Grays Harbor will pay half the wages and benefits for the employee.
- There will be an open enrollment period during June and July for the medical plan year beginning on August 1, 2010. She shared the enrollment material with the Commissioners. She reported that the material includes information on an audit of enrollees' dependents, conducted by the broker, Mercer, is expected to take place this fall. All employees who cover dependents on their health benefits will be required to provide documentation that supports the dependent's eligibility.
- She is a board member for the Mid-Columbia Libraries (MCL) and is pleased to announce that a 10-year agreement has been reached with the City of Pasco. MCL will continue to provide library services at the nearby Pasco branch and will open a West Pasco branch in 2011.

Ms. Boomer reported that:

- Since the District has reached a level that exceeds 25K meters, a number of state requirements come into play. Power Management will work with other departments, and assure that the District complies with these requirements.
- At recent PPC meetings, there were more stories about the NERC compliance issues and FERC's efforts to make compliance more difficult. PPC and national power industry associations are beginning to give feedback. In addition, the District has purchased and is implementing a software program that tracks the District's support documentation for NERC reliability reporting to WECC, which is responsible for coordinating and promoting bulk electric system reliability in the Western Interconnection.
- At the recent Risk Management Committee meeting it was apparent that the water situation had improved.
- She shared with the Commission a complimentary letter from Pasco High School, thanking the PUD for participating in the Science Fair.

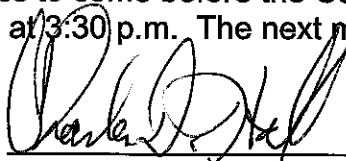
Mr. Clark reported that the Solar Trailer was available for tour. He also reported that the District submitted comments on BPA's Post-2011 Conservation Efforts. He also reported that in addition to the rate credit money, the District has asked for \$2.4M more for conservation projects.

Mr. Sargent reported that he is a member of Energy Northwest's small nuclear group, and he recently traveled to Oregon State University where NuScale is developing one of the small nuclear models under consideration by the group. He reported that the development team is a world-class crew, and it looks as though this is a good technology for the future. He also attended PPC and he reported on sea lion predation in the Columbia River.

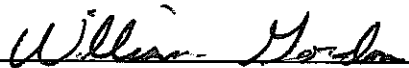
With no further staff reports, the Commissioners, some staff, and Mr. Wright, participated in a tour of the Traveling Renewable Energy Kiosk (TREK) trailer outside the meeting room. After the tour, the Commissioners and some staff returned to the hearing room, and the Commissioners proposed to adjourn the meeting.

#### **MEETING ADJOURNED**

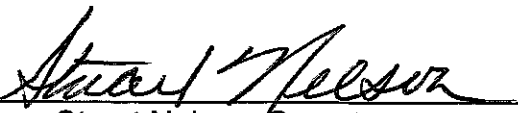
With no further business to come before the Commission, Commissioner Hall adjourned the meeting at 3:30 p.m. The next meeting is July 27, 2010.



Charles D. Hall, President



William Gordon, Vice President



Stuart Nelson, Secretary