

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

**MINUTES OF OCTOBER 27, 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 October 27, 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, and Susan Bauer, Executive Assistant.

District staff present for part of the meeting was Darroll Clark, Energy Services Manager.

Members of the public present for all or part of the meeting were Mr. Ron Riemann of T&R Farms and Mr. Jim Oakley, Member Services, Energy Northwest.

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

SERVICE AWARD

Commissioner Nelson introduced Mr. Rich Davis, who was present to receive his thirty-year service award. Mr. Joe Pryce, Customer Service Supervisor, congratulated Mr. Davis on his career with the District. Mr. Pryce recalled how Mr. Davis was the second meter reader hired by the District. Mr. Pryce recalled how at the time, there were approximately 8,500 meters and the meter reading was done by hand. He showed a meter reader book from the time and a #2 pencil, noting this is very different from the electronic readers of today. Mr. Pryce praised Mr. Davis, who is now a Senior Meter Reader, and the 'cut-in/cut-out' specialist, and part of a team that has helped produce the low 'write-off' numbers of the last few years. Mr. Pryce praised Mr. Davis for his recent discovery; he passed by a house that had been turned off for non-payment, and saw the lights on and heard the air conditioner running. He investigated and found that someone had diverted the power from the pole direct to the house, bypassing the meter. For his dedication to his job and years of service, Mr. Davis was congratulated.

COMMENTS FROM THE PUBLIC

Mr. Riemann provided comment. Representing the Columbia River Snake Irrigators, he thanked the District for their financial support as members. For T&R Farms, he thanked the District for their good work and stated that he enjoyed working with them, noting, "As a ratepayer, I appreciate the District's attention to rates and the rate hearing committee." He also thanked Mr. Pryce and Customer Service for correcting the irrigation billings.

COMMISSIONER REPORTS

Commissioner Hall reported that he attended the WPUDA meeting at Alderbrook Resort in Union WA. He reported on the committee meetings that he attended; including the Energy Committee and the Telecom Committee; he related that there were differing opinions on the matter of providing retail Broadband services. He reported that the Legislative Committee discussed I-937, and noted that there is more to come on that subject. He reported that the WPUDA group also discussed voting reform within the organization, and that some proposals included changing from the current one utility/one vote standard. Mr. Brost added some more specific information on the voting reform, and Commissioner Nelson, who is serving on the Ad Hoc Voting Reform Committee, added information as well.

Commission Hall also attended the Energy Northwest Members Forum and related that there was a good speaker on the matter of nuclear waste.

Commissioner Gordon reported that Energy Northwest continues its search for a new CEO, with an expected start date July 2010. He reported that the search committee has selected a recruiter firm, and a facilitator, one who has worked with Energy Northwest for over 15 years developing staff. The job description should be available in November, and the job description is expected to be broad. The plan is to have resumes by December; and a new CEO on board by June 1, 2010, and then transition with the outgoing CEO until the middle of July.

He also reported that there have been problems with running the Columbia Generating Station plant this year, and noted that the problems have been mechanical and not safety issues.

Commissioner Nelson reported that he also attended the WPUDA and Energy Northwest meetings. He was hopeful that changing the way WPUDA voting is done might take care of some of the issues with the Association.

CONSENT AGENDA

The Commissioners reviewed the Consent Agenda. 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 September 22, 2009.
2. To approve payment of expenditures amounting to \$7,206,034.25 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 45189 through 45233, 45375 through 45427, 45429 through 45467, 45515 through 45572, and 45574 through 45626, in the amount of \$2,254,185.26;
 - b.) ACH vouchers 530 and 531, 533, 535 through 537, 539 through 542, and 544, in the amount of \$6,408.42;

- c.) Handwritten voucher 6707 in the amount of \$1,354.40;
- d.) Refund vouchers 45235 through 45294, 45296 through 45373, and 45469 through 45513, in the amount of \$28,312.52;
- e.) Voids in the amount of \$1,004.69; and
- f.) Wire transfers totaling \$4,916,778.34 to the following:

To:	For Payment of:	In the Amount of:
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$ 364,968.66
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$ 148,962.18
DEPT RETIREMENT	PERS 1,2,&3	\$ 54,986.22
ICMA	DEFERRED COMPENSATION	\$ 57,938.14
REHN	125 PLAN	\$ 3,223.82
REHN	VEBA	\$ 8,464.61
BPA	SLICE	\$ 1,369,142.00
BPA	TRANSMISSION	\$ 316,392.00
BPA	BLOCK	\$ 811,627.00
DEPT OF REVENUE	EXCISE TAX	\$ 244,252.66
LL&P WIND	WHITE CREEK WIND ENERGY	\$ 155,958.27
THE ENERGY AUTHORITY	PURCHASES/SALES NETTING	\$ 177,426.03
FREDERICKSON	ENERGY	\$ 438,838.25
IGI	GAS PURCHASE/SALE	\$ 497,449.13
BARCLAY'S	GAS FINANCIAL SWAP	\$ 218,431.50
KLICKITAT PUD	ENERGY PURCHASES	\$ 48,717.87
TOTAL		\$ 4,916,778.34

- 3. To approve payment for work completed from August 27, 2009 to September 30, 2009, by Power City Electric, in the amount of \$245,386.43 for Contract 4944B, 2009 Miscellaneous Projects.
- 4. To approve for write-off uncollectible accounts as listed on the Franklin PUD Customer Write-Off Final report dated October 19, 2009, in the amount of \$9,767.40.

The motion passed unanimously.

REOPEN THE 2010 BUDGET HEARING

Commissioner Nelson reopened the public hearing on the 2010 Operating and Capital Budgets that was recessed at the September 27, 2009 Commission meeting. Mr. Nies reported that there were no changes from last month to this month in the budget amounts, but that there will be changes for next meeting.

Mr. Riemann asked some questions about the Rate Stabilization Fund (RSF), and Mr. Nies provided clarifying information, reporting on how the fund can be used. Mr. Nies discussed creation and uses of a RSF, handing out an overview, including a list of pros and cons, regarding the Fund.

PRESENTING THE 2010 OPERATING AND CAPITAL BUDGETS

Mr. Nies proceeded to answer budget questions that had arisen since the last meeting. There was active participation with questions from the Commissioners and the members of the public, and with Mr. Nies and other staff responding. Staff provided in-depth clarification on many budget issues including reserves, resale revenue, the Pasco CT, retail sales, and transmission costs, among others.

Commissioner Hall moved and Commissioner Gordon seconded to recess the 2010 Operating and Capital Budgets hearing until the November 17, 2009 Special Commission meeting, at which time the Commission will reopen the hearing for further discussion and public comment. The motion passed unanimously.

CONDUCTING A PUBLIC HEARING ON COMMISSIONER REDISTRICTING

Commissioner Nelson opened the public hearing on the matter of Commissioner Redistricting.

Mr. Brost introduced this agenda item, reviewing the redistricting options as presented to the Commission and available to the public. Mr. Brost reviewed the steps that were taken to bring this matter before the Commission, and noted that a detailed summary was provided in the information packet.

Commissioner Nelson indicated an initial preference for Option 1C. Commissioner Gordon indicated an initial preference for Option 1A. Commissioner Hall indicated an initial preference for Option 1A.

Discussion ensued over the options including how each addressed the evaluation criteria. The Commissioners made no decision.

Commissioner Hall moved and Commissioner Gordon seconded to recess the Commissioner Redistricting Public Hearing until the November 17, 2009 special meeting. The motion passed unanimously.

CLOSING THE PUBLIC COMMENT PERIOD AND CONDUCTING A PUBLIC HEARING ON PURPA STANDARDS.

Commissioner Nelson closed the public comment period that had been opened in September 2008.

Commissioner Nelson opened a public hearing on four PURPA standards.

Mr. Palmer reviewed the steps that brought the Commission to this hearing. Mr. Palmer reviewed a packet of materials that showed the 2008 resolution, the staff recommendations, and the advertisements regarding request for comments. Having received no comments during the open comment period, and having no public comment on the matter at the hearing, Mr. Palmer recommended that the hearing be closed before proceeding to adopt resolutions addressing each of the standards.

Commissioner Hall made a motion and Commissioner Gordon seconded that the public hearing be closed. The motion passed unanimously.

ADOPTING A RESOLUTION AND STANDARD ON SMART GRID INVESTMENT

Ms. Boomer introduced this and the next agenda items, reviewing four PURPA standards to be considered. Ms. Boomer addressed the standards and the bases for staff's recommendations. Staff recommended that one standard be adopted, and three not be adopted.

The standard that staff is proposing to be adopted instructs the District to consider, where possible, investing in Smart Grid Technology.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution 1134 as presented. The motion passed unanimously.

ADOPTING A RESOLUTION DECLINING TO ADOPT STANDARDS ON INTEGRATED RESOURCE PLANNING, RATE MODIFICATION, AND SMART GRID INFORMATION

Ms. Boomer reported to the Commissioners that it is not necessary for the District to adopt these three standards. Regarding resource planning, the District is already taking the action as required by state law. Further, the District is taking action toward compliance with Initiative 937, which requires cost effective conservation. Regarding rate modification and smart grid information, it is not necessary to adopt these standards because we have yet to put smart grid infrastructure in place. Further, our current rate design does not encourage more usage, and some smart grid information is available to customers on-line. Staff recommended not adopting these standards on integrated resource planning, rate modification, and smart grid information.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution 1135 as presented. The motion passed unanimously.

AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CONTRACT FOR THE COCHRANE SUBSTATION ADDITIONS

Mr. Sams introduced this agenda item, reporting that the District used the Small Works Roster to identify a contractor to do the construction work on this project. Mr. Sams noted that this was phase one of a two-phase project. Phase 1 of this project will extend the substation yard to accommodate more feeders to serve the existing transformers. Phase 2, which could be initiated within two years, will add another transformer to the substation.

The District obtained five quotes for the project, and determined that Aztech Electric, Inc. submitted the lowest responsive quote. Staff recommended that the Commission authorize the General Manager to execute a contract with Aztech Electric, Inc., for this project.

Commissioner Hall made a motion and Commissioner Gordon seconded to find that Aztech Electric, Inc. submitted the lowest responsive quote, and to approve the General Manager or his designee to execute a contract with Aztech Electric Inc., in an amount not to exceed \$287,361.00.

CLAIMS

Mr. Palmer reported that there were two claims filed since the last Commission meeting. One claim alleges damage based on an outage caused by a contractor who bored through a primary cable. The second claim alleges damage to a vehicle caused by a District employee. Mr. Palmer has submitted the claims to the contractor's insurance company, and to the District's insurance company, respectively, for resolution.

GENERAL MANAGER'S REPORT

Mr. Brost reported on the recent broadband discussions with Benton PUD, the City of Richland and Franklin PUD, and reported that it appears that Franklin will proceed with getting fiber across the bridge to Richland. Benton PUD and the City of Richland are close to finalizing a cooperative agreement to facilitate broadband service to north Richland.

Mr. Brost reported on the need for Commissioner approval of several conservation contracts that had been signed. Generally, power/conservation contracts were to be exempt from the purchasing and approval policies; however, that exception was not carried through to Policy 16. Mr. Brost requested Commission approval of four large dollar conservation contracts and then obtain Commissioner approval via the consent agenda for future conservation contracts in excess of \$100,000.

Commissioner Hall moved and Commissioner Gordon seconded to ratify the General Manager's actions in executing four conservation acquisition contracts, and to authorize the General Manager or his designee to execute future conservation contracts and obtain Commission authorization via the consent agenda. The motion passed unanimously.

Mr. Riemann offered his opinion on conservation and how the costs really come from ratepayers. Mr. Darroll Clark offered some key points on conservation planning.

Mr. Brost reported on his involvement in a group of utilities in support of revision to I-937 and the issues involved. Mr. Brost indicated that there is a need for information dissemination on this as, without changes, it could cripple the utilities and their ratepayers who will pay the bill.

Mr. Brost reported that he had been asked to serve on the board of the Northwest Energy Efficiency Alliance, but that he had let them know he was not available to serve at this time.

Mr. Brost reported that the Commissioners had been given a draft of the Travel Management for Commissioners travel policy, which is based on the recently revised

travel policy for employees. Having completed the 90-day implementation period of the employee travel policy with little difficulty, staff updated the Commissioners travel policy to reflect the same type of meal per diem system. Mr. Brost asked the Commissioners to review and bring comments back to him or the Executive Assistant for further discussion.

STAFF REPORTS

Mr. Gutmann reported that:

- Norm Cole, District Lineman, was retiring and his last day would be Friday, November 6. He invited staff to come out to Operations on Friday and wish Mr. Cole farewell.
- The District came to an agreement with Datamatic to resolve the outstanding meter issue. Mr. Palmer noted that there was a successful negotiation with Datamatic, and they have agreed to buy back a portion of the meters. Mr. Gutmann reported that Operations had the meters packaged and ready to ship back.

Ms. Paysse reported that:

- Customer Service Representative Stacey Vicens will be promoted to Administrative Assistant in the Public Affairs Department.
- The vacancy that will be created in Customer Service when Ms. Vicens moves to the Public Affairs Department was advertised on the Franklin PUD website only. This resulted in a lower than usual number of applicants, but a much higher percentage of qualified applicants. Interviews will be scheduled in the next week.
- After advertising locally, regionally and nation-wide, no qualified Meterman was found. She is working with the Director of Operations on an in-house solution to fill the position.
- Fifty-seven employees and family members received flu shots at work on October 15. To encourage more employees to take advantage of flu shots, the only requirement was to sign in and have coverage verified by the HR Coordinator. The District will pay the invoice and submit it directly to the insurance trust for reimbursement. It is hoped that the H1N1 vaccine can be offered to employees and their covered dependents in the same manner.
- The representative from the District's deferred compensation program will be here for two days in November to conduct individual meetings with employees. The District has a 92% enrollment rate for its deferred compensation program.
- The District has been working with a consultant to improve its system of conducting performance evaluations. Those efforts culminate in day-long training for supervisors on November 3 and two, two-hour sessions for non-supervisory staff on November 4.

Ms. Boomer reported that:

- Regarding the new slice contract, the District needed to decide: 1) whether we are going to take Tier 2 product for CY 2012-14; and 2) if we are going to take it, we need to decide how much. However, we can only buy in a flat block. That is, for every hour every year, you take the same amount of power. Ms. Boomer reported that this is not an attractive product for that reason. Staff recommended buying the very smallest amount available; none in 2012 and 2013; and one

megawatt in 2014. This will require a formal contract amendment. Commissioner Gordon was in agreement with that purchase obligation, and the other Commissioners agreed to approve Ms. Boomer to go forward with a letter of intent on that basis.

- The District should probably express interest in three renewable projects that have come available: 1) Energy Northwest's solar project in Lake County Oregon; 2) Grant PUD and seven other utilities are working on a solar project that looks appealing, where there is a condition for a 1/8 cost share. Our share of additional consulting costs will be about \$1,800; and 3) the Eszquatel canal small hydro project.
- There was an internal compliance team meeting on the NERC compliance standards, and that they will continue to meet.
- The District had received a "Best Small Utility Award" from the Northwest Solar Center and introduced Mr. Darroll Clark, Energy Services Manager, to present the Commission with the award.
- Mr. Clark also reported on conservation rate credits and current projects. He noted that Energy Services had committed nearly the next two-year's budget in conservation projects. He also noted that they have been involved in conservation projects in the remodel of the District's administrative building.

Mr. Sams reported that:

- The District advertised for underground cable bids, but only two bids were received and they were both non-responsive. Neither bid met the requirement to hold the bid price 60 days as specified. Mr. Sams asked the Commission to reject the bids and a new bid process would be started. Commissioner Gordon made a motion and Commissioner Hall seconded to reject all bids on the 6001 Underground Cable bid request. The motion passed unanimously.
- A new contract for engineering design work has been initiated for the Connell Substation; the contract is under \$100K so the General Manager is authorized to execute the contract.
- Franklin County Regional Information System (FRIS), of which Franklin PUD is an original charter member, plans to update its Interlocal Agreement and adopt operating By-Laws. FRIS is a multi-agency organization that was formed in 1992 to implement a common land base Geographic Information System (GIS). The common land base was used in replacing our hand drawn maps with our GIS mapping system. The 2010 FRIS budget is \$68K, which includes a ¼-time project manager, software updates, survey control points, and hardware costs. Our share of the 2010 costs will be about \$12K.
- The District is installing two fiberglass test poles this week on the Connell/Kahlotus line.

Mr. Nies reported that:

- Regarding the Monthly Budget Status Report, retail sales are up, and power costs/market purchases are up; reserves are steady, though he would have

expected more of a dip. Regarding the Capital Budget, the District has spent \$8M so far and he expects the end of the year total to be about \$13M.

- The Broadband Report shows continued growth, exceeding projections.
- NoaNet will be requesting the District to commit additional funds in 2010. At the last meeting, discussion indicated that at the state level, fiber has been targeted as the Number 1 project for stimulus funding.
- The Administrative Building remodel is going well, and the Customer Service area and the new Auditorium are complete. The Commissioners commented that they were pleased with their first meeting in the new Auditorium. Mr. Nies reported that remodel work is now focusing on the old Customer Service area, and the Human Resources and General Manager areas.
- Important District rate meetings are coming up with the Rating Agencies and our Rate Advisory Committee.

Commissioner Gordon shared an award from Energy Northwest, honoring the District as valued member.

Mr. Palmer, General Counsel, reported that:

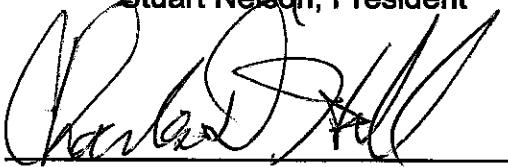
- There was a recent Court of Appeals decision involving a city council member's use of a personal computer for work related to the council. The Court held that under the Public Records Act, such action opens up the personal computer to a public records request.
- There are compliance teams working under NERC and FERC, and some organizations have received large fines for being out of compliance. Mr. Palmer noted that compliance is an issue that will require on going attention.

MEETING ADJOURNED

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



Stuart Nelson, President



Charles D. Hall, Vice President



William Gordon, Secretary