

BOARD OF COMMISSIONERS
REGULAR MEETING

October 23, 2007

The regular meeting of the Board of Commissioners of Public Utility District No. 1 of Franklin County was held at 1411 West Clark, Pasco, Washington, September 25, 2007, at 1:00 p.m.

Those present from the District were: Charles Hall, President; Bill Gordon, Vice President; Stuart Nelson, Secretary; Steve Palmer, General Counsel; Jean Ryckman, Manager; Ed Brost, Director of Power Management; Susan Paysse, Director of Human Resources; Tim Nies, Director of Administrative Services; Dale Gutmann, Director of Engineering & Operations; Colleen Kimsey, Administrative Assistant.

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

COMMENTS FROM THE PUBLIC

The Board President invited comments from the public at any time.

COMMISSIONER REPORTS

Commissioner Nelson shared he attended the PPC and WPUDA meetings where he heard discussion on the forming of an Energy Committee.

Commissioner Gordon reported that, while in Paris, he was able to take a tour of the Areva nuclear fuel recycling plant. He was very impressed with the plant's operations.

Commissioner Hall reported he attended the dedication of the new WPUDA building in Olympia and was very impressed with the solar panels and that the building was environmentally friendly. He also expressed his appreciation for the "Spirit of Hope" award that Todd Blackman received for his participation in the development of Tepeyac Haven housing project. He also shared a letter that Steve Johnson was authorized to send to Steve Wright regarding the Residential Exchange benefits. Toni Olsen, Snohomish PUD Commissioner, thanked us for sending crews during the recent windstorm outage.

CONSENT AGENDA

Commissioner Gordon moved and Commissioner Nelson seconded the consent agenda as follows:

1. To approve the meeting minutes of the September 25, 2007 regular meeting as amended.
2. To approve payment of expenditures amounting to \$4,536,403.96 as follows:
 - a.) Automated Warrants of \$1,257,947.82; Voucher Nos. 36523 through 36588, 36694 through 36737, 36739 through 36771, and 36858 through 36934.
 - b.) ACH Vouchers of \$8,709.21; Voucher Nos. 229 through 231, 233, 235 through 240, and 242 through 247.
 - c.) Refund Vouchers of \$31,525.31; Voucher Nos. 36590 through 36692 and 36773 through 36856.

d.) Wire Transfers to:

◆ Bank of the West - Direct Deposit Payroll	\$309,537.42
◆ Bank of the West – EFTPS (Payroll Taxes)	\$127,253.83
◆ Department of Retirement – PERS 1, 2, and 3	\$51,210.90
◆ ICMA – Deferred Compensation	\$59,482.95
◆ REHN – 125 Plan	\$2,745.38
◆ REHN – VEBA	\$11,936.90
◆ BPA – Transmission	\$2,198.00
◆ BPA – Slice	\$1,473,675.00
◆ Department of Revenue – Excise Tax	\$244,680.20
◆ Diversified Purchased Power – Net Market Purchases	\$81,118.00
◆ The Energy Authority	\$65,542.00
◆ Powerex – Gas Frederickson	\$234,042.39
◆ Louis Dreyfuss – Capacity T South	\$32,728.36
◆ Westcoast/Duke – Capacity T South	\$1,454.52
◆ Frederickson Energy	\$433,065.77
◆ Coral Holding – Financial Gas Swap/Options	\$107,550.00
total Electronic Fund Transfers in the amount of	\$3,238,221.62

as audited and certified by the auditing officer as required by RCW 42.24.080, and expense reimbursement claims certified as required by RCW 42.24.090 and as listed and made available to the Board for inspection prior to this action.

3. To approve for write-off the uncollectible accounts as listed on Pages 1860 through 1863 for a total amount of \$20,807.73.

Motion passed unanimously.

PUBLIC HEARING- 2008 OPERATING BUDGET

Commissioner Hall opened the public hearing to take comments on the 2008 Operating Budget at 1:10p.m. With there being no comments from the public, Commissioner Hall requested Mr. Nies to proceed with his slide presentation on the 2008 Operating Budget and Capital Work Plan.

2008 OPERATING BUDGET AND CAPITAL WORK PLAN WORKSHOP

Mr. Nies gave a slide presentation which gave a detailed summary of the preliminary Operating Budget and Capital Work Plan. The initial drafts were presented to the Board in the September Board meeting. Commissioner Gordon asked about the budget for the 2008 building remodel and expressed interest in having a meter put in the new lobby that would show the electrical usage. Commissioner Nelson expressed his concern about the amount of membership dues we currently pay to various agencies, and feels we should analyze which ones are most important. Budget hearing was recessed at 2:24pm.

RESOLUTION NO. 1083- AUTHORIZING A CONSENT FOR ENERGY NORTHWEST TO ISSUE A REVENUE NOTE FOR THE PACKWOOD LAKE HYDROELECTRIC PROJECT.

Mr. Brost explained that in November 2006, after torrential rains, the pipeline bench trail near the Packwood Lake project suffered major damage from a slide. The slide was immediately adjacent to a six-foot diameter, underground pipeline that carries water from Packwood Lake to the powerhouse about five miles away. Energy Northwest has applied for, and expects to receive a grant through FEMA to finance all or a portion of the repair costs. However, in order to finance the repair during the annual planned October outage, Energy Northwest plans to

obtain a line of credit for an amount not to exceed \$1.3 million and to issue a revenue note to evidence the line of credit. Interest will be paid quarterly, and principal paid at maturity. The note will have a lien on revenues of the Packwood Project junior to the lien securing the outstanding Packwood bonds. Energy Northwest will use all grant proceeds, if any, to repay the note. To the extent Energy Northwest does not receive a grant that finances all or most of the repair costs, Energy Northwest may request extension of the note for up to an additional three years.

As a 10.5% participant in the Packwood project, the District is being asked to sign a Consent to allow Energy Northwest to proceed with the proposed financing. District staff on the Packwood Participants Committee agreed that this method of paying for the slide repair, in advance of firm knowledge about grant proceeds, would be preferable to other funding mechanisms such as assessments to participants, or using project reserves held for relicensing costs.

Commissioner Nelson moved and Commissioner Gordon seconded to approve Resolution 1083, authorizing the Manager to execute a Consent for the issuance of a revenue note by Energy Northwest for the Packwood Lake Hydroelectric Project. Motion passed unanimously.

BPA AGREEMENT NO. 07TX-12852- AGREEMENT FOR PERFORMANCE OF CERTAIN ACTIVITIES REQUIRED UNDER ELECTRIC RELIABILITY STANDARDS.

Mr. Brost explained that the District is registered as a Load-Serving Entity (LSE), Distribution Provider (DP) and Purchasing-Selling Entity (PSE) with the Western Electricity Coordinating Council (WECC). WECC is the Regional Reliability Organization responsible for implementing reliability standards approved by FERC for users, owners and operators of the bulk power system. FERC's authorization for development of standards resulted from the Energy Policy Act of 2005.

Some of the reliability standards applicable to LSEs, DPs and PSEs are not applicable to the District, and are carried out by others. Agreement No. 07TX-12852 delegates some responsibilities for compliance with reliability standards to BPA (Exhibit A), and also lists standards for which the District retains responsibility (Exhibit B). The Agreement was a cooperative effort between BPA Transmission Services and public power entities, including the Public Power Council.

Commissioner Gordon moved and Commissioner Nelson seconded to approve BPA Agreement No. 07TX-12852 with the Bonneville Power Administration and authorize the Manager to execute the agreement and any other related documents. Motion passed unanimously

AWARD BID NO. 4814 – CONNELL BR-4 FEEDER

Mr. Gutmann explained that Bid No. 4814 furnishes labor and materials needed to install the new BR-4 underground feeder to feed the new Coyote Ridge Prison. Bids were received from five line contractors. Our Engineering estimate was \$390,000 and Power City came in at 365,730.02. Staff recommended that the District award Bid No. 4814 for the Connell BR-4 Feeder to Power City Electric, Inc.

Commissioner Nelson moved and Commissioner Gordon seconded to award Bid #4814 to Power City Inc., the lowest evaluated responsive bidder, at a cost of \$365,730.02 and authorize the Manager to sign contract. Motion passed unanimously

INTERIM FIBER CONDUIT POLICY

Mr. Nies explained that in February 2007, the Board directed the District to initiate a pilot project to provide conduit and handholes to "developers" for installation into open trenches. This

summer the Board clarified that the pilot project was not limited to the developers' infrastructure but rather was intended to extend to the residence (builders/homeowners) as well. The Board further clarified that the pilot project was limited to only the greater Pasco area.

In September, a small group of developers and contractors met with the Board to (1) advise them that the average cost to install the required material (conduit and handholes) to the lot line was \$400 to \$600 per lot, and it costs an additional \$50-100 per lot to install conduit to the premise and (2) request that the additional installation costs be covered by the company who has proposed building the fiber to the premise network.

Ms. Ryckman felt that the District's Field Engineers needed more clarification as to the direction they could give developers when working in the field. Commissioner Nelson felt that the conduit should be laid in new open trenches within new subdivisions and Commissioner Gordon expressed interest in finding out what value that HomePort would put on the conduit.

Commissioner Gordon asked staff to bring a recommendation to the November Board meeting for potential reimbursement options for developer/builder's labor to comply with the pilot project.

Commissioner Nelson moved and Commissioner Gordon seconded that the pilot project be amended to provide fiber infrastructure to be installed within the right-of-way of new subdivisions and to extend fiber conduit to the individual residences of those subdivisions and further, to allow Field Engineers discretion whether or not to require fiber conduit installation to any other residence. Motion passed unanimously

REVISION OF THE DISTRICT'S PURCHASING POLICY #16

Mr. Nies shared that a committee was formed to update the Purchasing Policy in order to create more efficient processes. The Committee provided feedback from all departments and reached a consensus on the new proposed limits and approval authorities for purchasing and contract actions.

Commissioner Gordon moved and Commissioner Nelson seconded to approve the revised Purchasing Policy #16. Motion passed unanimously

COMMISSIONER DISTRICTS

Ms. Ryckman explained that RCW 54.12.010 requires that Commissioner District boundaries shall be examined every ten years, but not more often than once every four years, to determine substantial equality of population. The District last changed the Commissioner District boundaries in 2001 using decennial census data. Since then, the population in Franklin County, particularly in the western portion of the City of Pasco, has changed dramatically. Furthermore, RCW 29.70.100 states that the Commission District boundaries must coincide with voting precinct boundaries. Franklin County changed the voting precincts in May, 2007. The current Commission Districts no longer follow current voting precincts.

Ms. Ryckman presented four options of how the Commission Districts could be realigned to assure substantial equality of population. Should the Board decide to redraw Commission District boundaries, requirements of RCW 29.70.100 apply: hold at least one public hearing on the redistricting plan at least one week before adoption of the plan and give full and reasonable public notice of its intent.

The Board will discuss the issue further at the next Board meeting.

CLAIMS

No claims have been filed with the District.

MANAGER REPORT

Ms. Ryckman:

1. A solar manufacture has expressed interest in a potential 1 megawatt solar installation in our area.
2. Heard from Steve Klein, Snohomish PUD Manager, who said he appreciated our prompt response in assisting with the outage due to the wind storm.
3. Will be taking vacation December 6th through the 13th, so will miss the annual meetings with PPC and WPUA and the PUD Board meeting.
4. Suggested that the Board consider changes to the existing Reserve Policy to include another reserve fund for unexpected capital projects or emergency situations. Commissioner Gordon was in favor of setting up another reserve fund. Commissioners would like options brought to the November Board meeting.
5. In Ms. Bone-Harris's absence, Ms. Ryckman reported that Franklin PUD was featured in the Tri City Area Journal of Business for our 60th anniversary and in the Smartmap Expo publication regarding the 'Green Dams, Blue Skies' campaign.
6. Matt Nash from Dust Devils has expressed interest in purchasing the TRAC reader board.
7. Invited the Board and staff to attend the Winter Weatherization Workshop on November 15 in our auditorium and to attend a legislative briefing on the New Draft Federal Salmon Plan for the Columbia and Snake Rivers taking place at the United States Capitol.

STAFF REPORTS

Mr. Brost:

1. Invited the Board to a potluck in the auditorium thanking Penny McKenzie for her years of work as she will soon be leaving the District.
2. Shared that Todd Blackman received the "Spirit of Hope" award for his participation in the development of Tepeyac Haven housing project.
3. He and Linda continue to stay informed on Regional Dialogue issues and, at this point, there have been no final decisions made.
4. Shared that Darroll Clark was asked to represent the Franklin PUD at the BPA Utility Sounding Board meetings.
5. Will be giving a presentation this week, to the Energy Services Roundtable about I-937. When the District becomes a qualified utility under I-937, we will have a 5 year phase in period.
6. Noted the Commissioners had already been introduced to Richard Sargent, the District's new Power Analyst.

Ms. Paysse:

1. Attended the UIP Trustee meeting in October and learned that the medical insurance plans are performing well. The last open enrollment period resulted in continued steady migration from Plan 1 to Plans 2 and 3.
2. Is preparing for local negotiations, creating Franklin PUD's management proposal document. Exchange of proposals between labor and management representatives will take place on October 25 in East Wenatchee. Franklin PUD's local issues are primarily addressing scope of work.
3. Thanked Ms. Kimsey for previous administrative support, and the Board and Manager for the new HR Coordinator position filled by Ms. Hubbard.
4. She and Ms. Hubbard attended the local chapter of SHRM's monthly luncheon.

Mr. Nies

1. The District continues to work with Lady of Lourdes to facilitate the availability of Broadband services.
2. Will be going to Clarksville, Tennessee to look at their AMR project.
3. Have narrowed down the Banking Request for Proposal to 3 banks; US Bank, Bank of America and Bank of the West.
4. Pasco Police came to the PUD and did a security check and the results were very positive. Recommended that we trim back the shrubs.
5. Department of Revenue was here to do an audit for January 2004 through January 2007 and it went well with no recommendations.
6. Invited Commissioners to a NOA Net Commissioners Workshop on November 15 at the Clearwater Casino.
7. Invited a Commissioner to attend the next COSA meeting held on November 6.

Mr. Gutmann:

1. Reported that, on Thursday, we sent 2 crews to the Snohomish PUD area to help out with the outage due to the wind storm. Pasco had no outages during the storm.
2. Construction continues at the new Connell substation with the pouring of footings for the new transformer pad. Should have the fence around it this week.
3. In the November Board meeting, may come with recommended contract award for a new transmission line to the Blanton Road substation.

Palmer:

1. Attended the APPA Legal Seminar in Seattle where he heard discussions about reliability standards in NERC, and feels this will be creating additional work for staff.

With no further business to come before the Board, Commissioner Hall adjourned the meeting at 4:34 p.m.

Charles Hall, President

William Gordon, Vice President

Stuart Nelson, Secretary