

BOARD OF COMMISSIONERS  
REGULAR MEETING

November 13, 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, November 13, 2007, at 1:00 p.m.

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

Staff present for part of the meeting: Sylvia Hubbard, Human Relations Coordinator; Linda Boomer, Power Manager.

Visitors included: Jim Oakley, Energy Northwest; Larry Felton, BPA; and Terry Thornhill from Terence L. Thornhill Architect.

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 Gordon reported that Energy Northwest and BPA are working on a communications protocol related to Columbia Generating Station. He also expressed that he doesn't find value in the data provided by the WPUDA Sourcebook, and is concerned a great deal of money is being spent on a publication with no value.

Commissioner Nelson reported that he attended the Rate Advisory Committee meeting that was held in the PUD auditorium and was very pleased with the meeting and expressed his appreciation for our great ratepayers. The rate committee reconfirmed their recommendation to maintain rates at the existing level.

Commissioner Hall reported he attended the PUD's 60<sup>th</sup> Anniversary celebration at Columbia Basin College and he attended the annual Safety dinner in the auditorium. He expressed his appreciation for the great job that staff did in putting it all together.

**CONSENT AGENDA**

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

1. To approve the meeting minutes of the October 23, 2007 regular meeting as amended.
2. To approve payment of expenditures amounting to \$ 1,353,607.00 as follows:
  - a.) Automated Warrants of \$1,346,083.78; Voucher Nos. 36936 through 37017, 37019 through 37073, 37142 through 37182;
  - b.) ACH Vouchers of \$1,629.33; Voucher Nos. 249, 251 through 253;
  - c.) Refund Vouchers of \$13,094.81; Voucher Nos. 37075 through 37140; and
  - d.) Voids in the amount of \$7,200.92;

all 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 accept the work and approve final payment in the amount of \$109,995.80 for work completed by Power City Electric (Small Works Roster Contract 4839 – 2007 UG Project – Phase 5), which has been inspected, and to authorize release of retainage.
4. To accept the work and approve final payment in the amount of \$109,949.70 for work completed by Power City Electric (Small Works Roster Contract 4839 – 2007 UG Project – Phase 6), which has been inspected, and to authorize release of retainage.

Motion passed unanimously.

**RESOLUTION NO. 1084 – INTERNATIONAL SWAP AND DERIVATIVES ASSOCIATION MASTER AGREEMENT (ISDA) WITH LEHMAN BROTHERS COMMODITIES SERVICES INC.**

Staff has negotiated an ISDA agreement with Lehman Brothers Commodities Services Inc. to enable the District to enter into a financial risk mitigation transaction.

The terms of the ISDA with Lehman Brothers Commodities Services Inc. are the same as the terms of previously approved ISDA agreements with other counterparties approved by the Board.

Commissioner Nelson moved and Commissioner Gordon seconded to adopt Resolution No. 1084, approving an ISDA Agreement with Lehman Brothers Commodities Services Inc. Motion passed unanimously.

**AWARD BID NO. 4780 – 15 kV UNDERGROUND CABLE**

Bid No. 4780 is for the purchase of two types of 15 kV underground cables; 91,200 feet of 1000 kCM AL cable and 52,500 feet of #2 AWG AL cable. Two bids were received. Staff recommended that the District award Bid No. 4780 to Wesco Distribution Inc., supplying Okonite cable.

Commissioner Nelson moved and Commissioner Gordon seconded to award Bid No. 4780 to Wesco Distribution Inc., the lowest evaluated responsive bidder, at a cost of \$591,429.30, and to authorize the Manager to sign the contract. Motion passed unanimously.

**AWARD BID NO. 4696 – BLANTON ROAD 115 kV TRANSMISSION LINE**

Bid No. 4696 is for labor and equipment to install approximately 1.85 miles of 115 kV transmission line to feed the new Blanton Road Substation in Connell. Bids were received from five contractors. Staff recommended that the District award Bid No. 4696 to Mountain Power Construction Inc.

Commissioner Gordon moved and Commissioner Nelson seconded to award Bid No. 4696 to Mountain Power Construction Inc., the lowest bidder, in the amount of \$264,041.24, and to authorize the Manager to sign the contract. Motion passed unanimously.

**DISCUSSION OF THE DISTRICT'S RESERVE POLICY**

At the last Board meeting, the adequacy of the reserves was discussed. The Board recognized that the industry is heading into a more complex environment with greater volatility and potentially higher costs to the District. Main factors driving the volatility are, renewable resource requirements, unknowns in future power supply, and the District's planned capital needs. Mr. Nies presented different options for handling reserves, and he recommended that we not make changes to our existing reserve policy, but we should establish targets for reserves over and above the policy during this time of uncertainty and rapid growth. Commissioners instructed staff to bring a recommendation for amounts and allocations to the December board meeting.

## **CLAIMS**

A claim has been filed against the District for damages to electronic equipment in a home. The claimant lost electronic appliances when the aerial bucket of a PUD truck caught on the service wire and pulled the neutral apart at claimant's address.

The claimant requested full replacement values of \$1,372.43. The claim was turned over to Federated; Federated discounted the claim by 31.4% for depreciation. Staff recommended that the District pay the replacement value of the claim, and obtain a full release from the claimant.

Commissioner Gordon moved and Commissioner Nelson seconded to approve the staff recommendation. Motion passed unanimously.

## **MANAGER REPORT**

Ms. Ryckman:

1. Asked the Commissioners, when attending the next WPUDA Executive meeting, to discuss and consider the cost-benefits of WPUDA's quarterly Connections magazine.
2. Residential Exchange - Negotiating parties came to a tentative agreement and PPC Executive Committee unanimously approved the proposal. The proposal provides for \$200-\$220 million per year in payments to the investor owned utilities for the current rate period through the term of next BPA contract. The actual amounts will be determined in BPA rate cases. Grays Harbor opposes the proposal.
3. Attended WPUDA meeting where I-937 was topic of discussion. She asked Mr. Brost to discuss the status of the I-937 rules process. He advised that the District will be submitting comments on the rules by Friday November 16. The substance of the comments will be that: 1) The District has been a long time supporter of both conservation and renewable acquisitions prior to I-937; 2) CTED is over stepping its authority and boundaries; and 3) The initiative will be expensive and demand lots of staff time to implement. Several specific issues will be addressed.
4. Reported that 9 entities have signed up for Central Washington Power Association (CWPA) and Steve Palmer will review the agreement for the District.

## **STAFF REPORTS**

Ms. Hubbard:

1. Gave an update to the Board regarding the status of the budget for the building remodel. Todd Blackman is researching options and funding for solar equipment. This information will be included in the future proposal. Commissioner Gordon questioned passing the budget for the building remodel before we are satisfied with the final design concept.

Mr. Brost:

1. Load information for contract year 2006-07 shows a 5% load growth.
2. The Conservation department is doing an assessment of the District's conservation efforts and would like to bring a status report to the Board in December or January.
3. Construction of the White Creek Wind project will be finished ahead of schedule and the District has been asked to take its share of output and renewable energy credits when the project is finished, about a month early. The early deliveries from LL&P Wind Energy Inc. will be priced at the initial contract price of \$51.97/MWh. Staff recommended we agree to take the early deliveries.

Commissioner Nelson moved and Commissioner Gordon seconded to approve the Manager to sign the Confirmation Agreement, in substantially the form presented, to begin taking delivery of White Creek energy and renewable energy credits, commencing on the project's commercial operation date. Motion passed unanimously.

Ms. Paysse:

1. Reported that all positions at the PUD are currently filled and up to date.
2. Local negotiations will start the week after Thanksgiving and joint negotiations will start in January 2008.

Mr. Nies:

1. Two gentlemen from HomePort came to the area looking for interested investors in the AMR project.
2. Completed the request for proposal for banking services and awarded the contract to Bank of the West in light of their available resources and cost savings.
3. Invited Commissioners to a NoaNet Commissioners Workshop on November 15.

Ms. Harris:

1. Placed an Ad in the Tri City Herald celebrating the PUD's 60<sup>th</sup> Anniversary.
2. Public Power featured an article on the District's AMR project.

Mr. Gutmann:

1. Welcomed Joe Brown, our newest lineman.
2. Had a very successful annual warehouse inventory.
3. Completed construction on new machine shed.
4. Don Brantner from Electrical Consultants Inc. is negotiating easements with local farmers for relocation of the 34.5 kV Kahlotus line.
5. Work is proceeding on relocating fences for the Taylor Flats line.
6. With the expansion of the Connell prison, there could be 500 to 600 new people relocating to Connell so the District may need to look at future expansion of our Connell office.

Mr. Palmer:

1. Was assigned to oversee the Records Management department and sees a challenge in the storage of electronic records.
2. Reported that the Commissioner District boundaries are no longer aligned with the county's precincts. Staff indicated there currently is not sufficient population data available from which to accurately determine the population base within the boundaries and recommended redistricting after better data becomes available. The District will need to formulate a plan for redistricting within 8 months of receiving Federal 10-year census data, which is expected to be received in 2010-11
3. Reported that at the last board meeting, he was tasked to bring back options to assist developers/builders who have been impacted by the District's Fiber Conduit pilot project. Staff gave examples of estimated cost impacts to the developers/builders from installing fiber infrastructure. After discussion, Mr. Palmer recommended that the Commissioners authorize an adjustment for developers/builders actually impacted by the fiber conduit pilot project.

Commissioner Gordon moved and Commissioner Nelson seconded to adjust developers/builders aid-to-construction costs and secondary service fees based on the PUD Engineer's estimates of per foot/unit costs for installed conduit and/or handholes. Motion passed unanimously.

With no further business to come before the Board, Commissioner Hall adjourned the meeting at 3:48 p.m.

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Charles Hall, President

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William Gordon, Vice President

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Stuart Nelson, Secretary