

BOARD OF COMMISSIONERS
REGULAR MEETING

December 11, 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, December 11, 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; 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; Darroll Clark, Energy Services Manager; Rich Sargent, Power Analyst; and Joe Pryce, Customer Service Supervisor.

Visitors included: Larry Felton, BPA; and Carla Wheeler, Energy Northwest.

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 attended the 2007 WPUDA Annual meeting in Seattle. One of the speakers was Dr. Patrick Moore, founder of Green Peace and new head of Green Spirit, who talked about the environment, climate change, and about the need to add more nuclear power to our resource portfolio.

Commissioner Gordon also attended the 2007 WPUDA Annual meeting. He mentioned that Jay Manning, Director of Washington Department of Ecology, was another speaker. Commissioner Gordon expressed interest in inviting Mr. Manning to visit the Hanford area, specifically the Columbia Generating Station.

Commissioner Hall reported he attended our Building Committee meeting where he gained clarity on the tasks that the committee faces and the need for the building remodel project. He also expressed his appreciation for the support given by the PUD following the illness and death of his wife Jan.

CONSENT AGENDA

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

1. To approve the minutes of the November 13, 2007 regular meeting as amended.
2. To approve payment of expenditures amounting to \$10,245,265.99 as follows:
 - a.) Automated Warrants of \$1,698,815.84; Voucher Nos. 37184 through 37229, 37335 through 37376, 37378 through 37403 and 37405 through 37465;
 - b.) ACH Vouchers of \$3,165.19; Voucher Nos. 255 and 257 through 259;
 - c.) Refund Vouchers of \$16,430.25; Voucher Nos. 37231 through 37333; and
 - d.) Voids in the amount of \$497.78.
 - e.) Wire Transfers to:

◆ Bank of the West - Direct Deposit Payroll	\$318,321.65
◆ Bank of the West – EFTPS (Payroll Taxes)	\$129,739.87
◆ Department of Retirement – PERS 1, 2, and 3	\$54,343.45
◆ ICMA – Deferred Compensation	\$47,128.17
◆ REHN – 125 Plan	\$2,745.38
◆ REHN – VEBA	\$28,882.49
◆ BPA – Transmission	\$647,470.00
◆ BPA – Slice	\$1,473,675.00
◆ BPA – Block	\$1,841,918.00
◆ Department of Revenue – Excise Tax	\$228,967.06
◆ Diversified Purchased Power – Net Market Purchases	\$19,270.00
◆ The Energy Authority	\$65,542.00
◆ Grays Harbor – Gas Frederickson	\$18,343.64
◆ Powerex – Gas Frederickson	\$789,963.65
◆ Louis Dreyfuss – Capacity T South	\$36,443.01
◆ IGI – Capacity T South	\$108,011.02
◆ Westcoast/Duke – Capacity T South	\$1,471.77
◆ Frederickson Energy	\$450,608.55
◆ IGI – Gas Frederickson Net	\$455,898.76
◆ IGI – Gas Pasco CT	\$12,500.13
◆ Terasen – Capacity Sale	\$1,590,137.45
◆ Morgan Stanley – Financial Gas Swap	\$59,620.44
◆ IGI - Financial Gas Swap	\$56,823.00
◆ Sempra – Financial Gas Swap	\$89,528.00
Total Wire Transfers in the amount of	–
	\$8,527,352.49

a

s 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.

- To accept the work and approve final payment in the amount of \$109,946.70 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.
- To accept the work and approve final payment in the amount of \$41,297.75 for work completed by Scott's Excavating (Small Works Roster - Contract 3947 – Smith Canyon Substation Access Road), which has been inspected, and to authorize release of retainage.
- To approve for write-off uncollectible accounts as listed on pages 1864 though 1868 for a total amount of \$26,970.73.

Motion passed unanimously.

PUBLIC HEARING- 2008 OPERATING BUDGET

Commissioner Hall opened the public hearing to take comments on the 2008 Operating Budget at 1:15 p.m. With there being no comments from the public, Commissioner Hall closed the hearing at 1:18pm.

RESOLUTION NO. 1086 – ADOPTING THE 2008 OPERATING BUDGET

Mr. Nies asked the Board to adopt the proposed Operating Budget for 2008. Commissioner Gordon requested that the Board see a presentation of next year's budget in September.

Commissioner Nelson moved and Commissioner Gordon seconded to adopt Resolution No. 1086, adopting the 2008 Operating Budget. Motion passed unanimously.

2008 WORK PLAN

Mr. Nies provided the Board with the 2008 Work Plan. Major projects include: Building remodel, completion of Connell substation, Automated Meter Reading project, Kahlotus line rebuild and the remaining system improvements. Commissioner Gordon requested that the handout "Major Projects within Category" be included as an attachment to the Work Plan.

Commissioner Nelson moved and Commissioner Gordon seconded to adopt the 2008 Work Plan as presented. Motion passed unanimously.

RESOLUTION NO. 1087 – AMENDING THE SALARY ADMINISTRATION PLAN

Ms. Paysse asked the Board to amend the salary administration plan effective December 31, 2007 to provide for a 3% wage increase for non-bargaining personnel and add a new position of Operations Engineer both as included and approved in the 2008 Operating Budget.

Commissioner Gordon moved and Commissioner Nelson seconded to adopt Resolution No. 1087, amending the salary plan to include the 3% wage increase and the Operation Engineer position. Motion passed unanimously.

CONTRACT NO. 4876 – TERENCE L. THORNHILL ARCHITECT INC.

Mr. Palmer explained to the Board that the District issued a Request for Proposal for architect services and selected Mr. Thornhill. The Board was presented with 2 contracts for approval. The information presented included a breakdown of the fees involved for the architectural work of the building remodel. Under the fee agreement, architect fees are estimated to total \$207,500; and this amount includes approximately \$27,000 for engineering and design work in addition to the work performed by the Architect. Final negotiations were expected to result in a slight reduction in these fees. The time line for the remodel project has the construction bid awarded in May, construction contracts finalized in June, and construction beginning in July 2008. Construction contracts would be brought to the Board before construction was started.

Commissioner Gordon moved and Commissioner Nelson seconded to approve Contract No. 4876, substantially in the form presented, with Terence L. Thornhill Architect Inc. P.S., for the design work required for the downtown office building remodel and expansion and to authorize the Manager or her designated representative to sign the contract. Motion passed unanimously.

ADMINISTRATIVE POLICY #33 – PUBLIC RECORDS REQUESTS

Mr. Palmer explained that Initiative 276 required that most records maintained by the state, county, city and local governments be made available to the public. The District needs a policy that will provide guidance to staff when assisting the public with requests. Administrative Policy #33 states that the District's Public Records Officer be the contact to address requests for public records and it outlines the process for disclosure.

Commissioner Nelson moved and Commissioner Gordon seconded to approve the adoption of Administrative Policy #33 – Public Records Requests and to authorize the Manager to sign the policy. Motion passed unanimously.

RESOLUTION NO. 1085 – EXEMPTING THE DISTRICT FROM THE REQUIREMENT OF MAINTAINING AN INDEX OF PUBLIC RECORDS.

Mr. Palmer explained that the Public Records Act requires government agencies to maintain and make available an index of their public records, however, if maintaining such an index would be unduly burdensome, then the agency may be relieved from the requirement to maintain an index. Mr. Palmer recommended that the District be exempt from maintaining an index of public records, adding that the District will make available all indexes of public records it has created for internal use upon the request by the public.

Commissioner Nelson moved and Commissioner Gordon seconded to adopt Resolution No. 1085, exempting the District from the requirement of maintaining an index of public records. Motion passed unanimously.

AWARD BID NO. 4842 – DISTRIBUTION TRANSFORMERS

Mr. Gutmann asked the Board to approve Bid No. 4842 to furnish transformers for use on the District's distribution system. The transformers will be used for projects, emergencies, and to replenish stock. WESCO (ABB) and HD Supply (Cooper and Pauwels) submitted bids. WESCO was the evaluated low bidder for pole mounted transformers and HD Supply was the evaluated low bidder for single phase and three phase padmounted transformers.

Commissioner Gordon moved and Commissioner Nelson seconded to award Bid No. 4842 as follows: Item 1, 4 and 5 to HD Supply, the lowest evaluated bidder, at a total cost of \$1,065,325.00 (exclusive of Washington State sales tax); and items 2 and 3, to WESCO Inc., the lowest evaluated bidder, at a total cost of \$299,859.00 (exclusive of Washington State sales tax). The bid award totals \$1,365,184.00. Motion passed unanimously.

ELECTION OF BOARD OFFICERS

The Commissioners discussed the appointment of Board Officers effective January 1, 2008 for a term of one year.

Commissioner Nelson moved and Commissioner Gordon seconded that Commissioner Gordon will serve as Board President, Commissioner Nelson will serve as Vice-President, and Commissioner Hall will serve as Secretary in 2008. Motion passed unanimously.

CLAIMS

One claim was filed in the amount of \$1,179 for damages sustained to the claimant's sewer line when a contractor trenched in the area for a new electric power line. The claim has been forwarded to the District's contractor to resolve.

A second claim was filed in the amount of \$83,975. The claimant alleges the District is responsible for costs to level off an area in a subdivision. The claim has been forwarded to Federated.

MANAGER REPORT

Mr. Brost spoke in the absence of Ms. Ryckman:

1. Presented the Board with a 2008 calendar of Association meetings/events to help identify any schedule conflicts with upcoming Board meeting dates. The Commissioners agreed that the February and March Board meetings should be held on the 2nd Tuesday of the month. The rest of the calendar will be finalized at the January Board meeting.
2. Provided the Commissioners with a copy of the current assignments of Commissioners and staff to various organizations and suggested the list be reviewed and finalized in the January Board meeting. Commissioner Gordon asked for staff's recommendations for changes at the next Board meeting.
3. Discussed a draft letter by Grays Harbor which included questions to the BPA Administrator regarding the proposed Residential Exchange agreement. After much discussion, it was decided that a formal letter at this time was not the way to proceed. Questions will be posed to our BPA Account Executive and then during BPA's formal rate proceeding. Commissioner Gordon indicated that he already posed some questions to Larry Felton. Commissioner Hall had concerns about the message the letter might send to our Public Negotiators. The Board opted not to send a letter at this time. Mr. Brost will contact Mr. Casey at Grays Harbor.

STAFF REPORTS

Mr. Brost:

1. Slice customers sent a letter to BPA informing them that the customers will do a slice audit for 2007.
2. Slice True-Up for last fiscal year resulted in a \$225,000 credit on our December power bill.
3. Commented that Regional Dialogue discussions regarding revised slice product are on going and are new proceeding well. The product will be more complicated but will be workable for both customers and Bonneville.
4. Staff will likely bring information and a recommendation to the Board in January regarding additional funding for conservation efforts. Commissioner Gordon requested to include in a presentation, power savings from conservation.

Ms. Paysse:

1. Recapped the issues that both parties are presenting in local negotiations, which started in November. Topics include travel compensation and discussion of flextime and alternate work schedules. Issues will not be voted on until conclusion of Joint negotiations.
2. Asked the Board if the previous process of establishing goals continues to be acceptable, as the District will be starting another 2 year goal setting process. In the past, management has presented the goals to staff and asked staff to prioritize. The Board agreed that this process is acceptable.
3. Announced she will be serving on the Mid-Columbia Library Board starting in 2008 for a term of 6 years

Mr. Nies:

1. Explained the Budget Status in more detail to the Board, which included a decrease in slice generation and a one time payment of 1.5 million to Terasen for gas capacity and 2 payments to BPA.
2. Explained the Work Status in detail to the Board and stated that we would not spend the entire 2007 Work Plan funding.
3. Presented and recommended a sixth option to the Board concerning the Reserves Policy which includes 25% power costs and higher future capital needs. The Board accepted the format presented.
4. Rate Design philosophies will be brought to the Board for discussion in January.
5. Has analyzed 11 vendors for new Accounting software and narrowed it down to 4. Each of the 4 will be here for 2 days getting interviewed, and Mr. Nies feels it is important to be thorough in making a decision.

Ms. Harris:

1. Will be attending the annual Northwest River Partners meeting in Portland where elections will be held for 2008 Board members. On this same day, December 12th, Judge Redden will be holding a status conference regarding the proposed Biological Opinion.
2. Attended the WPUDA Annual meetings where an Energy Committee was formed. Ms. Bone-Harris hopes that the committee will have more input into Government Relations issues.

Mr. Gutmann:

1. Reported that we have a crew in Grays Harbor helping with the outage and Tom Casey, Grays Harbor PUD Commissioner, thanked the District for our efforts at the WPUA meetings.
2. Construction of the Blanton Road substation is running on schedule. There is late delivery of a transformer due to scheduling conflicts with the delivery truck.
3. We are preparing a request for proposal for the maintenance and operation of the CT site.
4. Invited the Commissioners to the PUD Christmas breakfast taking place at Operations on Friday December 21.

With no further business to come before the Board, Commissioner Hall adjourned the meeting at 3:26 p.m.

Charles Hall, President

William Gordon, Vice President

Stuart Nelson, Secretary