

BOARD OF COMMISSIONERS
REGULAR MEETING

September 25, 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; Stuart Nelson, Secretary; Jean Ryckman, Manager; Dale Gutmann, Director of Engineering & Operations; Susan Paysse, Director of Human Resources; Ed Brost, Director of Power Management; Linda Boomer, Power Manager; Sylvia Hubbard, Executive Assistant & Employee Relations.

Visitors included: Joel Hill and Bill Kyllonen, Aho Construction; Doug Stafford, Scott's Excavating; Ron Olin, Olin Homes LLC.

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. A small group of developers and builders were present to discuss fiber conduit policy including Mr. Stafford from Scott's Excavating and Mr. Hill from AHO Construction. Mr. Stafford applauded the Board for making the decision of installing fiber optic conduit while the trenches are open. He shared that the costs to the developer for installing conduit and structures is between \$400 to \$600. It was also mentioned that it costs an additional \$50-100 per lot to install conduit to the premise. Because there are no immediate benefits to the homeowner, Mr. Stafford asked that the costs be covered by the future provider of broadband services. Mr. Hill complimented staff for being very accommodating and easy to work with.

The Commissioners thanked the group for the comments and will consider this issue at the next board meeting.

COMMISSIONER REPORTS

Commissioner Nelson shared he attended the WPUDA meeting in Republic where forming a committee comprised of Commissioners and Managers was discussed.

Commissioner Hall reported he attended the WPUDA meeting in Republic. He learned that Rock Island dam, Rocky Reach dam, and Wells dam are being updated. The WPUDA building has been completed and will be dedicated October 17, 2007. While attending the WPUDA meeting, he was able to listen to a presentation given by BPA about the water-run-off.

Commissioner Hall moved and Commissioner Nelson seconded to excuse Commissioner Gordon from today's Board meeting as he is attending an Energy Northwest meeting in Chicago. Motion passed.

CONSENT AGENDA

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

1. To approve the meeting minutes of the August 28, 2007 regular meeting.
2. To approve payment of expenditures amounting to \$11,521,261.85 as follows:
 - a.) Automated Warrants of \$2,472,398.85; Voucher Nos. 36298 through 36333, 36352 through 36398, 36400 through 36433, and 36435 through 36485.

- b.) ACH Vouchers of \$1,388.51; Voucher Nos. 222, 242, 226, and 227.
- c.) Refund Vouchers of \$16,210.39; Voucher Nos. 36244 through 36296, 36335 through 36350, and 36487 through 36521.
- d.) Voids in the amount of \$2,752.86.
- e.) Wire Transfers to:

◆ Bank of the West - Direct Deposit Payroll	\$303,609.64
◆ Bank of the West – EFTPS (Payroll Taxes)	\$122,712.70
◆ Department of Retirement – PERS 1, 2, and 3	\$69,489.27
◆ ICMA – Deferred Compensation	\$41,526.91
◆ REHN – 125 Plan	\$2,745.38
◆ REHN – VEBA	\$14,967.79
◆ BPA – Transmission	\$358,690.00
◆ BPA – Slice	\$1,473,675.00
◆ BPA – Substation Maintenance	\$870.00
◆ BPA – Block Purchase	\$708,475.00
◆ Department of Revenue – Excise Tax	\$216,753.58
◆ Diversified Purchased Power – Net Market Purchases	\$116,699.00
◆ Frederickson Energy	\$424,413.54
◆ The Energy Authority	\$65,542.00
◆ Louis Dreyfus – Capacity T South	\$31,388.13
◆ Westcoast – Capacity T South	\$199.40
◆ Westcoast/Duke – Capacity T South	\$1,349.71
◆ IGI – Pasco CT Transportation	\$100,540.52
◆ IGI – Gas Pasco CT	\$17,109.13
◆ Powerex – Gas Frederickson	\$224,091.07
◆ IGI – Gas Frederickson	\$506,112.15
◆ Morgan Stanley – Financial Power Swap/Options	\$4,905.60
◆ IGI – Financial Gas Swap/Options	\$40,198.63
◆ Coral Holding – Financial Gas Swap/Options	\$92,070.00
◆ Fiscal Agent – Principal	\$2,640,000.00
◆ Fiscal Agent – Interest	\$1,455,882.81
total Electronic Fund Transfers in the amount of	\$9,034,016.96

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 payment for work completed to date by Winthrop Construction (Small Works Roster Contract 4430 – Machine Shed) in the amount of \$45,128.67.
4. To accept the work and approve final payment in the amount of \$109,958.59 for work completed by Power City Electric (Small Works Roster – 2007 Underground Projects, Phase 4), which has been inspected, and to authorize release of retainage.
5. To accept the work and approve final payment in the amount of \$56,367.50 for work completed by A&B Asphalt (Contract No. 4431 – Vacated N. 13th Ave. modifications), which has been inspected, and to authorize release of retainage.

6. To approve for write-off of uncollectible accounts as listed on Pages 1856 through 1860 for a total amount of \$25,833.97.

Motion passed unanimously.

PUBLIC HEARING- 2008 OPERATING BUDGET

Commissioner Hall opened the public hearing to take comments on the 2008 Operating Budget at 1:45 p.m. With there being no comments from the public, Commissioner Hall recessed the hearing to the October 23, 2007 Board meeting at 1:57 p.m.

Commissioner Gordon asked Ms. Ryckman to share his questions on the 2008 Operating Budget with Commissioner Hall and Commissioner Nelson.

PUBLIC HEARING – DECLARING NATURAL GAS PIPELINE CAPACITY SURPLUS TO THE DISTRICT'S NEEDS

Commissioner Hall opened the public hearing to comments on declaring natural gas pipeline capacity surplus to the District's needs at 1:25pm

RESOLUTION NO. 1081- DECLARING NATURAL GAS PIPELINE CAPACITY SURPLUS AND AUTHORIZING PERMANENT ASSIGNMENT TO TERASEN GAS, INC.

Ms. Boomer explained that the District holds a Firm Service Agreement for gas pipeline capacity from Gordondale, in western Alberta, that terminates in 2018, to serve the Pasco CT and the Frederickson CCCT. The Gordondale capacity contract currently has little value because it does not connect at Station 2, the northern origin of the T-South pipeline. Westcoast has filed an application with the National Energy Board (NEB) to convert the Gordondale capacity to T-North capacity, which does connect at Station 2. Terasen has agreed to a permanent assignment of the T-North capacity at 50% of current cost if the NEB acts favorably on the conversion application. Under the proposed assignment, Franklin PUD would make a one time payment of approx. CAN\$70,000 and avoid paying an estimated CAN\$216,000.

Commissioner Nelson moved and Commissioner Hall seconded to approve Resolution No. 1081, declaring the Gordondale gas pipeline capacity surplus to the District's needs, approving the conversion of the capacity to T-North service, permanently assigning it to Terasen Gas, Inc., and authorizing the Manager to sign any documents related to those actions. Motion passed.

RESOLUTION NO. 1082 – DISPOSAL OF DISTRIBUTION TRANSFORMERS

Mr. Gutmann asked the Board to surplus distribution transformers that can no longer be used as part of the District's distribution system. The units suggested for surplus and disposal consist of three-phase padmounted and over head single phase distribution transformers.

Commissioner Nelson moved and Commissioner Hall seconded to adopt Resolution No. 1082, authorizing the disposal of distribution transformers. Motion passed.

AMENDMENT NO. 10 TO BPA BLOCK & SLICE POWER AGREEMENT, CONTRACT NO. 00PB-12150-EXHIBIT UPDATES FOR CONTRACT YEAR 2008

Mr. Brost explained that Amendment No. 10 to the BPA Block & Slice Power Agreement provides for the annual administrative updates each contract year.

Commissioner Nelson moved and Commissioner Hall seconded to authorize the Manager to sign Amendment No. 10 to BPA Contract 00PB-12150. Motion passed.

COMMISSION DISTRICT BOUNDARIES

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.

Commissioners directed staff to provide the Board with a revised Commission District that reflect options of how the Commission Districts be on a substantial equality of population.

CENTRAL WASHINGTON POWER AGENCY

Ms. Ryckman shared that Central Washington Power Agency (CWPA) is an existing joint operating agency. The bylaws of this agency have been changed to allow new members. Staff has participated in a recent meeting where it was discussed to conduct a feasibility study on opportunities, such as providing Tier II service post 2011, possible development of resources, possibility of pooling resources and scheduling services.

Commissioner Nelson moved and Commissioner Hall seconded to approve participation in a feasibility study relating to the Central Washington Power Agency in an amount not to exceed \$50,000 and authorize the Manager to sign the participation agreement. Motion passed.

CLAIMS

No claims have been filed with the District.

MANAGER REPORT

Ms. Ryckman:

1. Attended the WPUDA Managers section meeting and shared that she valued information shared during the roundtable discussions.
2. Asked if the Board is interested in participating in APPA's Electric Market Reform Initiative for a cost not to exceed \$5,000.

Commissioner Nelson moved and Commissioner Hall seconded to participate in APPA's Electric Market Reform Initiative for a cost not to exceed \$5,000. Motion passed.

3. Provided the Commissioners with a letter from the Governor Gregoire explaining why she overturned the Kittitas County Commissioner's decision to not allow the Kittitas Valley Wind Power Project.
4. Energy Northwest is interested in researching the impacts of electric vehicles. Commissioners instructed staff to work with Energy Northwest in their efforts relating to this project.
5. We are looking forward to welcoming Steve Palmer as General Counsel, effective October 1, 2007.

STAFF REPORTS

Mr. Brost:

1. Attended the WPUDA Managers section meeting in Republic where attendees received an overview of the status of the residential exchange negotiations. While WPUDA's

negotiation team was not hopeful that a settlement can be reached any time soon, BPA representatives shared that, in their opinion, we are close to reaching a settlement.

2. Has been attending many meetings relating to the Regional Dialogue to discuss BPA's proposed products.
3. Invited Commissioners to a meeting next Tuesday, were Larry Felton, Account Executive at BPA, will be collecting our input on Regional Dialogue.
4. Energy Northwest is moving forward with the permitting process of the Pacific Mountain Energy Project and may be asking utilities for non-binding expressions of interest in the near future. Mr. Brost shared that while some believe PMEC might not be the right solution, he agrees that the region will need base load generation to augment wind generation.
5. Energy Northwest approached Mr. Brost to inquire if there is still no interest in the Reardan project. In the past, Commissioners have expressed that they are not interested in participating, and they stated that they are still not interested in purchasing output from the Reardan project.
6. Commissioners reinforced the intent to sell green tags relating to the Nine Canyon Wind project and pointed out that while we sold the green tags to Energy Northwest last year, we are in the process of negotiating a sale of the green tags to BPA Environmental Foundation.
7. Slice customers have retained Terry Mundorf to represent us in Regional Dialogue discussions.
8. A solar developer visited four sites for potential location.
9. Will bring a delegation agreement to the Board relating to WECC/NERC at their next meeting.

Commissioner Gordon joined the meeting per conference call at 2:58 p.m.

Ms. Paysse:

1. Attended the Human Resource Subcommittee Best Practices meeting last week.
2. Will be interviewing candidates for the Power Analyst position.
3. Completed the NWPPA Leadership Training.
4. Will be attending the Northwest Wage an Hour conference next month.
5. Ms. Hubbard has accepted the position of Human Resources Coordinator effective October 1, 2007. Ms. Kimsey will be supporting Mr. Brost and, in the interim, Ms. Ryckman and the Commissioners. Ms. Diaz will be supporting Mr. Palmer.

Mr. Gutmann:

1. Keith Atwood is retiring and his last day is Friday, September 28, 2007.
2. The first phase of the Connell/Kahlotus transmission line is under way. Property owners were contacted in an effort to acquire easements for the new line.
3. Northwest Energy Service, a company that runs generating plants, has visited our Pasco CT and will provide a proposal on the possible uses of the plant.
4. The 2007 budget included a truck and equipment for a line crew, which was delivered.

Ms. Hubbard:

1. Shared that to stimulate the use of the Rural Economic Development Fund (REDF), the REDF Board decided to offer an interest rate of 4.5% through January 31, 2008.
2. Gave a brief update on our participation in Best Practices meetings.

Commissioner Gordon is currently attending an Energy Northwest meeting and shared that he appreciates the fact that safety is top priority for nuclear plants across the world.

With no further business to come before the Board, Commissioner Hall adjourned the meeting

at 3:49 p.m.

Charles Hall, President

William Gordon, Vice President

Stuart Nelson, Secretary