

BOARD OF COMMISSIONERS
REGULAR MEETING

January 22, 2008

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, January 22, 2007, at 1:00 p.m.

Those present from the District were: Bill Gordon, President; Stuart Nelson, Vice President; Chuck Hall, Secretary; Jean Ryckman, Manager; Ed Brost, Assistant Manager; Steve Palmer, General Counsel; 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: Roy Satoh, Field Engineer; Gail Funk, Treasurer/Accounting Manager; Mark Hay, Engineering & Systems Manager; Bob Wyatt, Senior Project Engineer; Linda Boomer, Power Manager; Darroll Clark, Energy Services Manager; and Joe Pryce, Customer Service Supervisor.

Visitors included: Larry Felton, BPA; and Bill Pennell, customer.

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

25-YEAR SERVICE AWARD – ROY SATOH

Mr. Gutmann presented Mr. Satoh with his service award and Commissioners and staff congratulated Mr. Satoh for his 25 years of service.

COMMENTS FROM THE PUBLIC

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

COMMISSIONER REPORTS

Commissioner Hall reported that while at the WPUDA Associations meetings he attended a Legislative Workshop where he gained a better perspective on the process of getting a bill passed through the Legislature. He also attended a Building Committee meeting and commended the group on their work.

Commissioner Nelson reported that he attended the PPC meeting in Portland and he also attended WPUDA meetings where he and other commissioners attended a legislative hearing on a Pole Attachments bill.

Commissioner Gordon read a quote by Maria Cantwell in the Public Power Weekly concerning green power. He also received information about the lava flows in the Pacific Northwest that indicated they may be a good carbon capture alternative.

CONSENT AGENDA

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

1. To approve the minutes of the December 12, 2007 regular meeting as amended.
2. To approve payment of expenditures amounting to \$14,461,955.49 as follows:

- a.) Automated Warrants of \$4,415,416.69; Voucher Nos. 37581 through 37631, 37687 through 37740, 37808 through 37894, 37896 through 37904, 37906 through 37960, and 37962 through 38008.
- b.) ACH Vouchers of \$6,062.30; Voucher Nos. 261, 263 through 264, 266 through 268 and 270.
- c.) Refund Vouchers of \$37,875.74; Voucher Nos. 37467 through 37579, 37633 through 37685 and 37742 through 37806.
- d.) Voids in the amount of \$324.49.
- e.) Wire Transfer totals for November and December:

◆ Bank of the West - Direct Deposit Payroll	694,818.90
◆ Bank of the West – EFTPS (Payroll Taxes)	294,668.59
◆ Department of Retirement – PERS 1, 2, and 3	106,929.19
◆ ICMA – Deferred Compensation	142,819.02
◆ REHN – 125 Plan	5,490.76
◆ REHN – VEBA Employee Retirement	12,257.10
◆ REHN – VEBA	12,291.16
◆ BPA – Transmission Line Conversion	39,500.00
◆ BPA – Transmission Est. To Actual	6,359.00
◆ BPA – Transmission	625,061.00
◆ BPA – Slice	2,947,350.00
◆ BPA – Block	1,792,645.00
◆ Department of Revenue – Excise Tax	377,954.92
◆ Diversified Purchased Power – Net Market Purchases	85,261.00
◆ The Energy Authority	131,054.00
◆ Puget Sound – Gas Pasco CT	15,188.80
◆ Coral Gas – Gas Frederickson	39,128.91
◆ Powerex – Gas Frederickson	639,844.47
◆ Louis Dreyfuss – Capacity T South	36,098.52
◆ IGI – Capacity T South	112,417.04
◆ Westcoast/Duke – Capacity T South	1,442.94
◆ Frederickson Energy	877,862.50
◆ IGI – Gas Frederickson Net	581,937.57
◆ IGI – Gas Pasco CT	13,127.83
◆ IGI – Gas T South	106,744.19
◆ Terasen – Gas Frederickson	218,476.49
◆ Terasen – Capacity Sale	75,471.25
◆ Morgan Stanley – Financial Power Swap	2,128.80
◆ Powerex – Financial Gas Swap	8,596.30
Total Wire Transfers in the amount of	10,002,925.25

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 \$2,945.00 for work completed by Dan Leslie Roofing, Inc. (Transformer Shop Re-Roof), which has been inspected, and to authorize release of retainage.

4. To accept the work and approve payment for work completed to date by Mountain Power (Contract No. 4696 – Blanton Rd. 115kV Transmission Line) in the amount of \$32,438.40.
5. To accept the work and approve payment for work completed to date by Power City Electric in November (Contract No. 4814 – Connell BR-4 Feeder to Prison) in the amount of \$114,689.66.
6. To accept the work and approve payment for work completed to date by Power City Electric in December (Contract No. 4814 – Connell BR-4 Feeder to Prison) in the amount of \$109,343.88.
7. To accept the work and approve final payment in the amount of \$14,485.23 for work completed by Power City Electric (Small Works Roster – 2007 UG Projects Phase 7), which has been inspected, and to authorize release of retainage.
8. To accept the work and approve payment for work completed to date by Power City Electric (Small Works Roster – 2007 UG Projects Phase 8) in the amount of \$85,110.37.
9. To accept the work and approve final payment in the amount of \$24,887.29 for work completed by Power City Electric (Small Works Roster – 2007 UG Projects Phase 8), which as been inspected, and to authorize release of retainage.
10. To approve write-offs of uncollectible accounts as listed on Pages 1869 through 1881 for a total amount of \$56,123.37.

Motion passed unanimously.

PROFESSIONAL SERVICES CONTRACT NO. 4887 WITH BURNS AND MCDONNELL

Burns and McDonnell have provided the District with professional services primarily in the area of distribution project design assistance. They were chosen off of the Districts vendor qualifications list because they are well qualified to provide assistance with selected 2008 Work Plan projects. Staff asked that they be awarded the contract.

Commissioner Hall moved and Commissioner Nelson seconded to authorize the Manager or her designated representative to sign the 2008 Professional Services Contract No. 4887 with Burns and McDonnell at a total cost not to exceed \$250,000. Motion passed unanimously.

PROFESSIONAL SERVICES CONTRACT NO. 4697 WITH ELECTRICAL CONSULTANTS INC.

Electrical Consultants Inc. has provided the District with professional services primarily in the area of easement acquisition and transmission line design. The District is currently working on the Connell-Kahlotus line and the Blanton Road line. They were chosen off of the Districts vendor qualifications list because they are well qualified to provide assistance with selected 2008 Work Plan projects. Staff asked that Electrical Consultants Inc. be awarded the contract.

Commissioner Nelson moved and Commissioner Hall seconded to authorize the Manager or her designated representative to sign the 2008 Professional Services Contract No. 4697 with Electrical Consultants Inc. at a total cost not to exceed \$300,000. Motion passed unanimously.

PROFESSIONAL SERVICES CONTRACT NO. 4903 WITH HDR ENGINEERING INC.

HDR Engineering Inc. has provided the District with professional services primarily in the area of civil and structural design assistance. They were chosen off of the Districts vendor qualifications list because they are well qualified to provide assistance with selected 2008 Work Plan projects. Staff asked that HDR Engineering Inc. be awarded the contract.

Commissioner Hall moved and Commissioner Nelson seconded to authorize the Manager or her designated representative to sign the 2008 Professional Services Contract No. 4903 with HDR Engineering Inc. at a total cost not to exceed \$300,000. Motion passed unanimously.

AWARD BID NO. 4874 FOR A CAB CHASSIS

Mr. Gutmann explained that Bid No. 4874 is for a Cab Chassis. The bid opening took place on Friday, January 18. Mr. Gutmann presented the results to the Board. Terex, Woodpecker, and Altec submitted bids. Altec's bid was non-responsive due to not submitting a bid bond. Terex was determined to be non-responsive because of extended delivery time; therefore Mr. Gutmann recommended the bid be awarded to Woodpecker.

Commissioner Nelson moved and Commissioner Hall seconded to award Bid No. 4874 for Cab Chassis to Woodpecker who was determined to be the lowest responsive bidder at a total cost of \$98,975.91. Motion passed unanimously.

AWARD BID NO. 4875 FOR A MANLIFT AND BODY

Mr. Gutmann explained that Bid No. 4875 is for a Manlift and Body. The bid opening took place on Friday, January 18; Mr. Gutmann presented the results to the Board. Terex and Altec submitted bids. Altec's bid specifications substantially deviated from the District's requirements and were deemed non-responsive; therefore Mr. Gutmann recommended the bid be awarded to Terex. Woodpecker will deliver the cab chassis to Terex for installation.

Commissioner Nelson moved and Commissioner Hall seconded to award Bid No. 4875 to Terex, who was determined to be the lowest responsive bidder at a total cost of \$91,859. Motion passed unanimously.

2008 BOARD MEETING DATES

Ms. Ryckman reported that because of scheduling conflicts with the meetings in February and March, the Board decided last month that they would meet on the second Tuesday of those months. In addition, APPA has scheduled their national conference for June 21-25, 2008 which is during our regularly scheduled Board meeting on June 24, 2008. Because one or more Commissioners usually attended the mentioned conference, staff proposed to hold the June 2008 Board meeting on the second Tuesday of the month.

Commissioner Hall moved and Commissioner Nelson seconded to adopt the 2008 Board meeting schedule as presented. Motion passed unanimously.

REPRESENTATION OF FRANKLIN PUD AT ORGANIZATIONS

Annually, the Board reviews representation of the PUD at various organizations. At the last Board meeting, Ms. Ryckman provided the Commissioners with a copy of the current assignments of Commissioners and staff to various organizations and suggested the list be reviewed. Commissioner Gordon asked for staff's recommendations for changes to be presented at the January Board meeting. The following delegates and alternatives were proposed for 2008:

Organization	Delegate	Alternate
APPA – L & R Committee	B. Gordon	C. Hall
CARES	J. Ryckman	S. Palmer
PPC	J. Ryckman	E. Brost/S. Nelson
WPUA	C. Hall	S. Nelson
Energy NW	B. Gordon	S. Nelson
Columbia Snake River Irrigators	C. Hall	D. Clark
REDF Board	D. Bone-Harris	S. Palmer
Pasco Chamber	C. Hall	D. Bone-Harris
Columbia REA	C. Hall	D. Gutmann
Hispanic Chamber	A. Magana	D. Bone-Harris
Tri-City Chamber	S. Nelson	D. Bone-Harris
NW RiverPartners	D. Bone-Harris	E. Brost
GHFB	E. Brost	S. Palmer
NoaNet	T. Nies	D. Gould
ENW Participant's Review Board	S. Nelson	
TRIDEC	J. Ryckman	
PNUCC	J. Ryckman	E. Brost

Commissioner Hall moved and Commissioner Gordon seconded to appoint delegates and alternates for 2008 as presented above. Motion passed unanimously.

ACQUIRE COST EFFECTIVE CONSERVATION BEYOND BPA CONSERVATION RATE CREDIT AMOUNT

Mr. Clark explained that due to customer demand, our conservation programs have been more successful than anticipated and that most of the Conservation Rate Credit (CRC) funds for the current rate period are already obligated for future projects with the expectation that a large percentage of those projects will be completed. Staff requested that the Board authorize the District to acquire conservation resources up to \$400,000 beyond the CRC. This amount would not be reimbursed by BPA under CRC. Mr. Clark further explained that this would provide the District better experience toward obtaining all cost-effective conservation, while acquiring the least cost resource available. Ms. Ryckman questioned whether the District's conservation savings beyond the BPA program would be counted in our High Water Mark calculation during the remainder of the current rate period FY 2007-2009. She was told they would count at 100% vs 75% for the CRC related measures. Commissioner Gordon commended the Energy Efficiency department for their efforts.

Commissioner Hall moved and Commissioner Nelson seconded to authorize District staff to acquire cost effective conservation up to \$400,000 beyond the CRC for the remainder of the current rate period (FY2008-09). Motion passed unanimously.

REVISION OF ADMINISTRATIVE POLICY #13 – SUCCESSION OF AUTHORITY

Ms. Paysse asked the Board to approve changes to Administrative Policy #13. This policy provides authority during periods when the District Manager is away from the District. The changes include placing the Assistant Manager in first position and adding the General Counsel. In addition, the Accounting Manager and Power Manager have moved up the line of authority and the Director of Power Management is removed.

Commissioner Nelson moved and Commissioner Hall seconded to accept revisions to Administrative Policy #13 – Succession of Authority. Motion passed unanimously.

RATE DESIGN DISCUSSION

Mr. Nies gave a presentation to the Board on the rate design principles and their impact on our customers and utility and asked the Board to identify which principles are the most important to the District. He explained that the principles are the underlying foundation for rate design and include 1) Recover/Reflect Cost, 2) Revenue/Rate Stability, 3) Simple to Administer/Understand, 4) Sending Price Signals/Promoting Efficiencies, and 5) Fair/Equitable. Commissioner Gordon felt that sending Price Signals was least important. The Commissioners agreed that Revenue/Rate Stability was most important and noted that also was the preference of the District's Rate Advisory Committee.

UPDATE ON 2006/2007 GOALS AND BEGIN PROCESSES OF ESTABLISHING GOALS FOR 2008/2009

Ms. Ryckman gave a detailed presentation on the steps taken toward accomplishing the 2006/2007 goals and shared the final outcome of this process. Staff would like to start the steps necessary for establishing goals for the 2008/2009 biennium, including getting staff feedback on a draft set of priority areas and recommended to the Board that we continue the process as in previous goal setting. The Board agreed and will provide feedback at the next Board meeting as well as hear employee feedback at an upcoming Board meeting.

MANAGER REPORT

Ms. Ryckman:

1. Presented the Board with a letter from NWPPA concerning the NUTS/NUTEC Operational Training facility. NWPPA made a repayment of \$12,500 to the District from membership reserves. The NUTEC organization suspended operations during 2006 and the site was not available for use.
2. Attended the WPUA Legislative meetings in Olympia and handed out a 2008 Legislative Agenda which includes HB 2606 adjusting PUD Commissioner Salaries, and HB 2533 which is proposing a new state regulation of PUD pole attachments. Ms. Ryckman feels that we need to keep pressure on any legislation that threatens local control.
3. Western Electricity Coordinating Council (WECC) is conducting compliance audits and Ms. Ryckman feels that the APPA Rally in February is a good place to address any related issues.
4. Stated that the Climate Advisory team made recommendations that could impact utilities. They would like more of a switch to electric vehicles. Ms. Ryckman feels this could place a strain on the electrical grid system.
5. PNUCC published their focus terms for the upcoming year. Many topics important to the region are included.
6. Ms. Ryckman presented the Commissioners with a letter stating her intent to retire from the District starting the end of April 2008.

STAFF REPORTS

Mr. Brost:

1. Read card from a customer praising Conservation staff for an energy audit and related assistance.
2. Attended a CWPA meeting where they discussed their feasibility study addressing resource alternatives, scope of services, and organizational structure. There was also discussion of a cost allocation agreement with Grant PUD for a one year term.
3. Along with the Manager, met with TEA whom is still interested in trading as Principal Agent on some transactions. He asked whether the Board would like to hear from TEA at the February Board meeting, if possible. The Board indicated they would like to hear from TEA.
4. The Regional Dialogue process has moved from product discussions to Tiered Rate Methodology (TRM) discussions. BPA put out a draft discussion paper on the TRM for

- public comment. Ms. Boomer will represent the District in the Slice Contract Drafting Group.
5. Rules for I-937 didn't get completed by December 31 so there will be another draft and another hearing on February 5. CTED made some changes to address customer comments but nothing substantive.
 6. BPA put out a draft agreement on interim payments for Residential Exchange. The District provided written comments to BPA which were earlier distributed to the Commissioners. Larry Felton from BPA helped clarify the process of determining the amounts to be paid to the IOU's and Public utilities. Extent of waivers and status of the agreements were also discussed. The Commissioners and staff agree that if issues continued to be raised and the payments are further delayed, it would be best to spend time on other Regional Dialogue issues.

Ms. Paysse:

1. We hired Sam Penhallegon as our newest Meterman. He started on January 14, 2008.
2. Posted a Lineman Trainee position.
3. Our former Apprentice passed the journeyman test, and is now a Journeyman Lineman.
4. Attended a CWPU meeting on the Unified Insurance program followed by pre-negotiations on the next day. Negotiations begin on January 24.

Mr. Nies:

1. Gave a Write Off report, and pointed out that the District decreased the amounts from last year by \$62,000 and acknowledged the hard work of Joe Pryce and the Credit Department.
2. Pointed out some changes that will be made to the calculation process in the Budget Status report and is working with TEA to get a more consistent process. Commissioner Gordon commented that he would like to leave in the columns that show monthly totals.
3. Explained that the 2007 Work Plan showed more capital spending then expected at years end. A large expenditure was a transformer purchase.
4. HomePort missed a December deadline and has another one to meet in late February. The District has the right to terminate its contract with HomePort and Mr. Nies suggested this action, but requested direction from the Board.

Commissioner Hall moved and Commissioner Nelson seconded a motion to terminate the contract with HomePort at 180 days (2-24-08) if HomePort hasn't satisfied the conditions precedent in the agreement. Motion passed unanimously.

5. Shared that there was a break in the NoaNet fiber line in the Columbia Gorge that took 6 days to mend. NoaNet has expressed interest in maintaining BPA line.
6. Will be scheduling Rate Agency meetings in San Francisco in March where he will give a presentation, and he invited Commissioner Gordon, as Board President, to attend.

Mr. Palmer:

1. Asked for consent from the Board to send a letter denying a claim filed by Arnie Haag were there was no cause of action. The Board authorizes Mr. Palmer to send the letter.
2. Stated that at on Martin Luther King day, staff watched a presentation on managing emails which included information on the importance of getting rid of, and not storing, personal emails.

Commissioner Gordon shared a Franklin PUD 1967 annual report that he received which included a picture of the Franklin PUD downtown office building.

With no further business to come before the Board, Commissioner Hall adjourned the meeting at 5:10 p.m.

William Gordon, President

Stuart Nelson, Vice President

Chuck Hall, Secretary