

**THE BOARD OF COMMISSIONERS OF PUBLIC
UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY, WASHINGTON**

MINUTES OF OCTOBER 28, 2008
REGULAR COMMISSION MEETING

MEETING CALLED TO ORDER

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, October 28, 2008, at 1:00 pm.

Those present from the District were: Commissioners Bill Gordon, President; Stu Nelson, Vice President; and Chuck Hall, Secretary; Ed Brost, General Manager; Debbie Bone-Harris, Community and Government Relations Manager; Tim Nies, Director of Administrative Services; Dale Gutmann, Director of Engineering & Operations; and Susan Bauer, Executive Assistant.

Staff present for part of the meeting were: Linda Boomer, Power Manager and Mark Hay, Engineering and Systems Manager.

Public present for all of the meeting was: Larry Felton, Bonneville Power Administration.

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

COMMENTS FROM THE PUBLIC

No comments were presented from the public.

OPEN 2009 BUDGET HEARING

Commissioner Gordon re-opened the 2009 Budget Hearing for public comment. Hearing no public comment, the budget hearing was recessed until the next regular meeting of the Commission on November 25, 2008.

COMMISSIONER REPORTS

Commissioner Nelson reported on his attendance at the Energy Northwest Participant's Review Board and Annual Member Forum on October 23 and 24 in Richland. He found the speaker's report on the nuclear plants informative. Commissioner Nelson also attended the WPUDA Board of Director's meeting in Olympia on October 17, where some financial issues were discussed.

Commissioner Hall attended the Pasco Chamber of Commerce Sunshine Ball and gave kudos to Debbie Bone-Harris, who was recognized as Pasco Chamber's Person of the Year. He also attended the Northwest RiverPartners meeting on October 10, and reported that there were good speakers and presentations. He specifically noted that it was stated Washington State should be considered 85% green because of hydro power and low emissions. Commissioner Hall also attended the WPUDA meeting in Olympia. WPUDA is sponsoring a survey within the state to determine what utilities are using for telecommunications, their interest in broadband, and similar questions. A report will be available at the November WPUDA board meeting in Kelso. He also reported that the Public Disclosure Commission provided information on rules for commissioners. Commissioner Hall attended the Energy Northwest Member Forum where it was announced that Clark PUD and the City of Port Angeles have just become members of Energy Northwest. He further reported that there were great speakers on conservation, and referenced the speaker noting that we are losing money on the US's poor grid reliability; we need to zero in on 'smart grid.' Commissioner Hall also noted that he participated in Energy Northwest's tour of the Columbia Generating Station.

Commissioner Gordon brought an information flyer from Sierra Pacific to pass on to Mr. Darroll Clark, Energy Services Manager. Commissioner Gordon noted that the deadline to make public comment on the agreement with Alcoa is November 10, 2008, and he thinks Franklin PUD should spearhead that drive. Mr. Brost noted that Mr. Steve Palmer, General Counsel, is reviewing that action and that Mr. Clark is contacting customers. Franklin PUD is planning on providing written comments to BPA regarding the Alcoa arrangement. Commissioner Gordon asked for talking points on the matter and the website address for comments, so that he could disseminate that information.

Commissioner Gordon noted that the proposal to sell Energy Northwest's Kalama Plant has failed as the buyers have backed out.

CONSENT AGENDA

Commissioner Hall moved and Commissioner Nelson seconded to accept the Consent Agenda as follows:

1. To approve the minutes of the regular meeting of September 23, 2008.
2. To approve payment of expenditures amounting to \$7,860,104.71 as audited and certified by the auditing officer as required by RCW 42.24.080, and certified by the General Manager as required by RCW 54.16.100, and expense reimbursement claims certified as required by RCW 42.24.090 and as listed and made available to the Commission for inspection prior to this action, as follows:
 - a.) Automated Warrants amounting to \$2,238,971.97; Voucher Nos. 40869 through 40901, 40903, 40951 through 40994, 40996 through 41044, 41141 through 41197, and 41199 through 41239;
 - b.) ACH Vouchers amounting to \$15,393.05; Voucher Nos. 364 through 368, 370, 372 through 375, 377 through 385, and 387 through 389;
 - c.) Refund Vouchers amounting to \$45,370.10; Voucher Nos. 40786 through 40867, 40909 through 40949, 41046 through 41091, and 41093 through 41139;
 - d.) Voids amounting to \$2,466.49;
 - e.) Wire transfers totaling \$5,562,836.08 to the following:

To:	FOR PAYMENT OF:	IN THE AMOUNT OF:
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$328,746.32
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$138,051.53
DEPT RETIREMENT	PERS 1,2,&3	\$72,613.13
ICMA	DEFERRED COMPENSATION	\$47,726.45
REHN	125 PLAN	\$3,153.92
REHN	VEBA	\$16,180.63
BPA	SLICE	\$1,473,675.00
BPA	TRANSMISSION	\$348,225.00
BPA	BLOCK	\$923,040.00
DEPT OF REVENUE	EXCISE TAX	\$226,258.46
LL&P WIND	WIND ENERGY	\$139,656.53
BENTON PUD	ICE (BROKER)	\$167.00
SEMPRA	TEMPERATURE TRIGGER SWAP	\$72,960.00
FREDERICKSON	ENERGY	\$464,425.10
TERASEN	GAS-FREDERICKSON	\$1,173,138.69
SHELL	FINANCIAL SWAP-POWER	\$76,724.40
CONSTELLATION	FINANCIAL SWAP-GAS	\$35,190.00
UBS	FINANCIAL SWAP-POWER	\$5,047.92
SEMPRA	FINANCIAL SWAP-GAS	\$15,768.00
UBS	FINANCIAL SWAP-GAS	\$2,088.00

3. To approve for write-off uncollectible accounts as listed on the Franklin PUD Customer Write-Off Final report dated October 16, 2008, amounting to \$17,098.86.
4. To approve progress payments for work completed to date by Power City Electric (Contract 4944, 2008 Miscellaneous Projects), in the amount of \$103,355.90 for September 2008, and \$103,015.50 for October 2008.

The motion passed unanimously.

Resolution No. 1114 Setting a Regular Meeting Schedule for the Rural Economic Development Fund Board and Rescinding Resolution No. 938

Ms. Debbie Bone-Harris, Community and Government Relations Manager, reported that the Rural Economic Development Fund (REDF) Board had its first board meeting with the new members. The REDF Board has determined that their regular monthly meeting will be the second Tuesday of each month at 10:00 a.m., in the Planning conference room at Pasco City Hall, 525 N. 3rd Ave, Pasco, Washington.

Ms. Harris presented Resolution No. 1114, establishing this schedule of regular meetings, to the Commission for adoption.

Commissioner Hall moved and Commissioner Nelson seconded to adopt Resolution No. 1114 as presented.

The motion passed unanimously.

Resolution No. 1113 Providing Salary, Per Diem Compensation, Reasonable Reimbursement For Expenses And Group Insurance Coverage For The Commissioners Of Public Utility District No. 1 Of Franklin County, And Rescinding Resolutions No's 17, 262, 282, 411, 570, 721, 804, and 805.

Mr. Ed Brost, General Manager, reported on Resolution No. 1113 in the absence of Mr. Steve Palmer, General Counsel. Mr. Brost reported that the proposed resolution amounted to an administrative cleanup and not any substantive changes. Mr. Brost reported that Mr. Palmer had intended to draft a resolution to clarify the language regarding commissioner compensation. In reviewing eight previous resolutions regarding commissioner compensation, Mr. Palmer found that there were consistency issues due to partial rescinding and updating of the previous resolutions. Mr. Palmer determined that, for ease of reference, the content of these previous resolutions still in effect should be consolidated into a single resolution and all of the previous resolutions should be rescinded.

Mr. Brost presented Resolution No. 1113, providing for commissioner compensation, reimbursement and insurance coverage, and rescinding eight previous resolutions, to the Commission for adoption. He emphasized that the proposed resolution amounted to an administrative/housekeeping change and no changes were being made to revise or modify any Commissioner entitlement to any of the above.

Commissioner Nelson moved and Commissioner Hall seconded to adopt Resolution No. 1113 as presented.

Motion passed unanimously.

Discussion of the 2009 Budget and Workplan Status

Mr. Nies provide updated information on the proposed 2009 Budget and Workplan. Mr. Nies addressed several issues in reviewing the updated information:

1. proposed vehicle purchases,
2. Court Street Substation project,
3. labor costs, and
4. five year budget projections.

Mr. Dale Gutmann, Operations & Engineering Manager, provided the Commission with information on the proposed vehicle purchases.

Mr. Gutmann introduced Mr. Mark Hay, Engineering and Systems Manager, who provided a detailed explanation for the Court Street Substation project and spoke specifically to the arc flash fire hazard issues and how the redesign of the substation will address these issues.

Mr. Nies addressed the labor cost increases, and will bring to the November meeting of the Commission additional explanation of past and future labor costs and a draft of the next five year's budget projections. He noted that the five year projections are not normally produced until the budget year is closed and financial statements for the year are completed. There is still a lack of clarity regarding proposed BPA rate increases for 2010-2011 and residential exchange benefits for the 5 year period.

Mr. Nies explained the Budget Crosswalk and discussed the changes in some detail, and answered questions from the Commission on several points. Mr. Nies noted that updated information and budget numbers will be finalized for the November meeting and in anticipation of the December adoption of the budget. Mr. Nies provided the Commission with a revised draft of End of Year Reserve Projections.

There was discussion on the AMR project and how fast the technology is moving. That, in part, was the reason for delaying the project and reducing funds in the 2009 Workplan.

CLAIMS

Mr. Nies reported on claims in Mr. Palmer's absence. Mr. Nies reported new claims were received as follows:

1. Two claims resulting from power outages; Mr. Gutmann provided some background on the outages. The claims will be forwarded to Federated.
2. One claim resulting from a property owner whose trees caused a power line to short. The claim has been forwarded to Federated.
3. One claim resulting from an alleged power surge causing damage to property. The claim has been forwarded to Federated.
4. One claim resulting from a personal injury on private property. Claimant has been contacted for more information.

GENERAL MANAGER'S REPORT

Mr. Brost:

1. Reported that BPA announced a proposed DSI subsidy of about \$65 million a year, which is about a 2% rate increase and that there will be strong objections on this from public utilities. There are some economic impact considerations that BPA is using to justify the deal (e.g., jobs, capital investments). The District is contacting some of its industrial customers to get their opinion and to encourage them to provide formal comments by the November 10 deadline. The District will send in written comments.
2. Reported on the all-employee meeting on Change Management, and said nearly all employees attended. Evaluation results were positive overall, though we could have done some parts differently. Two speakers presented various communication/conflict resolution tools. Ed took the last part of the program to speak on the PUD Value statements, and his expectation that employees will hold each other accountable to the values. He conducted a Q&A at the end of the program. The meeting packet included Comment Cards that requested specific feedback from employees, as well as an evaluation form; the input is being tabulated. He reported that communication issues were still at the top of employee concerns, and that he and the management team are reviewing communication strategies, which will be developed to include varying communication methods and styles. He followed up the training with Operations at the October Safety meeting, and received additional feedback then. Management consensus is that the all-employee meeting was worthwhile, that valuable information was gained, and follow up/follow through is important.
3. Reported that the Columbia Snake River Irrigators issued a press release and sent a memo to the State of Oregon and some tribes regarding the results of a Fish Harvest Study. A copy of the press release and memo were provided to the Commission. Franklin PUD contributed funding for this study, which essentially states that unless we do something different with harvest, no amount of money will recover the salmon. The Irrigators wanted Northwest River Partners to take the study and run with it. Northwest River Partners prefers to bring both sides together, and the message that was sent back to the Irrigators is that we hear you, we understand the study, but the timing is not right. Progress is being

- made, and they don't want to take the lead on pushing the Harvest Study unless progress ceases. He is hopeful that release of the study will have a positive effect on the ongoing negotiations.
4. Reported on meeting with Mr. Gary Crutchfield, Pasco City Manager, regarding the Taylor Flats transmission line and the easement issues related to the easements on all segments of the line. Neither the PUD nor the City has a responsibility to maintain the easements. There will likely continue to be issues to resolve between the City of Pasco, Franklin PUD and the property owners. Mr. Brost and Mr. Crutchfield discussed the possibility of community meetings with the property owners to help clarify responsibility for maintenance of the easement area.
 5. Reported on the Slice contract status; utilities did not get all they wanted from Bonneville Power Administration in terms of contract terms or the amount of Slice. BPA did raise the slice amount up to 27% (a total of 2,000 aMW), but that was 500 aMW less than requested. Most contract issues were dealt with satisfactorily. Central Lincoln Utility has dropped out of the Slice; so now our allocation will be close to 49% of Slice, about the same as we have now. We still could get more if additional utilities drop out. We are still doing assessments between load-following and Slice. We will have a recommendation for the Commission at the November 25th meeting since contracts must be signed and delivered by December 1, 2008.
 6. Suggested the Commission consider having a workshop the morning of November 25, at 10 am to further discuss Slice issues and allocations. The Commission agreed.
 7. Reported on discussions with TEA about a follow-on contract for the post-2011 period; Klickitat and Cowlitz PUDs have been a part of those discussions. Costs will be higher, as result of the end of benefits arising out of the PRM sale to TEA. Allocation of operating costs between customers will change because the utilities have different load growth rates. The District will be negatively impacted because our loads are rising faster than others. Up front capital costs will be necessary; as much as \$2 million for a new hydro modeling system that TEA uses to manage river operations. These costs will be shared equally.

STAFF REPORTS

Ms Bone-Harris, Community and Government Relations Manager:

1. Reported that the Pasco Chamber had a ribbon cutting ceremony for the new Highway 395 pedestrian overpass, and there was a good turnout.
2. Reviewed some upcoming calendar items, including:
 - a. October 28: legislative update meeting with the recently hired consultant,
 - b. October 31: strategic planning session with the Pasco Chamber,
 - c. November 13: Franklin PUD Safety Dinner,
 - d. November 18: Public Power Council Roadshow to be held in Franklin PUD's auditorium,
 - e. December 11: Legislator's reception sponsored by the Tri-City Regional Chamber,
 - f. December 16: Energy Saving Tips Christmas event held at the Pasco Senior Center,
 - g. January 6 & 7: Pasco Ag Show at TRAC, and
 - h. February 19 & 20: Tri Cities Legislative Council annual trip to Olympia.
3. Reported that she attended the NWPPA communication conference, and that Franklin PUD received an award for its posters on Mission and Values.
4. Gave kudos to Franklin PUD's Information Services department for great service.

Mr. Nies, Director of Administrative Services:

1. Reviewed the monthly budget status report, and reported on retail revenues
2. Reported on the 2008 Workplan status, and noted that the full budgeted amount will not be spent by the end of the year.
3. Reviewed the broadband report and noted that they lost one account.
4. Reported that 6 of 8 circuits are completed at Lourdes; Lourdes is very satisfied.
5. Provided an update on the building remodel. The architect is preparing bid documents, and expects we will go out for bids the first week of December, with a bid award at the January Commission meeting. Reviewed the new garage building options, and noted that the Building Committee recommends the two story garage; it will be in the bid packet as alternative. Also, remodeling the existing garage will be an alternative. These items were not part of the original scope for Phase 1, but it was determined that doing the work now rather later would be more efficient. The LEED certified choice will also be an alternative bid option. Recommendations for award will be made when the bids are reviewed.

6. Reported that the District selected a Construction Manager; Olympic was the most qualified. Several meetings have been held and he is looking forward to finalizing a contract soon. We won't know who the General Contractor will be until bids are received and evaluated.
7. Reported that Accounting is finalizing the accounting software system contract.
8. Reported that Accounting is calculating average system costs in order to report to BPA and adjust customer bills.
9. Noted that the phone system is going out for bids this week, and he hopes that system installation can begin in January 2009.

Mr. Gutmann, Director of Operations and Engineering:

1. Reported that the operations roofing project should start next week pending contractor availability.
2. Reported that the Big Pasco substation roof is leaking, and its repair will be added to the operations roofing project in order to protect the equipment in the substation.
3. Noted that the new tree trimmer contract is starting November 10th.
4. Reported that Operations is working at the Franklin Substation to install our own protection equipment. We have been running off BPA's breaker, and rather than start paying BPA in January for use of their equipment, we are installing our own equipment to avoid this cost. This was all part of the original plan.

OTHER

Mr. Larry Felton from Bonneville Power Administration spoke regarding the Slice contract and his expectation that the final contract should be to the General Manager by the end of this week. He noted for the Commission's information that Benton PUD has recently contracted with a company to do AMR, and that the company will communicate with their meters using wireless technology, a cheaper method than any other. Mr. Felton sees opportunities in demand response, and commented that incorporating AMR is a good step forward. He reported that at the Northwest RiverPartners meeting he asked about getting Bonneville renewable energy credits for Federal system efficiency improvements. Bonneville could use the revenue from the credits to offset the costs to install the hydro improvements. Mr. Felton will look into getting renewable energy credits.

Mr. Brost requested Mr. Felton pass on to Mr. Boyd Wilson the District's appreciation for Mr. Wilson's attendance at the Commission meeting last month and his presentation of the award for 'Exemplary Commitment to Energy Efficiency' to Mr. Darroll Clark, Franklin PUD Energy Services Manager.

With no further business to come before the Commission, Commissioner Gordon adjourned the meeting at 3:30 p.m.



William Gordon, President



Stuart Nelson, Vice President



Charles D. Hall, Secretary