

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

MINUTES OF NOVEMBER 25, 2008  
SPECIAL COMMISSION WORKSHOP MEETING

**MEETING CALLED TO ORDER**

The Special Workshop meeting of the Board of Commissioners of Public Utility District No. 1 of Franklin County was held at 1411 West Clark, Pasco, Washington, on November 25, 2008, at 10:00 am.

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; Linda Boomer, Power Manager; Rich Sargent, Power Analyst; Colleen Kimsey, Administrative Assistant; and Susan Bauer, Executive Assistant.

Staff present for part of the meeting was: Steve Palmer, General Counsel.

Public present for all of the meeting was: Jeff Fuller, TEA Vice President for Member Services & Chief Business Development Officer.

Commissioner Gordon called the special workshop meeting to order at 10:00 a.m.

**COMMENTS FROM THE PUBLIC**

No comments were presented from the public.

**POST 2011-BPA POWER SALES CONTRACT OPTIONS**

Ms. Linda Boomer, Power Manager, provided a detailed overview of the sales contract options through means of a Power Point presentation, and focused on the two options available:

**Option 1: Load Following**

Designed so that BPA meets the District's hourly loads after subtracting the 'declared' resources.

**Option 2: Block/Slice**

Designed so that

- The Block portion is provided in shaped, monthly blocks reflective of monthly load variations, and
- The Slice portion is indexed to the output capability of the Federal generating system.

Ms. Boomer conducted a thorough analysis of the options, and generated an all-inclusive discussion among Ms. Boomer, the Commission, the General Manager and other staff that continued throughout the presentation. Responding to a clarification

request from Ms. Boomer, Mr. Fuller indicated that with the new Slice/Block product, TEA would be monitoring the water rather than monitoring the energy, providing a truer slice generation forecast.

Ms. Boomer included a historical review of the Slice/Block versus Load Following cost comparison based on current rates, and based on the estimated future rate structure. Mr. Brost added that the choice between the two options is not an economic choice, but rather a qualitative value judgment call because so many of the cost variables are unknown at this time.

Ms. Boomer addressed the complexity of the Slice management, and reported that if the modeling performance fails, the District can change to load following after October, 2010. If the Block/Slice model has not been accepted by 2011, the plan is to use our current operating procedures until the model does pass performance tests. Ms. Boomer noted that the District cannot rely on BPA in meeting I-937 requirements. The District is required to meet the state requirements, but BPA as a federal agency is not.

Ms. Boomer reviewed the strategic considerations, the "Pros" and "Cons" of Slice/Block versus Load Following options, and the resulting conclusions. Ms. Boomer reviewed the reasons that staff analysis shows that Slice/Block is a better option for the District, and recommended that the Commission authorize the General Manager to sign the Slice/Block agreement on or before December 1, 2008.

## **5 YEAR BUDGET FORECAST AND RESERVE PROJECTIONS**

Mr. Tim Nies provided the Commission a set of handouts, and presented an overview of the 5-Year Budget Forecast Comparisons and the projected Reserve Balance. Mr. Nies reviewed the particulars of the handouts, providing the Commission an analysis of the reduced reserve history and projections. While revenue projections are up, net power costs are also increasing (due primarily to a projected 10-15% BPA rate increase in 2010), and the increases account for the reduced reserve projections.

Commissioner Gordon queried Mr. Nies regarding an analysis of past actuals versus projections on the reserve balance. Discussion continued regarding this and other analyses performed to determine the components of the different variables.

The conclusion of this discussion was that the projections were a cause for increased diligence and would be discussed with the District Rate Committee.

## **SENATE BILL SB 6001 (CO<sub>2</sub>) CERTIFICATION**

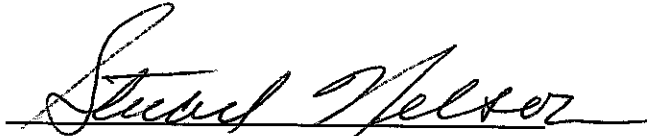
Ms. Boomer reported on Engrossed Substitute Senate Bill 6001 (ESSB 6001), an Act which states that no consumer-owned utility may enter into a long term financial commitment unless the utility has determined that the commitment complies with the greenhouse gasses emission performance standard established under the Act. Mr. Brost added that this certification requirement will be in effective not only for this contract, but for any future major power purchase agreement. Discussion ensued on climate change performance standards from the state, and the impact to utilities, customers and the public.

Action on these topics was deferred to the regular board meeting.

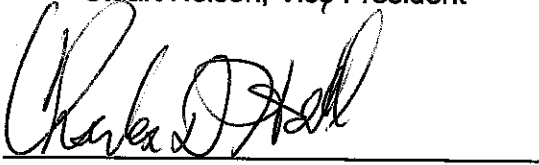
With no further business to come before the Commission, Commissioner Gordon adjourned the special workshop meeting at noon.



William Gordon, President



Stuart Nelson, Vice President



Charles D. Hall, Secretary