

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

MINUTES OF NOVEMBER 25, 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, on November 25, 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; Steve Palmer, General Counsel; Debbie Bone-Harris, Community and Government Relations Manager; Tim Nies, Director of Administrative Services; Susan Paysse, Human Rights Director; Dale Gutmann, Director of Engineering & Operations; Darroll Clark, Energy Services Manager; and Susan Bauer, Executive Assistant.

Staff present for part of the meeting were: Linda Boomer, Power Manager; Rich Sargent, Power Analyst; Bonnie Hickman, Technical Systems Manager; and Colleen Kimsey, Administrative Assistant.

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

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

COMMENTS FROM THE PUBLIC

No comments were presented from the public.

10-YEAR SERVICE AWARD

Mr. Brost, General Manager, presented a 10-Year Service Award to Colleen Kimsey, Administrative Assistant. Mr. Brost reviewed Ms. Kimsey's service with the District, which included her time as a Customer Service Representative, as a Meter Reader, and as an Administrative Assistant in several capacities. Ms. Kimsey's legacy as Meter Reader is legendary, and includes highlights such as helping to deliver a calf, surviving a rooster attack, and coming out the winner in a physical altercation with a Siberian Husky. Ms. Kimsey is recognized as a leader in supporting and organizing employee events. Mr. Brost recognized Ms. Kimsey as an outstanding employee whose future is very bright.

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 December 9, 2008.

COMMISSIONER REPORTS

Commissioner Hall reported on his recent meetings, including attendance at:

- the Columbia/Snake River Irrigators meeting, where Ron Reimann has been named as the new president of the organization;
- the Open Government, Public Records and Public Meetings seminar at Columbia Basin College;
- the Public Power Council Roadshow, held in the District's auditorium and covering topics including biological opinion, climate control, and the financial crisis; and
- the WPUA meeting in Kelso last week, where he attended the Energy Committee, the Telecom Legislative Committee and the regular board meeting.

Commissioner Nelson reported that he attended the same meetings as Commissioner Hall, and also attended Energy Northwest's Participant Review Board meeting in Portland.

Commissioner Gordon, who recently won re-election to his position as Franklin PUD Commissioner, observed that he saw his success in the election as a vote of confidence for the District.

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 October 28, 2008.
2. To approve payment of expenditures amounting to \$7,188,825.83 as audited and certified by the auditing officer as required by RCW 42.24.080, and as 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 Board for inspection prior to this action, as follows:
 - a.) Automated vouchers amounting to \$2,054,014.56; Voucher Nos. 41313 thru 41353, 41357 thru 41392, 41504 thru 41532, and 41654 thru 41682; and
 - b.) ACH vouchers amounting to \$6,311.86; Voucher Nos. 391, 393 thru 396, 398 thru 402, and 404 thru 405; and
 - c.) Refund vouchers amounting to \$40,090.01; Voucher Nos. 41241 thru 41311, 41355, 41394 thru 41502, and 41534 thru 41652; and
 - d.) Voids amounting to \$6,527.66; and
 - e.) Wire transfers totaling \$5,094,937.06 to the following:

<i>To:</i>	<i>For Payment Of:</i>	<i>In the Amount of:</i>
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$334,771.32
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$137,172.46
DEPT RETIREMENT	PERS 1,2,&3	\$73,523.15
ICMA	DEFERRED COMPENSATION	\$47,614.02
REHN	125 PLAN	\$3,153.92
REHN	VEBA	\$16,503.78
BPA	SLICE	\$1,473,675.00
BPA	TRANSMISSION	\$295,366.00
BPA	BLOCK	\$915,645.00
BPA	ADJUST TO ACTUAL TRANSMISSION	\$62,228.00
BENTON PUD	ICE (BROKER)	\$167.00
BENTON PUD	GAS-FREDERICKSON	\$139,314.89
CONSTELLATION	FINANCIAL SWAP-GAS	\$44,052.55
DEPT OF REVENUE	EXCISE TAX	\$226,128.28
FREDERICKSON	ENERGY	\$450,237.43
LL&P WIND	WIND ENERGY	\$74,725.04
POWEREX	GAS-FREDERICKSON	\$738,653.02
UBS	FINANCIAL SWAP-GAS	\$62,006.20
		\$5,094,937.06

3. To approve for write-off uncollectible accounts as listed on the Franklin PUD Customer Write-Off Final report dated November 13, 2008, amounting to \$15,127.92.
4. To approve progress payments for work completed by Power City Electric, Contract 4944, in the amount of \$81,800.06, for November 2008.

The motion passed unanimously.

Adopting Resolution No. 1118, Determining the Emission Performance Standard Required by Senate Bill 6001 "Mitigating the Impacts of Climate Change"

Ms. Linda Boomer, Power Manager, presented Resolution No. 1118, reporting that this action is necessary due to Engrossed Substitute Senate Bill 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. Because the next item on the agenda, authorizing the General Manager to execute a Power Sales Agreement, falls under the requirements of ESSB 6001, this advance action is required. Ms. Boomer reported that the District has determined that the Agreement does meet the Emission Performance Standard, and staff therefore recommends it to the Commission for adoption.

Commissioner Nelson moved and Commissioner Hall seconded to adopt Resolution No. 1118 as presented.

The motion passed unanimously.

Adopting Resolution No. 1116, Authorizing the General Manager to Execute A Post-2011 Slice/Block Power Sales Agreement with BPA

Ms. Boomer presented Resolution No. 1116, reporting that after comparing the BPA Power Sales Contract options, as thoroughly reviewed earlier today in the special workshop meeting, staff recommend that the District should proceed with the Slice/Block power option and execute the Agreement.

Commissioner Nelson moved and Commissioner Hall seconded to adopt Resolution No. 1116 as presented.

Motion passed unanimously.

Authorizing the General Manager to Execute a Green Tag Supply Agreement for the Sale of 2008 Renewable Energy Certificates

Mr. Rich Sargent, Power Analyst, reported on the request to sell the 2008 Renewable Energy Certificates (RECs) to the Bonneville Environmental Foundation.

Mr. Sargent explained that the District receives non-power attributes called RECs for power purchased from wind farms. The RECs can be registered with the Western Renewable Energy Generation Information System (WREGIS) and then sold directly or through brokers to third parties. The District has received a valid offer to sell its WREGIS-certified RECs generated in the second half of 2008 to the Bonneville Environmental Foundation. The price offered is \$5.50/REC with a target generation of 25,000 RECs for an anticipated sale price of \$137,500.00. The amount of RECs sold is contingent upon actual generation. Staff recommends that the District enter into this agreement and sell the WREGIS registered renewable energy certificates.

Commissioner Gordon asked about last year's price, which Mr. Sargent recalled as about \$3.25 for non-WREGIS. Commissioner Gordon clarified that these are 2008 certificates, and Mr. Sargent confirmed.

Commissioner Hall moved and Commissioner Nelson seconded to authorize the General Manager or his designee to execute a Green Tag Supply Agreement allowing the District to sell its approximate 25,000 WREGIS-registered Renewable Energy Certificates.

Motion passed unanimously.

Authorizing the General Manager to Execute a Professional Services Contract for Accounting Software with Cogsdale Corporation

Mr. Tim Nies, Auditor and Administrative Services Director, introduced the proposed accounting software purchase. Mr. Nies requested that Ms. Bonnie Hickman, Technical Services Manager, review for the Commission the proposal and request for authorization to approve a contract with Cogsdale Corporation for purchase of the new accounting software.

Ms. Hickman reported on the end-of-life issue with the District's current system, and the advantages of the new system, including its flexible, open platform; enhanced functionality; improved productivity; and effective reporting tools. Ms. Hickman also noted the advantage of the on-line capabilities and integrated Human Resources and Payroll functions.

Ms. Hickman reviewed the specific costs associated with the purchase. Commissioner Nelson requested clarification on the costs. Ms. Hickman reviewed the Cogsdale contract costs of \$910,437. She also reviewed the longer-term associated support and training costs, which bring the total costs to \$1,557,523. The request before the Commission is only to authorize the Cogsdale contract costs of \$910,437.

Commissioner Nelson asked how much of the costs are already included in the 2008 budget, and Mr. Nies indicated none. Commissioner Gordon asked what percent contingency was used; Mr. Brost stated that 10% was used.

Commissioner Gordon introduced further discussion on the budget expenditures per year, and staff participated to clarify the costs anticipated to be spent in each year, completing in the third year.

Commissioner Nelson moved and Commissioner Hall seconded to authorize the General Manager or his designee to execute both the Professional Services Contract No. 4674 with Cogsdale Corporation and the related Master Agreement.

Motion passed unanimously.

Authorizing the General Manager or to Execute a Construction Management Contract with Olympic Associates Company

Mr. Nies addressed the anticipated administrative building remodel, and the need for a Construction Manager. Mr. Nies reported that Olympic Associates has been identified as the most qualified to enter into a contract as Construction Manager with the District for the administrative building remodel.

Commissioner Gordon asked if the Construction Manager would be onsite at all times during the remodel, and Mr. Nies responded that it would be part of the time, not all of the time. Commissioner Gordon asked if the Construction Manager would deal direct with the contractors to resolve issues, and what would be the consequences of not getting issues resolved. Mr. Nies stated that yes, the Construction Manager would deal direct with the contractors and advocate for the District's benefit. Mr. Steve Palmer, General Counsel, provided further clarification on the contractual responsibilities of the Construction Manager and the performance consequences.

There was further discussion among the staff and the Commissioners regarding the current status and scope of the architectural plans.

Commissioner Hall moved and Commissioner Nelson seconded to authorize the General Manager or his designee to execute Professional Services Contract No. 5354 with Olympic Associates Company at a total cost not to exceed \$126,605.

Motion passed unanimously.

Adopting Resolution No. 1111, Authorizing an Increase to the Advance Travel Revolving Fund Limit, Appointing the District Auditor and Deputy Auditor As Fund Custodians, and Rescinding Resolution No. 284

Mr. Nies presented resolution No. 1111, reporting that the original Advance Travel Fund was outdated. He stated that, due to the increased number of employees traveling, and the increased cost of travel, it was appropriate to increase the fund balance from \$3,000 to \$5,000. Further, the resolution would update the references to the fund custodians, and rescind Resolution No. 284.

Commissioner Hall moved and Commissioner Nelson seconded to adopt Resolution No. 1111 as presented.

Motion passed unanimously.

Adopting Resolution No. 1117 Declaring an Emergency and Waiving the Competitive Bid Process in order to obtain Replacement Meters

Mr. Dale Gutmann, Director of Operations and Engineering, reported that there has been a high rate of failure with new Itron Meters with Datamatic Modules, including display malfunctions, transmitting issues, and signs of high heat damage. Mr. Gutmann has recommended immediate replacement of the meters to the General Manager.

Mr. Brost, the General Manager, concurred with Mr. Gutmann, and declared the situation an emergency based on the likelihood of damage to property. Mr. Brost directed staff to proceed immediately with purchasing and replacing the defective meters, thereby waiving the competitive bid process.

Staff recommends the Commission adopt Resolution No. 1117, documenting the finding of an emergency and waiving the competitive bid process.

Commissioner Hall moved and Commissioner Nelson seconded to adopt Resolution No. 1111 as presented.

Motion passed unanimously.

Authorizing the General Manager to Execute a One-Year Extension to Contract 4944 with Power City Electric, Inc.

Mr. Gutmann outlined for the Commission the request for authorization of a one year extension to a contract with Power City Electric, beginning January 1, 2009 and ending December 31, 2009.

Mr. Gutmann provided specifics on the original contract, and the provisions for the one-year extension, including the provisions for an increase in labor costs. There will be an increase in Local 77 contractor wages of 3.0% on February 1, 2009; an additional 3.0% increase on August 1, 2009; and, a \$0.25 per hour increase in the Local 77 pension fund in 2009. Because of the increase in labor costs, staff is recommending a 4.0%

increase in the total contract amount. The total contract amount in 2008 was \$1,258,356.50, and the 4% increase amounts to a total contract amount for 2009 of \$1,309,730.00.

Commissioner Nelson moved and Commissioner Hall seconded to authorize the General Manager or his designee to execute a one-year extension to Contract 4944 with Power City Electric.

Motion passed unanimously.

Approving the 2009 Organizational Representation List

Mr. Ed Brost, General Manager, presented the Commission with the proposed update to the annual assignment of representation on the membership and boards of organizations for 2009. The proposed assignment is as follows:

Organization	Delegate	Alternate
APPA – L & R Committee	B. Gordon	C. Hall
CARES	S. Palmer	D. Clark
PPC	E. Brost	L. Boomer/S. Nelson
WPUDA	C. Hall	S. Nelson
Energy Northwest	B. Gordon	S. Nelson
Columbia-Snake River Irrigators	C. Hall	D. Clark
REDF Board	D. Bone-Harris	D. Turney
Pasco Chamber of Commerce	C. Hall	D. Bone-Harris
Columbia REA	C. Hall	D. Gutmann
Hispanic Pasco Chamber of Commerce	A. Hernandez	D. Bone-Harris
Tri-City Chamber of Commerce	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	E. Brost	
PNUCC	E. Brost	
United Way	E. Brost	

Commissioner Hall moved and Commissioner Nelson seconded to approve the 2009 Organizational Representation List as presented.

Motion passed unanimously.

Approving the 2009 Commission Meeting Schedule

Mr. Ed Brost, General Manager, presented the Commission with a proposed schedule of Regular Commission Meetings for 2009.

There was some discussion among the Commission regarding dates and the schedule presented was revised to schedule meetings as shown below:

Regular Meeting	Regular Meeting, Only if Needed
	January 13
January 27	
February 10	
	February 24
March 10	
	March 24
	April 14
April 28	
	May 12
May 26	
	June 9
June 23	
	July 14
July 28	
	August 11
August 25	
	September 8
September 22	
	October 13
October 27	
November 10	
	November 24
December 8	
	December 22

Commissioner Nelson moved and Commissioner Hall seconded to approve the 2009 meeting schedule as revised.

Motion passed unanimously.

Discussion of the 2009 Operating Budget and Workplan Status

Mr. Nies provide updated information on the proposed 2009 Operating Budget and Workplan. Mr. Nies addressed several issues in reviewing the updated information, as indicated by the footnotes on the handout titled, 2009 Operating Budget Crosswalk.

Mr. Nies provided a Reserve Projection Draft for 2009 handout with updated numbers. Mr. Nies also provided a Comparison of Changes in Labor Budget projection handout in response to a Commissioner request for information on labor costs.

A discussion ensued among the Commissioners, the General Manager, and Mr. Nies regarding particulars of the budget numbers and projections.

No action was taken on this matter.

CLAIMS

Mr. Palmer reported that no claims had been received since the last Commissioner meeting.

GENERAL MANAGER'S REPORT

Mr. Brost, General Manager, reported that:

1. the District did submit comments to BPA regarding the Alcoa/DSI issue, and that the comments were against the proposed decision;
2. he attended the Public Power Council Roadshow held at Franklin PUD;
3. position announcements were pending regarding staffing in Engineering and Power Management;
4. he will be attending WPUDA meetings in Seattle Wednesday and Thursday next week;
5. he will be out of the office on leave from December 7 through 16;
6. he would like the Commissioners to touch base with Susan Bauer, Executive Assistant, regarding their travel needs and preferences; and
7. the District is reviewing and updating the Travel Policy, and he anticipates it will result in the District going to a Per Diem system.

STAFF REPORTS

Ms. Paysse, Human Resources Director, reported that:

1. it is open enrollment this month for flexible spending plan;
2. regular full time employees can vote on VEBA contributions;
3. she continues to work with Ms. Hickman to plan for temporary support during the anticipated software conversion;
4. she is working on an amendment to the salary administration plan for 2009, and plans to bring it to the Commission in December; and
5. she is in the process of incorporating the District Values into job descriptions and employee evaluation forms.

Mr. Nies, Director of Administrative Services, reported that:

1. regarding the budget status report, supply expenses are high due to replacing the losses from to the burglary, but that the insurance claim, when satisfied, will replace much of the expended funds;
2. the Workplan status for year is at 64%, and he does not anticipate that we will spend all our capital;
3. he will be bringing an amendment to the Architect's contract as the extended work scope has impacted the original contract terms;
4. the LEED certification for the administrative building remodel is problematic, and it is unlikely that the District will get a LEED stamp;
5. the phone system went out for bid and proposals should come in by mid December; and
6. he attended a meeting in Jacksonville where there was an internal review of TEA procedures; he noted the internal review procedures were impressive.

Mr. Clark, Energy Services Manager, reported that:

1. the District is on track budget-wise with the Conservation Rate Credit (CRC) project;
2. the Renewable projects budget is at about 42% spent, and there is just over \$140,000 to spend by September 2009;
3. the Irrigation Rate Management project is right on target;
4. the Scientific Irrigation Scheduling has been contracted out to Franklin Conservation District and could be as much as another \$210,000 claim on the CRC;
5. he has attended the following meetings: I-937, Utility Sounding Board, Utility Round Table, Brown Bags, CSRIA and PPC conservation Tech Group;
6. the 501(c)(3) organization continues to meet and has elected officers; and
7. he is looking forward to working on a Conservation Plan for February.

Ms. Bone-Harris, Community and Government Relations Manager, reported that:

1. she is working with TEA representatives on annual meeting proposed to be held in the Tri-Cities on January 21, 2009;
2. she attended the Northwest RiverPartners (NWRP) meeting last month and that the group and BPA are collaborating regarding legislative strategy and how to approach the fish issues;
3. that NWRP is having its annual meeting on December 10 in Portland, noting that dam removal groups are making a run against dams. Judge Redden found in favor of the Plaintiffs allowing declarations attacking the science and conclusion of the buy-up, and allowed the issue of dam removal back into the Bi-Op. NWRP is heading to DC to promote science based recovery with the new Administration;
4. Mr. Randy Ray, a District contractor, continues to promote District viewpoints in Olympia, and provides timely updates by email;
5. the climate advisory team is waiting on Governor Gregoire's Climate Change recommendation due out Monday, December 3; and
6. the District is considering whether to recommend that the Commission authorize the transfer of management of the REDF to Benton Franklin Council of Governments, as they manage several similar funds and are experienced and willing in managing loan programs.

Mr. Gutmann, Director of Operations and Engineering, reported that:

1. Operations has completed the rework of Franklin substation, so the District is now off BPA protection, having installed its own;
2. the Corps of Engineers, after a year's negotiations, finally gave the District the right to access and replace the underground cable at Dalton Lake, requesting that the District install a pole for the raptor perch on location;
3. regarding Kahlotus, the District got a profile plan of the Phase 1 direction, and have put together a material list and poles, but have not yet made contact with the land owners to get the easements; and
4. the roofing project continues with one peak out of seven done since the wet weather has hampered the project.

Mr. Palmer, General Counsel, reported that

1. the FactAct, Identify Theft Program, gave utilities a 6 month extension to April 1,

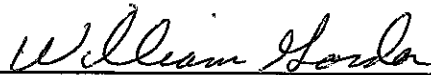
- however the Commission can expect to see it brought forward in January;
2. PPC filed an appeal on Friday November 21 to BPA's decision regarding the amount of repayment of residential exchange benefits improperly paid to the IOUs; and
 3. regarding the burglary, employees who had personal property stolen will be reimbursed, as the insurance company has paid the District for this loss.

OTHER

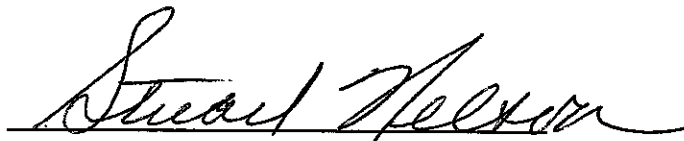
Mr. Larry Felton, Bonneville Power Administration Account Executive announced that he will be attending a BPA Tier 2 workshop in Spokane, and if valuable, he will schedule one in the Tri-Cities.

Mr. Felton reminded the District that it needs to declare, by November 1, 2009, how it will serve its Tier 2 requirements. There are three options: 1, Non-BPA, the District serves its own requirements; 2, BPA supplies the Tier 2; or 3, some combination of the first two. Mr. Felton stated that due diligence need to be taken this year: BPA will prepare draft load forecast this spring (Steve Wood is forecaster); by late summer, official load forecast for District for 2010 will be available; by November 1, 2009, the District will know how much Tier 2 it has to supply. Then the District must inform BPA how it will serve the requirement.

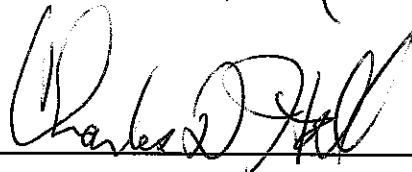
With no further business to come before the Commission, Commissioner Gordon adjourned the meeting at 4:35 p.m.



William Gordon, President



Stuart Nelson, Vice President



Charles D. Hall, Secretary