

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

MINUTES OF DECEMBER 09, 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 December 9, 2008, at 1:00 pm.

Those present from the District were: Commissioners Bill Gordon, President; Stu Nelson, Vice President; and Chuck Hall, Secretary; Steve Palmer, General Counsel; Debbie Bone-Harris, Community and Government Relations Manager; Tim Nies, Director of Administrative Services; Susan Paysse, Director of Human Resources; Dale Gutmann, Director of Operations; Duane Sams, Acting Director of Engineering, Linda Boomer, Director of Power Management, Jean Ryckman, Director of Special Projects, and Susan Bauer, Executive Assistant.

Staff present for part of the meeting were: Rich Sargent, Power Analyst; Darroll Clark, Energy Services Manager; Bonnie Hickman, Technical Systems Manager; Annette Seigfreid, Customer Service Representative and Joe Pryce, Customer Service Supervisor.

Public present for all of the meeting was: Ron Reimann, President, Columbia-Snake River Irrigators Association.

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

**COMMENTS FROM THE PUBLIC**

Ron Reimann introduced himself as the newly elected President of the Columbia-Snake River Irrigators Association.

**OPEN 2009 BUDGET HEARING**

Commissioner Gordon re-opened the 2009 Budget Hearing for public comment. Hearing no public comment, the budget hearing was closed.

**COMMISSIONER REPORTS**

Commissioner Hall reported on his recent attendance at the WPUDA annual meeting. He stated that the association seemed to be going through a tough transition period. He reported that there were frustrations regarding the Legislative committee, and that there was a lack of disseminated information on new bills for the upcoming legislative session. He reported that WPUDA was very impressed with NoaNet's positive budget status.

Commissioner Nelson also reported on the WPUDA meeting, and how dissatisfied the members were regarding legislative matters. There was some discussion regarding the lack of communication from WPUDA to Districts, and concerns that WPUDA was not taking input from Districts before going to Legislators.

Commissioner Gordon reported briefly on his attendance at WPUDA where a speaker gave an interesting talk on generational differences.

Commissioner Gordon commented on the Write-Off report in the Consent Agenda. He noted that there was a policy change a year ago, and that the fruits of that policy change are beginning to show in lower write-off percentages. He expressed his appreciation to the Customer Service Supervisor and staff.

### **CONSENT AGENDA**

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

1. To approve the minutes of the Special Workshop Meeting, and the Regular Meeting of November 25, 2008.
2. To approve payment of expenditures amounting to \$484,140.33 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 Voucher Nos. 41688 thru 41764, and 41766 thru 41800, in the amount of \$474,669.68; and
  - b.) ACH Voucher Nos. 407, 408 and 410 thru 420, in the amount of \$9,425.21; and
  - c.) Refund Voucher No. 41686 in the amount of \$100.00; and
  - d.) Voids in the amount of \$54.56.
3. To approve for write-off uncollectible accounts as listed on the Franklin PUD Customer Write-Off Final report dated December 3, 2008, amounting to \$11,860.35.
4. To approve final payment for work completed by Aztech, in the amount of \$58,342.25 for Franklin Sub Modifications (of which \$32,200 was Contract 5316A, Building Foundation, and \$26,142.25 was Contract 5316B) for November, 2008.

The motion passed unanimously.

### **Adopting the 2009 Operating Budget and Workplan**

A public hearing on the proposed 2009 Operating Budget and Workplan was opened and recessed on September 23, 2008, October 28, 2008, and November 25, 2007. The public hearing was re-opened today, and closed.

Mr. Nies reviewed the supporting documents to this Agenda Item, (the Operating Budget & Crosswalk, the Workplan and Crosswalk), and handed out a corrected Operating Budget Crosswalk showing the month of December. He stated that there was no change from November to December. Mr. Nies reported that this is the fourth time the budget has been presented to the Commission.

Regarding the Workplan, Commissioner Gordon commented that 2009 is a fairly easy budget, but that 2010 is more complex. He stated that as we go forward, we need to keep a close eye on our reserves and to obtain the most accurate information possible.

Commissioner Gordon expressed his desire for increasingly more accurate budget projections; he stated that he would like to see more accuracy in estimates, so that actuals are closer to projections.

Mr. Nies observed, and noted for the record, that there appeared to be two line item errors on the Operating Budget presented to the Commission. Mr. Nies stated that although the Operating Budget contained two errors, the errors would be corrected and they did not affect other line items in the proposed budget, including the totals.

Commissioner Hall moved and Commissioner Nelson seconded to adopt Resolution No. 1119 as presented and the 2009 Operating Budget and Workplan exhibits, as corrected

The motion passed unanimously.

### **Opening a Public Comment Period on Potential Public Utility Regulatory Policies Act (PURPA) Standards**

Ms. Boomer reported that this action is in response to Section 111(d) of PURPA, amended by the Energy Independence and Security Act of 2007, which requires that utilities with greater than 500,000 MWh of annual retail sales consider four standards in addition to those recently considered by the Commission. The standards are related to: 1) Integrated Resource Planning; 2) Rate Design Modifications to Promote Energy Efficiency Investments; 3) Consideration of Smart Grid Investments; and 4) Smart Grid Information.

The District must begin consideration or set a hearing date for the consideration of the standards by December 19, 2008, and complete consideration and make a determination on whether or not to adopt the additional standards by December 19, 2009.

The proposed resolution initiates the activities necessary to comply with the

PURPA requirements and deadlines.

Commissioner Hall moved and Commissioner Nelson seconded to adopt Resolution No. 1115 as presented.

The motion passed unanimously.

**An Operation and Maintenance (O&M) Agreement with NAES Corporation for the Pasco CT Plant**

Mr. Sargent reported that Franklin and Grays Harbor are heavily invested in the Pasco CT Plant and that this facility may have increased value in the future; however reliability issues need to be addressed.

The CT Plant is the product of a cooperative collaboration between the Public Utility Districts of Franklin and Grays Harbor Counties. Ownership is shared equally between the two Districts, and operation of the facility is performed by Franklin. In mid-2007, the District's full-time CT operator resigned. Since that time, the Substation Foreman and Substation Apprentice have operated the CT plant as necessary.

There have been several technical difficulties with the CT Plant which have resulted in poor start-up performance. As a result, staff at both Franklin and Grays Harbor agree it would be in the Districts' best interest, and would improve reliability, to contract with a qualified firm for operation and maintenance of the CT Plant.

A Request for Proposal 4884, for a one-year operations and maintenance contract with a renewal option was issued in May 2008. The District received two responses; NAES Corporation (formerly North American Energy Services) was the single qualifying response.

NAES Corporation submitted a two-phase proposal for CT Plant O&M. The first phase, a transition period, will be for a period not to exceed 90 days in length. The estimated cost of \$40,000 includes hiring a new plant operator, evaluation of the site, review and development of maintenance programs, and budget review and development. The subsequent one-year operational phase includes a management fee of \$140,000, plus all costs including labor and materials, and requires NAES to manage the CT Plant with District involvement. An incentive payment not to exceed \$20,000 may be included in the contract if it is determined that an incentive payment is in the best interest of both utilities. After the one year operational phase, and upon mutual agreement of the parties, the Agreement could be extended.

NAES has substantial expertise in the operation and maintenance of CT facilities. NAES will transition into the facility over 3 months, and then move into the one year operational phase.

All costs associated with this O&M Agreement will be shared equally with Grays Harbor PUD. The District's share of the estimated annual costs, including the

NAES fees, is \$228,816. The total cost of \$457,632 is included in the 2009 Budget, and half will be reimbursed by Grays Harbor.

Commissioner Nelson asked when the turbines were last started and how many started; Mr. Sargent indicated that in June 2008, there was an attempt to put the turbines on line, however, two turbines failed to start.

Commissioner Gordon asked about the potential incentive. Mr. Sargent indicated that if NAES can get the plant to start every time and it generates the power we need, we might be willing to provide an incentive. Mr. Palmer added clarification regarding the incentive, stating that the District did agree to consider tying an incentive to successful starting. However, there is no agreement to pay an incentive payment; it is a point still being considered.

Commissioner Nelson asked when the operator might start under the Agreement. Mr. Sargent answered that NAES has to present a budget to the District prior to contract execution, but after that, it could be between 30 and 90 days until we move to the operational phase.

Commissioner Hall moved and Commissioner Nelson seconded to authorize the General Manager or his designee to execute an Operation and Maintenance Agreement for the Pasco CT Plant with NAES Corporation, in an amount not to exceed \$500,000, half of which would be the District's obligation.

The motion passed unanimously.

#### **Amendments to the Non-Bargaining Salary Administration Plan, effective December 29, 2008**

Ms. Paysse reported that each year the District conducts a review of its Salary Administration Plan wages in comparison to similar positions in the industry and geographic location, and makes recommendations for cost of living increases, and other changes that are warranted to stay competitive.

Resolution 1120 provides for a cost of living increase of 3.5% (the industry average for 2009 is 4.2%, as reported by Milliman, Inc.). That increase is included in the 2009 Operating Budget. Survey results indicate the District's Power Analyst position is more appropriately placed in Salary Grade 12, and the Applications Systems Manager (an Information Systems technical position) is more appropriately placed in Salary Grade 14. Both are 1-step changes; neither will result in wage increases without approved personnel action.

Resolution 1120 also widens the ranges of Salary Grades 19 (5%) and Salary Grade 20 (10%), to bring the Position Rates of these two grades back into competitive range. Neither of these changes will result in wage increases, without approved personnel action.

Commissioner Gordon asked if the General Manager had reviewed the

resolution and Ms. Paysse confirmed that he had.

Ms. Paysse observed, and noted for the record, that the resolution and the agenda item had an omission; they should have included an exception for the Director of Special Projects in addition to the exception for the General Manager.

Commissioner Hall moved and Commissioner Nelson seconded to adopt Resolution 1120, amending the Salary Administration Plan for all non-bargaining employees except the General Manager and the Director of Special Projects, effective December 29, 2008.

The motion passed unanimously.

**Bid No. 5357, Purchase of a 2009 Cab Chassis**

Mr. Palmer provided the Commission and staff with an amended Agenda Item for this matter.

Mr. Gutmann reported that the District had requested bids for the purchase of a 2009 Cab Chassis. The purchase is included in the 2009 Workplan. Sealed bids were opened Friday, November 21, 2008 at 2:00 p.m.

Husky submitted a bid in the amount of \$100,919; Cascadia International submitted a bid in the amount of \$102,870.13. Both bids included exceptions, and both bids were within the engineering estimate. After review, it was determined that Husky had several significant exceptions that did not meet the original specifications. Therefore, Cascadia International was the lowest responsive bidder. Staff recommends that the contract be awarded to Cascadia International.

The Cab Chassis is part 1 of a two-component vehicle, the second component being the Digger-Derrick, Agenda Item 10.

Mr. Palmer clarified the determination of Husky as non-responsive, indicating that not only did Husky not respond to the bid specifications, but further they did not disclose that they had not met the specifications. Mr. Gutmann provided several examples of the areas in which Husky did not meet the specifications.

Commissioner Nelson moved and Commissioner Hall seconded that Husky did not properly respond to the bid specifications, and therefore is non-responsive.

The motion passed unanimously.

Commissioner Nelson moved and Commissioner Hall seconded to award a contract to Cascadia International for the purchase of a 2009 Cab Chassis, and to authorize the General Manager or his designee to execute said contract in an amount not to exceed \$103,000.

The motion passed unanimously.

**Bid No. 5356, Purchase of a 2009 Digger-Derrick.**

Mr. Gutmann reported that the District requested bids for the purchase of a 2009 Digger-Derrick. The purchase is included in the 2009 Workplan. The only sealed bid received was opened Friday, November 21, 2008 at 2:00 pm. Terex Utilities submitted a bid in the amount of \$159,918, which was within the engineering estimate. Staff recommends that the contract be awarded to Terex Utilities.

The Digger-Derrick is part 2 of a two-component vehicle, the first component being the cab chassis, Agenda Item 9.

Commissioner Hall moved and Commissioner Nelson seconded to award a contract to Terex Utilities for the purchase of a 2009 Digger Derrick, and to authorize the General Manager or his designee to execute said contract in an amount not to exceed \$160,000.

The motion passed unanimously.

**Appointing Commission Officers for 2009**

Mr. Palmer reported that, pursuant to RCW 54.12.090, at the end of each year, the District Commissioners appoint new officers for the next year.

The 2008 Commission Officers are: Bill Gordon, President; Stu Nelson, Vice President; and Chuck Hall, Secretary.

Mr. Palmer stated that, based on the customary rotation, the 2009 Commission Officers would be: Stu Nelson, President; Chuck Hall, Vice President; and Bill Gordon, Secretary, however Mr. Palmer indicated that the Commission could appoint in any rotation they agreed upon.

Commissioner Hall moved and Commissioner Nelson seconded to appoint the 2009 Officers of the Franklin County Commission as follows: Mr. Stuart Nelson, President; Mr. Charles D. Hall, Vice President; and Mr. William Gordon, Secretary.

The motion passed unanimously.

**CLAIMS**

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

## **GENERAL MANAGER'S REPORT**

Mr. Brost, the General Manager, was not in attendance. Mr. Palmer, General Counsel and Acting Manager, reported that the General Manager was recently re-elected to the Public Power Council Executive Committee.

Mr. Palmer informed the Commission that two bids (a cable bid and a transformer bid) will require the Commission's attention before the January 27, 2009 regular meeting. Mr. Palmer suggested that the Commission may want to also meet on January 13, 2009, a regular meeting date.

Commissioner Gordon proposed December 31<sup>st</sup> as a possible meeting time, however it was noted that a meeting on that date would be a special meeting, and would require public notice. Mr. Sams, Acting Director of Engineering, noted that the cable bid was complex, and that December 31<sup>st</sup> might not allow sufficient time for staff evaluation of the bids submitted.

Commissioner Gordon proposed, and Commissioners Nelson and Hall agreed, that due to business necessity, the Board would meet on January 13, 2009, for a regular meeting, in addition to the January 27, 2009 regular meeting.

## **STAFF REPORTS**

Ms. Paysse, Human Resources Director, reported that:

1. Human Resources is taking over responsibility for Occupational Safety and Hazard Act (OSHA) record keeping, and the Director and Coordinator of Human Resources attended an OSHA records training class;
2. Human Resources is conducting employee meetings on the open enrollment period for the 2009 Flexible Spending Plan, and facilitating the annual employee VEBA vote;
3. she is working with departments to prepare for the temporary help needs for 2009, which will free up regular employees to train and convert work processes to the new financial software system;
4. new appointments have recently been made. Effective December 1, 2008:
  - a. Linda Boomer is promoted to Director of Power Management, and
  - b. Duane Sams is promoted to Acting Director of Engineering.
5. Dale Gutmann has ended his tenure as Director of Operations and Engineering, and has returned to his previous position, Director of Operations. Mr. Gutmann received a letter from the General Manager thanking him for all his efforts and particularly his contributions to the positive working relationships between Engineering and Operations Departments.

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

1. the building project has experienced a delay of about 3 weeks;
2. the building project architect is working with the construction manager to refine the designs; this should reduce the potential for cost over-runs and change orders, and he expects to go out for bid at the end of the month;
3. there was an onsite tour for six vendors interested in bidding on the new

- phone system, for which bids are due the end of the week; and
4. the Rate Advisory Committee will soon be meeting, and it is apparent that the District's Rate Consultant is going to work at another agency, so a replacement will be needed. He recommends the District work with our prior Rate Consultant, Angie Sanchez, and Rob Sirvaitis from TEA.

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

1. the Northwest River Partners annual meeting is this week in Portland;
2. the Elected Leaders Reception will be at Three Rivers Convention Center on December 11, 2008;
3. on Friday, December 12, 2009, the Badger Club will be hosting Frank Chopp, Speaker of the House, at Three Rivers Convention Center;
4. the REDF board met today and passed a motion to move the administration of the REDF loan program to Benton/Franklin Council of Governments. This matter will be brought to the Commission at the January 27, 2009, Commission meeting;
5. the Key Accounts annual meeting is scheduled for Wednesday, February 11, 2009, at the Pasco Senior Center, and she is working on getting speakers for the event;
6. the Senior Citizen Energy Efficiency event is Tuesday, December 16, 2008, at the Pasco Senior Center; and
7. the Christmas Breakfast event is next Thursday at Operations, and the Commissioners are invited to attend.

Mr. Gutmann, Director of Operations, reported that:

1. he is working with Mr. Sams to shift duties, and he is optimistic about Operations and Engineering continuing to work together;
2. two staff members of Operations are going to South Dakota to make sure the new bucket truck meets the specifications as ordered; and
3. he is still following up the District's request that Datamatic resolve the Itron meter problem; it is as yet unresolved.

Mr. Sams, Acting Director of Engineering, reported that

1. he has been in Engineering many years and is appreciative of the General Manager's confidence in him and the appointment to the Director position;
2. he expressed his willingness and availability to answer any questions;
3. he is working with Mr. Gutmann to manage the transition issues;
4. he is familiarizing himself with the Operating Budget and Workplan; and
5. he has been familiarizing himself with the status of the project to rebuild the 34 KV line to Kahlotus. He anticipates having a project schedule setup in the first quarter of 2009. It appears easement and right-of-way issues could have the biggest impact on the project completion schedule.

Ms. Boomer, Director of Power Management, reported that:

1. the market could be good for the potential sale of 2009 RECs;
2. Mr. Sargent met with a renewable energy developer regarding a small, local project; the developer mentioned that Mr. Darroll Clark, Energy Services Manager, and Mr. Todd Blackman, Energy Services Specialist, were helpful to the process;

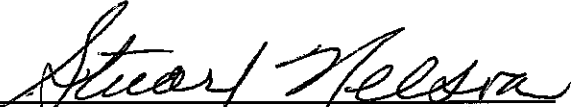
3. she and Ms. Kimsey attended a meeting in Salt Lake City regarding NERC compliance, and noted that it is still a work in progress. She will be meeting with Information Systems department at the District on standards dealing with Cyber Security; and
  
4. she will be attending the Public Power Council meetings in Portland later this week, and will attend the Slice/CEO meeting in the General Manager's absence.

Ms. Jean Ryckman, Director of Special Projects, reported on her assessment of the District's customer service, which she rates as superb, and she gave kudos to Mr. Joe Pryce, Customer Service Supervisor.

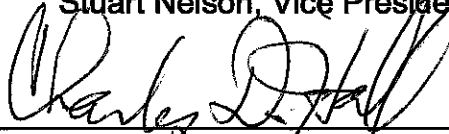
With no further business to come before the Commission, Commissioner Gordon adjourned the meeting at 3:15 p.m.



William Gordon, President



Stuart Nelson, Vice President



Charles D. Hall, Secretary