

BOARD OF COMMISSIONERS
REGULAR MEETING

February 12, 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, February 12, 2008, 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; 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: Steve Palmer, General Counsel; Tom Bosquet, Linda Boomer and Bob Wyatt.

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

25-YEAR SERVICE AWARD – TOM BOSQUET

Mr. Nies presented Mr. Bosquet with his 25 year service award and Commissioners and staff congratulated Mr. Bosquet for 25 years of service.

COMMENTS FROM THE PUBLIC

There were no members of the public in attendance.

THE ENERGY AUTHORITY (TEA) TRADING AS PRINCIPAL

At this time, Jeff Fuller and Shel Ferdman from TEA joined the meeting via conference phone to participate and offer clarification in the discussion lead by Mr. Brost. Even though the PRM sales agreement provided for TEA to trade as principal at their discretion, TEA was seeking District concurrence with their desire to trade as principal for real time and day-ahead power transactions. Mr. Brost explained that the most significant difference would be that as principal, TEA would pursue claims against defaulting parties rather than the District. The TEA proposal includes provisions to keep the District fully informed of TEA's trading activities and maintain comparable credit protection for the District. Mr. Nies emphasized that the trading is only in day-ahead and real time markets.

Commissioner Gordon moved and Commissioner Hall seconded to authorize the District to trade with TEA as principal in accordance with the PRM sales agreement and pursuant to above understandings when determined by the Risk Management Committee to be in the best interests of the District. Motion passed unanimously.

COMMISSIONER REPORTS

Commissioner Hall reported that he attended the Connell Chamber Banquet where they recognized Connell citizen Von Davis with an award for being 100 years old. He would like to send Mr. Davis a card. He also read an article from the WPUDA Friday Fax concerning DOE asking Congress for more time in providing developers with loan guarantees and pointed out that the largest amount of money is going toward nuclear power.

Commissioner Nelson reported that he attended the PPC meeting in Portland where he participated in discussions about the talks that are going on between BPA and Energy Northwest concerning review of CGS operations and costs. He felt that BPA should be more involved as they have a lot invested. Commissioner Gordon has participated in the talks with BPA and suggested the new procedures be given a chance to work. Commissioner Nelson also attended WPUDA meetings where he was spontaneously invited by Steve Johnson into a meeting and was asked to talk about the District's concerns with WPUDA. Commissioner Nelson told them that the District has put its WPUDA membership on probation for one year in hopes of seeing some change. Commissioner Gordon and Ms. Ryckman felt that it was wrong for Mr. Johnson to pull Commissioner Nelson into the meeting without prior notice.

Commissioner Gordon attended meetings at Energy Northwest where he heard about the new procedures for interactions between BPA and Energy Northwest and believes that the new procedures should have some time to proceed before making any final decisions. He also commented that Energy Northwest would be selling its Reardon wind site. He also reported that Energy Northwest will propose to continue the PMEC project as a natural gas project and it would be fully funded by participants.

CONSENT AGENDA

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

1. To approve the minutes of the January 22, 2008 regular meeting.
2. To approve payment of expenditures amounting to \$1,153,051.51 as follows:
 - a.) Automated Warrants of \$1,135,678.30; Voucher Nos. 38010 through 38063, 38103 through 38144, and 38211 through 38251.
 - b.) ACH Vouchers of \$2,704.06; Voucher Nos. 272, 274 through 275, and 277.
 - c.) Refund Vouchers of \$14,669.15; Voucher Nos. 38065 through 38101, and 38146 through 38209.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 \$68,250.00 for work completed by DMI Drilling (Small Works Roster – Drill Holes for Steel Poles), which has been inspected, and to authorize release of retainage.
4. To accept the work and approve payment for work completed to date by Power City Electric (Contract No. 4839 – UG Projects – Phase 7) in the amount of \$95,617.35.
5. To accept the work and approve payment for work completed to date by Power City Electric (Contract No. 4814 – Connell BR-4 Feeder to Prison) in the amount of \$138,095.54.

Motion passed unanimously.

RESOLUTION NO. 1088, APPOINTING DISTRICT AUDITOR

Ms. Ryckman explained that Resolution No. 1088 appoints Mr. Nies as District Auditor. Mr. Nies was hired as District Auditor in 2004 and has acted in the role since but was never formally appointed the District Auditor. State statute requires public utilities formed under Title 54 to have a District Auditor.

Commissioner Hall moved and Commissioner Gordon seconded to approve Resolution No. 1088, appointing Mr. Timothy Nies as District Auditor, effective March 1 2004. Motion passed unanimously.

AWARD BID NO. 4918 FOR 250 kVA VOLTAGE REGULATORS

Mr. Gutmann explained that 12 single phase voltage regulators are needed for inventory replenishment and for eventual use on the District's distribution system. They will replace existing substation and feeder regulators as needed. Staff recommended that the Bid No. 4918 be awarded to Cooper Power Systems as they were the lowest evaluated bidder.

Commissioner Hall moved and Commissioner Nelson seconded to award Bid No. 4918 for twelve 250 kVA Voltage Regulators, to Cooper Power Systems, the lowest evaluated bidder at a total cost of \$139, 577.16. Motion passed unanimously.

AWARD BID NO. 4944 FOR 2008 MISCELLANEOUS PROJECTS

Mr. Gutmann asked for the Board's approval of Bid No. 4944 which furnishes equipment and labor needed to construct miscellaneous projects as assigned. Mr. Gutmann explained to the Commissioners that it is resourceful and economic to use contract "dock" crews on major projects. The District contemplates the successful bidder will operate similar to the District work crews. Bids were received from six contractors and staff recommended that Bid No. 4944 be awarded to Power City Electric, Inc., the lowest evaluated responsive bidder.

Commissioner Hall moved and Commissioner Nelson seconded to award Bid No. 4944 for 2008 Miscellaneous Projects, to Power City Electric, Inc., the lowest evaluated responsive bidder at a cost of \$734,356.50. Motion passed unanimously.

AWARD BID NO. 4968 FOR CONNELL C-4 FEEDER TIE

Mr. Gutmann explained that Bid No. 4968 furnishes equipment and labor needed to install the C-4 Feeder Tie between the new Blanton Road Substation and the existing Connell Substation. This will include 3800 circuit feet of 34.5kV underground conductor which will go under Interstate 395 south of the Connell interchange. Bids were received from five contractors and staff recommended that Bid No. 4968 be awarded to Mountain Power Construction, Inc., the lowest evaluated responsive bidder.

Commissioner Hall moved and Commissioner Nelson seconded to award Bid No. 4968 for the Connell C-4 Feeder Tie, to Mountain Power Construction, Inc., the lowest evaluated responsive bidder at a cost of \$485,465.07. Motion passed unanimously.

THE ENERGY AUTHORITY (TEA) 2008 CONSULTING TASK ORDER

Mr. Brost explained that TEA provides the District with consulting services throughout the year in areas such as Slice related activities, Regional Dialogue, transmission issues, and general power management. Given the number of projects and issues facing the industry, the District finds high value in their assistance. The proposed monthly budget reflects no increase from 2007. The 2007 budget was under run by about \$70,000. A major task included in this scope is preparation of an Integrated Resource Plan.

Commissioner Nelson moved and Commissioner Hall seconded to authorize the Manager or her designee to sign the 2008 TEA Consulting Task Order at an annual cost not to exceed \$191,000. Motion passed unanimously.

FUTURE OF THE FIBER CONDUIT PILOT PROJECT WHICH PROVIDES INFRASTRUCTURE FOR FIBER INSTALLATION

Mr. Wyatt explained that due to the pending termination of the agreement with HomePort for the fiber to the home project, staff was requesting Board guidance regarding continuing to provide fiber conduit to developers and homeowners to install in open trenches. He gave the Board an estimate of this cost to complete installation of conduit in two current subdivision projects. Staff recommended that the pilot project be halted because it would be costly for the District to continue without the reimbursement from HomePort as planned in the AMR/Fiber project. This cost estimate of almost \$900,000 did not include installation to the homes. Commissioner Gordon questioned how future companies would do the installation if we stopped the pilot project and Mr. Wyatt explained that they would need to bore into the road and do curb cutting. Mr. Nies explained the different options for using fiber vs. wireless in an AMR system and gave examples of decisions made in this area by other utilities. Ms. Ryckman felt the Board could put this decision on hold for now as there are no new subdivision phases planned in the next 3 to 4 months. Commissioner Gordon recommended to continue the pilot project until the District makes a decision on an AMR project. The Board agreed to continue the pilot project, and asked staff to bring this issue up at future Board meetings to see if a change is warranted.

MANAGER REPORT

Ms. Ryckman:

1. Informed the Board that NWPPA will be having a Leadership Development workshop for PUD Commissioners and asked for an expression of interest. Commissioner Hall indicated an interest.
2. Shared that the City of Pasco asked for input from Franklin PUD as they enter into strategic planning.
3. Asked for input on Franklin PUD's 2008-2009 goals. The Commissioners will get back to Ms. Ryckman if they have any they would like to include.

Commissioner Gordon shared at this time that he would like to get any hand-outs that are brought to the Board meetings ahead of time so he could have more time to review them.

4. Discussed a Clearing Up article on the ADI transmission control area. There are no Public utilities in the group at this time; Ms. Ryckman feels it would be better to have involvement from Columbia Grid.
5. Residential Exchange meetings start tomorrow and Mr. Palmer is headed to Portland to attend the first meeting. Shared that there are currently 3 rate cases at this time that are requiring many meetings and extensive staff time including Residential Exchange, Wind Integration and Regional Dialogue.
6. Let Commissioners know that at WPUDA meetings they may hear about an issue that all Linemen would require state certification. Dave Hanson is working with state L&I to resolve.
7. Gave an update on the progress of negotiations and stated that there was a lot of language clean-up. She read the terms from a tentative agreement summary. Ballots will be sent out for a vote at the end of February.
8. Will be attending the APPA Legislative Rally in Washington DC the end of February and invited the Commissioners attending, to attend a legislative reception with Public Power Council. Commissioner Gordon informed those who are going that he will not attend the session with Doc Hasting as he will be meeting with a representative from DOE.
9. Governor Gregoire has appointed Dick Wallace to the Power and Conservation Council. He will replace Larry Cassidy whose term expires next month.
10. Shared an article by Tim Simpson on the impact of global warming.

STAFF REPORTS

Mr. Brost:

1. Provided a summary to the Board that highlighted BPA's Residential Exchange proposal that was recently released as the initiation of a formal rate case. It included 3 time periods including FY 2002-07, FY 2008 and FY 2009. Anything past FY 2009 will be in future rate cases. The discussion included: 1) What BPA is proposing to pay back to publics for FY 2002-07 overpayments over the 20 year term of the contract; 2) BPA's proposal for FY 2008 payments to public and private utilities; and 3) FY 2009 rate reduction for the publics. FY 2008 payments will likely include both an interim and a true-up payment for the District. Mr. Brost also pointed out that because formal rate proceedings have started, the merits of the rate case can not be discussed with any BPA staff other than in formal rate proceedings so future settlement discussions/negotiations will occur as part of the formal process.
2. Informed the Board of a pending net billing agreement with BPA for power trading transactions between BPA and the District. Instead of bills being sent both directions, sales and purchases would be netted and only one bill prepared each month. Since it is a no cost agreement and formal Board approval is not necessary, we are informing the Board of staff's intent to execute the agreement once finalized.
3. Informed the Board of a draft delegation agreement between TEA and the District regarding assignment of responsibilities for complying with reliability standards and related record retention requirements. The purpose of the agreement is to clarify responsibilities between the District and TEA. Who would pay the fines and penalties, if any, was an issue. TEA doesn't want to take on this new responsibility without compensation. Since penalties are unlikely and there is a 30 day termination notice provision, the District will take on this risk.

At this time (3:35 pm), Mr. Palmer exited the meeting.

Mr. Nies:

1. The District received notice from HomePort of their intent to discontinue with the AMR contract due to funding availability. We will send a letter to HomePort on 2/24/08 terminating the AMR contract.
2. Updated the Board on the vendor software meetings and informed them that process is moving right along. Mr. Nies stressed the importance of providing adequate resources and training time for employees when the conversion happens which may include hiring temporary employees. He clarified for Commissioner Gordon that training is included in the vendor quotes, but that the District would be responsible for the hiring of temporary employees to back fill while our permanent employees get trained. Commissioner Gordon feels that it is important that the software works efficiently as many departments will be impacted.
3. Shared a document with the Board explaining the Bond insurance downgrade crisis. The crisis will not impact the District's outstanding bonds.
4. Shared that Commissioner Gordon, as Board President, along with key staff, will meet with Standard & Poors Rating Agency on the March 19th and Moody's Rating Agency on March 20th, for a rates update.
5. Informed the Board that he will start including detailed information about wire transfers in the Staff Reports.

Ms. Paysse:

1. Commended CWPU Labor Consultant Bob Sebris and CWPU Chair John Jordan for the job they have been doing during negotiations.
1. Shared that Jeff Helten, our Senior Network Engineer, resigned and she conducted an exit interview with him. Mr. Helten will start working at Eastern Oregon University. His position and other IS positions are being analyzed before a decision is made regarding refilling the position.

Ms. Bone-Harris:

1. Shared that there will be a planned outage tomorrow around the Pasco-Kahlotus Highway to repair a switch. Dean Oberlander, Dispatcher, has contacted customers who will be affected. The outage is scheduled to last 15-30 minutes.
2. Invited our Commissioners to attend our Key Account Annual Customer meeting in the auditorium on Wednesday February 13. Scott Corwin from PPC will be a keynote speaker. Ms. Ryckman, Mr. Nies and Mr. Clark will also be presenting.
3. Attended a PPC Members' Forum meeting in Portland where there was a presentation on the Northwest Power and Conservation Council's 6th Power Plan, and a presentation by Paul Norman, Senior Vice President, BPA, on BPA and Energy Northwest relationship issues. Ms. Bone-Harris made notes on the dialogue that occurred and she shared a copy of this with the Commissioners.

4. Shared there are two new adhoc groups for PNUCC: Communications and Conservation.
5. Attended a Northwest River Partners meeting where they discussed legal interpretations of having two separate BiOps; the one released on 10/31/07 and a separate one being compiled on harvest. Since they are inextricably linked, NWRP believes they should be combined into one federal BiOp.
6. Feels that there is good information getting out to everyone concerning the pole attachments legislation and Commissioners compensation. She commended Ms. Ryckman for her influence in supplying complete information to the commission pertaining to the compensation legislation. She will keep the Board updated on the pole attachment legislation.

Mr. Gutmann:

1. Tree trimmers have a 3 year contract with the District and they have finished the first year.
2. The new boom truck ordered over a year ago was delivered this morning.
3. Construction of the new entrance to the Operations office is progressing. He noted that there was change required from the original plans related to access.
4. The District lost 13 transformers in the Port of Pasco fire. Mr. Brost shared that Ms. Goode from the Port expressed their appreciation for the work of our crew during the fire.
5. With the weather change, we have started to replace underground primary cable by Kahlotus and Connell farms.
6. The construction of the Blanton Substation is running on schedule. Mountain Power will be stringing the conductor across Interstate 395, which will feed the new Blanton Substation, and will be getting a permit to close parts of 395 while completing this work. The District may need to do a scheduled outage.
7. Handed out a system map to the Board showing the areas where the District will need to apply for easements to continue construction of the 34.5 kV Connell-Kahlotus line, and added that we have applied for the old Burlington Northern easement. Mr. Gutmann also pointed out the area to the Board where 6 linemen walked the 34.5 kV Connell-Kahlotus line in a snowstorm to find the problem during the January outage. May look to contract with a customer in the area who has snowmobiles.
8. Explained that staff are in the process of updating the District's outage and emergency response procedures and will keep the Board updated on the progress.

At this time, Ms. Paysse discussed amending Resolution No. 1031 with the Board. The matter will be addressed at the next board meeting along with a plan for the selection process of a new District Manager.

With no further business to come before the Board, Commissioner Gordon adjourned the meeting at 4:38 p.m.

William Gordon, President

Stuart Nelson, Vice President

Chuck Hall, Secretary