

BOARD OF COMMISSIONERS
REGULAR MEETING

March 11, 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, March 11, 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; Steve Palmer, General Counsel; Debbie Bone-Harris, Manager Community and Government Relations; Colleen Kimsey, Administrative Assistant.

Staff present for part of the meeting: Linda Boomer, Power Manager/Analyst; Darroll Clark, Energy Services Manager; and Joe Pryce, Customer Service Supervisor.

Public in attendance for the meeting: Bill Pennell; and Larry Mayfield, Pasco School District.

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

Ms. Paysse made a request for an executive session prior to Agenda Item No.10, to address the Manager's performance.

COMMENTS FROM THE PUBLIC

Commissioner Gordon welcomed comments from the public at anytime.

COMMISSIONER REPORTS

Commissioner Hall reported that he attended a Building Committee meeting where they discussed the remodel of the District's downtown office and the extensive electrical work that will need to be included. He believes that it is economic to remodel the existing downtown office rather than relocate to a new area. Commissioner Hall also attended a Columbia Snake River Irrigators meeting where manager Don Obigard informed members that he is staying in touch with Governor Gregoire and Jay Manning, Director of Washington State Department of Ecology, concerning issues facing the industry.

Commissioner Nelson reported that he attended the APPA Legislative Rally in Washington DC where a good group discussion took place with Representative Doc Hasting concerning issues that are currently affecting the utility industry. He also attended an NWPPA meeting.

Commissioner Gordon also attended the APPA Legislative Rally in Washington DC where he met with Joel Merkle, a member of Senator Cantwell's Energy staff, to discuss the issue of wind farms and who will be eligible for CREBS (Clean Renewable Energy Bonds).

CONSENT AGENDA

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

1. To approve the minutes of the February 12, 2008, regular meeting.
2. To approve payment of expenditures amounting to \$6,089,093.78 as follows:
 - a.) Automated Warrants of \$1,053,997.36; Voucher Nos. 38253 through 38281, 38283 through 38318, and 38374 through 38409.
 - b.) ACH Vouchers of \$871.07; Voucher Nos. 279, 281, and 283.
 - c.) Refund Vouchers of \$9,006.02; Voucher Nos. 38320 through 38372.
 - d.) Voids in the amount of \$446.29.
 - e.) Wire transfers to:

◆ Bank of the West - Direct Deposit Payroll	\$473,707.88
◆ Bank of the West – EFTPS (Payroll Taxes)	\$193,529.83
◆ Department of Retirement – PERS 1, 2, and 3	\$49,429.55
◆ ICMA – Deferred Compensation	\$66,061.04
◆ REHN – 125 Plan	\$5,077.02
◆ REHN – VEBA	20,051.99
◆ BPA – Transmission	335,460.00
◆ BPA – Slice	1,203,330.00

◆ BPA – Block	1,111,070.00
◆ Department of Revenue – Excise Tax	215,807.04
◆ Diversified Purchased Power – Net Market Purchases	42,363.00
◆ The Energy Authority	65,542.00
◆ Puget Sound – Gas Frederickson	4,942.38
◆ Powerex – Gas Frederickson	501,681.60
◆ Frederickson Energy	424,571.83
◆ IGI – Gas Frederickson	61,769.70
◆ Westcoast/Duke – Capacity T South	695.92
◆ Terasen – Gas Frederickson	119,070.00
◆ Morgan Stanley – Power Financial Swap	13,620.00
◆ Morgan Stanley – Gas Financial Swap	117,884.84
Total Wire Transfers in the amount of	5,025,665.62

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 payment for work completed to date by Power City Electric (Small Works Roster - Contract No. 485 – UG Projects) in the amount of \$95,617.35.
4. To accept the work and approve payment for work completed to date by Mountain Power (Contract No. 4696 – Blanton Rd. 115kV Transmission Line) in the amount of \$125,800.80.

Motion passed unanimously.

RATE ADVISORY COMMITTEE RECOMMENDATION

Larry Mayfield, a member of the Rate Advisory Committee, explained to the Board that the Committee met on February 28, 2008, to discuss rates. Half of the Committee recommended a 4% overall rate decrease while the other half recommended a 3% overall rate decrease in addition to a 5% credit for the Residential Exchange interim reimbursement payment which would be allocated for one year, with the allocation varying in all rate classes. After further analysis, alternative options were developed and addressed by the Committee and a new recommendation was created giving a 4% overall rate decrease in addition to a 3% credit for the Residential Exchange interim reimbursement payment, effective May 1, 2008.

Commissioner Nelson moved and Commissioner Hall seconded to approve a 4% overall average rate decrease allocated between all rate classes, based primarily on the cost of service study; plus, a 3% credit for the Residential Exchange interim reimbursement payment over one year, if received from BPA, that is to be for one year for all rate classes, effective May 1, 2008. Motion passed unanimously.

MANAGER'S EVALUATION

It was announced that the Manager's evaluation would be in Executive Session as authorized in RCW 42.30.110 (1) (g); and it was also announced that the Executive Session would last approximately 15 minutes. The Board went into Executive Session at 1:18 p.m., the Executive Session ended 1:30 p.m., and the regular meeting was reconvened.

STANDSTILL AND INTERIM RELIEF PAYMENT AGREEMENT

Mr. Brost explained that this agreement with BPA provides an interim payment to both public and investor-owned utilities to be paid as soon as possible. The District's agreement would result in \$2.8 million being returned to the District as early as April 2008, and, under the BPA rate case proposal, the District may receive a \$1.5 million true-up payment from BPA, pending the outcome of the rate case. BPA received 30 comments about the Standstill draft from utilities primarily over the amount of the payments. BPA responded favorably by agreeing to add 14 million to the amount. By signing the agreement, a utility agrees not to challenge the legality of the agreement, and also acknowledges that a true-up with each utility signing the agreement will occur once the rate case is finalized. Most utilities are expected to execute the agreements. Mr. Brost recommended that the Commissioners sign the agreement; and also advised the Commissioners that if the Courts direct BPA not to sign, then BPA would make no payments until after the rate case is finalized.

Commissioner Nelson moved and Commissioner Hall seconded to authorize the Manager to sign the Standstill and Interim Relief Payment Agreement (Contract No. 08PB-12351) with BPA in

substantially the form presented by BPA on February 29, 2007. Motion passed unanimously.

LOW-INCOME SENIOR CITIZEN & LOW-INCOME DISABLED DISCOUNTS

Mr. Nies asked the Board to extend discounts to qualified low-income disabled and senior customers on their monthly utility bills. He explained that income eligibility for qualified low-income disabled customers will be adjusted annually based on 125% of the Federal Poverty Guidelines, and the qualifying customer's discount is 30%. Eligibility for qualified low-income seniors will also be adjusted annually and is two tiered with those having income at 125% under the Federal Poverty Guidelines receiving a 30% discount, and those with income greater than the 125% but not exceeding \$18,000, receiving a 15% discount.

Commissioner Hall moved and Commissioner Nelson seconded that Resolution No. 643, low-income senior discount, and Resolution No. 750, low-income disabled discount, be extended through March 2009. Motion passed unanimously.

AWARD BID NO. 5098 – SUBSTATION BUILDING FOR THE FRANKLIN SUBSTATION MODIFICATION PROJECT

Mr. Gutmann explained that Bid No. 5098 furnishes and delivers a substation enclosure for the Franklin Substation modification project. It will be delivered pre-assembled and will enclose circuit boards and switches which are weather sensitive. The Engineers estimate was \$90,000. Trachte Inc. was the only bid received at \$93,100 and staff recommended that Trachte, Inc., be awarded the bid.

Commissioner Hall moved and Commissioner Nelson seconded to award Bid No. 5098 to Trachte, Inc., the lowest evaluated qualified bidder at a total cost of \$93,101.00. Motion passed unanimously.

RESOLUTION NO. 1089 – 2008-2011 COLLECTIVE BARGAINING AGREEMENT

Ms. Paysse explained to the Board that Resolution No. 1089 authorizes the Manager to sign the Collective Bargaining Agreement, dated April 1, 2008, through March 31, 2011, as the District has reached a tentative agreement with the Union following joint and local negotiations. She also added that ballots will be mailed out by the Union on February 27th and counted on March 12th; and, if the agreement does not pass, utilities would go back into local negotiations.

Commissioner Hall moved and Commissioner Nelson seconded to approve Resolution No. 1089, authorizing the Manager to sign the April 1, 2008 to March 31, 2011 Collective Bargaining Agreement, as stated in joint and local tentative agreements, dated February 8, 2008 and February 26, 2008, between IBEW Local 77 and Public Utility District No. 1 of Franklin County. Motion passed unanimously.

RESOLUTION NO. 1090, SETTING THE MANAGER'S SALARY AND RESCINDING RESOLUTION NO. 970

Ms. Paysse explained the need for a resolution to continue the Manager's current salary. Because the Manager's last active day of work is April 30, 2008, Resolution 970, providing a car allowance, is rescinded effective May 1, 2008.

Commissioner Nelson moved and Commissioner Hall seconded to approve Resolution No. 1090, setting the Manager's salary at \$11,500 a month, effective April 1, 2008, and rescinding Resolution No. 970, effective May 1, 2008.

ESTABLISH A CREDIT LIMIT FOR THE ENERGY AUTHORITY (TEA)

Mr. Brost explained that, as of April 1, 2008, TEA will trade as principal for the District on day-ahead and real-time physical power purchases and sales which will simplify settlement and payment of physical power transactions. He also explained that this will require establishing a credit limit with TEA as the District does with other trading counterparties. The District currently has a Resolution containing a \$1.5 million credit limit that is adequate for the District's other trading activities. However, staff recommends creating a separate limit for TEA amounting to \$3 million to satisfy its specific trading practices. TEA would still be obligated to trade within the District's approved counterparty limits.

Commissioner Hall moved and Commissioner Nelson seconded to approve a credit limit of \$3 million with The Energy Authority.

MANAGER REPORT

Ms. Ryckman:

1. Invited the Board to attend the Blanton Substation dedication and tour on March 26th.
2. Reported that BPA shared information concerning which utilities qualify for Residential Exchange benefits and it included Franklin PUD. Franklin PUD filed notice of

participation and Ms. Ryckman feels that the District has an obligation to its customers to claim the benefits. PPC filed a letter of intervention to BPA on behalf of the Public Utilities to disclose the benefit information.

3. Explained the latest position on the Pole Attachment bill and how it only applies to PUD's and suggests that the District may want to position with Benton PUD's lobbyist.
4. Will be attending a meeting with the TRIHERM group about the 3 bi-ops.
5. Steve Wright and Ken Cannon will co-chair on the Northwest Energy Efficiency Task Force, as the group analyzes their future role in conservation.
6. Shared that she has had inquiries concerning who will be the next manager and suggested that the Board put an interim manager in place. Ms. Ryckman suggested a motion which extends an offer to Ed Brost to be the next interim manager starting May 1, 2008. The Board directed staff to bring a resolution to this effect to the next Board meeting. She also reminded the Board that her wages were set in 2006, for a two year period. She stated that the position is currently under-compensated, and informed the Board that she has directed staff to conduct a wage survey for the Board's consideration when setting wages for the next Manger.

Commissioner Nelson moved and Commissioner Hall seconded the motion to extend an offer to Ed Brost to be the interim manager starting May 1, 2008. Motion passed unanimously.

STAFF REPORTS

Mr. Brost:

1. Reported that the Slice Contract discussions are coming together resulting in a good product that will serve the needs of utilities. There were issues identified from the Slice Audit that will be reviewed by BPA.
2. Shared there is a proposed settlement with the Wind Integration Project. The District signed the proposal; PPC is proposing that other PUD's also sign.
3. Questioned BPA's role in conservation and explained that Darroll Clark is able to keep current on their position as he is involved with two conservation groups.

Ms. Paysse:

1. Stated that there will be a Business Writing and Grammar class for staff to attend on March 19, 2008 in the auditorium.
2. Shared that the District hired Jace Tuttle as a lineman trainee; he started on Monday.
3. Shared that there will be a tour of the Blanton Substation for employees on March 25 and 26.
4. Handed out a draft of a new Administrative Policy No. 35, Non-Standard Compensation for Emergency Work, to the Board, which describes the conditions under which exempt, non-bargaining, management or supervisory employees, would be required to perform emergency work. Joe Grad, Transmission and Distribution Superintendent, would be the first contact under these conditions to direct the emergency.

Commissioner Hall moved and Commissioner Nelson seconded to approve Administrative Policy No. 35, Non-Standard Compensation for Emergency Work. Motion passed unanimously.

Mr. Nies:

1. Reviewed the monthly financial highlights and the monthly budget status reports with the Board and explained that it is a new format that will be used for future Board meetings.
2. There is no Request for Proposal (RFP) for the AMR project but staff will work on putting one together. Mr. Gutmann commented that Avista Utility really likes their current system.
3. Reported that the decision has been narrowed down to two vendors, Cayenta and Cogsdale, for the accounting departments software conversion, and a recommendation will be brought to the April 22 Board meeting.
4. Reviewed the Broadmoore Substation contract between the District and Big Bend, which includes purchasing their equipment over a 20 year period. Mr. Nies suggested that we could pay off the \$122,000 owing, resulting in a \$25,000 savings in interest. Ms. Ryckman commented that the District should keep open to the idea of merging with Big Bend. The Pasco School District is currently looking at property in Big Bend territory, but would like to be in Franklin PUD's territory.
5. Informed the Board that staff is working on the issues around answering the phones in Customer Service. Currently the District receives 350 to 400 calls per day and Telco, the District's phone service vendor, suggested that it would take 2 more employees to answer this volume of calls in person. Instead, staff is working on utilizing the current phone system including creating a queue that will direct calls to staff. The Board agrees to try this system and Commissioner Nelson suggested that we wait until the building remodel before the District purchases a new phone system.
6. Reported that the State Auditor has been here conducting a financial and performance audit which includes reviewing statements and law practices.

7. Reported that the District received 872 payments done on-line which is the highest to date.

Mr. Gutmann:

1. Reported that the District went over budget on the tree trimming contract, and added that 235 trees were removed with the home owner's permission. Mr. Gutmann asked the Board for authorization to pay the overage.

Commissioner Hall moved and Commissioner Nelson seconded authorizing to pay the overage of the tree trimming contract from \$118,400 to \$134,800. Motion passed unanimously.

2. Reported that Kevin Jenks, a customer in the District's service area, would like power to an irrigation circle located east of Basin City which is closer to Big Bend's service area. It would cost Franklin PUD \$17,000 to extend service to the circle. Staff asked the Board if a service exception could be made to permit Big Bend to service Mr. Jenks.

Commissioner Hall moved and Commissioner Nelson seconded to make an exception to the service area by permitting Big Bend to service Mr. Jenks. Motion passed unanimously.

3. Reported that Mike Corrales, a customer in Big Bend service area, would like power to an irrigation circle and has requested to be served by Franklin PUD because the District could run a secondary line along his property. Big Bend agrees that it would be cost effect for Franklin PUD to provide the service.

Commissioner Nelson moved and Commissioner Hall seconded to make an exception to the service area by permitting Franklin PUD to service Mr. Corrales. Motion passed unanimously.

4. Explained that on May 1st, 2008, there will be 3 large subdivision projects starting, all of which will include installing orange conduit. Staff will continue looking at open trenches to install the conduit along arterials, but would like a motion to end the orange conduit Pilot Project.

Commissioner Nelson moved and Commissioner Hall seconded to end the Pilot Project which requires the installation of orange conduit to residences, but developers will continue to install conduit along main road right-of-ways in utility easements. Motion passed unanimously.

5. Informed the Board that the District's radio antenna on Rattlesnake Mountain blew down during high winds. A new antenna is replacing it that will withstand 150 mph wind.
6. There will be a planned outage in the Connell area, tentatively on April 6, for 3-4 hours as the Blanton Substation is energized.

Ms. Bone-Harris:

1. Reported that the legislative sessions will close tomorrow, and this session includes bills for Commissioner Salaries and Pole Attachments.
2. Attended a Legislative gathering in Olympia organized by the Tri Cities Chamber of Commerce, where she had the honor of introducing Governor Gregoire. 105 people attended from the Tri Cities and they brought a document about the importance of Renewable Energy.
3. Franklin County Commissioners passed a resolution allowing the City of Pasco to hold this years Legislative Thank-You reception in the Courthouse. Ms. Bone-Harris will be assisting with the plans.
4. Will be considering other options for the REDF program offered by the District, such as conservation. She would like to explore broadening the scope of the program.
5. The Jidder Bean, located in Connell, took out a loan through the REDF program in April 2005, and is now attempting to sell the business.
6. Reported that Mayor Joyce Olson will be resigning as Executive Director of the Pasco Chamber of Commerce. The District will aid in hosting the Teacher Essay contest being sponsored by the Pasco Chamber.
7. Reported that Franklin PUD will have a booth at the Latino Business and Tradeshow Expo.
8. Reported that a reception is being planned for Jean Ryckman's retirement on April 29 from 5:30pm-7:30pm. Invitations will be sent.
9. There will be an Alternative Energy Fair hosted by Franklin PUD, on April 25 and 26 at Columbia Basin College. Sponsors include CBC and Energy Northwest.

Mr. Palmer:

1. Reported that The Jidder Bean, one of the District's REDF loans, is facing hardship and

would like to pay interest only on their loan until May and then add the principal to the end of the loan. Mr. Palmer asked the Board to pass a motion.

Commissioner Hall moved and Commissioner Nelson seconded to authorize The Jidder Bean to an interest only payment for 6 months commencing February 2008.

With no further business to come before the Board, Commissioner Gordon adjourned the meeting at 4:10 p.m.

William Gordon, President

Stuart Nelson, Vice President

Chuck Hall, Secretary