

BOARD OF COMMISSIONERS
REGULAR MEETING

April 8, 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, April 8, 2008, at 1:00 p.m.

Those present from the District were: Bill Gordon, President; Stuart Nelson, Vice President; Chuck Hall, Secretary; 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: Susan Paysse, Director of Human Resources; Linda Boomer, Power Manager; Bob Wyatt, Senior Project Engineer.

Public in attendance for the meeting: Larry Felton, BPA

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

COMMENTS FROM THE PUBLIC

Commissioner Gordon welcomed comments from the public at anytime.

COMMISSIONER REPORTS

Commissioner Hall reported he attended the Blanton Substation dedication on March 26, along with staff, Senator Mike Hewitt, Representative Steve Hailey, and Representative Joe Schmick. He also attended a Columbia Snake River Irrigators meeting where they discussed water and conservation issues.

Commissioner Nelson reported that he attended the Energy Northwest meetings.

Commissioner Gordon also attended the Energy Northwest meetings where their Columbia Generating Station (CGS) budget, totaling \$398 million, was discussed. The total included \$19 million to prepare the building to take out a condenser, which is part of the nuclear plant infrastructure. The project will take 85 days to complete, at a power sales loss of \$1 million a day. Energy Northwest is working with BPA on an appropriate time to start the project. Additionally, \$11 million will go towards fixing siding on the nuclear plant that was damaged in a wind storm. He also attended the bond rating agency presentations in San Francisco, along with staff, and he commended staff on the information that they provided. Commissioner Gordon communicated that he would like to hold an evening meeting in Connell and Kahlotus at the end of April, to give customers a chance to have questions answered concerning the rate decrease. Staff will analyze the options in scheduling the meeting and bring the information to the Board.

CONSENT AGENDA

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

1. To approve the minutes of the March 11, 2008, regular meeting.
2. To approve payment of expenditures amounting to \$9,283,360.81, 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, as follows:

- a.) Automated Warrants of \$2,717,517.29; Voucher Nos. 38469 through 38514, 38516 through 38553, 38555 through 38612, 38684 through 38715 and 38717 through 38796, as revised;
- b.) ACH Vouchers of \$10,847.42; Voucher Nos. 285, 287 through 289 and 291 through 295;
- c.) Refund Vouchers amounting to \$20,437.97; Voucher Nos. 38411 through 38467 and 38614 through 38682;
- d.) Handwritten check amounting to \$171.26; No. 6692;
- e.) Voids in the amount of \$4,603.71; and
- f.) Wire transfers totaling \$6,538,990.58 to the following:

◆ Bank of the West - Direct Deposit Payroll	\$314,640.33
◆ Bank of the West – EFTPS (Payroll Taxes)	\$132,239.74
◆ Department of Retirement – PERS 1, 2, and 3	\$79,261.44
◆ Department of Retirement – Excess Compensation	\$24,173.13
◆ ICMA – Deferred Compensation	\$54,158.62
◆ REHN – 125 Plan	\$3,384.68
◆ REHN – VEBA	\$12,753.44
◆ BPA – Transmission	\$352,307.00
◆ BPA – Slice	\$1,473,675.00
◆ BPA – Block	\$958,981.00
◆ Department of Revenue – Excise Tax	\$220,820.99
◆ Diversified Purchased Power – Net Market Purchases	\$83,849.00
◆ LL&P Wind – Wind Energy	\$163,502.36
◆ ICE (Intercontinental Exchange)	\$500.00
◆ Powerex – Gas Frederickson	\$42,436.80
◆ Frederickson – Energy	\$471,457.78
◆ Terasen – Gas Frederickson	\$647,306.10
◆ Fiscal Agent – Interest – Semi Annual	\$1,503,543.17

- 3. To accept the work, approve final payment in the amount of \$115,538.84 for work completed by Mountain Power (Contract No. 4696 – Blanton Road 115kV Transmission Line), 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. 4814 – Connell BR-4 Feeder to Prison) in the amount of \$2,548.67.
- 5. To accept the work and approve payment for work completed to date by Power City Electric (Contract No. 4944 – 2008 Misc. Projects) in the amount of \$149,987.53.

Motion passed unanimously.

APPROVAL OF THE ENERGY AUTHORITY (TEA) TRADING AGREEMENT

Ms. Boomer explained that on April 1, 2008, TEA plans to begin purchasing and selling physical power for the District under TEA's Trading Agreements with transactions initially limited to being carried out under the standard Western Systems Power Pool Agreement (WSPP). TEA has nine additional (non-WSPP) Trading Agreements it would like to use for trading activities, and the District currently transacts directly with the nine counterparties under the WSPP. Ms. Boomer stated that the nine agreements were reviewed by Eric Freedman of K&L Gates and he stated that the nine agreements do not substantially increase the District's risk over the risks contained in the WSPP agreement, and in some cases the provisions of the TEA Trade Agreements provide greater protections against trading risks than do the provisions of the WSPP.

Commissioner Hall moved and Commissioner Nelson seconded to approve the nine TEA Trading Agreements. Motion passed unanimously.

RESOLUTION NO. 1092 – AMENDING THE SALARY ADMINISTRATION PLAN

Ms. Paysse explained that the resignation of Jeff Helten, Sr. Network Engineer, created an Information Systems/Broadband opening and staff determined that the needs of the work group can be met with the position of Network Engineer. The Sr. Network Engineer will remain on the Salary Plan.

Commissioner Nelson moved and Commissioner Hall seconded to approve Resolution No. 1092, amending the Salary Administration Plan to include Network Engineer, at Salary Grade 12. Motion passed unanimously.

EXECUTIVE SESSION

At this time, Commissioner Gordon asked for an Executive Session, estimated to last five minutes, to evaluate the qualifications of the Interim Manager, as authorized in RCW 42.30.110 (1) (g). The Board went into Executive Session at 1:18p.m. and the Executive Session ended at 1:21p.m. and the regular meeting was reconvened.

RESOLUTION NO. 1093 – APPOINTING AN INTERIM MANAGER

Ms. Paysse presented the Board with a resolution naming Assistant Manager Edward Brost to the position of Interim Manager, effective May 1, 2008.

Commissioner Nelson moved and Commissioner Hall seconded to approve Resolution No. 1093, appointing Edward J. Brost as Interim Manager, effective May 1, 2008 and setting his monthly salary at \$11,463. Motion passed unanimously.

RESOLUTION NO. 1091 – PRE-QUALIFIED ELECTRICAL CONTRACTORS 2008

Mr. Wyatt explained to the Board that RCW 54.04.085 requires Contractors bidding for projects over \$200,000 to be pre-qualified. Such work may consist of electrical substation, transmission and overhead and underground distribution construction projects. Mr. Wyatt explained that the process is to send an application to the Contractor, and the Contractor sends it back along with references. Any Contractor can obtain an application to qualify. Commissioner Gordon requested that the next pre-qualified list be addressed closer to the first of the year. Staff reviewed the applications submitted, and recommended the following contractors be deemed pre-qualified up to the amount indicated:

Contractors	Maximum Bid Award
▪ Basin Tree Service & Pest Control	\$750,000
▪ City Pacific Services (City Electric)	\$300,000
▪ Hawkeye Construction, Inc.	\$1,500,000
▪ Henkles & McCoy	\$1,500,000
▪ Intec Services, Inc.	\$300,000
▪ International Line Builders, Inc.	\$1,500,000
▪ Michels Power Corporation	\$1,500,000
▪ Mountain Power Construction	\$1,500,000
▪ Moza Construction, Inc.	\$1,500,000
▪ Osmose Utility Services, Inc.	\$300,000
▪ Par Electrical Contractors, Inc.	\$300,000
▪ Pole Maintenance Company, LLC	\$300,000
▪ Potelco, Inc.	\$1,500,000
▪ Power City Electric, Inc.	\$1,500,000

Commissioner Hall moved and Commissioner Nelson seconded to adopt Resolution No. 1091, Pre-qualified Electrical Contractors for calendar year 2008. Motion passed unanimously.

AWARD BID NO. 5240 – F-6 FEEDER REBUILD

Mr. Wyatt explained to the Commissioners that because of the addition of Freeze Pack, Carr Farm's new onion processing facility, the existing F-6 Feeder needs to be rebuilt with a larger conductor to serve the additional load. Bid No. 5240 will furnish labor and equipment to rebuild 4000 circuit feet of the F-6 Feeder on the Pasco/Kahlotus Highway between Freeze Pack and the north side of Devries Dairy. Staff recommended that Bid No. 5240 for the F-6 Feeder Rebuild be awarded to Michels Power, the lowest evaluated responsive bidder.

Commissioner Nelson moved and Commissioner Hall seconded to award Bid No. 5240 for the F-6 Feeder Rebuild to Michels Power, the lowest evaluated responsive bidder, at a cost not to exceed \$140,251. Motion passed unanimously.

AWARD BID NO. 5241 – B-1 FEEDER REBUILD

Mr Wyatt explained that rebuilding the B-1 Feeder is in the District's work plan; but, due to the current expansion at Green Power, a new business located in the Port of Pasco, the first section of the B-1 Feeder needs to be completed at this time. Bid No. 5241 will furnish labor and equipment needed to rebuild approximately 2800 circuit feet of the B-1 Feeder on Ainsworth Ave between Oregon Ave and SE Road 21. Staff recommended that Bid No. 5241 for the B-1 Feeder Rebuild be awarded to City Pacific Services, the lowest evaluated responsive bidder.

Commissioner Hall moved and Commissioner Nelson seconded to award Bid No. 5241, B-1 Feeder Rebuild, to City Pacific Services, the lowest evaluated responsive bidder, at a cost not to exceed \$141,350.85. Motion passed unanimously.

AWARD BID NO. 5165 – 15kV INSULATED UNDERGROUND CONDUCTOR

Mr. Gutmann reported that insulated underground conductor cable is needed, and is used for projects in the Work Plan, for emergencies, and to replenish District stock. Bid No. 5165 is for 39,900 feet of 1000 MCM, 15kV EPR; and 90,000 feet of #2 AWG, 15 kV EPR insulated

underground conductor cable. Staff recommends that Wesco, the evaluated low bidder, be awarded Bid No. 5165 for 15kV insulated underground cable.

Commissioner Nelson moved and Commissioner Hall seconded to award Bid No. 5165 for 15kV insulated underground cable to Wesco, the lowest evaluated bidder, at a total cost not to exceed \$384,050.70. Motion passed unanimously.

CLAIMS

A claim in the amount of \$1400 was filed for damages to a light pole in the parking lot of the Holiday Inn in Everett. The Hotel noticed the bent pole after several utility crews departed from their stay at the Hotel, and thought our crew might have caused the damage. The District's crew was in Everett to assist Snohomish PUD with repairs to their electrical system after a windstorm in the fall of 2007. The claim has been referred to Federated.

STAFF REPORTS

Mr. Nies:

1. Referred to a NoaNet document and explained to the Board that NoaNet would like to go out for a line of credit amounting to \$1.5 million or \$3 million for an integration project involving a third Cascade fiber crossing from Yakima to Seattle. The need arose after NoaNet's underlying fiber provider experienced five major fiber breaks in an eighteen month period. NoaNet operates on a single route and is vulnerable to complete network failure. He explained that lending institutions are requiring Member guarantees from one or more of Members of NoaNet to procure a new line of credit. If the District agrees to the line of credit, we would have 60 days to sign the guarantee.

Commissioner Nelson moved and Commissioner Hall seconded to authorize the District to sign a proportional guarantee to allow NoaNet to obtain a line of credit in an amount up to \$3 million. Motion passed unanimously.

2. Went over the Budget Status and Work Plan reports, pointing out a few highlights and changes to the Board. He also went over the Broadband report and stated that Mr. Gould, Information Systems Manger, has met with Lourdes Hospital as they are interested in getting fiber to their businesses.
3. Stated that staff would like to bring in a consultant to help put together an RFP (Request For Proposal) for the AMR project. It is a very technical proposal and staff feels that a consultant would be very beneficial. The Board agreed and would like an update at the next Board meeting.

Ms. Bone-Harris:

1. Reported that she attended the PPC meetings last week in Portland where there was a reception in recognition of Jean's retirement. At the meeting, Steve Wright from BPA made an announcement regarding proposed Memorandum of Agreements (MOA's) with several tribes and states that sere likely to be released the following week. At this time visitor Larry Felton, BPA Account Executive, engaged in conversation with staff concerning the Slice Block contracts and the difference in Flat Block verses Shaped Block. The District will be presented with the BPA contracts in August 2008 and will have until December 2008 to formally sign. Mr. Felton also addressed the \$900 million proposed MOA's between the tribes and BPA, stating that the total dollar amount overlaps with current fish programs.
2. Handed out a presentation containing information about the Energy Northwest budget and their relationship with BPA.

Mr. Gutmann:

1. Reported that there was a successful planned outage April 6, 2008, from 12am to 3:15am, to energize the 115kV line going to the Blanton Substation. Testing is still ongoing and they hope to pick-up an actual load at the substation on April 21, 2008.
2. Reported that the District currently rents a building on Rattlesnake Mountain from Benton PUD, and that DOE's attempt to force us to move our radio tower will be problematic to our communication system. Because of the recent issues surrounding the Tribes and Rattlesnake Mountain, the District is working with Benton PUD to get permits and license together to take to the appropriate State Representatives to show we have a right and need to be there.
3. Waiting on easement rights-of-way from the Railroad for the 34.5kV line so staff can get drawings done for a work order. Mr. Palmer asked about an alternative route, but Bennett Farms owns the opening to the canyon. The Board would like a letter ready for signature at the next Board meeting to address the importance of getting this issue moving, and Mr. Palmer stated he would have such a letter ready for the Commissioners to sign at the April 22, 2008 meeting.
4. Reported that he and Ms. Paysse will be going to Wenatchee on Friday to participate in a negotiations meeting with CWPU to resolve local and joint issues.
5. Looked at getting a new employee to run the CT Plant and will move forward with an RFP for a contract operator.
6. The District is communicating with the Pasco School District concerning placement of the power system for the future High School on Argent and Road 84. The School District prefers not to give the District an easement right-of-way on the north side of Argent, so the District is assessing alternative routes for the power system.

Mr. Palmer:

1. Reported that Troy Woody, General Manager of TRAC, offered to buy the TRAC sign from the District for \$10,000. Staff discussed the options involved with this kind of deal, and the Board directed staff to look into the history and the value depreciation of the sign and report back to them at the next Board meeting.

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

William Gordon, President

Stuart Nelson, Vice President

Chuck Hall, Secretary