

BOARD OF COMMISSIONERS
REGULAR MEETING

May 27, 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, May 27, 2008, at 1:00 p.m.

Those present from the District were: Bill Gordon, President; Stuart Nelson, Vice President; Chuck Hall, Secretary; Ed Brost, Interim 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; and Colleen Kimsey, Administrative Assistant.

Staff present for part of the meeting: Doug Gould, Information Systems/Broadband Manager; Linda Boomer, Power Manager; Rich Sargent, Power Analyst; and Sylvia Hubbard, Human Resource Coordinator.

Public in attendance for the meeting: Larry Felton, BPA Senior Customer Account Executive.

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 Nelson reported that he attended the NWPPA Annual Conference in Alaska where he heard valuable information from speakers on Climate Change.

Commissioner Hall reported he attended the White Creek Wind Project dedication and tour in Klickitat County and was impressed with the project. He also attended the WPUA association meeting in Stevenson, Washington where he gained valuable information from an Ethics and Accountability workshop concerning the roles and responsibility of Commissioners. There was also discussion regarding the Strategic Planning survey conducted by WPUA earlier this year and a proposed new strategic plan. Commissioner Hall also gave an update for the Building Committee and explained that the building's security system and fire alarms were getting inspected and the electrical system is still getting analyzed. The committee is still looking at solar for energy saving. Staff would like to have a workshop with the Commissioners in July to discuss the buildings plan and cost estimate and seek their approval to proceed with seeking bids for the project. He also attended a Columbia Snake River Irrigators meeting.

Commissioner Gordon reported that Energy Northwest took \$300,000 out of their budget for a nuclear options study, and also identified another \$1.2 to \$1.5 million in fuel savings. He also talked with Snohomish Commissioner Kathy Vaughn regarding Snohomish taking part of Packwood output and the impact that would have on their block purchase from BPA.

CONSENT AGENDA

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

1. To approve the minutes of the April 22, 2008, regular meeting as amended.
2. To approve payment of expenditures amounting to \$6,840,925.91, 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 \$1,699,473.73; Voucher Nos. 39006 through 39049, 39107 through 39124, 39126 through 39182, 39266 through 39313, and 39393 through 39456;
 - b.) ACH Vouchers amounting to \$8,705.74; Voucher Nos. 302, 304 and 305, 307 through 309, 311 through 313, and 315 and 316;
 - c.) Refund Vouchers amounting to \$36,883.17; Voucher Nos. 39051 through 39105, 39184 through 39264, and 39315 through 39391;
 - d.) Voids in the amount of \$0;
 - e.) A handwritten warrant amounting to \$286.50; Voucher No. 6706; and
 - f.) Wire transfers totaling \$5,095,576.77 to the following:

◆ Bank of the West - Direct Deposit Payroll	\$314,743.61
◆ Bank of the West – EFTPS (Payroll Taxes)	\$130,673.83
◆ Department of Retirement – PERS 1, 2, and 3	\$51,896.93
◆ ICMA – Deferred Compensation	\$45,071.95
◆ REHN – 125 Plan	\$3,153.92
◆ REHN – VEBA	\$12,589.48
◆ BPA – Slice	\$1,473,675.00
◆ BPA –Transmission	\$357,363.00
◆ BPA – Transmission, Adjusted Actual	\$471.00
◆ BPA – Block	\$758,520.00
◆ Department of Revenue – Excise Tax	\$215,293.92
◆ Diversified Purchased Power – Net Market Purchases	\$66,371.00
◆ LL&P Wind – Wind Energy	\$135,955.75
◆ TEA – Power Purchases	\$58,277.00
◆ Benton PUD ICE – Miscellaneous	\$500.00
◆ Puget Sound – Gas Frederickson	\$9,185.84
◆ IGI – Gas Frederickson	\$4,908.75
◆ Powerex – Gas Frederickson	\$370,497.71
◆ Frederickson – Energy	\$438,050.38
◆ Terasen – Gas Frederickson	\$401,300.68
◆ Powerex – Financial Power Swap	\$71,202.40
◆ Morgan Stanley – Financial Power Swap	\$172,874.62
3. To accept the work and approve payment for work completed to date by Mountain Power (Contract No. 4968 – Connell C-4 Feeder Tie) in the amount of \$218,600.89.
4. 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 \$201,135.18.

Motion passed unanimously.

RESOLUTION NO. 1098 – DISPOSAL OF DISTRIBUTION TRANSFORMERS

Mr. Gutmann explained that the District has distribution transformers, consisting of single-phase and three-phase padmounted distribution transformers and single-phase pole mounted distribution transformers, that can no longer be used as part of the distribution system. It is no longer cost-effective to service and/or repair the units and he suggested that the units be surplus and disposed.

Commissioner Hall moved and Commissioner Nelson seconded to adopt Resolution No. 1098, authorizing the disposal of distribution transformers. Motion passed unanimously.

LOAN REQUEST FOR FUNDING THROUGH RURAL ECONOMIC DEVELOPMENT FUND (REDF)

Ms. Hubbard reported that the REDF Board reviewed a loan request submitted by HOME LLC, an organization created by the Pasco Housing Authority for the sole purpose of developing a senior retirement complex. HOME LLC has purchased 3 acres and requested a bridge loan in the amount of \$150,000 to fund financing and processing fees required prior to closing on a HUD 232 loan. The REDF Board set a fixed interest rate of 4.5% for up to 24 months or when the loan closes, whichever comes first. HOME LLC pledged 2nd position on the land and a guarantee by the Pasco Housing Authority as collateral. Ms. Hubbard clarified questions from the Commissioners concerning loan limits.

Commissioner Nelson moved and Commissioner Hall seconded to approve the loan request through the Rural Economic Development Fund as submitted by HOME LLC in the amount of \$150,000 at a 4.5% fixed interest rate for a term of up to 24 months or when the loan closes, whichever comes first, as recommended by the Rural Economic Development Fund Board. Motion passed unanimously.

LOAN REQUEST FOR FUNDING THROUGH RURAL ECONOMIC DEVELOPMENT FUND (REDF)

Ms. Hubbard reported that the REDF Board reviewed a loan request submitted by a native and reclamation seed production company for the purpose of purchasing property to further expand their production. The company has three shareholders and the business expansion would create four additional employees. The requesters are interested in buying land and will pledge first position on the land purchase as collateral. After careful consideration, the REDF Board recommended the Commissioners approve the loan request in the amount of \$100,000 at a fixed rate of 4.5% for a term of 5 years.

Commissioner Hall moved and Commissioner Nelson seconded to approve the loan request through the Rural Economic Development Fund as submitted by Western Reclamation Inc. in the amount of \$100,000 for a term of 5 years at a 4.5% fixed interest rate as recommended by the Rural Economic Development Fund Board. Motion passed unanimously.

At this time, Ms. Hubbard gave an update to the Board on the status of the REDF fund and discussion occurred concerning future options for the fund. The Board agreed with Ms. Hubbard to continue taking loan applications as there are two pending.

REVISION OF ADMINISTRATIVE POLICY NO. 13 – SUCCESSION OF AUTHORITY

Ms. Paysse explained that in the absence of the Manager, either the Auditor/Director of Administrative Services or the General Counsel will be appointed to act as Manager. Should both employees be absent, succession of authority will be assigned to the employee listed on the policy. The Energy Services Manager was also added to the policy. Commissioner Gordon asked for clarification in the wording of the policy where the Manager would designate the acting Manager during an absence.

Commissioner Hall moved and Commissioner Nelson seconded to accept the revisions to Administrative Policy No. 13, Succession of Authority, dated May 27, 2008, as modified. Motion passed unanimously.

RESOLUTION NO. 1100 – AMENDING THE NON-BARGAINING SALARY ADMINISTRATION PLAN

Ms. Paysse explained that through contract negotiations, the bargaining unit position of Accounting Clerk will be removed from the bargaining unit making it necessary to add the position to the non-bargaining Salary Administration Plan. This move does not increase the position's wages, but will provide wage growth over time. The position of Broadband Engineer is being added to the Salary Administration Plan, and Mr. Gould explained that the District has always had this position but that it has been filled by a contract technician from 180 Connect. It was suggested that this position be brought in-house due to uncertainties related to 180 Connect, and as a cost-savings and efficiency measure.

Commissioner Hall moved and Commissioner Nelson seconded to approve Resolution No. 1100, amending the Salary Administration Plan with the addition of Accounting Clerk and Broadband Engineer. Motion passed unanimously.

REVISION OF ADMINISTRATIVE POLICY NO. 35 – NON-STANDARD COMPENSATION

Ms. Paysse reported that revisions to Administrative Policy No. 35 would include compensation for exempt, non-bargaining management employees who perform emergency work in the rare event that employees who normally respond to emergency conditions cannot be reached. The revisions also allow for additional relocation compensation to qualified employees, when warranted, to relocate the qualified employee to fill a vacant position; and, the policy limits that compensation be no more than the monthly wage stated in the job offer and only as approved by the Manager.

Commissioner Hall moved and Commissioner Nelson seconded to approve the revised Administrative Policy No. 35. Motion passed unanimously.

RESOLUTION NO. 1099 – 2008-2011 COLLECTIVE BARGAINING AGREEMENT AND RESCINDING OF RESOLUTION NO. 1097

Ms. Paysse explained that Union membership rejected the tentative agreement that was put to a vote in April, so the Union and the District Interim Manager and other CWPU Managers met on May 16, 2008 and agreed on one modification pertaining to retroactivity. District management also agreed to meet with local union representatives and employees to clarify certain local terms of the tentative agreement. The renegotiated tentative agreement will be put to a vote and the outcome available on June 2, 2008. Mr Brost added that there is still no guarantee that the agreement will pass as there are still concerns with economics.

Commissioner Nelson moved and Commissioner Hall seconded to approve Resolution No. 1099, rescinding Resolution No. 1097 and authorizing the Interim Manager to sign the renegotiated Collective Bargaining Agreement between the Union and the District, for the

period of June 1, 2008 to March 31, 2011, contingent upon passage by June 2, 2008. Motion passed unanimously.

CLAIMS

A claim in the amount of \$819.35 was filed for damages to claimant's irrigation line that occurred while the District's Linemen were excavating to install underground cable. The claim has been referred to Federated.

A second claim in the amount of \$369.97 was filed for damages to claimant's home computer during a scheduled outage in Connell. The claim has been referred to Federated.

MANAGERS REPORT

Mr. Brost:

1. Handed out a document from the Public Disclosure Commission on Guidelines for Local Government Agencies concerning campaign prohibitions for employees and Commissioners.
2. Attended the WPUA association meetings in Stevenson, Washington, where information was shared about possible formation of new public utilities on the west side of the state. There is also a utility group forming to review I-937 and its impacts. Climate Change was another topic that received much attention as it will likely have a major cost impact on utilities.
3. Met with the District's Bargaining unit and employees to review the details of the tentative agreement including career progression for Customer Service and Engineering and several other topics. It was agreed to form committees to review and revise job descriptions as well as the scope of testing for these positions. The group agreed that it would be good to improve on communication between the Bargaining unit, employees and Management.
4. Intends to have a draft of the District's Operating Plan/Goals ready for the June 10th Board meeting and would like to have the Commissioners input so it can be finalized.
5. Hearings have started regarding the BPA WP-07 Rate Case. Two major issues are assumptions for calculating future Residential Exchange benefits and the look back amount. We have until June 11, 2008 to file comments concerning the Rate Case.
6. Will be attending Public Power Council's Executive Committee Strategic Alignment Session on June 4, in Portland.
7. Reported that the CEO's of the Slice customers have been meeting with BPA Executives to discuss slice related issues in the new contracts. They have agreed to meet once or twice a week until the issues are resolved. Progress is being made.
8. Reported that staff will not attend Energy Northwest's June wind offering meeting.

At this time Larry Felton, BPA Senior Customer Account Executive, gave a presentation to the Board concerning Regional Dialogue and discussion followed. Decisions will need to be made by the District on power product choice (i.e., Load Following, Block or Slice/Block contracts) and whether to execute new long term power purchase contracts by December 1, 2008.

STAFF REPORTS

Mr. Nies

1. At this time, Mr. Nies invited Mr. Gould to provide an Information Systems and Broadband update:
 - a. Mr. Gould reported that revenue has been on the increase in the Broadband

department with seven new fiber projects and five projects pending. Lourdes Health Center is one of the District's pending projects, as they would like to connect eight different buildings with fiber. Technicians from Lourdes and 180 Connect designed the system and are committed to completion by the end of July. The project construction costs are \$190,000 and the project should result in monthly revenues of \$10,000. Construction costs will be recovered in less than 2 years. The Commissioners noted their approval to proceed with the project.

- b. Mr. Gould explained that the District's Co-Location room houses electronic equipment for the Broadband and IT departments and it is supported by the DC Power Plant. The Co-Location room needs increased capacity and the DC Power Plant is in need of new batteries, as the current batteries maintain the equipment for only one hour in the event of a power outage, and need to maintain the equipment for at least 4 hours. Staff asked the Board to approve an additional \$78,000 to the budget for this expense.

Commissioner Hall moved and Commissioner Gordon seconded to approve spending an additional \$78,000 for the purchase of expanded capacity for the District's Co-Location room and new batteries for the DC Power Plant. Motion passed unanimously.

2. Explained that a new line item has been added to the Monthly Status Report to reflect the Residential Exchange Credit. He also gave an overview of the Monthly Financial Highlights and clarified the Reserve section of the report in response to questions from Commissioner Gordon.
3. Reported that the District's recent billing cycle reflected the 4% rate decrease and our customer's first 3% Residential Exchange credit. The credit was calculated on May usage included in those bills.
4. The Request for Proposal for consultant services related to the AMR project will close this week and the responses will be evaluated.
5. Hired Allison Richmond, a consultant from AAA Quality Telecommunications, to help staff evaluate and utilize the full capacity of our phone system. The review will include 30 day reports on the number of in-coming calls and wait time. Ms. Richmond would then review the reports and suggest changes.
6. The state auditor's exit conference will be conducted on June 12, 2008. Commissioner Hall will attend.

Ms. Paysse:

1. Attended the Labor/Management meetings where bargaining unit employees expressed their concerns with the local tentative agreement. Also attended three Manager introduction meetings conducted by Mr. Brost, where he introduced himself and discussed his priorities for the District.
2. Reported that there are currently six job openings: Manager; Executive Assistant; Network Engineer; Mechanic; Metershop Forman; and Connell Representative. Offers have been presented to applicants for the Connell Representative and the Network Engineer.

Mr. Gutmann

1. Reported that staff is staying very busy with new construction in Pasco, including; Phase II of Linda Lovisa and First Place subdivisions; the new High School; changes at the Oregon and Ainsworth Interchange in Big Pasco which will include relocated poles; and a new subdivision in Connell.
2. Invited the Commissioners to Operations to see the building remodel, as it is

complete.

3. Reported that Request for Bids for a new roof on the Warehouse will be posted in the Tri City Herald on Sunday.
4. Reported that two responses to the Request for Proposal for operations and maintenance of the District's Pasco CT plant have been received. The responses will be evaluated. Preliminary review indicates the proposed costs are higher than expected.

Ms. Bone-Harris:

1. Reported that Lockheed Martin hosted IT Day at the Three Rivers Convention Center last week and some District staff attended.
2. Explained that the District had a booth at the Pasco Senior Center last Friday to help educate seniors on available services that Franklin PUD has to offer.
3. Reported that Habitat for Humanity recently erected two houses within 48 hours and Todd Blackman, Conservation Technician, donated his time to the project and officially certified the houses as energy star.
4. Reported that Staff will conduct a State of the PUD town meeting in Connell on June 16 and invited the Commissioners to attend.
5. Staff will give safety demonstrations next week at the PUD Auditorium to students from Ruth Livingston and Edwin Markham Schools. This will also include Safety Trailer demonstrations. Ms. Bone-Harris invited the Commissioners to attend.

With no further business to come before the Board, Commissioner Gordon adjourned the meeting at 4:08 p.m.

William Gordon, President

Stuart Nelson, Vice President

Chuck Hall, Secretary