

BOARD OF COMMISSIONERS  
REGULAR MEETING

July 22, 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, July 22, 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; Steve Palmer, General Counsel; Debbie Bone-Harris, Community and Government Relations Manager; and Colleen Kimsey, Administrative Assistant.

Staff present for part of the meeting were: Linda Boomer, Power Manager; Rich Sargent, Power Analyst; Darroll Clark, Energy Services Manager and Bob Wyatt, Senior Project Engineer

Public in attendance was: Larry Felton, BPA

Commissioner Gordon called the regular meeting to order at 1:00 p.m., and immediately opened the PURPA public hearing.

**PUBLIC UTILITY REGULATORY POLICIES ACT (PURPA) PUBLIC HEARING**

Once the PURPA hearing was opened, the public was invited to comment on the PURPA Fossil Fuel Generation Efficiency Standards and PURPA Fuel Source Diversity Standards. Mr. Palmer submitted exhibits which (1) confirmed that proper notice was given to the public, and (2) set out staff's recommendations as to the two pending PURPA standards. With there being no public comments received, the hearing was closed at 1:12 p.m.

**RESOLUTION NO. 1101 – FOSSIL FUEL GENERATION EFFICIENCY STANDARDS UNDER PURPA**

Mr. Palmer explained that the Energy Policy Act of 2005 states that electric utilities must consider whether it is appropriate to adopt the standard in whole or in part. District staff does not believe that development of a fossil fuel generation efficiency standard is practical at this time. Accordingly, Resolution No. 1101 sets forth the Commission's decision to not adopt a standard at this time.

Commissioner Nelson moved and Commissioner Hall seconded to approve Resolution No. 1101 to close the public comment period for consideration of a new standard for Fossil Fuel Generation Efficiency under PURPA and to set forth the Commission's conclusions to not adopt the standard at this time. Motion passed unanimously.

**RESOLUTION NO. 1102 – CONSIDERATION OF A FUEL SOURCE DIVERSITY STANDARD UNDER PURPA**

Mr. Palmer explained that the Energy Policy Act of 2005 states that electric utilities must consider whether it is appropriate to adopt the standard in whole or in part. The District is developing an integrated resource plan which will adequately cover fuel source diversity. Accordingly, adoption of a separate fuel source diversity standard is not recommended by staff at this time. Resolution No. 1102 sets forth the Commission's decision to not adopt a standard at this time.

Commissioner Hall moved and Commissioner Nelson seconded to approve Resolution No. 1102 to close the public comment period for consideration of a new standard for Fuel Sources under PURPA and to set forth the Commission's conclusion to not adopt the standard. Motion passed unanimously.

### **COMMENTS FROM THE PUBLIC**

Commissioner Gordon welcomed comments from the public at anytime for the remainder of the meeting.

### **BUILDING REMODEL PROJECT**

The Commissioners discussed highlights of this morning's Building Remodel Workshop. Commissioner Nelson moved and Commissioner Hall seconded, to reaffirm going forward with preparing specifications and requesting bids for the building remodel/expansion including final recommendations by the architect and building committee, for the garage and employee parking, LEED certification and window replacement, subject to BPA's approval of funding for energy efficiency and alternative energy measures. Motion passed unanimously.

### **COMMISSIONER REPORTS**

Commissioner Nelson reported that he attended the WPUDA Committee meetings in Wenatchee where there was discussion concerning suggested amendments to I-937 and the course that WPUDA is taking in meeting the association's goals.

Commissioner Hall shared that the new WPUDA building in Olympia became LEED certified at platinum level. He also reported that he attended a Columbia Snake River Irrigators Association Board meeting where he heard from various district and state representatives concerning current water management issues. Ron Reimann, T&R Farms, shared details of the measures his business has taken to conserve water and power. His presentation was very well received by all, including the legislators.

Commissioner Gordon shared that Energy Northwest will be using a mobile scaffolding system when working on the reactor building to replace the siding. It is much safer and will help reduce the cost and schedule for the project. He and the other Commissioners and staff attended the Town Hall meeting held in Connell. He also asked Mr. Palmer to prepare a response letter to Dorothy Pruett concerning issues related to the 34.5 kV Connell-Kahlotus line easement.

### **CONSENT AGENDA**

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

1. To approve, as amended, the minutes of the regular meeting of June 10, 2008.
2. To approve payment of expenditures amounting to \$14,149,865.56, 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 from June and July amounting to \$2,623,941.60; Voucher Nos. 39555 through 39601, 39742 through 39786, 39788 through 39792, 39810 through 39856, 39916 through 39956, 39958 through 40013; and 40058 through 40096;

- b.) ACH Vouchers from June and July amounting to \$5,874.10; Voucher Nos. 318 through 321, 323 through 326, 328, 329, and 331;
- c.) Refund Vouchers from June and July amounting to \$41,756.34; Voucher Nos. 39603 through 39664, 39666 through 39740, , 39794 through 39808, 39858 through 39914, and 40015 through 40056;
- d.) Voids from June and July in the amount of \$6,076.22;
- e.) Wire transfers from May and June totaling \$11,484,369.74 to the following:

	<b>May</b>	<b>June</b>
◆ Bank of the West - Direct Deposit Payroll	\$311,376.14	\$303,821.80
◆ Bank of the West – EFTPS (Payroll Taxes)	\$129,741.22	\$126,446.38
◆ Department of Retirement – PERS 1, 2, and 3	\$51,696.57	\$50,867.26
◆ ICMA – Deferred Compensation	\$45,461.53	\$45,464.02
◆ REHN – 125 Plan	\$3,153.92	\$3,153.92
◆ REHN – VEBA	\$12,575.19	\$12,513.39
◆ BPA – Slice	\$1,473,675.00	\$1,473,220.00
◆ BPA –Transmission	\$333,826.00	\$372,756.00
◆ BPA – Block	\$660,559.00	\$372,756.00
◆ Department of Revenue – Excise Tax	\$217,223.62	\$205,828.79
◆ Department of Revenue – Privilege Tax	\$0	\$1,312,799.67
◆ Diversified Purchased Power – Net Market Purchases	\$26,844.00	\$0
◆ LL&P Wind – Wind Energy	\$159,821.63	\$319,024.48
◆ TEA – Power Purchases	\$15,900.00	\$15,900.00
◆ Benton PUD ICE – Miscellaneous	\$500.00	\$500.00
◆ Frederickson – Energy	\$451,163.74	\$379,682.53
◆ IGI – Gas Frederickson	\$53,052.30	\$0
◆ Terasen – Gas Frederickson	\$1,067,850.00	\$94,656.41
◆ Constellation – Financial Power Swap	\$0	\$116,608.00
◆ Powerex – Financial Power Swap	\$366,000.80	\$179,231.20
◆ Lehman Bros. – Financial Power Swap	\$377,584.54	\$143,369.41
◆ BP Energy – Financial Power Swap	\$165,064.80	\$32,700.48
	<b>\$5,923,070.00</b>	<b>\$5,561,299.74</b>

- 3. To accept the work and approve payment for work completed in May by Power City Electric (Contract No. 4944 – 2008 Misc. Projects) in the amount of \$139,892.00.
- 4. To accept the work and approve payment for work completed in June by Power City Electric (Contract No. 4944 – 2008 Misc. Projects) in the amount of \$165,700.00.
- 5. To accept the work and approve final payment in the amount of \$161,808.08 for work completed by Mountain Power (Contract No. 4968 – Connell C-4 Feeder Tie), which has been inspected, and to authorize release of retainage.

6. To approve for write-off of uncollectible accounts as listed on Pages 1 through 4 a total amount of \$17,903.94.

Motion passed unanimously.

**RESOLUTION NO. 1103 – AUTHORIZING SURPLUS AND DISPOSAL OF REGULATORS, CONTROLS, AND RECLOSURE**

Mr. Gutmann explained that Resolution No. 1103 would authorize surplus and disposal of the regulators, controls and reclosures listed on Exhibit 'A' as they could no longer be used on the District's distribution system and were no longer compatible with the District's SCADA system. It was noted that Exhibit 'A' would be modified to delete the last section of the first page as those items were not being surplused at this time.

Commissioner Hall moved and Commissioner Nelson seconded to adopt Resolution No. 1103, authorizing the surplus and disposal of regulators, controls, and reclosures. Motion passed unanimously.

**REVISION OF THE DISTRICT'S ADMINISTRATIVE POLICY NO. 16 – PURCHASE REQUISITION, CONTRACT APPROVAL AND PAYMENT AUTHORITY**

Mr. Nies reminded the Commission that revisions were approved to Policy No. 16 at the October 2007 Board meeting after which staff ran a 90 day trial period to implement the revised purchasing procedures. Upon the end of the trial period, staff proposed additional changes to the policy to include changes to the approval limits, adding an approving authority, and other minor procedural changes that would create efficiencies.

Commissioner Nelson moved and Commissioner Hall seconded to approve revisions to Administrative Policy No. 16 – Purchase Requisition, Contract Approval and Payment Authority. Motion passed unanimously.

**AWARD SMALL WORKS QUOTE NO. 5316 – FRANKLIN SUBSTATION MODIFICATIONS**

Mr. Gutmann explained that the District purchased the Franklin Substation from BPA and it requires a substation enclosure. Small Works Quote No. 5316 will furnish labor and equipment needed to make the substation modifications including laying a foundation for the new substation enclosure. Staff recommended the District award a contract to Aztech Electric for \$158,340.00, which includes \$32,200.00 for the foundation work. To meet District requirements, the foundation work was broken out in a separate contract, which has already been executed by the District and Aztech.

Commissioner Nelson moved and Commissioner Hall seconded to award Small Works Quote No. 5316 – Franklin Substation Modifications – to Aztech Electric, Inc., who submitted the lowest responsive quote at a cost of \$158,340.00, which includes the foundation portion of the quote. Motion passed unanimously.

**MODIFY CONTACT NO. 4944 – 2008 MISCELLANEOUS PROJECTS FOR \$525,000.00**

Mr. Wyatt reminded the Commission that Contract No. 4944 was awarded to Power City Electric at the February 2008 Board meeting and it furnishes labor and equipment needed to construct miscellaneous projects. He explained that due to unanticipated projects such as the Ainsworth road widening and the Chiawana High

School transmission line relocation, the original contract amount of \$734,356.50 will be expended by July, 2008. The District has several other projects needing completion by the end of 2008 and the contract amount has been depleted much faster than anticipated. Staff recommended that the District modify Contract No. 4944 for the 2008 Miscellaneous Projects with Power City Electric, Inc. by an additional \$525,000.00.

Commissioner Hall moved and Commissioner Nelson seconded to modify Contract No. 4944 with Power City Electric, Inc., by increasing the maximum limit an additional \$525,000.00. Motion passed unanimously.

**RESOLUTION NO. 1104 – RATIFYING THE AMENDED CBA AGREEMENT  
DATED JUNE 11, 2008**

Mr. Brost shared that the District and Union representatives met and reached a final understanding which was accepted by a majority vote of the Union membership on June 27, 2008. The only change from the prior offer was the inclusion of retroactive wages for the month of June. The parties will also hold further discussions regarding several local items.

Commissioner Hall moved and Commissioner Nelson seconded to approve Resolution No. 1104, rescinding Resolution No. 1099, and ratifying the understanding dated June 11, 2008 and authorizing the Interim Manager to sign and implement the 2008-2011 Collective Bargaining Agreement, including ratification of all applicable payments made to Union members during July. Motion passed unanimously.

**APPROVE DISTRICT'S 2008-09 OPERATING PLAN**

Mr. Brost shared that since the draft goals discussion at the June Board meeting, the title was revised to 'Operating Plan' since the document includes goals as well as tasks and projects. Commissioner Gordon asked for clarification concerning the status of the District's phone system changes. Mr. Nies explained that the current phone system does not have the capacity to support the District's needs and discussion followed. Mr. Brost concluded by requesting Commissioner approval of the 2008-09 Operating Plan. It was also agreed the Operating Plan status would be reviewed with the Commissioners semi-annually.

Commissioner Nelson moved and Commissioner Hall seconded to approve the District's 2008-09 Operating Plan. Motion passed unanimously.

**POWER SUPPLY ISSUES**

Ms. Boomer and Mr. Sargent updated the Commission on activities, status and timing of power supply issues and upcoming decisions as listed below. Ms. Boomer discussed the following topics:

- Post-FY2011 power product purchased from BPA: If the District intends to remain a Slice customer, a Good Faith Estimate needs to be submitted to BPA by August 25, 2008 containing the maximum, optimum and minimum amount of Slice desired, and the District's alternative product choice. Mr. Brost advised that he had requested a two day extension in order to better align with the Commissions meeting schedule.
- Integrated Resource Plan: TEA is continuing to work on this plan with input

from District staff. Among other things, this analysis will aid in the decisions on the Slice quantities to be included in the Good Faith Estimate. Draft works products are expected mid to late August.

- Status and Schedule of BPA Regional Dialogue Contracts: The deadline for execution of 20-year contracts for the post-FY2011 period is December 1, 2008. District staff is following the development of both the Slice and non-Slice (Load Following) contracts, and the Tiered Rate Methodology (TRM) that will be the basis for rates. Many issues remain to be resolved.
- Packwood Hydro Project: The District and Benton PUD have purchased the project output from Energy Northwest since 2003, and the current contract expires at the end of September 2008. Snohomish PUD (Snopud), another Packwood participant, is interested in purchasing the Packwood power during the BPA fiscal year beginning October 1. If this occurs, the amount currently purchased by the District (2.7 aMW) will be added to its BPA Block purchases, making the District "whole" from an energy standpoint, and the difference in pricing is negligible. Also Snopud, which is short on resources, can better utilize the Packwood resource. Staff supports Snopud's purchase of Packwood after September 30, 2008. Commissioner Gordon said he agrees with that recommendation, but would like to see the District have the option to take its share again after FY2011. Ms. Boomer assured him the Snopud purchase would only be through FY2011, and the participants will discuss disposition of the output after FY2011 and develop a recommendation.

Mr. Sargent then discussed the following items:

- Nine Canyon and White Creek Wind Projects' Renewable Energy Certificates (RECs): As a result of 2008 wind energy from two projects, the number of RECs has increased substantially. Approximately 33,000 MWH generated has resulted in the same number of RECs that can be sold into the market. Some are currently certified by the Western Region Electricity Generation Information System (WREGIS), and others are not WREGIS-certified. Both projects will be registered with WREGIS soon. WREGIS-certified RECs are more widely marketable and can be sold at a premium price. Staff recommended the District offer the 1<sup>st</sup> half of 2008 RECS for sale through ICAP, a brokerage firm that has been used by PRM and TEA in the past. Commissioner Gordon said he agreed with selling 1<sup>st</sup> half 2008 RECs now, and Commissioners Nelson and Hall concurred.
- District Participation in Residential Exchange Program/Average System Cost: District staff has been working with BPA on determining its average system cost (ASC) since March of 2008, and is one of three public power entities doing so. The intent of the Residential Exchange Program is to provide Northwest utilities (public and private) a form of access to the benefits of low-cost Federal power. It appears that because of the District's ASC, some of its higher-priced power can be exchanged with lower-cost Federal power from BPA. Any monies received from the program are required to be passed on to residential and small farm customers. BPA has drafted contract templates, with an effective date of October 1, 2008, and circulated them for comment. When the District's ASC amounts and contracts are finalized, staff will return with a recommendation to the board.
- Pasco CT Operations and Maintenance Contract: The District received two proposals in response to its RFP. Only one was responsive to the RFP's

request for a one-year term with renewal options, with the work to include all O&M, testing start-ups, as well as running the plant for load or economic dispatch as needed. The proposals have been discussed with Grays Harbor PUD, which would split the cost of the contractor with the District. Staff expects to return to the board with a contract for approval in the near future.

## **MANAGER REPORT**

Mr. Brost:

1. Reported that he completed a BPA Customer Survey for Power and Transmission Services and generally gave both groups high scores. He emphasized the importance of regular contact with the Account Executives, and that BPA should place higher priority on the meaning and intent of public preference.
2. Attended PPC/PNUCC meetings in Portland where Steve Wright gave a brief overview of the history and status of Regional Dialogue. Mr. Wright was appreciative of all the hard work of customers and BPA staff and indicated that he was still inclined to provide some level of benefits to the Direct Service Industry customers.
3. Will make a proposal to the Pasco Chamber of Commerce to reduce the District's current payment to the Chamber while acknowledging the successful turnaround of membership relationships due to the new Director of the Chamber.
4. Will attend The Energy Authority (TEA) West Coast Managers forum tomorrow in Seattle as well as another session on Thursday with Commissioners to discuss TEA trading as principal. The Wednesday session will be the first of continuing semi-annual meetings held by TEA with utility managers to get feedback from and stay aligned with partners in the Pacific Northwest.
5. Reported that the District is considering contracting with Randy Ray, President of Aequus Corporation, who currently consults for Benton PUD, to consult with the District on state and federal policy issues and to interface with WPUA on key legislative issues affecting the PUD. Ms. Bone-Harris explained that the District will benefit from a contract with Mr. Ray as it will allow issues pertaining to our interests to be addressed in a timely manner.

## **STAFF REPORTS**

Ms. Paysse:

1. Informed the Commissioners and staff that they can change to a different medical plan if desired, as there is open enrollment until Friday.
2. Reminded the Commissioners and staff to turn in completed VEBA Wellness forms to Ms. Hubbard.
3. Reported that the District hired Chad Schow as Network Engineer and Ben Hooper as Broadband Engineer and will be sending out new postings for the Connell Area Representative and Metershop Forman positions.

Mr. Nies:

1. Gave a brief overview of the May and June Budget Status reports and pointed out that the elements of potential impact to the year end reserves are rate decreases and higher net power costs.
2. Reported that Katama Technologies, Inc., an Engineering Firm, met with District staff and they will be offered a contract for consulting services to advise the District on the AMR project.
3. Reported that staff is negotiating a contract with Cogsdale for new accounting/work management software and may ask the Commission to approve a contract award by September.

4. Reported that NoaNet will draw on their line of credit to build a third east to west fiber path. Their partnership with PNNL on this project fell through so the alternative is for NoaNet to partner with a private company.
5. Will be sharing a State of the PUD presentation at Rotary on Friday.

Mr. Gutmann:

1. Shared that Meier Enterprises, Inc. who the District hired to evaluate options for repair of the roof at Operation's main building for rebidding of the re-roofing project, just provided him a report and he will have those results at the next Commission meeting.
2. Reported that the Mid Columbia Safety Alliance is continuing to conduct interviews with safety groups and individuals to find a replacement for Steve Frost, who accepted a position with Big Bend Electric.
3. Reported that the invoice for the remodel at Operations included an additional \$40,000 due to a requirement from the City to install a handicap ramp. Mr. Gutmann requested the Commission ratify/authorize payment of the extra cost.

Commissioner Hall moved and Commissioner Nelson seconded to pay the additional \$40,000 to Siefken and Sons Construction, Inc., for the addition of a handicap ramp as part of the Operations remodel. Motion passed unanimously.

Ms. Bone-Harris:

Shared that she and other employees will be working at the District's Special Needs viewing area at the boat races this weekend. This year Benton PUD will join Franklin PUD in the effort.

Mr. Palmer:

Reported that tomorrow he will attend an APPA ID Theft Workshop in Nashville, Tennessee.

### **EXECUTIVE SESSION**

At this time, Commissioner Gordon called an Executive Session, estimated to last 10 minutes, to continue their evaluation of employment qualifications of the Interim Manager, as authorized in RCW 42.30.110 (1) (g). The Board went into Executive Session at 4:40pm and the Executive Session ended at 4:45pm and the regular meeting was resumed.

When the public meeting convened, a short discussion occurred which dealt with a reasonable salary and benefits package for the Manager's position. The Interim Manager was offered the Manager's position, subject to a resolution being submitted at the next regularly scheduled meeting which will address the salary and benefits to be paid to the new Manager. Staff was directed to bring such a resolution to the next Board meeting.

With no further business to come before the Board, Commissioner Gordon adjourned the meeting at 4:50 p.m.

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William Gordon, President

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Stuart Nelson, Vice President

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Charles D. Hall, Secretary