

**THE BOARD OF COMMISSIONERS OF PUBLIC
UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY, WASHINGTON**

MINUTES OF SEPTEMBER 23, 2008
REGULAR BOARD MEETING

MEETING CALLED TO ORDER

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, September 23, 2008, at 1:00 p.m.

Those present from the District were: Commissioners Bill Gordon, President; Stu Nelson, Vice President; and Chuck Hall, Secretary; Ed Brost, General Manager; Susan Paysse, Director of Human Resources; Tim Nies, Director of Administrative Services; Dale Gutmann, Director of Engineering & Operations; Steve Palmer, General Counsel; Darroll Clark, Conservation Manager, and Susan Bauer, Executive Assistant.

Staff present for part of the meeting were: Linda Boomer, Power Manager; Doug Gould, Information System Manager; Diane Turney, Community Relations Coordinator; Rich Sargent, Power Analyst; Joe Pryce, Customer Service Supervisor; and Rosario Viera, Administrative Assistant.

Public present for all or part of the meeting were: Larry Felton and Boyd Wilson, Bonneville Power Administration.

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

COMMENTS FROM THE PUBLIC

Mr. Felton introduced Boyd Wilson from Bonneville Power Administration (BPA). Mr. Wilson announced that Darroll Clark, Conservation Manager, recently received BPA's 2008 Power Player Award, an award for exemplary commitment to energy efficiency. The award was presented to Mr. Clark, representing Franklin PUD, at the Sunday, September 21st Seattle Seahawks' game at Qwest Field in Seattle, and Mr. Wilson shared pictures of the presentation.

Kudos were given to Mr. Clark by the representatives from BPA for his years of commitment to energy efficiency. Commissioner Gordon and the Board, Mr. Brost, and the Franklin PUD team members all congratulated Mr. Clark on this honor.

OPEN 2009 BUDGET HEARING

Commissioner Gordon opened the 2009 Budget Hearing.

COMMISSIONER REPORTS

Commissioner Nelson reported on his participation in the WPUDA meeting in Port Angeles, and discussed a letter regarding WPUDA involvement in the Whidbey PUD formation initiative that was shared at the meeting. He asked Mr. Brost for comments on the letter, and discussion followed regarding Jefferson, Skagit and Whidbey PUD initiatives, their relationship to WPUDA, the status of a lawsuit against WPUDA, and potential for liability to the District.

Commissioner Hall reported that he attended the WPUDA meeting, and while there was much discussion on the issues, no decisions were made. He reported that Debbie Bone-Harris was at the meeting and spoke about RiverPartners, and that there were many legislative representatives in attendance. Commissioner Hall shared a picture of himself with the 100% solar powered car that he drove in the Benton Franklin Fair parade. Commissioner Hall praised the car and thanked Mr. Clark and Todd Blackman, Energy Services Specialist, for their improvements on the car.

Commissioner Gordon reported that he attended an Energy Northwest meeting, and mentioned that there was discussion of power supply, carbon reduction, nuclear power as an energy source and sale of the Kalama Project.

CONSENT AGENDA

Speaking to an item from the August 26th minutes, Commissioner Gordon requested more information regarding the topics that the consultant, Randy Ray, would be covering under his contract with the District. Mr. Brost shared some information on the topics, and indicated that Ms. Bone-Harris was working on the content of the agreement and would soon have more information to share with the Commissioners.

Commissioner Gordon requested clarification on the process for voiding and replacing a lost or missing check. Mr. Nies provided information on the process.

Commissioner Hall moved and Commissioner Nelson seconded to accept the Consent Agenda as follows:

1. To approve the minutes of the August 26, 2008, regular meeting.
2. To approve payment of expenditures amounting to \$10,439,445.37, as audited and certified by the auditing officer as required by RCW 42.24.080, and certified by the Interim Manager as required by RCW 54.16.100, 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 amounting to \$1,412,471.65; Voucher Nos. 40552, 40557 through 40591, 40593 through 40623, 40699 through 40727, and 40729 through 40784;
 - b.) ACH Vouchers amounting to \$2,809.85; Voucher Nos. 354 through 356, 358, 359, 361, and 362;
 - c.) Refund Vouchers amounting to \$10,772.56; Voucher Nos. 40625 through 40697;
 - d.) Voids in the amount of \$2,067.87;

e.) Wire transfers totaling \$9,015,459.18 as follows:

To:	For:	In the Amount of:
Bank of the West	Direct Deposit Payroll	\$321,535.30
Bank of the West	EFTPS (Payroll Taxes)	\$137,575.90
Department of Retirement Systems	PERS 1, 2, and 3	\$72,028.56
ICMA	Deferred Compensation	\$47,315.84
REHN	125 Plan	\$3,153.92
REHN	VEBA	\$16,949.79
BPA	Slice	\$1,473,675.00
BPA	Transmission	\$329,203.00
BPA	Block	\$700,448.00
Department of Revenue	Excise Tax	\$200,995.46
LL&P Wind	Wind Energy	\$152,730.29
TEA	Power Purchases	\$15,900.00
Benton PUD ICE	Miscellaneous	\$167.00
BPA 2 nd Quarter Substation Maintenance	Miscellaneous	\$3,780.00
Powerex	Frederickson Gas	\$372,453.90
Frederickson	Energy	\$422,900.41
Terasen	Frederickson Gas	\$239,493.24
Lehman Bros.	Financial Power Swap	\$26,610.40
Bank of New York	Bond Principal Payment	\$2,975,000.00
Bank of New York	Bond Interest Payment	\$1,503,543.17

3. To approve for write-off uncollectible accounts, as listed on the Franklin PUD Customer Write-Off Final report dated 8/08, amounting to \$17,491.58.

The motion passed unanimously.

RESOLUTION NO. 1109 – RESCINDING RESOLUTION NO. 938, AND REQUIRING A MONTHLY MEETING FOR THE RURAL ECONOMIC DEVELOPMENT FUND BOARD

Commissioner Gordon reported that staff was reviewing this matter further and would bring it back to the Board next month.

APPOINTMENT OF RURAL ECONOMIC DEVELOPMENT FUND BOARD MEMBERS

Ms. Diane Turney, Community Relations Coordinator, provided background information to the Board concerning the proposed appointment of members to the Rural Economic Development Fund (REDF) Board. This included information on how membership had progressed and changed over time. Ms. Turney requested that the Board formally approve the current serving members, and approve the appointment of new members. There was some discussion about the progression of REDF Board members, and Commissioner Gordon requested and was given confirmation by Ms. Turney that the REDF Board was making the request for Franklin PUD Board approval of these specific individuals to the REDF Board and that all individuals had agreed to serve.

Commissioner Nelson moved and Commissioner Hall seconded to appoint the following representatives to serve as REDF Board Voting Members:

- Gene Stocking, Community of Connell
- Rick White, City of Pasco
- Sam Good, Port of Pasco
- Ben Volk, Pasco Community Member
- Debbie Bone-Harris, Franklin PUD

The motion passed unanimously.

**CONTRACT YEAR 2009 EXHIBIT UPDATES FOR BPA BLOCK & SLICE
POWER SALES AGREEMENT, CONTRACT NO. 00PB-12150**

Linda Boomer, Power Manager, provided information on the annual updates to the Agreement, and discussion followed. Ms. Boomer confirmed for Commissioner Gordon that, under the terms of the current contract, the District will be a Slice participant for two more years beyond 2009.

Commissioner Hall moved and Commissioner Nelson seconded to authorize the General Manager or his designee to execute Slice Contract Exhibits A and C, and accept Exhibits G, H, I, L and M for the contract Year 2009.

The motion passed unanimously.

**PRESENT 2009 OPERATING BUDGET AND WORK PLAN AND ACCEPT
PUBLIC COMMENT**

Mr. Nies, Director of Administrative Services and the District's Auditor, presented the 2009 Budget. Mr. Nies' presentation included a thorough overview, and a detailed description and analysis of:

1. The Budget Process;
2. Operating Revenues;
3. Operating Expenses;
4. Workplan Highlights;
5. Capital Expenditures; and
6. Final Reserves Projection.

The presentation was detailed and included discussion of each item with the Board and staff. Mr. Nies and others answered questions about specific items in the presentation.

The Budget hearing was recessed to the October 28, 2009 Board meeting, where it will be re-opened for further discussion and public comment.

**APPROVAL OF THE ENERGY AUTHORITY (TEA) TRADING
AGREEMENT WITH ALCOA POWER MARKETING LLC (APM)**

Mr. Palmer, General Counsel, provided a brief background on the matter, and spoke to the recommendation from TEA for approval to trade with APM. The Board has, in the past, approved the use of similar agreements for several entities. Mr. Palmer had reviewed the agreement and staff recommended that the Board approve.

Commissioner Nelson moved and Commissioner Hall seconded to authorize the General Manager to execute the Alcoa Power Marketing EEl agreement proposed for use by TEA for its trading as principal activities on behalf of the District.

The motion passed unanimously.

RESOLUTION NO. 1112 – AUTHORIZING THE GENERAL MANAGER TO EXECUTE A RESIDENTIAL PURCHASE AND SALE AGREEMENT WITH BONNEVILLE POWER ADMINISTRATION

Mr. Rich Sargent, Power Analyst, provided the Board a handout, "Overview of Average System Cost." Mr. Sargent presented an overview of the Residential Exchange Program and answered questions from the Board. Mr. Sargent estimated the benefits from this program for CY 2009 to be approximately 1.2 million and emphasized that the benefits must be passed through to customers.

Commissioner Nelson moved and Commissioner Hall seconded to adopt Resolution No. 1112, approving a Residential Purchase and Sale Agreement with BPA which allows the District to receive residential exchange benefits from BPA and requires pass-through of any benefit to the District's eligible customers.

The motion passed unanimously.

RESOLUTION NO. 1108 – AUTHORIZING THE DISPOSAL OF CERTAIN OFFICE EQUIPMENT, FURNITURE AND COMPUTERS

Mr. Palmer, General Counsel, introduced the agenda item and provided the Board information on the equipment, furniture and computers to be disposed of. Mr. Palmer answered Commissioner Gordon's questions regarding the disposal process.

Commissioner Hall moved and Commissioner Nelson seconded to adopt Resolution No. 1108, which authorized the disposal of certain office equipment, furniture, and computer related equipments as listed in the Exhibits "A" and "B."

The motion passed unanimously.

AWARD BID NO. 5298 – OPERATIONS RE-ROOF REBID

Mr. Gutmann, Director of Operations and Engineering, provided the Board background information concerning the Operations Center re-roofing rebid, and recommended that the Board authorize the award of a contract to the successful bidder.

Commissioner Hall moved and Commissioner Nelson seconded to award Bid No. 5298, Operations Re-Roof Rebid to Gillespie Roofing, Inc., the lowest evaluated responsive bidder, at a total cost of \$238,070, and to authorize the General Manager to sign the contract.

The motion passed unanimously.

CLAIMS

Mr. Palmer reported that there were claims with Federated Insurance Company as follows:

1. Claim against Franklin PUD in the amount of \$550 for service interruption. The claim has been submitted to Federated.
2. Claim against Franklin PUD (as previously referenced in last Board meeting and minutes), in the amount of \$150 for a faulty thermostat. While Federated has denied the claim, the District has determined that it will pay the claim.
3. Claim for Franklin PUD in the amount of \$47,000 for property loss and \$6,000 for employee personal property loss as a result of recent burglary. The claim has been submitted to Federated.

GENERAL MANAGER'S REPORT

Mr. Brost:

1. Reported on the Slice negotiations status; contract templates are out for review. Issues, both large and small, remain that will need to be resolved. Primary issue is still the 25% cap. The cap could force us not to select the Slice Product post-2011. If unresolved, there is a potential that the significant contract issues could result in customers not signing a contract by the December deadline.
2. Reported on a RiverPartners meeting and the harvest report that Columbia Snake Rivers Irrigators, Franklin PUD, and others, had funded. The RiverPartners have been requested to consider whether to get the harvest study report issues into the record so it can be a discussion issue among the stakeholders. Discussed the upcoming RiverPartners Forum on October 10, and reception on October 9, in Kennewick.
3. Reported on the wind integration discussion at the PNUCC meeting, and the issue of wind being added throughout the region much faster than had been expected. Wind integration is becoming a major issue for the region.
4. Discussed the NUTEC Training Facility that the International Brotherhood of Electrical Workers 77 wants to buy. There will be further discussion and updates on this matter as it progresses, including the status of utility investment in the facility.
5. Shared a handout on climate change from Clark PUD regarding what they think the cap and trade should be; Clark and Snohomish and WPUA are all on the same page on this matter. A press release/position paper from the Governor's office is expected any day and, according to the legislation, the state has to address the climate change issue by December 1st, 2008. The questions of how much money will be generated, where the money will go, and at what cost to utility ratepayers, are at the heart of the debate.
6. Announced to the Board that the District will hold several United Way kickoff sessions tomorrow.
7. Informed the Board that he will be on leave the next two weeks.

STAFF REPORTS

Ms. Paysse, Director of Human Resources:

1. Reminded the Board that based on their approval at the last meeting, the PUD will close on October 13th for an all-employee training session. The training will be held at the Pasco Senior Center, and, based on agreement yesterday with the Union, will be from 7:30 am to 4:00 pm.

2. Updated the Board on the completion of the collective bargaining agreement. It has been sent off for signature by the national chapter. Clean copies are available; final version in booklet form will be printed and available later.
3. Announced that she will be attending the National Wage and Hour Conference next week.
4. Announced that as of September 29, 2008, the District is at full staffing; no open positions.

Mr. Nies, Director of Administrative Services:

1. Reported that the monthly budget status, workplan and broadband update are in the packet for their review; that Slice generation for August was down significantly; and that Fredrickson was run quite a bit but for load, not for sales.
2. Reported that, based on the status of the software project and the building remodel, the AMR project is on hold tentatively until mid to late 2009, when we can better determine how to proceed.
3. Reported that the Building Committee has evaluated the responses to the RFQ for a construction manager, and has narrowed the responses down to three candidates, who will be interviewed on October 6, 2008. After this selection, bids for the building remodel/expansion project will be requested.
4. Announced the payment of \$165,000 for the second half of NoaNet assessment. The amount was smaller than had been set aside in the budget for payment. The Board requested that Mr. Nies continue to report on actual versus budgeted payments.
5. Attended the APPA Finance Conference last week and reported that it was well attended, excellent speakers and good networking time with other TEA members. Main concern for rating agencies was the high cost utilities are facing due to the carbon issue.

Mr. Gutmann, Director of Operations and Engineering:

1. Reported that he had been contacted by the media regarding the Taylor Flats 115 KV Line easements, and the fact that one land owner had not complied with the requirement to move a fence to meet the easement needs. Issues remain about the responsibility for maintenance of the easement, though the District is firm that its only responsibility is related to its own power pole weed control program.
2. Announced that effective tomorrow, asphalt is being laid at the Operations Center, so the alternate route into the center is through the north gate until the project is complete.
3. Clarified the status of the Connell-Kahlotus line. Easements and staking have not yet been completed.

Mr. Clark, Conservation Manager:

1. Provided an update on the qualifications for eligibility for credit on a conservation loan;
2. Discussed the status of Con Agra's conservation projects;
3. Announced that he had been successful in receiving approval from BPA to conduct a ductless heat pump installation project;
4. Reported that planning for next year's Energy Efficiency/Renewable Energy EXPO, and community support, looks to be great;
5. Provided an update on the Utility Roundtable; and
6. Reported on the de-lamping project in District offices.

Mr. Palmer, General Counsel:


1. Provided the Board an update on the August 27th burglary. Individuals have been arrested and some property (but no computers) has been recovered, however, the property is being held by the Police Department until the case is closed. Mr. Palmer assured the Board that there does not appear to be any breach of sensitive information held by the District.
2. Noted for the Board's information that the November 11, 2008 regularly scheduled Board meeting falls on a holiday, Veterans' Day, and that could be in conflict with the statute on meeting schedules.

The Board made a decision to change the November 11, 2008 meeting to November 25, 2008, also a regularly scheduled meeting date, in order to be in compliance with the statute.

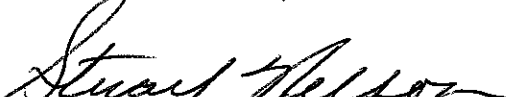
OTHER

Mr. Larry Felton, Bonneville Power Administration, spoke briefly about BPA's requirement to offer the Slice contract, and some discussion followed regarding the several possible outcomes that could occur if the contract is signed, not signed, or not signed until after the first of the year. Mr. Brost reminded Mr. Felton that the due date had passed for BPA's promised summary of Good Faith Estimates. Mr. Felton will check on the status of the summary.

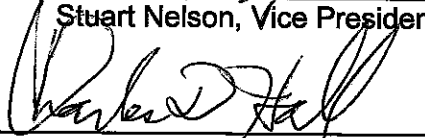
With no further business to come before the Board, Commissioner Gordon adjourned the meeting at 5:20 p.m.



William Gordon, President



Stuart Nelson, Vice President



Charles Hall, Secretary