

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

MINUTES OF JANUARY 13, 2009  
REGULAR COMMISSION 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, on January 13, 2009, at 1:00 pm.

Those present from the District were: Commissioners Stu Nelson, President; Chuck Hall, Vice President; and Bill Gordon, Secretary; Ed Brost, General Manager; Steve Palmer, General Counsel; Debbie Bone-Harris, Community and Government Relations Manager; Tim Nies, Director of Administrative Services; Susan Paysse, Director of Human Resources; Dale Gutmann, Director of Operations; Duane Sams, Acting Director of Engineering; Linda Boomer, Director of Power Management; and Susan Bauer, Executive Assistant.

Staff present for part of the meeting were: Darroll Clark, Energy Services Manager and Mark Hay, Senior Systems Engineer.

Public present for part of the meeting was: Larry Felton, Bonneville Power Administration Account Executive.

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

**ADMINISTERING THE OATH OF OFFICE**

Tim Nies, in his role as District Auditor, administered the Oath of Office to Commissioner Bill Gordon. Commissioner Gordon was recently re-elected to the position of PUD Commissioner District 2.

**COMMENTS FROM THE PUBLIC**

No comments were presented from the public.

**COMMISSIONER REPORTS**

Commissioner Gordon reported that he recently participated in a tour of the Hanford site. He recommended the tour to District management and staff.

Commissioner Hall reported that he attended the 2009 Ag Show at the Pasco TRAC, and said it was the best ever. He noted that even with the current downward economy, the overall attitude was positive and the show was impressive. Commissioner Hall thanked Ms. Bone-Harris for her promotion efforts.

Commissioner Nelson reported that he attended the Ag Show and the January PPC meeting in Portland. He asked Mr. Brost, General Manager, to report on the PPC meeting, in particular, the discussion regarding Bonneville Power Administration's (BPA) proposed DSI service. Mr. Brost provided some specifics from the meeting, including the recent ruling from the courts which found BPA's subsidies of the DSIs unlawful. BPA has indicated that it will modify and continue to go forward with contracts with the DSIs. He noted BPA's view of the contracts as provided by Mr. Norman at the meeting. This action is not supported by the public utilities, including the District.

Larry Felton, Bonneville Power Administration Account Executive, commented that within BPA, there were mixed thoughts about the proposed power sales contracts for the DSIs and that it was a tough decision for BPA to make.

Commissioner Hall then called attention to the 2008 Commissioner's Travel Expense report, specifically the expenses of Commissioner Nelson. Commissioner Hall stated that he is concerned about the amount of expenses incurred by Commissioner Nelson in comparison with the expenses incurred by the other two Commissioners, and that he has a responsibility to the District and the customers to address the issue. Discussion ensued.

Mr. Brost reported that beyond budget limitations, there are neither travel restrictions nor approval authority currently required for Commissioner travel. Mr. Brost added that the District travel policies are currently under revision, and that the revisions will address some travel expense issues. He also noted that the Commissioners could decide among themselves if they wish to establish parameters for Commissioner's travel.

Mr. Brost also noted that Commissioner Gordon is on the Executive Board of Energy Northwest, and that they pay all travel expenses related to his role on the Executive Board.

Commissioner Hall further called attention to the plans for two Commissioners to travel to Washington D.C., and, noting the expenses that will be incurred, wondered if it is necessary for two to attend. Commissioner Hall expressed again that the travel expenses are out of proportion and that it should be discussed, and that the Commissioners should monitor themselves.

Mr. Brost emphasized the responsibility that exists for all employees and officials of the District to be responsible stewards of the public funds, to act in the best interest of the District, and to be mindful of travel expenses and coordinate travel when possible. He indicated that he had already discussed the matter with Commissioner Nelson and he was going to review expense reports.

## **CONSENT AGENDA**

Commissioner Gordon asked, when reviewing the wire transfer list, why there was an expense for White Creek wind power, but not an expense for Nine Canyon wind power. Ms. Boomer, Director of Power Management, responded that Nine Canyon is on a regular monthly billing rate, while White Creek is on an output basis. Therefore, the billing for White Creek tends to have a payment lag. Mr. Brost pointed out that Nine Canyon was listed separately on the ACH Voucher list.

Mr. Nies, Director of Administrative Services, noted that wind power costs are separately identified so that the District can report on the costs related to I-937 and renewable energy.

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

1. To approve the minutes of the Regular Meeting of December 9, 2008.
2. To approve payment of expenditures amounting to \$6,192,823.10 as audited and certified by the auditing officer as required by RCW 42.24.080, and as certified by the General 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 Commission for inspection prior to this action, as follows:
  - a.) Automated Voucher Nos. 41802 thru 41851, 41853 thru 41891, 41893 thru 41942, and 41944 thru 41967 in the amount of \$1,184,043.11; and
  - b.) ACH Voucher Nos. 422, 424, 425, 427 and 429, in the amount of \$2,752.89; and
  - c.) Voids in the amount of \$203.91; and

d.) Wire transfers totaling \$5,006,231.10 to the following:

<i>To:</i>	<i>For Payment Of:</i>	<i>In Amount of:</i>
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$ 335,863.94
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$ 137,902.38
DEPT RETIREMENT	PERS 1,2,&3	\$ 73,421.20
ICMA	DEFERRED COMPENSATION	\$ 61,523.74
REHN	125 PLAN	\$ 3,153.92
REHN	VEBA	\$ 16,523.77
BPA	SLICE	\$ 1,473,675.00
BPA	TRANSMISSION	\$ 317,627.00
BPA	ADJUST TO ACTUAL TRANSMISSION	\$ 25,570.00
BPA	BLOCK	\$ 848,534.00
BPA	3RD QTR SUBSTATION MAINT	\$ 2,152.50
DEPT OF REVENUE	EXCISE TAX	\$ 201,669.61
BENTON PUD	ICE (BROKER)	\$ 167.00
FREDERICKSON	ENERGY	\$ 437,518.87
LL&P WIND	WIND ENERGY	\$ 96,069.80
TERASEN	GAS-FREDERICKSON	\$ 697,392.99
POWEREX	GAS-FREDERICKSON	\$ 29,895.08
UBS	FINANCIAL SWAP-GAS	\$ 57,816.00
CONSTELLATION	FINANCIAL SWAP-GAS	\$ 40,434.00
BP	FINANCIAL SWAP-GAS	\$ 38,056.30
MORGAN STANLEY	TEMPERATURE TRIGGER	\$ 111,264.00

3. To approve progress payment for work completed October through November 2008 by Power City Electric, in the amount of \$98,742.78, for Contract 4944, 2008 Miscellaneous Projects.
4. To approve final payment for work completed by City Pacific Services, in the amount of \$153,082.97, for Contract 5241, B-1 Feeder Rebuild.
5. To accept all work and authorize release of retainage for work completed by Mountain Power Construction Co., for Contract 4647, Blanton Road Substation.

The motion passed unanimously.

**AWARDING & EXECUTING A CONTRACT FOR THE PURCHASE OF DISTRIBUTION TRANSFORMERS**

Mr. Duane Sams, Acting Director of Engineering, introduced Mr. Mark Hay, Senior Systems Engineer, and requested that Mr. Hay speak to this agenda item.

Mr. Hay reported that annually, the District requests bids for the purchase of distribution transformers. This year, WESCO (ABB) and HD Supply Utilities (Cooper Power Systems and Pauwels) submitted firm price bids as indicated on the Agenda Item Attachment 1, Contract Amounts. Mr. Hay stated that HD Supply Utilities (Cooper Power Systems) was the evaluated low bidder for single phase padmount and pole mount transformers, and HD Supply Utilities (Pauwels) was the evaluated low bidder for three phase padmount transformers.

The bids were evaluated on a 'total owning cost' basis, which calculates the cost over the life of the transformer, as opposed to looking only at the purchase price. The staff recommendations are based on the comparison of total owning costs (including loss factors) for Bid 5349, as indicated on Agenda Item Attachment 2, Award Basis.

Staff recommended that a contract for items 1, 2, and 3 (single phase pad and pole mounted transformers) be awarded to HD Supply Utilities (Cooper Power Systems) and a separate contract for items 4 and 5 (three phase padmounted transformers) be awarded to HD Supply Utilities (Pauwels). These contracts will be utilized by the District to obtain transformers as needed throughout 2009 at the fixed unit price.

Current expectations are for the total cost to be within the 2009 Work Plan amount of \$750,000, including labor loadings. However, actual costs will be dependent on actual needs during the year. The combined, executed contracts will not exceed \$1,071,386.15.

Commissioner Gordon requested clarification on why the two amounts are so different. Mr. Hay responded that the costs and anticipated quantities needed were calculated last June, and that costs have fluctuated in this volatile economy; he responded that purchase estimates are made during the budget process, and are based on staff's best projections of needs. He stated that the contract has to be flexible enough to purchase what we actually need, which might be more or less than we anticipate.

Commissioner Gordon reminded staff to try to make the most reasonable estimates possible, in order to get actuals as close as possible to projections, and in so doing, will make for a more accurate budget for next year.

Mr. Brost agreed that staff need to make their best projections of cost and need, while keeping as much flexibility as possible in contracting. He indicated to the Commissioners that the Work Plan was the best projection at this time.

Mr. Sams agreed and noted that that while some of the costs might be higher than anticipated due to new customers and new needs, it could also mean that the District would realize an increase on the revenue side, as many of these costs are ultimately paid as part of the District's aid to construction policy.

Commissioner Hall moved and Commissioner Gordon seconded to award two contracts to HD Supply Utilities, the evaluated low-bidder, for the purchase of distribution transformers for 2009 and to authorize the General Manager or his designee to execute said contracts in a combined amount not to exceed \$1,071,386.15.

Motion passed unanimously.

### **AWARDING & EXECUTING A CONTRACT FOR THE PURCHASE OF CABLE**

Mr. Gutmann, Director of Operations, reported that the District requested bids for the purchase of primary underground cable, and that the bid request contained two items:

- Bid item #1, 15kV, 1000 Al stranded with 175 mil EPR insulation
- Bid item #2, 15kV, #2 Al stranded with 175 mil EPR insulation.

Wesco submitted a bid in the amount of \$220,521.60 for Bid item #1 and \$112,800 for Bid item #2. HD Supply Utilities submitted a bid in the amount of \$243,146.80 for Bid item #1 and \$113,200 for Bid item #2. Wesco was the lowest responsive bidder, and staff recommends that the contract be awarded to Wesco. Staff requested a slightly higher amount due to vendor's practices of loading cable on spools which results in an uncertainty as to the exact amount of cable received.

Commissioner Hall moved and Commissioner Gordon seconded to award a contract to Wesco, the lowest responsive bidder, for the purchase of primary underground cable, and to authorize the General Manager or his designee to execute said contract in an amount not to exceed \$340,000.

Motion passed unanimously.

### **SURPLUS COOPER FORM 6 CONTROLS**

Mr. Gutmann reported that the Cooper FORM 6 controls do not work with the current SCADA system, and they would like to surplus the items. Mr. Gutmann indicated that the surplus items would be sold or traded out for credit. Exhibit A of the Agenda Item listed Cooper FORM 6 controls that are no longer used on the reclosures in the substations.

Commissioner Gordon moved and Commissioner Hall seconded to adopt Resolution 1122 as presented.

Motion passed unanimously.

### **CLAIMS**

Mr. Palmer reported that one claim was received from a Pasco resident for appliance failure. The claim has been submitted to the insurance company for review.

Mr. Palmer reported that he has been in discussion with the insurance carrier for KIS International, Inc. The District filed a claim against KIS for property loss as a result of KIS's alleged negligence in starting a fire on February 8, 2008, at the Port of Pasco. The District lost approximately \$55,000 worth of equipment. As a result of negotiations, the insurance company has offered to settle the District's claim if the District reduces its claim by \$7,000. Mr. Palmer asked for the Commission's approval to settle the claim for the approximate amount of \$48,000, and the Commissioners unanimously agreed.

## **GENERAL MANAGER'S REPORT**

Mr. Brost, the General Manager, reported that he was elected a Vice Chair of the Public Power Council (PPC), in charge of Long Range Planning. He noted that Ms. Boomer is his alternate to the Council. Mr. Brost stated that the transmission rate case was a topic at the meeting, and that PPC is supporting settlement or partial settlement of the rate case. He reported that BPA will be coming out in January with power and transmission rates for 2010 and 2011. He reported that BPA is expecting to establish rate increases, but that no numbers were shared at the PPC meeting. He also indicated there would be contract 'clean up' efforts related to the new post 2011 power contracts. He indicated one issue that would be discussed was the effect the current economy will have on 'high water marks.'

Mr. Brost advised the Commissioners that he conducted annual evaluations for the Management Team. He reported that the alternate work schedule topic is still being considered for Operations with bargaining unit preference for a schedule of 8-9's, with alternate Friday's off. He reported that no decisions have been made yet, and if there is a schedule change, it will be on a trial basis only, and that it will not affect schedules at the Administration Building.

Commissioner Nelson asked specifically how an alternate schedule would work, and discussion ensued with Mr. Gutmann regarding the practical application of an alternate work schedule for lineman and others at Operations. Mr. Gutmann and Mr. Brost reiterated that there are many details to work out before making a decision.

Mr. Felton requested a moment on the agenda, as he had a conflicting appointment and had to leave soon. He stated that BPA had a workshop on Tier 2 BPA products and resource support services, and that another workshop will be offered in Pasco, possibly on February 18 or 20. He reminded staff that the deadline for determining how the District will serve Tier 2 load is November 1, 2009. He stated that BPA would present their District load forecast for 2010 about the first of March, and will finalize their forecast about the first of May 2009.

## **STAFF REPORTS**

Ms. Paysse, Director of Human Resources, reported that:

1. A Mechanic has been hired, and will start January 26. This action was taken to help prepare for the retirement of the Lead Mechanic in 2009;
2. as identified in the 2009 Budget, warehouse and substation electrician positions are now posted as open;
3. the Customer Service Representative position approved in the 2009 budget was filled by converting a temporary, on-call employee (Helen Case) to regular, full-time;
4. a Meter Reader has resigned to join the military, creating an opening that will be posted in-house. If there are no qualified bidders, the position will be advertised;
5. effective January 2, 2009, Jean Ryckman, former District Manager, officially retired;
6. a wellness activity is being planned, with Lourdes Occupational Health. More information will be reported at the next Commission meeting on this event, which is tentatively scheduled for February; and

7. Human Resources has launched its homepage on the Intranet. Forms and other information are available, and feedback is appreciated.

Mr. Nies, Director of Administrative Services, reported that:

1. with regard to the November budget status, retail revenues are down, as are wholesale sales. Expenses are under budget. Reserves dropped approximately two million dollars in November, but, based on the preliminary numbers for December, it is expected that they will come back up approximately five hundred thousand dollars;
2. the Work Plan is under budget through November;
3. the bidding for the building remodel has been delayed, but is expected to go out early next week. There is a 3 week period for bidders to submit proposals, and therefore it is expected that Mr. Nies will make a recommendation to the Commission for a contract award in March. The bid package does contain alternates, and those alternate decisions can be made at the time of award. Mr. Palmer added that staff are focusing on getting the many pieces together from all the players in order to get a good bid package together, and that the request for bids will be advertised beginning Sunday, January 18, 2009. Commissioner Gordon asked if perhaps late summer would be a better time to get bid estimates; Mr. Palmer indicated that information indicates that now is a good time;
4. he is waiting for information from the Architect before he can recommend an amendment to the Architect's contract, so that will be on the January 27 or February 10 agenda;
5. phone system bids have been evaluated and have been narrowed down to three finalists, who are scheduled for interviews. He hopes to come to Commissioners in February with a recommendation for award; and
6. he has begun preliminary work for a rate study including preparing to contract with a new rate consultant. He expects to convene the Rate Advisory Committee the first of March, and will let Commissioners know when the meeting date is confirmed.

Ms. Bone-Harris, Community and Government Relations Manager, reported that:

1. she is meeting Randy Ray in Olympia tomorrow, and that he has several appointments set with members of the Legislative Energy Committee;
2. the Tri-Cities Legislative Council has a priority paper on climate change and renewable energy for the annual February trip to Olympia;
3. February 6 is Energy Independence Day in Olympia, focusing on the Tri-Cities as a renewable energy leader and hoping to draw attention to the area. There will be a follow up in May, setting up tours in our area for legislative representatives;
4. she submitted the Economic Stimulus Package request for the District's efficiency/renewable portion of the Administration building remodel to Senator Murray, Senator Cantwell and Senator Hewitt's offices;
5. the Key Accounts meeting will be held in the auditorium on February 11; and
6. she handed out several information pieces, including a press release on Commissioner Gordon's re-election and swearing in.

Mr. Gutmann, Director of Operations, reported that:

1. Operations finally received the bucket truck from Terex that was ordered in 2008;
2. yesterday the crew started changing out the Datamatic meters, and that they did about one hundred yesterday, so the project may go much quicker than they had anticipated; and
3. the Meter School in Wenatchee will be sending some students down to Operations to get some experience that they cannot get at their own utility, and that he is working with Mr. Palmer to make sure the District's liability coverage for the students is in place.

Mr. Sams, Acting Director of Engineering, reported that:

1. statistics for 2008 show it was a busy year; the District added 25 circuit miles of distribution line in 2008, compared to the 10 year average of 18 miles/year. Work Orders completed were slightly above the 10 year average and Service Requests Orders were slightly below the 10 year average; and
2. the Kahlotus line rebuild project is again being discussed/planned and we are focusing on phase 1, which is the first six to seven miles from Connell. The District consultant will be making contact with the landowners on the most likely line route (which appears to be adjacent to the abandoned railway right-of-way) for the purpose of obtaining easements. He hopes to get those contacts made this month, and then reassess the plan and schedule.

Ms. Boomer, Director of Power Management, reported that:

1. she met with TEA today to discuss the IRP draft in preparation for the next Commission meeting;
2. the NERC/WECC Critical Infrastructure Protection Standards self-certification report is due. A recently-completed risk-based assessment identified no critical assets are owned by the District, so that will be reported to WECC;
3. BPA has several meetings coming up on the new Slice water routing model; and
4. on January 27, BPA will hold a day-long energy efficiency workshop in Portland, which Mr. Darroll Clark will attend;
5. She introduced Mr. Clark, Energy Services Manager, to provide more information on an item that will be on the next Commission agenda since he will not be at that meeting. Mr. Clark reported that it is important that the District have money set aside for energy efficiency projects so that when customers are interested in doing projects, we can meet their needs. Because of some recent large industrial customer project requests, staff will be requesting additional conservation dollars on January 27 to support the projects. Commissioner Gordon asked how the projects relate to I-937. Mr. Clark said the projects were consistent with the I-937 goal of achieving all cost-effective conservation, even though the District has not yet met the I-937 threshold for compliance. He also discussed high water mark implications for the new BPA twenty-year contracts; increasing conservation now will provide the District with more Tier 1-priced power over the seventeen-year contract period. Our strategy is to do as much conservation as we can. Commissioner Gordon asked about the average life of projects; Mr. Clark answered that it is about twelve years.

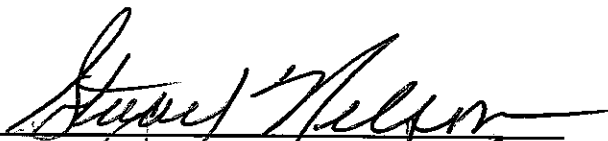
Mr. Palmer, General Counsel, reported that:

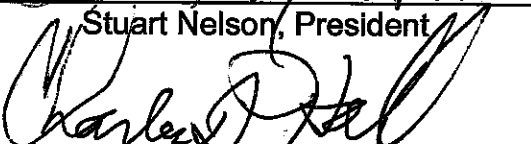
1. the Lifequest/Holiday Express claims that were previously denied have been appealed to the insurance company, and the insurance company has requested more information, and Mr. Palmer expects that they may settle the customer's claims;
2. he had been asked about a PUD Commissioner's ability to hold a second public office, one that had been vacated by a local official. After reviewing the regulations, Mr. Palmer reported there is no specific prohibition against someone holding the two offices of PUD Commissioner and State Representative. However, there was a prohibition against a candidate's name appearing twice on the same ballot.

Ms. Paysse, Director of Human Resources, reported to the Commission that the District will be closed to the public on January 19, 2009, but open for internal operations and that it will be a Records Management day for staff.

**MEETING ADJOURNED**

With no further business to come before the Commission, Commissioner Nelson adjourned the meeting at 3:07 pm.

  
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Stuart Nelson, President

  
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Charles D. Hall, Vice President

  
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William Gordon, Secretary