

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

MINUTES OF FEBRUARY 10, 2009  
REGULAR COMMISSION MEETING

**MEETING CALLED TO ORDER**

The Board of Commissioners of Public Utility District No. 1 of Franklin County held their regular meeting at 1411 West Clark, Pasco, Washington, on February 10, 2009.

Those present from the District were: Commissioner Stu Nelson, President; Commissioner Chuck Hall, Vice President; and Commissioner Bill Gordon, Secretary; Ed Brost, General Manager; Steve Palmer, General Counsel; 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.

Members of staff present for part of the meeting were: Darroll Clark, Energy Services Manager; and Diane Turney, Community Relations Coordinator.

Members of the public present for all or part of the meeting were: Dave Spencer, NoaNet Chief Operating Officer; Jim Oakley, Energy Northwest; and Larry Felton, Bonneville Power Administration Account Executive.

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

**COMMENTS FROM THE PUBLIC**

No comments were presented from the public.

**COMMISSIONER REPORTS**

Commissioner Hall reported that he attended the recent WPUDA meetings in Olympia. He reported that February 6 was the 25<sup>th</sup> day of the 2009 Legislative session, and that 2,075 bills had already been presented to the Legislature; he commented that this seemed to be an overwhelming number considering they were still early in the session.

Commissioner Gordon reported that Energy Northwest is coordinating the consolidation of communication facilities on Rattlesnake Mountain, and that the District should participate, as it will be impacted by the solution. Mr. Gutmann noted that his attendance at the Commission meeting precluded his attendance at the Energy Northwest meeting on this topic, but that he would be getting a report from attendees.

Commissioner Nelson reported that he also attended the recent WPUDA meetings and reported he felt the WPUDA updates were already well disseminated within the District.

## **CONSENT AGENDA**

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

1. To approve the minutes of the Regular Meeting of January 27, 2009.
2. To approve payment of expenditures amounting to \$715,412.88 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 vouchers 42394 through 42447, and 42449 through 42487, in the amount of \$717,355.05;
  - b.) ACH vouchers 438 and 439, in the amount of \$1,097.05;
  - c.) Handwritten vouchers 6693 and 6703, in the amount of \$1,360.00; and
  - d.) Voids in the amount of \$4,399.22.
3. To approve for write-off uncollectible accounts as listed on the Franklin PUD Customer Write-Off Final report dated February 2, 2009, amounting to \$13,389.83.

The motion passed unanimously.

## **AUTHORIZING THE 2009 DEBT SERVICE PAYMENT FOR NOANET**

Mr. Nies, Director of Administrative Services, introduced the agenda item, and he also introduced Mr. Dave Spencer, NoaNet Chief Operating Officer. Mr. Nies reported on the District's history with NoaNet, and described how the District entered into an agreement with NoaNet in 2000 that guaranteed an annual 6.44% payment of the debt service on the NoaNet bonds. The bonds were issued as start-up capital to begin operations. The members of NoaNet, of which the District is one, have annually paid their full percentage share of the bond repayment until last year when NoaNet paid \$500,000 toward the debt service payment from operating revenues, saving the District \$32,200.

NoaNet had intended to pay \$1,500,000 towards its 2009 debt service payment, which would have reduced the District's annual payment by \$96,000. However, if the District would pay their full annual share of the repayment, NoaNet would be free to use their revenues to support several proposed capital projects that would provide additional revenues.

Mr. Nies noted that the District's annual payment amount was a contractual obligation, and that it was budgeted in full for 2009.

Mr. Spencer spoke to NoaNet's constant need of capital, and said that it is a capital-intensive business. He stated that their revenue stream looked solid through 2009, and that NoaNet is not a profit-building agency, that they do not carry large reserves, only working capital. The District's full-share repayment would allow NoaNet to continue to use a portion of their reserves for expansion. Mr. Spencer reviewed several proposed projects for the Commission.

Commissioner Nelson asked about future repayment, and Mr. Spencer reviewed some timelines for repayment. Commissioner Gordon asked about NoaNet's line of credit and Mr. Nies and Mr. Spencer both responded with information on how the line of credit operated, how it was more of a short-term loan than a line of credit. Commissioner Gordon stated that he was very comfortable with NoaNet performance; he recommended that NoaNet consider starting to accumulate some reserves.

Commissioner Hall noted that inventory is also an indicator of growth; Mr. Spencer agreed and said they are always looking to increase their economic footprint. Mr. Spencer said they also want to continue to reinvest in the network, and to increase substantially the capacity for their customers.

Commissioner Hall moved and Commissioner Gordon seconded to authorize the District to pay its full share of the third repayment agreement, an amount not to exceed \$198,000 or 6.44% of the 2009 total annual debt services payment on NoaNet's original bond issue.

Motion passed unanimously.

#### **AUTHORIZING THE TRANSFER OF THE ADMINISTRATION OF THE RURAL ECONOMIC DEVELOPMENT FUND (REDF) PROGRAM TO BENTON-FRANKLIN COUNCIL OF GOVERNMENTS**

Mr. Brost, General Manager, re-introduced this agenda item from the previous meeting where the Commissioners had tabled a decision until further information and clarification was available. Mr. Brost spoke on behalf of Ms. Bone-Harris, Community and Government Relations Manager, who is absent from today's meeting and introduced Ms. Turney, Community Relations Coordinator.

Mr. Brost reported that at the last meeting there were two questions raised: one, specific to the program service area; two, specific to the potential use of the fund for conservation projects.

Mr. Brost reviewed the options concerning the first question, which the REDF Agenda Item documented for the Commissioners. He recommended that the most beneficial option for the District would be to define the program service area as Franklin County, with a preference given to projects within the District's service area whenever competing projects and/or when funding limitations exist.

Commissioner Gordon noted that there are some District accounts served by Big Bend Electric Co-Op due to remoteness or being an 'island' of District area; there are also accounts within Big Bend's service area that are served by the District. He proposed

that the definition give further preference to projects served by the District. The Commissioners agreed to this proposal and Mr. Brost indicated staff would incorporate that provision into the final policy.

Commissioner Gordon asked for clarification regarding the .5% administrative fee that the project entities pay for the REDF loans, and Mr. Brost stated that the .5% is an annual percentage. Further, for new loans, the fee would be added to the interest and payable by the borrower. For the two existing loans, that BFCOG would administer, the .5% would be taken from the current interest payments.

Mr. Brost then addressed the second question from the previous meeting, the question of using the REDF money for conservation projects. Mr. Brost reported that under the program rules, if the District decided to use fund monies for conservation projects, the District would be required to terminate the REDF program before using the funds. Mr. Brost indicated that staff does not want to terminate the loan program in the current economic environment. He also reported that the District could use the funds for the existing conservation loan program without terminating the fund, but over \$300,000 is currently available in the conservation loan program for new loans. Mr. Brost proposed that the District transfer the administration of the program for now, and if the District determines later that the REDF program should be terminated, the agreement with the BFCOG would be terminated and the fund would be brought back in-house and the District can then determine how best to use the remaining dollars in the fund.

Commissioner Hall moved and Commissioner Gordon seconded to execute a Memorandum of Understanding with the BFCOG, designating the BFCOG as the administrative authority over the REDF, and authorize the General Manager to sign a revised Rural Economic Development Revolving Fund Policy. Commissioner Hall further moved and Commissioner Gordon seconded to dissolve the REDF Board, and to rescind Resolution 1114.

The motion passed unanimously.

#### **AUTHORIZING THE GENERAL MANAGER OR HIS DESIGNEE TO EXECUTE A CONSULTING TASK ORDER BETWEEN THE ENERGY AUTHORITY (TEA) AND THE DISTRICT**

Ms. Boomer, Director of Power Management, introduced this item, reporting that the task order covers work that TEA does for the District, including representation of the District at BPA meetings, and assistance with transmission issues, general power management, finalizing the integrated resource analysis, and development of a new long-term load forecast model.

Ms. Boomer indicated that the District has typically run under budget on this annual task order, and so they decreased the budget for this year by \$1,800 per month from 2008.

Commissioner Gordon moved and Commissioner Hall seconded to authorize the General Manager or his designee to execute a 2009 TEA Consulting Task Order between TEA and the District, in an amount not to exceed \$162,000.

The motion passed unanimously.

**AUTHORIZING THE GENERAL MANAGER OR HIS DESIGNEE TO EXECUTE A NEW SLICE OPTIMIZATION SERVICES PRE-COMMERCIAL ACTIVITIES TASK ORDER BETWEEN THE ENERGY AUTHORITY (TEA) AND THE DISTRICT**

Ms. Boomer, Director of Power Management, introduced this second task order, which prepares the District for the new Slice contract.

Ms. Boomer reported that the District recently entered into a new Block and Slice Power Sale Agreement for power deliveries starting October 1, 2011 and ending September 30, 2028. BPA is developing a Slice computer application for the next contract period, and utilities receiving the Slice product or their scheduling agents will need to develop a new software program able to interface with the BPA programs. Ms. Boomer reported that the amount that the District will pay for the software programs would depend on how many utilities contract with TEA for this project.

Ms. Boomer reviewed a chart profiling the cost options, which varies with the number of utilities that sign up; she indicated that there is significant interest from the new Slice utilities to use TEA services. The warranty provision is still being negotiated but is expected to be finalized soon.

Commissioner Hall moved and Commissioner Gordon seconded to authorize the General Manager or his designee to execute a New Slice Optimization Services Pre-Commercial Activities Task Order between TEA and the District.

The motion passed unanimously.

**ADOPTING RESOLUTION 1123, AUTHORIZING THE DISPOSAL OF SURPLUS TRANSFORMERS**

Mr. Gutmann, Director of Operations, introduced the resolution to dispose of surplus transformers. Mr. Gutmann reported that the attached Exhibit lists the surplus items, and that they are all no longer useable because they are inadequate, obsolete, and worn-out or otherwise unfit for use.

Commissioner Gordon moved and Commissioner Hall seconded to adopt Resolution 1123 as presented.

The motion passed unanimously.

**UPDATING THE DISTRICT'S SUCCESSION OF AUTHORITY POLICY 13**

Ms. Paysse, Director of Human Resources, introduced a revised Policy 13, Succession of Authority. Ms. Paysse reported that the update was primarily administrative in order to update the titles of individuals, and to include those new members of the management team.

Commissioner Gordon moved and Commission Hall seconded to authorize the General Manager to revise the Succession of Authority Policy as presented.

The motion passed unanimously.

### **CLAIMS**

Mr. Palmer reported that the District received no claims since the last Commission meeting.

### **GENERAL MANAGER'S REPORT**

Mr. Brost reported that he received a letter from a private utility group, including Avista and PacificCorp, interested in building a transmission line from Canada to California. Mr. Brost reported that the group intends to contact interested parties and stakeholders to garner support/buy-in for the project. The group is doing a feasibility study on the project now.

Mr. Brost attended a TRIDEC sponsored meeting this morning to discuss the possibility of using a portion of the Hanford Reservation for an Energy Park. The stakeholders at this meeting included Battelle, Infinia, Energy Northwest, Washington State University, the Department of Energy, and others. The main topic of today's meeting was how to create jobs to support the Governor's plan and the national energy policy. Mr. Brost reported that there was good discussion and that many stakeholders have their own vision of how to proceed. The attendees formed four working groups to tackle the initial issues, which include defining the energy park vision, identifying four or five projects to support the vision, and land use and public/private partnership issues. It is expected that the Department of Energy will retain ownership and will offer long-term leases on the property.

### **STAFF REPORTS**

Ms. Bone-Harris, Community and Government Relations Manager is absent, but sent her report in by proxy, and Mr. Brost reported that:

1. she attended the WPUDA meetings in Olympia last week and sat in on workshops on energy where the focus was to get nuclear in front of the legislature;
2. she is working on WPUDA issue papers for the APPA Legislative Rally in Washington DC;
3. next week over sixty-five people are going to Olympia for the Tri-Cities Legislative Rally; and
4. the Key Accounts meeting is in the auditorium tomorrow.

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

1. she attended PPC, and they talked about recent and upcoming BPA meetings on energy efficiency and conservation. PPC will be coming up with a straw man proposal that PPC can put forward indicating what utilities want to see next in BPA conservation programs;
2. there was discussion on the Tiered Rate Methodology (TRM) and high water

- marks; utilities are concerned about the impact of temporary load loss resulting from the current economy. PPC and utility staffers are working on a proposal to do something differently than was called for in the TRM Policy and Record of Decision. Mr. Brost added that there will be a strong sentiment to leave it alone;
3. at PPC there was discussion of the BPA 2010-11 transmission rate case; on the transmission side, base rates will remain flat, but ancillary services are still in play; some big numbers are being proposed. Regarding power rates, BPA announced in an Initial Proposal that there will be a 9.4% increase for the 2010-11 year and various adjustment clauses;
  4. the economic downturn has had a large impact on some utilities; some businesses are shutting down and so loads are down. The Northwest Regional Forecast is nearly ready, but Shauna McReynolds at PNUCC will survey utilities prior to the forecast coming out to see if there has been a significant change in loads. The forecasts she received from utilities for the fourth quarter of 2008 are already significantly off track;
  5. she attended several meetings with BPA slice staff on the new computer applications, interesting, but technical;
  6. she attended a meeting with Central Washington Power Authority (Grant and Kittitas PUDs). They did research in 2008 on creating efficiencies; good information came out of their work but nothing to indicate real value for participating utilities. They are looking at Tier 2 resource acquisitions, and what can be done jointly among utilities;
  7. there are more meetings coming up with BPA: on February 18, a Tier 2 workshop in the District auditorium, talking about the products BPA will offer; February 19, a smaller, more informal meeting in the boardroom with Larry Felton and his support staff; and on February 20, at the Best Western in Pasco, a follow-up to the Energy Efficiency meeting; and
  8. regarding the Integrated Resource Analysis, the District is preparing comments to get back to TEA.

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

1. the Wellness Event activity is set, and communications to employees will begin today. The District is making it as easy as possible for employees to participate by bringing the event to them, allowing them to participate on District time, and coordinating the billings with insurance coverage, so there is no out-of-pocket expense to the employee;
2. the District is taking a different approach to wellness this year, with a more comprehensive event, and by making participation a requirement to receive a 1% VEBA contribution;
3. nearly 200 applications have been received for the meter reader openings and many more applications are expected by the closing date, which is close of business on February 12th; and
4. the District will begin advertising for a Customer Service Representative tomorrow, February 12th.

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

1. the bid opening for the building remodel has been pushed back one week to February 18;
2. the amendment to the Architect contract that the Commission approved at the

last meeting should be signed this week. One additional change in the amendment will change a portion of Terry's fee to be based on estimated costs instead of actual costs;

3. the financial software project kick-off is set for March 12; and
4. the District's contract with Databar for mailing services has been in place since 2002. While the contract was for one year with a termination provision, it's been renewed on a year-to-year basis without amending the contract. Since it has been six years since the service was 'bid out,' and in keeping with the new Purchasing Guidelines, the District will request quotes for the service. Mr. Nies reviewed the electronic/auto-pay and electronic deposit options that banks provide, and noted that it is a possibility that a mailing services contractor may also provide these services. He requested the Commissioners acknowledge/ratify the current renewal, which was effective November 1, 2008. The Commissioners granted the request.

Mr. Gutmann, Director of Operations, reported that:

1. Operations is continuing to change out the Datamatic meters and to date they have completed about 1,150 out of 2,000 meters that require change-out;
2. there was a meeting today regarding the Rattlesnake Mountain communications site, but it conflicted with the Commission meeting. He will get an update on that meeting and bring information back; and
3. the roof replacement for Operations is to be completed this week or next, having fallen behind schedule due to winter weather.

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

1. Engineering is still progressing with work on getting the easements for rebuilding the 34KV line to Kahlotus. In the first six to seven mile stretch, the consultant has contacted most landowners and all have said that they are willing to work with the District. There is a mile of the area that belongs to an LLC, and the consultant has written a letter to the entity but has not heard back. He will continue to bring the Kahlotus project updates to the Commission meetings; and
2. he will be sending an engineer to the Columbia Basin College Career Expo on February 19. There have been several successful hires from CBC in the past so it is a good contact and a good recruitment source for engineers.

Mr. Palmer, General Counsel, reported that:

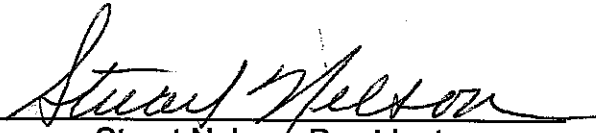
1. the issue of Commissioner compensation is still an active discussion topic at WPUDA and at the State Auditor's office, and that it is a more complex issue than some initially thought. Mr. Brost added that a state auditor might write an opinion letter on the practice of prior resolutions authorizing the maximum rate for commissioner compensation.

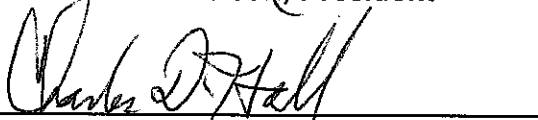
Commissioner Nelson asked Mr. Jim Oakley from Energy Northwest if he had any comments for the Commission. Mr. Oakley provided a brief update, including that the Columbia Generating Station went off-line today, and restart is uncertain. He reported that there are sixty-three wind generators at Nine Canyon, and they have replaced twenty-four gearboxes. He reported that Radar Ridge Wind Project is on schedule, and that the bird studies are completed. He reported that both bird studies indicated that birds were not coming up on the ridge at any measurable rate and indicated a


probability of two bird kills in 20 years. He said that Energy Northwest is looking at the Mustang Ridge Project in Prosser, and at getting leases and starting wind studies. He reported that there could be as much as 180 or as little as 100 MW, with best guess at about 140/150. BPA is considering building a large substation near McNary, and they will probably come to the wind developers and ask them to share in the costs of the substation. He reported that as wind farms are built in the Northwest, the RECs are being sold to California and Oregon, and that BPA is being asked to handle the integration of the projects, which puts more strain on the federal system.

**MEETING ADJOURNED**

With no further business to come before the Commission, Commissioner Nelson adjourned the meeting at 3:20 pm.

  
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Stuart Nelson, President

  
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Charles D. Hall, Vice President

  
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William Gordon, Secretary