

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

MINUTES OF JUNE 23, 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 June 23, 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; Tim Nies, Director of Administrative Services; Susan Paysse, Director of Human Resources, Dale Gutmann, Director of Operations; Duane Sams, Director of Engineering; Linda Boomer, Director of Power Management; Debbie Bone-Harris, Community and Government Relations Manager, and Susan Bauer, Executive Assistant.

Members of staff present for part of the meeting were: Doug Gould, IS/Broadband Manager; and Darroll Clark, Energy Services Manager.

Members of the public present for part of the meeting were 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 visited the Kahlotus School, where the schoolchildren, and some parents and teachers, were given an electricity demonstration. The children were impressed and the teachers and parents appreciated the demo. Commissioner Hall attended the Tri Cities Legislative reception. He also reported that he had received an email from WPUDA stating that they are initiating a search for a new executive director, and they are asking commissioners for input. Some discussion followed regarding the search process for a new executive director. Commissioner Hall reported that he would be attending the Pacific Northwest Waterways meeting in Chelan, and requested that Linda Boomer accompany him.

Commissioner Gordon reported that he attended the APPA conference in Salt Lake City Utah, and he provided a report on the activities of the conference. He reported that Cowlitz and Klickitat received an award for their development of wind power for White Creek wind generation project. He also reported that the Columbia Generating Plant was starting to fire up, and that it was about 7% this morning. He reported that the outage lasted a few days more than predicted, and that it is now behind about 6 days

from reaching 100% power. Commissioner Gordon also noted that it did not appear that customer service and District business had been negatively affected by the ongoing construction, and staff agreed.

Commissioner Nelson reported that he too attended the APPA conference in Salt Lake City and that there were some good meetings, though he was not impressed with the discussions about electric cars. Commissioner Nelson also attended the Rate Advisory Committee meeting and reported that the customers that attended were supportive of the District.

**CONSENT AGENDA**

The Commissioners reviewed the Consent Agenda. Commissioner Hall moved and Commissioner Gordon seconded to approve the Consent Agenda as follows:

1. To approve the minutes of the Special Workshop Meeting of May 26, 2009 and the Regular Meeting of May 26, 2009.
2. To approve payment of expenditures amounting to \$5,045,892.69 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 43703 through 43756, 43826 through 43857, 43926 through 43966, and 43968 through 44041 in the amount of \$1,304,865.75;
  - b.) ACH vouchers 495, 497, 498, 500, and 502 through 504 in the amount of \$7,648.15;
  - c.) Refund vouchers 43666 through 43701, 43758 through 43824, 43859 through 43921, 43923 through 43924, and 44043 through 44068 in the amount of \$37,116.16;
  - d.) Wire transfers totaling \$3,696,212.63 to the following:

BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$356,738.92
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$145,888.57
DEPT RETIREMENT	PERS 1,2,&3	\$76,155.47
ICMA	DEFERRED COMPENSATION	\$47,080.91
REHN	125 PLAN	\$3,223.82
REHN	VEBA	\$16,803.32
BPA	SLICE	\$1,368,828.00
BPA	TRANSMISSION	\$272,250.00
BPA	BLOCK	\$627,206.00
DEPT OF REVENUE	EXCISE TAX	\$192,503.87
LL&P WIND	WHITE CREEK WIND ENERGY	\$148,901.69
KLICKITAT PUD	ENERGY	\$64,121.22
FREDERICKSON	ENERGY	\$376,510.84

3. To approve for write-off uncollectible accounts as listed on the Franklin PUD Customer Write-Off Final report dated June 16, 2009, in the amount of \$16,716.12.
4. To approve payment for work completed from April 27, 2009 to May 31, 2009, by Power City Electric, in the amount of \$121,733.58 for Contract 4944B, 2009 Miscellaneous Projects.
5. To approve payment for work initiated and completed in May 2009, by DMI Drilling, in the amount of \$135,596.00 for the 115kV Transmission line reroute at Chiawana High School.

The motion passed unanimously.

### **ADOPTING A RESOLUTION AMENDING THE RESIDENTIAL LOAN PROGRAM**

Mr. Clark introduced this agenda item, and reported that Resolution 813 initiated a Residential Conservation Loan Program for the District. Resolution 813 was later amended by Resolution 819, allowing the Conservation Manager or Director of Customer Service and Sales to sign loan credit approval and denial documents and requiring the Manager to sign loan contracts. Resolution 1125 would rescind Resolutions 813 and 819 to reflect current position titles and create more flexibility by authorizing other management employees to execute final loan contracts per Administrative Policy No. 16 (Purchasing Authority).

Mr. Clark also reported that the resolution limits the loan program to a maximum amount of one million dollars.

Resolution 1125 would also revise the eligible measures and loan requirements of Exhibit A by expanding credit approval criteria, requiring a customer to have both a favorable pay history and a favorable credit report. In the past, credit history reports were not required if the customer had favorable payment history with the District.

Mr. Clark reported that staff recommended adoption of the amended Residential Conservation Loan Program as presented.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution 1125 as presented. The motion passed unanimously.

### **APPROVING A REVISED BROADBAND RATE SCHEDULE**

Mr. Gould introduced the agenda item, explaining that the District completed its last rate review in early 2009. The Commission approved the revised schedule on January 27, 2009, and the schedule was implemented effective January 31, 2009.

There are two changes to the proposed updated Boadband Rate Schedule. One change is adding a 25Mb service level. The District has received many requests from existing and new customers to add a level between 10Mb and 50Mb. The second change is the elimination of the leasing of dark fiber, which is no longer beneficial for

the District to offer. Existing dark fiber customers will continue to receive the service as listed in the rate schedule.

Commissioner Gordon asked several questions about dark fiber and broadband rates, and specifically how the District established rates. Mr. Gould responded that the District researches rates from other utilities and among other providers, and uses this information in their rate determination.

Mr. Gould reported that staff recommended approving the revised Broadband Rate Schedule as presented.

Commissioner Hall moved and Commissioner Gordon seconded to approve the Revised Broadband Rate Schedule as presented. The motion passed unanimously.

#### **ADOPTING A RESOLUTION TO SURPLUS AND DISPOSE OF TRANSFORMERS**

Mr. Gutmann reported that Exhibit A to Resolution 1130 lists transformers that the District can no longer use because they have become unserviceable, inadequate, obsolete, worn-out, or otherwise unfit to use in the distribution system.

The transformers currently have an assigned value of \$0.00.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution 1130 as presented. The motion passed unanimously.

#### **RENEWING CONTRACT NO. 4698, BASIN TREE SERVICE AND PEST CONTROL**

Mr. Gutmann introduced this agenda item to the Commission, and reported that staff recommended that the District renew the contract with Basin Tree Service, and that this is the second of two renewals authorized under the contract.

Commissioner Gordon moved and Commissioner Hall seconded to authorize the General Manager to execute a contract renewal with Basin Tree Service, in an amount not to exceed \$126,765.56. The motion passed unanimously.

#### **APPROVING THE RELEASE OF A RIGHT OF WAY EASEMENT**

Mr. Sams introduced this agenda item, and reported this was a request to obtain Commission approval to release the recorded Right of Way Easement originally granted in 1950 by Grover M. Cooley and Ida M. Cooley.

The easement is on the property located at 912 N 24th Ave., directly north of Rowena Chess Elementary School. There are no District facilities currently located within the subject easement, nor are there any plans to install any facilities in the subject easement in the future.

Staff recommended that Commission approve the right of way release.

Commissioner Hall moved and Commissioner Gordon seconded to authorize the General Manager or his designee to release the District's Right of Way Easement recorded under Franklin County Auditor's File No. 139593 by Grover C. Cooley and Ida M. Cooley. The motion passed unanimously.

### **CLAIMS**

Mr. Brost reported on Claims in the absence of Mr. Palmer, noting that the District has received one claim since the last Commission meeting. Mr. Gutmann provided information on the claim, reporting that the claimant alleges that her refrigerator stopped working properly after a meter change-out.

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

Mr. Brost reported that he contacted Energy Northwest, committing to the \$25K for a feasibility study of the Nuscale nuclear project that the Commission authorized last meeting. Regarding the BPA Smart Grid demonstration project, Mr. Brost indicated that it was disappointing that we were not one of the utilities selected to continue the discussion about Smart Grid. Mr. Felton interjected that there is another source of funds that we may be able to tap.

Mr. Brost reported that we should know the amount of the BPA power rate increases by next week.

Mr. Brost reported that he attended PPC/PNUCC meetings last week and that two topics dominated the discussion. The first was the Regional Council's draft power plan, which has been delayed because of the input from the utilities, especially due to input in the area of conservation. This delay is good news for the utilities. The second was the Prism study that the utilities helped fund, a study on how the region could meet the carbon reduction goals and at what cost. The main message from the Prism study is that the utilities will not be able to meet the reduction goals from renewables alone unless costs are double those for a balanced portfolio.

Regarding the BiOp, Mr. Brost reported that it appears Judge Redden will not support the BiOp, even though he had previously indicated he would. Further, the concern is that the issue of dam breaching is back on the table. As a result, there is currently a big promotional effort to get the other side of the story out.

Mr. Brost reported that he met with City of Pasco Manager Gary Crutchfield on the undergrounding program and on the Taylor Flats Transmission Line. Mr. Crutchfield is proposing to help fund an LID project on A Street, and this may be a structure for a longer-term solution. If the City of Pasco agrees to co-fund projects at \$250K a year, then the District would fund \$250K a year, or let a year lag and do a bigger project to offset the District's share. Mr. Crutchfield will draft an initial agreement and Mr. Brost will bring the matter back to the Commission.

### **STAFF REPORTS**

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

- since the last meeting where the Commission approved the sale of bundled RECs, Mr. Sargent has been working on the sale agreements and they are about finalized;
- Mr. Sargent is providing inputs to TEA for development of our new load forecast model; they should have a preliminary model done within the next few of months;
- she and Ms. Kimsey attended the WECC compliance user group meeting, and she stated that it was helpful to get updates on reliability standards enforcement issues, and to represent a small utility's perspective; and
- she had been appointed Chair of the new Slice Implementation Group (SIG), on the condition that she will be Chair only until October of 2011.

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

- she and Sylvia Hubbard attended the local chapter of the Society for Human Resource Management (SHRM)'s legislative update. Discussion focused on what it would mean to implement the bills that have been put forward to the Legislature, such as employer paid family leave. The new administration is very pro-labor;
- the HR Dept has implemented E-Verify, an on-line verification tool, required by the Dept of Homeland Security, to use within 3 days of a new employee's start date to verify that the individual is eligible to work in the US;
- the Americans Recovery and Reinvestment Act requires that employers pay a percentage of COBRA premiums for 9 months, for those who have involuntarily lost their jobs. It appears that two employees who terminated due to disability in 2008 may be entitled to this subsidy;
- with the engineering clerk opening, there will likely be a ripple effect which will cause a Customer Service opening. However, there will not be a need for an open search; they can use the pool from the last search if needed; and
- she is continuing the process to fill the position of system engineer; interviews are scheduled.

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

- the Budget Status report, second page, shows reserves, which are doing well, typical of this time of year. The Labor and Benefits report shows that we are over in labor and under in benefits. Mr. Nies explained how those numbers could appear to be incorrect relationally, but how retirement or other circumstances can skew the figures;
- regarding broadband, the schools will be on the new rates beginning in July;
- regarding the Workplan status, it doesn't appear that much has been spent yet, but that some big expenses will show up in the next month's report;
- regarding the roof, the actual cost is \$168,640; since the amount is over \$100K, Mr. Nies requested that the Commission approve by motion. Commissioner Hall moved and Commissioner Gordon seconded to approve an expenditure of \$168,640 to cover the cost of removal of the old roof and installation of a new roof on the administration building; the motion passed unanimously;

- regarding the Administration Building construction project:
  - there has been a good deal of discussion regarding tearing down the 1313 building, and the cost to demolish the building has been estimated at \$50K. Further, there will be additional costs for removal of the asbestos. After demolition, Mr. Nies noted that the land could be used for a parking lot to serve the community/auditorium use. Mr. Nies also talked about using part of the land to build a swale, a grass bowl to catch water run-off. This would replace the previous plan to install a catch basin system to the east of the 1313 building. There was some discussion about the options and the permits required. Estimates are about \$100K for the complete job. Mr. Nies indicated that the timing was critical. Excavation is currently underway with the project, which would include a catch basin system. If we agree to go forward with the swale, we need to decide now, and preclude the catch basin system installation. Commissioner Gordon asked about going out for bid for the job, and Mr. Nies indicated that the job would be included as part of the current building project. The Commissioners agreed that it would be timely to go ahead with the demolition project of the 1313 building, and to put the swale on that property instead of doing the catch basin system;
  - the Construction Manager has done a good job getting the District to this point with the construction project; however, the District could realize significant savings if it terminated the contract. Because the General Contractor excels at working with the District and keeping the District's best interest in mind, and the architect has oversight responsibilities, Mr. Nies recommended that the District terminate the Construction Manager's contract and after discussion the Commissioners unanimously agreed;
  - a number of other small changes have been made, including the decision to re-asphalt the entire front parking lot, which has been estimated at \$30K, and the decision to purchase carpet for \$11K, which we will use when needed for offices where installation was not originally planned;
  - the East ramp is gone; the new building and garage are nearly framed; and other general updates were provided; Mr. Nies will take the commissioners on a tour to see the building progress;
- regarding the Financial Information System software project, representatives have been here to outline our processes; we are now confirming their report on our processes, then we will determine how to interface the new system with existing systems;
- regarding the new phone system, the kick-off meeting is tomorrow, and it will probably be mid August before we switch over; and
- there was a successful Rates Advisory Committee meeting, and they recommended that the District hold the line on rates now, but they want to meet again in the fall and do a 'cost of service' study, which would be an additional \$30K over the revenue requirement piece. Commissioner Gordon asked whether we did a cost of service study last year; Mr. Nies explained that there were new circumstances that justify the new cost of service study.

Mr. Gutmann, Director of Operations, reported that:

- the line truck is expected to arrive by the end of the week of July 6;
- Teton West went to the City of Pasco to obtain permits for the mechanics' garage expansion project, and we expect to have the permits by the middle of next week; and
- NAES found that the Grays Harbor bank of batteries was starting to deteriorate at the CT site, so they are changing out the batteries. NAES also found that three out of four Woodward drives on each turbine would need to be rebuilt; they may not meet the July 1 2009 operational date.

Mr. Sams, Director of Engineering, reported that

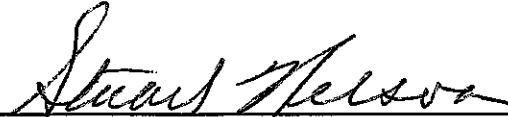
- the Engineering department has noticed that new customer activity is picking up and the City of Pasco has also said there has been an increase in building permits; and
- the Engineering department and the consultant (ECI) are analyzing the existing line route for rebuilding the Kahlotus 34 kV line in place. A topographical survey to develop a plan and profile of the existing line has been scheduled. The survey will allow us to engineer a plan to optimize line strength and accessibility of the line in its present location. Engineering will develop a cost estimate and then make a recommendation whether Phase 1 of the project (the first 7 miles) should be a rebuild in place or continue to seek easements for a rebuild of the line in a more accessible location.

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

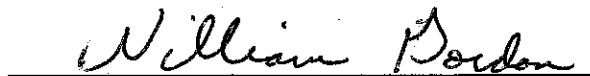
- the new internet site is up and running, and she invited the commissioners to review the site;
- she continues to work with WPUDA, where an official communicator's committee has been formed to fulfill the strategic plan requirements on communications issues. Very little information on the federal BiOP process and other pertinent legislative information is being reported in the weekly Friday Facts electronic newsletter. It is more of a clip service than a newsletter on key issues facing WPUDA members;
- she attended the Tri City Legislative reception and it was beneficial having time to connect face-to-face with the legislators; and
- she continues to sit in on meetings with the Energy Park/TRIDEC, and even though the District wasn't accepted by BPA into the 1304 smart grid demonstration project, she is researching other avenues for funding, including some 1306 Smart Grid Infrastructure funding.

**MEETING ADJOURNED**

With no further business to come before the Commission, Commissioner Nelson adjourned the meeting at 3:35 pm.

  
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Stuart Nelson, President

  
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Charles D. Hall, Vice President

  
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William Gordon, Secretary