

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

MINUTES OF JULY 28, 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 July 28, 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; 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, Joe Pryce, Customer Service Supervisor, Cathy Unser, Customer Service Coordinator and Doug Gould, IS/Broadband Manager.

Members of the public present for part of the meeting were: Larry Felton, Bonneville Power Administration Account Executive, Cliff Finch, Aequus Corporation; and Mr. David Greene, District customer.

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

20 Year Service Award Dale Gutmann

Mr. Brost briefly highlighted Mr. Gutmann's work history and achievements with the District. Mr. Brost praised Mr. Gutmann as an important part of the management team, and congratulated him on his twenty years of service.

COMMENTS FROM THE PUBLIC

Mr. David Greene introduced himself and stated that he had a complaint with the District regarding an overdue amount on his bill. Mr. Greene had previously met with Mr. Darroll Clark, the District Hearings Officer, regarding his bill, in accordance with the complaint process. Mr. Clark had reviewed the matter with Mr. Greene, and written Mr. Greene a letter explaining that the District billed him on an estimate basis for February and March of 2009, and the April bill was an adjusted bill to show actual use. Mr. Greene was not satisfied with the Hearing Officer's decision, and therefore brought his complaint forward to the Commission. The Commissioners had previously been provided a copy of Mr. Clark's decision letter.

Mr. Greene shared with the Commission his figures on his average bills from the two previous years, and stated that the District charged him more than the average for the last two winters. Mr. Greene alleges that, based on the history of his electrical usage over the last two years, the computer is wrong. Mr. Greene requests that the

Commission rule on whether or not he has to pay the charges. Mr. Greene also provided the Commission his figures on the weather for the last three winters, in support of his perspective that the bills must be wrong.

The Commission asked for staff input on the matter. Ms. Cathy Unser reviewed for the Commission the billing history over the last five years; the five-year history show bills larger than the three-year history. Mr. Clark offered clarification on the process of meter reads and the bill averaging. Mr. Pryce reported on the type of meters used to read the electrical usage at Mr. Greene's residence.

Mr. Greene asked if the District had changed the meters in the last few years. Mr. Pryce stated that the District changed Mr. Greene's meter in May of 2006. Commissioner Gordon recommended that the District test the meter; Commissioners and staff agreed. Mr. Greene asked that the District notify him of the meter testing so that he could be present and staff agreed.

Mr. Greene asked if the District was going to shut off his electrical service and Mr. Pryce confirmed that there would not be any action taken on his account until the District tests the meter and resolves the matter.

The Commissioners agreed that if the meter tested correctly, Mr. Greene would be responsible to pay the overdue amount.

COMMISSIONER REPORTS

Commissioner Hall reported that he attended the July WPUDA meeting in Olympia. He shared information about the Glen Walkley Lifetime Achievement Award that WPUDA sponsored and suggested that we nominate someone for the scholarship.

Commissioner Hall noted that the rest of the meeting was not as positive as he would have hoped. He noted that Puget Sound Energy initiated a complaint against WPUDA with the Public Disclosure Commission and there was turmoil in the organization. Mr. Brost offered some clarification on the WPUDA situation related to the issue of using public money for political activities. Since WPUDA receives money from both public and private sources, there is an issue of whether the WPUDA could defend its use of funds for certain activities. Further, since WPUDA is viewed as an extension of the public utilities, there is a question whether, and to what extent, WPUDA can be involved in these activities. Mr. Brost thinks the utilities may have financial exposure related to the outcome of the Puget complaint.

Commissioner Hall added that WPUDA had hired an accountant to review the books, and the accountant found no improper accounting.

Commissioner Gordon reported that Mr. Vic Parrish has announced his retirement from Energy Northwest, effective July 2010. Mr. Parrish has been CEO of Energy Northwest since 1996. Energy Northwest will begin a search for a replacement.

Commissioner Gordon also reported that he recently toured the Pacific Northwest National Laboratory (PPNL) and that it was amazing to see the technological advances incorporated in the laboratory.

Commission Nelson reported that he was also at WPUA, and he stated that the organization is in some disorder right now. He also stated that he attended the TEA meeting in Bellevue last week, and that they are an impressive organization.

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 Regular Meeting of June 23, 2009.
2. To approve payment of expenditures amounting to \$6,911,738.33 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 44114 through 44164, 44239 through 44270, 44272 through 44299, 44341 through 44401, 44403, and 44469 through 44515 in the amount of \$1,927,111.92
 - b.) ACH vouchers 506 through 507, 509 through 510, 512 through 513, 515 and 516 in the amount of \$7,127.80
 - c.) Refund vouchers 44070 through 44112, 44166 through 44237, 44301 through 44339 and 44405 through 44467 in the amount of \$32,040.25
 - d.) Voids in the amount of \$7,134.21
 - c.) Wire transfers totaling \$4,952,592.57 to the following:

To:	For Payment of:	In the Amount of:
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$ 374,877.73
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$ 224,919.39
DEPT RETIREMENT	PERS 1,2,&3	\$ 75,988.95
ICMA	DEFERRED COMPENSATION	\$ 47,234.65
REHN	125 PLAN	\$ 3,223.82
REHN	VEBA	\$ 16,789.09
BPA	SLICE	\$ 1,369,142.00
BPA	TRANSMISSION	\$ 306,165.00
BPA	BLOCK	\$ 491,719.00
DEPT OF REVENUE	EXCISE TAX	\$ 185,929.15
DEPT OF REVENUE	PRIVILEGE TAX	\$ 1,299,618.26
LL&P WIND	WHITE CREEK WIND ENERGY	\$ 146,672.48
KLICKITAT PUD	ENERGY	\$ 38,835.51
FREDERICKSON	ENERGY	\$ 371,477.54
TOTAL		\$ 4,952,592.57

3. To approve for write-off uncollectible accounts as listed on the Franklin PUD Customer Write-Off Final report dated July 21, 2009, in the amount of \$23,261.81.
4. To approve payment for work completed from June 1, 2009 to June 29, 2009, by Power City Electric, in the amount of \$107,458.29 for Contract 4944B, 2009 Miscellaneous Projects.

The motion passed unanimously.

SUMMARIZING THE 2009 LEGISLATIVE SESSION

Mr. Cliff Finch introduced himself and thanked the Commissioners for the opportunity for he and Randy Ray to represent the District and its customers in Olympia during the 2009 Legislative Session. He reported that working with both Franklin and Benton PUDs was beneficial to both Districts. Mr. Finch gave kudos to the communications representatives from Benton and Franklin PUDs, who he stated are taking the lead in the WPUA organization to reshape the communications strategies. He stressed the importance of this since there are currently some extreme advocacy organizations that are on the opposite side of most of our interests, and that they have great communication methods and grass roots efforts, and that it would behoove the utilities to do better in the communications area. He also stressed that the WPUA organization could better focus on communications and getting the utilities' message out.

Mr. Finch reported that the Washington State Legislative session ended in April with WPUA and the utilities working hard on many bills, including climate change and Initiative 937. Over 100 bills were introduced that dealt with energy issues alone.

In addition to the Washington state budget, Mr. Finch reported that the session really came down to two big issues; climate change (the biggest issue in his twenty years of lobbying) and renewable energy. The related legislative bills and initiatives are setting the precedent for the future of Washington State and its approach to dealing with energy issues.

Mr. Finch provided the Commission with a detailed report on climate change and renewable energy issues that came before the legislature and how the Association of Washington Businesses and WPUA responded to these issues.

ADOPTING A RESOLUTION AMENDING THE SALARY ADMINISTRATION PLAN

Ms. Paysse introduced the agenda item and Resolution 1128, explaining the proposed change to the Salary Administration Plan was largely in response to changes in staffing in engineering. When the District promoted Mr. Duane Sams to Director, he intended to bring on an entry-level engineer to the department. However, with the resignation of Mr. Mark Hay, Mr. Sams implemented a minor reorganization of supervision and management positions in the Engineering Department.

Specifically, the results of the reorganization include the addition of an entry-level

Electrical Engineer (Salary Grade 11) and deletion of Mr. Hay's former position, Engineering & Systems Manager (Grade 18). Further, to recognize the additional duties that have shifted to Mr. Bob Wyatt, he recommended adding an Engineering Manager position, at Salary Grade 18. We will retain the current position, Sr. Project Engineer (Grade 16), as unfunded in the 2010 budget.

Other changes included in the amended Salary Administration Plan are title changes to the positions of Community Relations Coordinator and the Community & Government Relations Manager, which will become Communications Coordinator and Public Affairs Manager, respectively.

Staff recommended adoption of Resolution 1128, amending the Salary Administration Plan to reflect these changes.

Commissioner Gordon asked if the engineering positions would be included in the budget. Mr. Brost indicated yes, except that the Sr. Project Engineer will not be funded in the 2010 budget.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution 1128, amending the Salary Administration Plan for non-bargaining employees, effective July 28, 2009. The motion passed unanimously.

UPDATING THE DISTRICT'S OPERATING PLAN/GOALS

Mr. Brost reported on the mid-year progress toward the 2008-2009 Operating Plan/Goals. He provided the Commission with the report from January 2009, and the current report, dated July 2009, for comparison. He reported that there was a lot of good work done by a lot of good staff, and he wanted to acknowledge staffs' hard work and commitment. He discussed the history of the goals and the specific progress made toward meeting the Plan/Goals.

In July 2008, the Commission approved the District's 2008-09 Operating Plan. Staff identified three major *Focus Areas* as important targets for District progress. In each Focus Area, one or two major *Goals* were set. Within each Goal, specific objectives were identified and target dates for meeting the objectives were set.

Prior accomplishments reported to the Commissioners in January 2009 include three rate reductions, improved financial rating, execution of the post-2011 power contract, and a new collective bargaining agreement.

Accomplishments during the current period include a new District internet website and other improved customer communications, reductions to the 2009 Operating and Capital budget resulting in savings of \$2M+, completion of the IRP, and implementation of new conservation programs. The District revised its purchasing procedures, and implemented numerous policy updates/revisions (e.g., travel). The District also made significant progress on the new phone system, the Financial Information System (FIS) project, and the Administration Building remodel project.

The Commissioners were pleased with the accomplishments and the progress being made.

CLAIMS

Mr. Palmer reported on a claim that the District previously submitted for review by the insurance company. Mr. Palmer recalled the claim; several months ago, there was a 3-phase event at Lifequest, which spilled over to the Holiday Express. The insurance company denied the claim. The District submitted additional information to the insurance company, and the insurance company reconsidered their decision and agreed to pay the claims.

GENERAL MANAGER'S REPORT

Mr. Brost reported that at last month's PPC meeting, the discussions focused on climate change and the 6th Power Plan. The bottom line is that no one really knows what will happen, but it is unlikely that legislation will be passed this year regarding climate change. The 6th Power Plan, in particular the conservation component, is still being talked about with the Power and Conservation Council. On a Long-Range Planning Committee call this morning, the participants gave the go ahead for a target of 1100 to 1400 aMW vs the original council staff target of 1200 aMW. The Council is likely to release the draft 6th Power Plan when they meet in August. He noted that tier-two power options would be discussed at the August members' forum.

Regarding the Bi-Op, the matter is in Washington DC waiting for the current administration to review and determine if they will support Judge Redden's position on the matter. The Administration and the delegation have received a lot of input from the northwest power community asking them to support the current BiOp.

Regarding the 6.8% BPA rate increase, the utilities have been given an option; take the full 6.8% in year one, or take a smaller increase in both years. The result should have BPA collecting the same total revenue amount with a small interest amount added to the second option. Mr. Brost indicated the District is assessing both options. Mr. Felton interjected a few words on rates.

Mr. Brost reported that at the Slice CEO meeting, the members elected him chair for the next year. He reported that the SIG group, the technical group, appointed Ms. Boomer as chair.

Mr. Brost called the Commissioners' attention to an article on the BPA rate increase that was in the Tri-City Herald on Friday, July 24. Mr. Brost stated Ms. Bone-Harris was quoted incorrectly in the article. Mr. Brost stated that it remains his goal not to have a rate increase in 2010, and the report in the paper that the District would have a 4-5 percent increase in January 2010 is incorrect. Ms. Bone-Harris will be contacting the reporter to clarify the information.

Mr. Brost reported that he had initiated a draft 2010 Commission budget, and provided copies to the Commissioners. He asked them to review and provide comments or corrections. Commissioner Gordon stated that he approved of the proposed numbers; Commissioners Nelson and Hall agreed. Mr. Brost stated he would provide the numbers to Accounting to include in the draft 2010 District budget.

Mr. Brost reported on the issue of Commissioner redistricting. He reported that the Commission had decided some months ago to wait for 2010 census data before redistricting. However, Mr. Brost wanted to inform the Commissioners that in December 2008 Franklin County passed a new Commissioner District Plan. Right now, Commissioner Hall has by far a greater number of people in his district than in the other two districts, and he will be running for election in 2010. Should the District not make a change until after the election, the redistricting, when done, could actually result in changes that would put the then-elected Commissioner outside of the District to which he/she was just elected.

Commissioner Gordon expressed an interest in redistricting now, so that the matter is resolved prior to the next election. Mr. Brost reminded the Commission that once we do redistricting, we would not be able to do it again for four years. The decision should be made before the filing period, which is the first week of June of every year.

Commissioners Hall and Nelson agreed with Commissioner Gordon to explore redistricting at this time, and directed staff to bring redistricting options to the next Board meeting.

Mr. Brost reported that Mr. Paul Norman announced his resignation from BPA effective September 2009, and stated that this is a big loss for public power as Mr. Norman has been a great advocate for public power customers.

Mr. Brost notified the Commission of his upcoming leave related to his son's wedding.

STAFF REPORTS

Ms. Bone-Harris, Community and Government Relations Manager, was absent from the meeting attending a stimulus funding conference, so Mr. Brost reported that:

- she recently submitted two District letters of intent to obtain stimulus funding. One letter was to CTED, for the building remodel, and the second letter was to DOE, for 1306 funding for the AMI project and the fiber backbone to Connell/Kahlotus project.
- TRIDEC hired a consultant to manage the development and submission of regional projects to submit to DOE. Mr. Brost noted that DOE projects require matching funds.

Mr. Felton asked to comment, and clarified that the 1306 funding is infrastructure money, and the 1304 funding is smart grid demonstration project money. Mr. Brost provided copies of a summary report of activities prepared by Ms. Bone-Harris.

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

- she attended Slice meetings and TEA meetings in July, and that progress is going well. She reported that TEA's project management approach to developing their power scheduling/system management software and documenting their processes was impressive.
- the District will be participating with ten other utilities, headed up by Grant PUD, in an RFP for renewable and non-renewable resources, and it is due the end of

- this month. She will be going over those proposals in Portland next week.
- she attended NWPPA's Frontline Leadership class sponsored by Benton PUD, and was impressed with the first of a series of classes.
 - TEA brought several people from their Jacksonville and Bellevue offices to give Benton and Franklin PUDs employees a presentation on how a power transaction flows from initiation to when it is either paid or received.
 - she met with Charles Sweeney, BPA transmission account executive, along with other District staff and TEA representatives, to discuss a scheduling error that was made near the end of May, which could result in some financial penalties against the District. BPA wanted to discover how the error happened and how to prevent it from happening again in the future. If BPA levies a penalty, the District will have an opportunity to review and contest it.
 - she attended the Pacific Northwest Water Association (PNWA) meeting in Chelan earlier this month with Commissioner Hall. It was a good meeting and she noted that a representative from the Franklin County Conservation District gave an impressive presentation.

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

- Open Enrollment for the 2009-2010 Plan Year of the Unified Insurance Program is now closed. This Open Enrollment included a new provider, UNUM, for life and disability insurance and new benefit offers to employees. She wants to acknowledge the efforts of Sylvia Hubbard, HR Coordinator, who managed the Open Enrollment and provided individual attention to a large number of employees.
- Abby Borchers, Customer Service Representative, has been promoted to Engineering Clerk.
- the District has hired Einar Offerdahl to fill the System Engineer opening. Mr. Offerdahl currently works for Puget Sound Energy. He will report to work the end of August.
- she attended the CWPU Managers annual meeting in East Wenatchee, on July 22nd. The Managers adopted a budget for the fiscal year, re-elected John Jordan as Chairman and Bill Dobbins as Vice Chairman, and discussed upcoming negotiations.
- Following the CWPU meeting, she and Sylvia Hubbard attended the Unified Insurance Program Trustees quarterly meeting. The Trustees and the UIP Treasurer have been working to outsource certain work that staff within the seven member utilities currently does. The Trustees authorized the UIP Chairman to sign an agreement with LeMaster Daniels to provide treasury duties for the trust.
- Following the UIP Trustees meeting, she participated on a team that interviewed the four finalists for a new position, UIP Benefits Manager. The group made an offer to one of the applicants, who has given verbal acceptance of the position. The Trustees will wait for written acceptance of the offer before making an announcement.
- On July 24th, she and Sylvia Hubbard attended free training provided by the Public Employee Relations Commission (PERC).

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

- the Budget Status report shows that the loads were up so retail revenues were up. However, retail revenues were not up as much as reflected here. Irrigation ratepayers were overbilled due to an error in adjusting the seasonal rate. Power costs were down. Reserves dipped, primarily due to the large privilege tax paid every June. On the Capital Budget report, while it shows that we are only 21% spent at halfway through the year; you can expect that to change with the impending charges resulting from the Administration Building remodel project and the new phone system. Mr. Nies reported that even with those payments, capital would still be under budget at year-end.
- regarding broadband, as reported last month, the schools will be on the new rates beginning in July.
- regarding the project to take broadband across the I-82 Bridge, we have obtained a permit and are working to resolve some questions. If the questions are resolved and the issues cleared up before next board meeting, Mr. Nies may seek permission to go ahead immediately. The cost estimate is \$132,000.
- regarding the phone system, the phones are here, the work is being done on the servers and the network to get the system ready. We plan to 'go live' to the new system at the close of business Thursday, August 20. There was discussion about whether or not to use the advanced answering options available, or whether an individual would answer each call. After much discussion, the Commission agreed to try the advanced answering options as long as there was an option to talk to a live person, and to track whether or not it was successful with customers.
- regarding FIS, there have been many meetings with the consultants on how the new software will interface with existing systems; testing is to follow.
- regarding the remodel project, things are moving along well.
- regarding the 2010 Budget, the process is moving along well and is on track.

Mr. Gutmann, Director of Operations, reported that:

- it was discovered that the Pasco CT batteries were not working; many new batteries have been obtained and several are on order. Yesterday, the site ran 3 out of 4 turbines. The CT not operating lost one of its Woodward drives, and a replacement is not easily obtained, as they are outdated. The District and NAES are trying to find a replacement. Mr. Gutmann praised the work of Mr. Dave Reed on this project, and noted that because of Mr. Reed's experience, he was able to detect a problem with a vibration sensor.
- regarding Rattlesnake Mountain, he got a call that a meeting would be held to clarify the costs for the site.
- the mechanic shop expansion is progressing well, and the siding is being installed this week.

Mr. Palmer reported that:

- He attended an attorney meeting where there was discussion about public records, specifically about the prohibition against 'serial meetings' as a means to communicate with individual commissioners. While this has not been an issue at Franklin, Mr. Palmer deemed it a good reminder to pass along to Commissioners

and staff.

EXECUTIVE SESSION

Commissioner Nelson called for an Executive Session at 4:20 for ten minutes to discuss a personnel evaluation matter, and the Regular Meeting broke session except for the Commissioners and the General Counsel, who participated in the Executive Session.

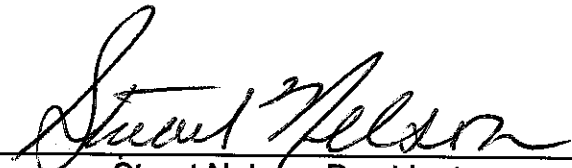
Commissioner Nelson called the regular meeting back into session at 4:30.

When the meeting resumed, the Commission discussed with the General Manager the matter of his evaluation and compensation. The Commissioners congratulated the General Manager on the progress made over the past year and indicated their decision to offer an increase in compensation. The General Manager thanked the Commission for their recognition and support.

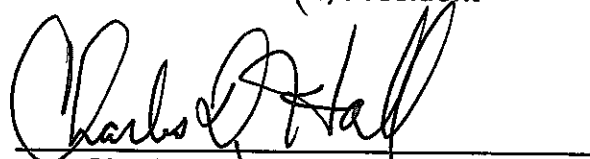
Commissioner Hall moved and Commissioner Gordon seconded to increase the salary of the General Manager to \$172,000 per year, effective September 1, 2009. The motion passed unanimously.

MEETING ADJOURNED

With no further business to come before the Commission, Commissioner Nelson adjourned the meeting at 4:45 pm.



Stuart Nelson, President



Charles D. Hall, Vice President



William Gordon, Secretary