

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

MINUTES OF SEPTEMBER 22, 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 September 22, 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, Director of Engineering, Debbie Bone-Harris, Public Affairs Manager and Susan Bauer, Executive Assistant.

Members of staff present for part of the meeting were Rich Sargent, Power Analyst, and Darroll Clark, Energy Services Manager.

Member of the public present for part of the meeting was Larry Felton, Bonneville Power Administration, Senior Account Executive.

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

SERVICE AWARD

Commissioner Nelson introduced Elena Ramirez, Public Records Officer. Mr. Steve Palmer, Legal Counsel, presented Ms. Ramirez with a ten-year service award. Mr. Palmer praised Ms. Ramirez's abilities and skills, especially in the area of Public Records, where she has spent the last several years. Mr. Palmer referred to a letter from a citizen who had made a public records request, and noted that the citizen had made a special request to thank Ms. Ramirez for her outstanding efforts.

COMMENTS FROM THE PUBLIC

There were no comments from the public.

COMMISSIONER REPORTS

Commissioner Gordon noted that he supported the statements made by Doc Hastings regarding the Bi-Op decision. He reported on several items regarding Energy Northwest; that Energy Northwest was still trying to get permits to develop the wind farm in Pacific County; that the search committee is actively looking for a replacement for the Chief Executive Officer of Energy Northwest; and that the Columbia Generating Station is back to running at 100%.

Commissioner Hall reported that he attended the WPUDA meeting in Olympia, and the Commissioner's roundtable. He noted that it was evident from the discussion that there were water issues around the state. He reported that Dave Siburg from Kitsap PUD ran the joint commissioners/managers meeting, and directed the discussion of "what is the WPUDA?" He attended the Legislative, Energy and Telecom Committee meetings. There was a lot of discussion of Initiative-937. He noted that the coming legislative session will be a short one, only 60 days, as it is an election year. Commissioner Gordon asked how the replacement effort for the WPUDA Executive Director was coming. Commissioner Hall stated that there has been a question of whether WPUDA should hire an executive search agency or search on their own, but that they decided to put that decision off until January 2010. Commissioner Gordon stated that time was of the essence if they wanted to secure a replacement by May of 2010. Further discussion ensued regarding WPUDA.

Commissioner Nelson reported that he too attended WPUDA and that he attended the NWPPA Board of Trustees meeting in Vancouver WA.

CONSENT AGENDA

The Commissioners reviewed the Consent Agenda. Commissioner Nelson asked about a large write-off; Mr. Nies responded with the specifics of the situation.

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

1. To approve the minutes of the Regular Commission Meeting of August 25, 2009.
2. To approve payment of expenditures amounting to \$10,776,336.85 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 44786 through 44846, 44985 through 45024, 45094 through 45127, and 45129 through 45187 in the amount of \$1,741,006.82;
 - b) ACH vouchers 527 and 528 in the amount of \$1,688.65;
 - c) Handwritten voucher 6702 in the amount of \$13,512.68;
 - d) Refund vouchers 44848 through 44923, 44925 through 44983, 45026, and 45028 through 45092 in the amount of \$42,022.82;
 - e) Voids in the amount of \$796.92; and
 - f) Wire transfers totaling \$8,978,902.80 to the following:

To:	For Payment of:	In the Amount of:
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$ 366,531.25
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$ 148,238.60
DEPT RETIREMENT	PERS 1,2,&3	\$ 51,807.17
ICMA	DEFERRED COMPENSATION	\$ 50,300.90
REHN	125 PLAN	\$ 3,223.82
REHN	VEBA	\$ 17,329.14
BPA	SLICE	\$ 1,369,142.00
BPA	TRANSMISSION	\$ 345,120.00
BPA	BLOCK	\$ 677,483.00
DEPT OF REVENUE	EXCISE TAX	\$ 189,372.80
TERASEN	GAS PURCHASE	\$ 203,173.49
LL&P WIND	WHITE CREEK WIND ENERGY	\$ 123,533.91
THE ENERGY AUTHORITY	PURCHASES/SALES NETTING	\$ 59,213.42
FREDERICKSON	ENERGY	\$ 402,377.97
IGI	GAS PURCHASE	\$ 98,792.95
POWEREX	GAS PURCHASE	\$ 51,207.66
POWEREX	GAS FINANCIAL SWAP	\$ 115,854.75
BARCLAY'S	GAS FINANCIAL SWAP	\$ 200,734.30
FISCAL AGENT	ANNUAL BOND PAYMENT- PRINCIPAL	\$ 4,505,465.67
TOTAL		\$ 8,978,902.80

3. To approve payment for work completed from July 29, 2009 to August 26, 2009, by Power City Electric, in the amount of \$97,318.26 for Contract 4944B, 2009 Miscellaneous Projects.
4. To approve for write-off uncollectible accounts as listed on the Franklin PUD Customer Write-Off Final report dated September 15, 2009, in the amount of \$13,042.67.

The motion passed unanimously.

OPEN THE 2010 BUDGET HEARING

Commissioner Nelson opened the 2010 Budget Hearing for public comment.

PRESENTING THE 2010 OPERATING AND CAPITAL BUDGETS

Mr. Nies introduced this agenda item, reporting that annually each September he presents the proposed budget for the coming year for Commissioner review and public comment.

Mr. Nies reported that budget hearings are scheduled for four consecutive Commission meetings: the current meeting, October 27, November 17 and December 8, 2009. When the Commission closes the final hearing in December, staff will ask the Commission to adopt the 2010 Operating and Capital Budgets.

Mr. Nies reported on the draft 2010 Operating and Capital Budgets, which he included in the packet for Commissioner review, and explained the budget, including line item details and rationale. Commissioner Gordon requested that Mr. Nies bring to the next meeting a list of pros and cons regarding establishing a Rate Stabilization Fund.

Commissioner Hall moved and Commissioner Gordon seconded to recess the 2010 Operating and Capital Budgets hearing until the October 27, 2009 regular Commission meeting, at which time the Commission will reopen the hearing for further discussion and public comment. The motion passed unanimously.

AUTHORIZING THE GENERAL MANAGER TO EXECUTE SLICE CONTRACT EXHIBIT UPDATES

Mr. Brost introduced this agenda item and reported that these are annual updates to the current Slice/Block contract exhibits.

The CY2010 updated exhibits are listed below; those items requiring execution on behalf of the District are shown by an asterisk. BPA is currently finalizing the executable exhibits. Mr. Brost reviewed the exhibits for the Commission.

Exhibit A* – Rate Commitment: Revised to remove the District's purchase of Environmental Preferred Power from BPA and reflect the District's election of stepped rates during the CY2010-2011 rate period;

Exhibit B – Billing: Implements Customer Look Back Credit pursuant to the 2010 Wholesale Power Rate Schedules and GRSPs;

Exhibit C* – Net Requirements: Updates information on the District's forecast total retail load, Net Requirements, and non-Federal resources for CY2010;

Exhibit D* – Additional Products and Special Provisions: Revises Rate Mitigation Amounts and Rates pursuant to 2010 Wholesale Power Rate Schedules and GRSPs.

Exhibit G – Slice Payment: Revised pursuant to WP-10 Rate Case;

Exhibit I – Slice Revenue Requirement: Updates the Slice revenue requirement pursuant to 2010 Wholesale Power Rate Schedules and GRSPs;

Exhibit L – System Obligations: Updates system obligations (such as contracts, treaty obligations and biological opinion requirements); and

Exhibit M – Critical Slice Amounts: Revised to update the Critical Inventory Amounts and Critical Slice Amounts.

Staff recommended execution or acceptance of the CY2010 Slice contract exhibits, as indicated above.

Commissioner Gordon asked several questions and Mr. Brost answered; Mr. Felton offered some clarifying information in support of Mr. Brost's answers.

Commissioner Gordon moved and Commissioner Hall seconded to authorize the General Manager or his designee to execute Slice Contract Exhibits A, C and D and to accept Exhibits B, G, I, L and M. The motion passed unanimously.

AUTHORIZING THE GENERAL MANAGER TO EXECUTE AMENDMENTS TO THE REGIONAL DIALOGUE SLICE CONTRACT AND CREDIT WORTHINESS AGREEMENT

Mr. Brost introduced this agenda item as relating to the new Slice contract that is to take effect in CY 2012.

The District entered into a power sales agreement with the Bonneville Power Administration in November 2008, covering power deliveries beginning in October 2011 through September 2028 (Regional Dialogue contract). At the same time, the District signed a Creditworthiness Agreement with BPA.

BPA has made modifications to both agreements to correct typographical and other minor errors, to make clarifications, and to make the agreements consistent with BPA's tiered rate methodology documentation.

The Creditworthiness Agreement amendment includes some credit support provisions that are more favorable to the District.

Mr. Brost recommended the District sign both amendments.

Commissioner Hall moved and Commissioner Gordon seconded to authorize the General Manager or his designee to execute Amendment No. 1 to BPA Contract No. 09PB-13047 and Amendment No. 1 to BPA Contract No. 09PB-13255. The motion passed unanimously.

AUTHORIZING THE DISPOSAL OF VEHICLES AND EQUIPMENT

Mr. Gutmann introduced this agenda item, reporting that each year the District disposes of certain items that have become unserviceable, inadequate, obsolete, worn-out, or unfit for use.

Resolution 1132 documents the vehicles, equipment, and furniture that are no longer usable by the District, and authorizes the General Manager or his designee to dispose of said surplus items. Staff recommended the disposal of these items.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution 1132 as presented. The motion passed unanimously.

AUTHORIZING THE EXECUTION OF AN ENERGY CONSERVATION AGREEMENT

Mr. Clark introduced this agenda item, reporting on a transitional agreement to address multi-year conservation projects.

Bonneville's current energy conservation programs end September 30, 2009. Due to the uncertainty of Bonneville's post-2011 conservation programs and rate credit, Bonneville has offered to utilities an Energy Conservation Agreement to allow for transition funding between rate periods. The Agreement will allow BPA funding to pay for an energy efficiency project starting in one rate period, but ending in another rate period. This will assure that the District has access to Bonneville funding for projects and thus provide an option to self-funding conservation projects.

If approved by the Commission, this five-year Agreement would take effect upon execution and would expire on September 30, 2014, unless terminated earlier.

A total of \$200,000 would be available to the District with a District option to request additional funds. While the funds would be available if needed, the District is under no obligation to use the funds. Staff recommended executing the Agreement.

Commission Hall moved and Commissioner Gordon seconded to authorize the General Manager or his designee to execute an Energy Conservation Agreement with BPA. The motion passed unanimously.

DISCUSSING COMMISSIONER REDISTRICTING

Mr. Brost introduced this agenda item, continuing the discussion from the last commission meeting in August. Mr. Brost reviewed the matter from the last meeting, including that staff presented six options to the Commission for discussion at the August 25, 2009 regular Commission meeting, and that the Commission asked for more time to review the options.

Staff provided the Commission two additional options for consideration.

Mr. Brost suggested the paths available to the Commission were 1) not to move forward with redistricting at this time; 2) to proceed with redistricting; or 3) to table the issue until a future meeting.

If the Commission decides to proceed with re-districting, they may direct staff to 1) develop more options and/or 2) to initiate a public process, including public hearing(s), prior to making a final redistricting decision. If the Commission decides to proceed toward redistricting now, staff recommends holding two public hearings (October and November) in conjunction with the 2010 budget hearings and regular Commission meetings before making a final decision. The timing of a final decision should be determined after the public hearing(s) so that the Commission can consider public input.

Commissioner Hall moved and Commissioner Gordon seconded to authorize the General Manager or his designee to post official notice of two public hearings, to be held during the Commission meetings on October 27 and November 17, to hear public comment and to consider re-districting options. The motion passed unanimously.

CLAIMS

Mr. Palmer reported that there were two claims filed since the last Commission meeting. Both claims allege damage to individual's homes caused by the heavy equipment recently used during the Administration Building remodel process. Mr. Palmer has submitted the claims to the Contractor's insurance company for resolution.

GENERAL MANAGER'S REPORT

Mr. Brost reported on his recent trip to Washington DC with other Public Power Council representatives. Mr. Brost reported that there were twenty-three meetings scheduled for the three-day trip, many of them with legislative staffers, and several with Senators and Congressmen. He reported on the issues discussed and the focus of the talks, including the DSI contracts and other BPA contract issues, the Bi-Op decision, and climate change legislation.

Mr. Brost also reported on the recent PPC meeting in Portland where discussion included the 6th Power Plan, the Columbia Generating Station outage, and the new Energy Conservation Agreement. The discussion on the conservation agreement tied back to the Power Plan and the conservation targets. Mr. Brost reported that there was a good deal of discussion about the DSIs.

Mr. Brost reported that he is still working with Gary Crutchfield, Pasco City Manager, on the Undergrounding Plan. Mr. Brost has edited the proposed undergrounding agreement and returned it to Mr. Crutchfield for review. As edited, the Plan would commit both the PUD and the City to fund up to \$250,000 per year for projects in support of the City's Corridor Improvement Plan.

STAFF REPORTS

Mr. Sargent, Power Analyst, reported for Ms. Boomer, that:

- CWPA put out a request for proposals for new generation projects. There was a new solar project in Moses Lake area, and it could be a viable project, especially with the 30% grant from Stimulus Funds.
- We received a request for information from another utility interested in adding a combustion turbine to its portfolio. We will talk to them about the Fredrickson CT.
- Concurrent with our improving start-up reliability of the Pasco CT, we are looking at options to provide a return on capital for the project.
- There was a record low Slice generation in August.
- Energy Northwest will broaden their look at small nuclear reactors and not limit to any one developer at this time.

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

- The search continues for a meterman, and the advertisement effort has expanded to a national level, but with little response.
- She is working on filling the new Administrative Assistant opening in the Public Affairs department, interviewing three in-house candidates.
- She submitted the name of one District employee's child to WPUDA for the Walkley Scholarship drawing.

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

- The remodel has made huge gains this week.
- Customer Service will be open to the public in the new location on Monday, September 28, even though there is still much to be coordinated, and last minute details and a 'punch list' to be completed.
- The new space has passed the City's electrical inspection.
- IS is preparing to set up computer workstations.
- Customer Service will close for business on Friday at 1:00 in order to move staff into new stations and do 'trial runs' to prepare for Monday.
- We are continuing to talk with a customer with a large outstanding balance to work out an acceptable payment plan.
- He will be reviewing a Cost of Service study during the week of November 16 at a meeting with rate advisory committee.

Mr. Gutmann, Director of Operations, reported that:

- It has been determined that the Department of Energy will pay for the cost of the facility being built on Rattlesnake Mountain. DOE will also reimburse tenants for the estimated \$1.7M cost to move into the new site. Tenants will be expected pay \$400/mo for O&M charges beginning October 1, 2009.
- General Electric is at the CT site this week to map the turbines and perform a 'tune-up.' Following that, an AmTest, which was last done in 2001, will test and certify the CT emissions are within limits.
- The mechanic shop expansion is nearly complete, awaiting final approval from the City of Pasco.

Mr. Sams, Director of Engineering, reported that:

- The remodel in Engineering is partially complete, and some of engineering staff have moved into newly remodeled spaces.
- Regarding the recent citizen complaint letter about the corn maze, Engineering staff have researched the situation, and it is not apparent that there is any particular problem with the request for or provision of electrical service. Mr. Palmer added that the District has provided the public records as requested in the complaint letter. Mr. Brost plans to respond to the customer letter.
- The Connell Kahlotus 34 kv transmission line options continue to be researched, and staff are looking at emerging technologies to see if there are alternatives that might help satisfy the problem. One alternative is using fiberglass poles. Engineering will put several in place to see whether they are feasible.

Ms. Bone-Harris, Public Affairs Manager, reported that:

- The 1306 Smart Grid Infrastructure Stimulus Funding application has passed the first hurdle, receiving approval from the DOE merit review board.
- She has heard from DOE that demand has far exceeded availability of funds for the Smart Grid Stimulus Fund grants. She reports that it will be October or November before it is determined if the District has been successful in their application for the Smart Grid Stimulus Funds.
- BPA put together a power point on the Adaptive Management Plan as a result of the Bi-Op decision from the Administration. Copies are available.
- She attended a Water Power Dam meeting recently and the consensus of the group is that they want to do a community forum on energy and economy.
- She attended the WPUDA meeting, where it was reported that the Governor is in the process of developing a five-year state energy policy. She reported that WPUDA would be discussing how to move forward on Initiative I-937 and that the Communicators group completed their ad for hydropower as a renewable resource.
- The BFCOG just approved an REDF loan to a new local business, Jigsaw Kids, a pre-school on Burden Boulevard, with a target of thirty-seven new jobs over five-year period, and an investment of \$41,000 out of the Franklin PUD REDF.

Mr. Palmer, General Counsel, reported that:


- The Washington state PUD attorneys have created an email thread on commissioner compensation, which offers amendments to the existing statute to address the mid-term salary increase issue as well as mid-term per diem increase issue.
- He will be giving a FACTA presentation to the Washington Association of Public Records Officers (WAPRO) at its upcoming meeting in Olympia.

MEETING ADJOURNED

With no further business to come before the Commission, Commissioner Nelson adjourned the meeting at 4:35 pm.



Stuart Nelson, President



Charles D. Hall, Vice President



William Gordon, Secretary