

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

MINUTES OF AUGUST 25, 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 August 25, 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; 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 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**

There were no comments from the public.

**COMMISSIONER REPORTS**

Commissioner Gordon reported that the Energy Northwest's Columbia Generating Station has been off-line for twenty days due to an electrical fault. He also reported that Energy Northwest expects to have a new CEO no later than the end of July 2010. Commissioner Gordon commented on the District's new phone system, reporting that when he accessed it on Friday, it still needed some fine-tuning, and when he accessed it today, it was excellent. Mr. Brost echoed his positive comments, reporting that the system changeover went very well and that the team did an excellent job in transitioning from the old to the new system. Mr. Nies joined in the praise, commenting that the IS department did a great job managing the changeover.

Commissioner Hall reported that he attended the Tri-Cities Chamber meeting and that Congressman Doc Hastings gave an impassioned defense against tearing down the Snake River dams.

Commissioner Nelson noted that he also attended the Tri-Cities Chamber meeting and agreed with Commissioner Hall's comments.

**CONSENT AGENDA**

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

1. To approve the minutes of the Regular Commission Meeting of July 28, 2009.
2. To approve payment of expenditures amounting to \$6,024,995.78 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 44517 through 44526, 44544 through 44585, 44587 through 44644, 44646, 44650 through 44704, and 44747 through 44784 in the amount of \$1,988,456.31
  - b.) ACH vouchers 519, 520, 522, 524 and 525 in the amount of \$3,915.49
  - c.) Handwritten voucher 6700 in the amount of \$150.00
  - d.) Handwritten refund voucher 6701, and automated refund vouchers 44528 through 44542, 44648, 44706 through 44745 in the amount of \$14,597.21
  - e.) Voids in the amount of \$7,749.33
  - f.) Wire transfers totaling \$4,025,626.10 to the following:

To:	For Payment of:	In the Amount of:
BANK OF THE WEST	DIRECT DEPOSIT PAYROLL	\$ 538,244.08
BANK OF THE WEST	EFTPS (PAYROLL TAXES)	\$ 145,545.02
DEPT RETIREMENT	PERS 1,2,&3	\$ 93,748.14
ICMA	DEFERRED COMPENSATION	\$ 73,221.66
REHN	125 PLAN	\$ 4,835.73
REHN	VEBA	\$ 25,090.20
BPA	SLICE	\$ 1,369,142.00
BPA	TRANSMISSION	\$ 310,002.00
BPA	BLOCK	\$ 387,851.00
DEPT OF REVENUE	EXCISE TAX	\$ 243,093.07
TERASEN	GAS PURCHASE	\$ 28,639.30
LL&P WIND	WHITE CREEK WIND ENERGY	\$ 155,836.22
KLICKITAT PUD	ENERGY	\$ 52,124.88
FREDERICKSON	ENERGY	\$ 382,985.70
BARCLAY'S	GAS FINANCIAL SWAP	\$ 215,267.10
<b>TOTAL</b>		<b>\$ 4,025,626.10</b>

3. To approve payment for work completed from June 30, 2009 to July 28, 2009, by Power City Electric, in the amount of \$108,196.40 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 August 12, 2009, in the amount of \$21,248.07.

The motion passed unanimously.

#### **APPROVING THE BROADBAND BUILD OUT ON THE I-182 BRIDGE CROSSING TO RICHLAND**

Mr. Nies introduced this agenda item, reporting that this project had been in the works for about one year with City of Richland, with a goal of providing reliable broadband service to Tri-Cities.

Mr. Nies reported that the District identified several key customers, including Lourdes Health Network and Columbia Basin College, who would like to connect by broadband from their existing sites in Pasco and Richland. Further, the District would benefit from this broadband build out, as it would partially enable a redundant route into a NoaNet's second Point of Presence (POP), thus improving the District's existing network reliability. Finally, this project would provide a critical missing network link between Franklin PUD, Benton PUD, and the City of Richland.

Mr. Nies reported that Franklin PUD received a permit from the State of Washington Department of Transportation (WSDOT) to install the conduit inside the maintenance corridor on the I-182 Bridge. This permit will allow Franklin PUD access and the right to construct within the WSDOT Right of Way. Construction could begin as soon as September 2009. The estimated cost associated with this build out is \$131,200. Mr. Nies directed the Commissioners' attention to Exhibit A, a map illustrating the build out.

Mr. Nies added that this project is contingent upon the District reaching an agreement with the City of Richland to connect the Franklin PUD and City of Richland networks. Mr. Nies further added that in the long term, the District and the City intend to have a three-party rate structure agreement with Benton PUD so that joint customers' rates are not 'pancaked' by the utilities, but rather that revenue is shared between the utilities.

Commissioner Gordon moved and Commissioner Hall seconded to approve the Broadband Build Out on the I-182 Bridge crossing to Richland as presented. The motion passed unanimously.

#### **AUTHORIZING THE GENERAL MANAGER TO EXECUTE A POST ISSUANCE COMPLIANCE POLICY**

Mr. Nies introduced this agenda item, stating that when the District issues bonds, certain contractual and IRS obligations arise. Mr. Nies reported that, for example, records management provisions require that the District maintain a full transcript related to the issuance of the bonds; federal tax law requirements relate to the use of the proceeds and the timeframe in which they are spent; and the Securities Exchange Commission requires ongoing disclosure in connection with public offerings of bonds.

Mr. Nies reported that over the last several years, the IRS has increased audit focus in this area, and compliance agencies expect to see this type of policy in place. As a result, the District's Bond Counsel has recommended that we adopt a policy outlining our related compliance procedures. Mr. Nies assured the Commissioners' that there were no compliance issues at the District, and this policy would not substantially change how the District operates. The proposed policy simply formalizes the District's current procedures for complying with post-issuance bond requirements.

Commissioner Hall moved and Commissioner Gordon seconded to authorize the General Manager or his designee to execute Policy 43, Post Issuance Compliance, in substantially the form presented. The motion passed unanimously.

### **AUTHORIZING THE GENERAL MANAGER TO EXECUTE A REVISED SUCCESSION OF AUTHORITY POLICY**

Ms. Paysse introduced this as a housekeeping item. At the July 28, 2009 regular Commission meeting, the Commission adopted Resolution 1128, amending the Salary Administration Plan. The amendment changed the title of two positions; the District changed the title of Community & Government Relations Manager to Public Affairs Manager and the title of Sr. Project Engineer to Engineering Manager.

Ms. Paysse explained that Administrative Policy 13, Succession of Authority, names the two positions and therefore the policy should be updated.

Commissioner Hall moved and Commissioner Gordon seconded to authorize the General Manager or his designee to execute revised Administrative Policy #13, in substantially the form presented, reflecting the title changes provided by Resolution No. 1128, adopted on July 28, 2009. The motion passed unanimously.

### **ADOPTING RESOLUTION 1131, SETTING THE MANAGER'S SALARY**

Ms. Paysse introduced this agenda item, reporting that this action follows action taken at the last Commission meeting.

Ms. Paysse reported that at the July 28, 2009 regular meeting, the Commission met with the General Manager to discuss his performance and compensation. Based on progress made over the past year, the Commissioners proposed an increase in salary. The Commission voted unanimously to increase the salary of the General Manager to \$14,333 per month, effective September 1, 2009.

Ms. Paysse noted that RCW 54.16.100 requires the General Manager's salary be set by resolution. Therefore, Resolution 1131 documents the Commission's action, and staff recommended adoption of Resolution 1131.

Commissioner Hall moved and Commissioner Gordon seconded to adopt Resolution No. 1131, setting the General Manager's salary at \$14,333 per month, effective September 1, 2009. The motion passed unanimously.

## **CLAIMS**

Mr. Palmer reported that the District's insurance provider denied a claim filed some time ago, involving damage to communication equipment owned by and located at Russ Dean Ford; the damage was apparently brought about by a power outage.

Mr. Palmer reported that no new claims were brought against the District since the last commission meeting.

## **GENERAL MANAGER'S REPORT**

Mr. Brost reported that Ms. Bone-Harris and he met with the Franklin County Historical Society on Wednesday. The purpose of the meeting was to discuss a long-standing arrangement with the Society to display historical items in the Administration Building lobby. Mr. Brost reported that due to the new location of the lobby and the finances of the District, it was no longer feasible to continue the arrangement. As a result, the agreement will end effective 2010.

Mr. Brost reported that the Obama Administration had requested delaying the Bi-Op decision to September 15, 2009 so that they could complete their review and provide input and recommendations.

Mr. Brost reported that he and Ms. Boomer met with Mr. Steve Oliver, Bonneville Power Administration's Vice-President for Generation Asset Management, and others, in Portland last week. Mr. Brost reported that he, as the new chair for the Slice CEO group, and Ms. Boomer, as the new chair for the Slice SIG group, wanted to meet and start a conversation regarding Slice customer relations, and discuss how to operate under the new contract. He reported that the meeting was short but productive, and that he has scheduled a follow up meeting in the second week in September.

Mr. Brost added that he has been asked to participate in a PPC group in Washington DC the third week in September to meet with legislators and their staffs to discuss climate change and other power-related subjects.

Mr. Brost also reported on his recent meeting with the City Manager from the City of Pasco on the overhead to underground program, and the city's Corridors and Gateways Plan. Mr. Brost also indicated that the City and Lourdes would like the District to discuss improvements to the front of the Operations site in order to enhance the appearance of the corridor as part of the Plan.

He noted that we currently commit over \$100K annually towards replacement of overhead lines with underground facilities when the need arises for replacement. He reported that the City requested that the District and the City agree to commit up to \$250K annually. Mr. Brost will meet with the City again in the first part of September.

Mr. Brost also reported that at the last CREATE meeting, Mr. Gary Crutchfield, Pasco City Manager, and Ms. Sandra Hill, Pasco School District Superintendent, passed on their compliments to the PUD crew who completed the work at the new Chiawana High School.

Lastly, Mr. Brost reported on the subject of Commissioner redistricting. The issue of redistricting arose when the Franklin County Commissioners voted in December 2008 to redraw the County Commission Districts based on more up-to-date population data. As a result, the District Commission decided in July 2009 to explore the idea of redistricting and asked staff to bring options to the next Commission meeting.

In response, Mr. Brost introduced redistricting options to the Commission. Mr. Brost presented the options that were prepared in 2007 when the Commission last reviewed the idea of redistricting, and applied the updated population data to those options. In addition, he presented two additional options that accounted for the growth since 2007.

The Commissioners briefly reviewed the information and agreed to renew further discussions at the next Commission meeting, which would allow them time to review the information presented. Mr. Brost noted that should they decide to move forward, there would be ample time for two public hearings before the end of the year, which would be well in advance of the filing period for the next election.

## **STAFF REPORTS**

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

- She attended PPC where members discussed BPA's stepped rate option for the FY2010-11 rate period, and she noted that staff would probably recommend that option because it will reduce the potential for a rate increase next year.
- Also discussed at the PPC meeting was the upcoming travel to Washington DC and meetings regarding the climate change legislation.
- Regarding the Glade to Taylor Flats transmission line, BPA sent a notice to advise customers that the District now owns the line, and she had expected resulting phone calls from customers, but none have come in. She reported that there is a request for property access in the District's easement area, and she will work with Engineering, Operations, and Mr. Palmer to determine how to document the use of the easement by others.
- She met with a party from Green Energy Technology, a small hydro project licensed to operate on Esquatzel Canal; we may be interested in purchasing power from them. She sent a letter of support for the project.
- She has updated the District's policy on NERC/WECC cyber security.

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

- On Monday, August 31, the new System Engineer will report to work.
- Diane Turney has resigned her position of Community Relations Coordinator to accept another position, and her last day was Friday August 11.
- She is currently advertising a Meterman position opening, but expects to expand the search, as there has been no qualified response.
- She distributed the Walkley scholarship application materials to staff and she expects that there will be at least one applicant.
- She contracted with a consultant to improve District performance evaluations. Meetings are scheduled with management and staff groups next week to gather information.

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

- The Budget Status report shows that July was a good month, with loads and sales up; however, Slice generation was down and power costs went up. Reserves are doing well through July, but he expects that they will dip as they typically do in the fall months. Accounting adjusted the budget report to compensate for the overbilling of irrigation customers in May and June.
- The Capital expenses are starting to fill out now that the remodel charges are coming in.
- The Broadband report shows an increase due to the completion of service to the school district.
- He obtained the final cost estimates on the demolition of the 1313 building and restoration of the site after the demolition. The earlier estimate was \$49K, with a total project cost of under \$100K. The total costs are now coming in at \$136K, including asbestos abatement, new asphalt, landscaping, swale, curbs, gutters and sidewalks. Because the total costs are over \$100K, Mr. Nies is requesting a formal approval from the Commission. Commissioner Hall moved and Commissioner Gordon seconded to approve the 1313 building demolition and site improvement costs not to exceed \$136K. The motion passed unanimously.
- He expects several additional change orders on the remodel project. One change order is for the parking lot lighting; if we use LED lighting at a cost of \$19K, we can expect to qualify for BPA funding to offset the cost. He suggests that we put all HVAC controls on one control panel, also at a cost of \$19K. He noted that installation of a 'dry pipe' in the sprinkler system downstairs, to protect records in the records center, would cost approximately \$30K. Lastly, he is anticipating that there will be conduit laid for a proposed electronic reader board, and that cost is \$9K. He is looking into the City's height restrictions for signs, and he will get quotes for a sign.
- He expects that the new Customer Service area will be open to the public on September 21, assuming we have occupancy by September 15; Friday September 18 is the scheduled last day in the current Customer Service area.
- The Software project is going along well and he expects that the new software will go live in January 2010, while we continue running the old system.
- There is an issue with a customer, who has a history of not paying his utility bills on time, and there is currently a large overage; the customer plans to take care of the overage in September.
- He reported that staff is researching establishing a rate stabilization fund this year. He will come back to the Commission before the end of the year with a proposal; it is viewed by the rating agencies as a good backup plan, looked at as a proactive move.

Mr. Gutmann, Director of Operations, reported that:

- Operations had difficulty in getting a Woodward drive to replace the non-working one at the CT site, but that one was finally located and installed on August 7. They tested it and intended to run the CT on August 10 for 8 hours, but as they started it, they got a call from TEA who asked them to continue to run it for margin, so it ran all day, and also on the next day. The CT site is now running all four units on an on-call basis.

- On August 11, there was a power outage on Road 42 and 44, and some customers were upset with the outage and the length of time of the outage. Mr. Gutmann explained that the problem was underground, and it therefore takes longer to get it resolved than if it were overhead. At least one individual called the newspaper, and an article on the outage and the District's planned corrective actions was in the paper. It was a very accurate and balanced article. Mr. Gutmann said that Operations contacted Power City who contacted a local contractor who uses a trenchless directional borer, which does not disturb the landscaping. In addition, they plan to take the underground all the way to Road 44, which will then cut down on the outage time.

Mr. Sams, Director of Engineering, reported that:

- He commended the effort that the Operations Department, Engineering staff and Power City gave to the outage reported by Mr. Gutmann, and stated that they did a great job in getting the replacement work arranged as fast as they did.
- The new System Engineer is starting on Monday, August 31.
- He missed the last Commission meeting, but wanted to give an update on the Connell/Kahlotus line. He reported that they completed the survey and profile, and identified some problems with the existing line such as extraordinary long spans and low ground clearances. Based on the survey and profile information, Engineering has determined that they could strengthen the line in place for substantially less than building all new. The District has applied for stimulus dollars to build fiber to Kahlotus, and we should hear on our status by November 1. In order to get necessary clearances for fiber, we will have to consider pole height, and if we have to replace all the poles in order to get proper clearances, we will have to consider going back to the original plan of replacing the line rather than strengthening the line.

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

- The District is involved in preliminary planning for a dam rally in Columbia Park, perhaps on September 8 or 9, and the organizers would like to be able to have Congressman Doc Hastings here to support the rally. She is working with Benton PUD who will help coordinate, and explained the plans and ideas about various speakers and logistics for the rally.
- The District made all the deadlines for the submission to the CTED (now Department of Commerce) for the stimulus-funding request for the building remodel. She indicated that the District was right on the edge of qualifying for silver LEED certification, rather than standard certification.
- She shared with the Commission a letter from Governor Gregoire in support of the TRIDEC 1306 Infrastructure Smart Grid stimulus fund proposal that Franklin PUD is a subrecipient for our AMI.
- She heard back from the Department of Commerce who indicated that we could hear about the stimulus fund awards as early as September.
- She continues to work with WPUDA communicators group on a statewide campaign for hydropower as renewable.
- She initiated a message on the website providing contact information for Representative McDermott regarding his proposed legislation for Snake River dam removal.
- The Tri-City Legislative Council should begin meeting in September.

- The Benton Franklin Council of Governments, who administers the Franklin PUD REDF program, is currently reviewing an application to fund a potential project that would provide thirty-seven jobs in childcare. She will update the Commission on this next month.
- The Pasco Chamber of Commerce' annual Sunshine Ball, "An Evening in Marrakech" is September 19, and she invited the Commissioners to attend.

Mr. Palmer, General Counsel, reported that:

- He included in the Commissioner's packet a list of the Small Works Roster awards for 2008 and 2009.
- The attorneys in the state are continuing their discussions on commissioner compensation focusing on two topics. The first topic is the Office of Financial Management's COLA increase to the per diem rate, and the ongoing debate as to whether the COLA should apply to both the per diem rate and the salary amount. The second topic deals with the commitment WPUDA made to the State Auditor's Office that WPUDA would find a legislative remedy to deal with mid-term salary increases for commissioners authorized by the Legislature. The attorneys will continue to discuss these two topics and Mr. Palmer will keep the Commission apprised of the discussions.
- He received a letter from the Franklin County Prosecutor's office regarding the office burglary one year ago, informing him that the female burglary suspect had plead guilty and was sentenced, and ordered to pay restitution.


Mr. Brost noted that Commissioner Nelson had a scheduling conflict, and would not be present for the November 10 regular meeting. The Commissioners agreed to cancel the November 10 meeting, and instead hold a special meeting on November 17.

Mr. Larry Felton, from BPA, reminded the staff that BPA needs a response from the District as to whether we are going to take any tier 2 product. Mr. Felton noted that the District needed to respond no later than by November 1, and encouraged the District to let them know sooner if possible.

#### **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