

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

MINUTES OF THE MARCH 26, 2019
REGULAR COMMISSION MEETING

The Board of Commissioners of Public Utility District No. 1 of Franklin County held a regular meeting at 1411 West Clark St., Pasco, WA, on March 26, 2019 at 1:00 p.m.

Those present from the District for all or part of the meeting were Commissioner Roger Wright, President; Commissioner Bill Gordon, Vice-President; and Commissioner Stu Nelson, Secretary; Holly Dohrman, Interim General Manager; Duane Sams, Director of Engineering; Carrie Locke, Senior Manager, Human Resources; Debbie Bone-Harris, Senior Manager, Public Affairs; Travis Scott, Director of Operations; Brian Johnson, Director of Administrative Services; and Rosario Viera, Executive Assistant.

Other staff present for all or part of the meeting was Elena Ramirez, Public Records Officer.

Public present or who participated via conference call for all or part of the meeting were Scott Rhees, General Manager-elect, Mark Axford, Axford Turbine Consultants, President; and William Rimmer, Bonneville Power Administration (BPA), Power Account Executive.

OPENING

Commissioner Wright called the meeting to order at 1:00 p.m. and called on Mr. Rimmer to lead the Pledge. Commissioner Wright welcomed the attendees and noted that Mr. Brian Iller had a schedule conflict and would not be attending the meeting.

EMPLOYEE SAFETY MINUTE

The Commission welcomed Ms. Ramirez and asked for an overall rating on the safety culture, and any concerns or suggestions to improve safety at the District. Ms. Ramirez provided a 5-6 rating on the safety culture. She noted that the variety of safety trainings being provided are great. She recommended that the safety committee budget include funds to deal with safety concerns brought forward by staff. Ms. Ramirez reported that it is difficult to deal with these concerns in a timelier manner without funding in place and noted that management support was important. She noted that providing safety information to customers was equally as important as providing training for employees. She reported that this may help reduce claims most often submitted to the District. Ms. Ramirez reported that in her opinion encouraging communication, creating a greater awareness and setting guidelines with accountability could help improve the safety culture. The Commission thanked Ms. Ramirez for her feedback and noted they appreciated her insight.

PUBLIC COMMENT

Commissioner Wright called for public comment and there was none.

Ms. Viera noted that a change to the order of the agenda items was needed as Mr. Axford was not available to report yet and asked the Commission to proceed with the BPA Update from Mr. Rimmer.

BPA UPDATE

The Commission welcomed Mr. Rimmer and thanked him for attending. Mr. Rimmer reported that he will be attending the Commission meetings on a more regular basis and asked what type of information the Commission would like him to report on. Commissioner Gordon reported that being kept apprised of BPA's actions was critical and requested an update on the Energy Imbalance Market. Discussion followed on the misallocated reserves, the possibility of a Cost Recovery Adjustment Clause being implemented this year, and the status of the negotiations of the Columbia River Treaty.

The Commission thanked Mr. Rimmer for the information provided.

TURBINE MARKET UPDATE

Mr. Scott reported that Mr. Axford has been working with the District to assist with the disposal of the Pasco Combustion Turbine (CT) plant and asked Mr. Axford to provide an update. Mr. Axford reported that there has been a decline in the market for turbines in particular for the type of turbines the District is trying to dispose of. He noted that shift in the market has been more towards larger combined cycle turbines. Mr. Axford reported that disposing of the District's Pasco CT has been a challenge and he reviewed some of the past attempts.

Mr. Axford reported that disposing of the Pasco CT in a depressed market is difficult and reviewed alternatives such as selling as parts only, or leasing the turbines. He noted that a proposal has been brought forward and asked if the Commission would consider reviewing the proposal. The Commission asked about scrapping the Pasco CT and the potential value in doing this. Mr. Axford noted he was not able to provide that information as he did not know the particulars around our area regarding scrap value costs. Discussion ensued.

There was consensus from the Commission in reviewing the proposal to lease all or parts of the Pasco CT. Further, the Commission noted that staff should also pursue the option of scrapping the Pasco CT. There was discussion on the value of the land and other potential uses for it. The Commission thanked Mr. Axford for the information provided.

COMMISSIONER REPORTS

Commissioner Gordon did not report.

Commissioner Nelson reported that:

- He attended the WPUDA monthly meeting and noted that the election of officers will be in April.
- He attended the Tri Cities Hispanic luncheon.

Commissioner Wright reported that:

- He also attended WPUDA and asked staff for updates on the Clean Energy bill and other legislative issues. Ms. Bone-Harris provided the information.
- As of the fall of 2018, NoaNet has begun to carry E911 calls and as of the of 2019, the public will be able to text into 911. He noted that if NoaNet had not provided the backbone, the 911 outage that occurred last year would have impacted a larger part of the state. He reported that as of February of this year, nearly one million 911 calls have been placed on NoaNet's network, and noted this was a great public service.

CONSENT AGENDA

The Commission reviewed the Consent Agenda. There were questions on items listed on the warrant registers and staff provided the information. Commissioner Gordon moved, and Commissioner Nelson seconded to approve the Consent Agenda as follows:

- 1) To approve the minutes of the March 12, 2019 Regular Commission Meeting.
- 2) To approve payment of expenditures for February 2019 amounting to \$10,052,466.70 as audited and certified by the auditing officer as required by RCW 42.24.080, and as reviewed/certified by the Interim General Manager as required by RCW 54.16.100, and expense reimbursement claims certified as required by RCW 42.24.090 and as listed in the attached registers and made available to the Commission for inspection prior to this action as follows:

| Expenditure Type: | Amount |
|--|-------------------------|
| Direct Deposit Payroll Umpqua Bank | \$ 449,254.25 |
| Wire Transfers (Wires) | 7,712,295.71 |
| Automated and Refund Vouchers (Checks) | 980,383.00 |
| Direct Deposits (EFT) | 910,533.74 |
| Voids | (0.00) |
| Total: | \$ 10,052,466.70 |

- 3) To approve the write offs as listed on the Write Off reports dated, January 24, 2019 in the amount of \$2,223.36 and March 5, 2019 in the amount of \$5,810.44 for a total of \$8,033.80.

The motion passed unanimously.

AGENDA ITEM 8

ADOPTING A RESOLUTION CONTINUING THE LOW-INCOME SENIOR CITIZEN AND LOW-INCOME DISABLED PERSON DISCOUNT PROGRAMS AND SUPERSEDING RESOLUTION 1299.

Ms. Dohrman introduced the agenda item and reviewed the background information as reported on the Agenda Item Summary included in the meeting packet. She reviewed the number of discounts and the costs in providing the discounts. She noted that the increase from the previous year was due to the change in the disabled person's criteria which extends to low-income disabled persons who are customers of, or who reside with a customer of, the District.

The Commission asked various questions on the recertification process, and on the availability of doing energy conservation audits to their homes. Ms. Dohrman provided the information. The Commission requested staff provide data on the kWh usage of the accounts that qualify under these programs. Staff reviewed their recommendation.

Commissioner Gordon moved and Commissioner Nelson seconded to adopt Resolution 1314 as presented. The motion passed unanimously.

AGENDA ITEM 9

AUTHORIZING THE INTERIM GENERAL MANAGER OR HER DESIGNEE TO EXECUTE A CONTRACT FOR THE PURCHASE OF TWO FOREMAN TRUCKS.

Mr. Scott introduced the agenda item and reviewed the background information as reported on the Agenda Item Summary included in the meeting packet. He reported that two bids were received and evaluated. He noted that Valley Ford Sales, Inc. - PMI had submitted the lowest responsive bid and was within the District's estimate. The Commission asked questions on the bidding specs and process, the type of trucks being purchased and what was to be done with the older vehicles. Mr. Scott noted that staff will evaluate the fleet and possibly bring those vehicles for surplus approval at a later date. Staff reviewed their recommendation.

Commissioner Nelson moved and Commissioner Gordon seconded to find Valley Ford Sales, Inc. – PMI, the lowest responsive bidder and to authorize the Interim General Manager or her designee to execute a contract for the purchase of two foreman trucks in an amount not to exceed \$155,943. The motion passed unanimously.

AGENDA ITEM 10

AUTHORIZING THE INTERIM GENERAL MANAGER OR HER DESIGNEE TO EXECUTE AN EXTENSION TO THE VEHICLE FUEL CONTRACT.

Mr. Scott introduced the agenda item and reviewed the background information as reported on the Agenda Item Summary included in the meeting packet. He noted that staff has been pleased with the service provided by the current fuel vendor. He reported that if authorized, this will extend the contract for the first twelve-month period starting May 1, 2019 and ending April 30, 2020. Mr. Scott noted that the 2019 budget has \$140,000 allocated for the purchase of vehicle fuel. Staff reviewed their recommendation.

Commissioner Nelson moved and Commissioner Gordon seconded to authorize the Interim General Manager or her designee to execute an extension to the vehicle fuel contract with Coleman Oil Company, LLC, for one year, starting May 1, 2019 and ending April 30, 2020, in an amount not to exceed the OPIS wholesale cost plus the markup rate of \$0.040 (4 cents) per gallon. The motion passed unanimously.

AGENDA ITEM 11

ADOPTING A RESOLUTION APPOINTING SCOTT R. RHEES TO THE POSITION OF GENERAL MANAGER OF PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY.

Ms. Locke introduced the agenda item and reviewed the background information as reported on the Agenda Item Summary included in the meeting packet. She reported that Resolution 1315 was introduced at the March 12, 2019 regular meeting as required by RCW, and that this was the second presentation. She reviewed the salary set for the General Manager and the effective date as had been discussed and agreed upon at the March 12, 2019 meeting. Staff reviewed their recommendation.

Commissioner Wright moved and Commissioner Nelson seconded to adopt Resolution 1315, appointing Scott R. Rhees as the General Manager. The motion passed unanimously. Mr. Rhees thanked the Commission for the opportunity to serve as the General Manager.

AGENDA ITEM 12

ADOPTING A RESOLUTION REMOVING HOLLY DOHRMAN AS INTERIM GENERAL MANAGER OF PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY.

Ms. Locke introduced the agenda item and reviewed the background information as reported on the Agenda Item Summary included in the meeting packet. She noted that at the March 12, 2019 regular Commission meeting, the Commission introduced a resolution appointing Scott R. Rhees as General Manager of the District. She reported that pursuant to the RCW, a resolution was also introduced to remove Holly Dohrman as the Interim General Manager at the March 12, 2019 regular meeting. Staff reviewed their recommendation.

Commissioner Nelson moved and Commissioner Gordon seconded to adopt Resolution 1316 removing Holly Dohrman as Interim General Manager. The motion passed unanimously.

CLAIMS

Ms. Dohrman reported there were two potential claims, and provided more information on each claim. She noted that both claims have been forwarded to Federated.

INTERIM GENERAL MANAGER'S REPORT

Ms. Dohrman reported that:

- Her report was included in the meeting packet and she reviewed the following items in more detail:
 - *A. Gridstream Update:* As was requested, staff had reached out to other utilities regarding Automated Meter Infrastructures. She reviewed the findings in the report and asked for the Commission's recommendation on how to proceed.

The Commission inquired about an opt out option for customers, how public notice would be provided, and the costs. Discussion ensued. The Commission thanked Ms. Dohrman for providing the information and there was agreement on Gridstream meters being the option to use when replacing meters. Further, the Commission agreed to proceed with replacing failing meters with Gridstream meters in areas outside of Pasco, and possibly the larger businesses. The Commission requested staff provide a communication plan at a future meeting for their review. Additionally, the Commission requested that the deployment of Gridstream outside of Pasco be done in phases, and that staff provide an implementation schedule and cost estimate for this deployment.

- She briefly reviewed the other items on her report, and provided more information on the purchasing card audit. She noted that a discrepancy has been identified and that she will continue to review the transactions for any further duplicity and will focus on the larger users of the purchasing cards.
- The January and February power reports and Key Performance Indicators (KPIs) were included in the meeting packet and she reviewed the information. There was discussion on the March 8 power pricing event and BPA's press release.
- The Customer Service, and Legal departments KPIs were also included in the packet and she reviewed them.

The Commission inquired about the water rights associated with the land the Pasco CT is on and requested staff research the matter.

STAFF REPORTS

Mr. Johnson reported that:

- The January and February financial status reports were included in the meeting packet and he reviewed them with focus on the February reports. He noted the decrease in the reserves was due to the annual privilege tax payment to the Department of Revenue and reported that in the past this payment was done in the month of June.
- Due to the inclement weather and staffing issues in the meter reader department customer bills have been estimated. He reported that staff is working on a plan to get the billing cycles back on track and get actual meter reads for customer billings.
- The Administrative Services department KPIs was included in the meeting packet and he reviewed them.
- In follow up to the customer account tax rate assessments, he reported that staff is reviewing the Cities of Connell and Kahlotus as part of the normal map verification process.
- He noted that since no rate action is anticipated the Rate Advisory Meeting has been postponed until the fall. He noted this will allow the new General Manager to participate as well.
- The bond ratings presentation has also been postponed to the fall. He reported that since the District was seeking a bond ratings affirmation the District's financial advisor had recommended postponing the presentation until the fall.
- As part of the *Operating Plan Tactic 3.1.k, Monitor and maintain District financial metrics and key performance*, he provided a chart showing the District's financial metrics and policy targets. The Commission asked questions on the District's financial policy and asked for additional information on the required "days cash on hand".
- As part of the *Operating Plan Tactic, 3.1.l, Utilize NISC reporting tools to define what financial metrics and KPIs to track and report*, he provided a handout with two sample reports. He asked the Commission to review and provide feedback on the helpfulness of these reports.
- For his audit, he reported that on February 14, 2019 the District had closed early due to the inclement weather as allowed per policy. He noted he reviewed employee timesheets to verify the correct coding was used for the time the District was closed and noted the timesheets were correct.

Ms. Locke reported that:

- The Human Resources department KPIs were included in the meeting packet and she reviewed them.
- The District's Deferred Compensation Committee met and reviewed 2018 fourth quarter investment performance. She noted that three funds are underperforming based on the standards set forth in the Investment Policy Statement and have been put on watch lists.
- She reported that training was provided to the Committee on Third Party Administrator services and fees in preparation for negotiations pending ICMA-RC's contract end in early 2020. She noted that the Committee voted in favor of exploring a new contract with ICMA-RC versus rebidding this contract.
- There was a labor management meeting and noted that there were questions regarding the jurisdiction on maintenance, testing, and deployment of the new 250kVa generator purchased for the colocation electricity backup. Also, a request was made that the District bargain wages for the Broadband Technician position. She reported that the Union will

pursue the matter with the Public Employees Review Committee (PERC) for further evaluation.

- Staff attended a Central Washington Public Utilities (CWPU) Managers Meeting. She noted that it was the annual meeting and that the 2020 Collective Bargaining strategy was discussed.
- For her audit she compared the Labor and Industries injury and cost profile for the District. She noted that a look back of 2015 through 2018, was done to show how low claim costs positively affect the experience factor and reduce overall insurance premiums. A total of approximately \$96,393 was saved under the base premium rate during this period.

Ms. Bone-Harris reported that:

- The District is partnering with Energy Northwest and other local utilities in several ads on clean energy that will be in the Progress Edition.
- The President/CEO of Tri-City Development Council (TRIDEC), Mr. Carl Adrian, is looking forward to setting up a meeting with the District's new General Manager. She noted that staff will coordinate a meeting for them to speak.
- The new CEO of Visit Tri-Cities would like to come and introduce himself to the Commission and asked if there was interest. The Commission agreed it was beneficial to have him attend a future meeting for formal introductions and hear more about Visit Tri-Cities and the value they provide the community.
- She drafted and electronically sent a letter to the Department of Ecology on the 401c Certification process.
- BPA reviewed the Dam Sense "facts" on that website (<https://damsense.org>) and provided rebuttal and accurate information for all the talking points. She provided a copy of those talking points.
- For her audit, she compared the Fast Facts rate information against, the Rules and Regulations, and the District's website and noted the information was accurate in all.

Mr. Scott reported that:

- An offer has been made to a linemen and noted that will leave one linemen position open.
- There was an outage last month and he provided more information on the cause of the outage. He noted that service was restored for most customers in less than an hour and the remaining few in less than four.
- The operations staff attended Equipotential Grounding training.
- He met with Mr. Dave Ward, General Manager of Grays Harbor PUD (Grays PUD). He noted the meeting was centered around the disposal of the Pasco CT. He reported that Grays PUD would like to explore decommissioning the Pasco CT. The Commission asked what the benefit to decommissioning the Pasco CT was, versus continuing to explore the disposal as discussed earlier. Discussion ensued.

Mr. Sams reported that:

- The 2018 Net Metering Year End KPIs were included in the meeting packet and he reviewed them.
- The 2018 Year End Reliability Report was also included in the meeting packet and he reviewed the report.
- Staff continues to discuss the possibility of installing a system tie with Avista in the Kahlotus area. He noted that the tie would benefit both utilities by providing an emergency

connection between the two. He reported more information will be provided to the Commission as the project develops.

- For his audit, as part of the District's line extension policy, customers are required to pay for the costs of installing vaults and conduits. Annually, engineering provides Accounting with a summary of all the conduit and vaults installed by customers. He reviewed three random work orders versus the information provided Accounting and noted no problems were identified.

Commissioner Nelson reported he was contacted by a customer inquiring about moving a line in the Connell area. Mr. Sams reported that the customer had also contacted staff and was provided an estimate to move the line which was costly due to the line having to cross the freeway.


The Commission reported that staff has been doing audits for many years and noted the importance of continuing to have audits. The Commission noted that staff should focus on areas where improvements can be achieved, costs can be reduced or efficiencies gained. The Commission reported that more in-depth audits will require more time and noted that staff could do lengthier audits instead of the monthly audits being performed now. They requested that when a more in-depth audit is done, staff keep them informed on the status of the audit. Discussion continued on the areas for potential audits.

The Commission asked for more information on the purchasing card audit being conducted. Ms. Dohrman provided her initial findings and noted that staff has requested the assistance from the State Auditors to ensure accurate information is obtained. The Commission stressed the importance of auditing the purchasing card transactions and reaching clear conclusions. The Commission reported that staff should invest in the resources necessary to ensure it is thorough, and that the audit should include interviews with employees. Ms. Dohrman agreed with the Commission and noted that staff is working very hard to ensure the findings are provided to the State Auditor's to expedite the process. Discussion ensued.

The Commission requested staff perform audits on the warehouse, the fueling process and vehicle maintenance.

MEETING ADJOURNED

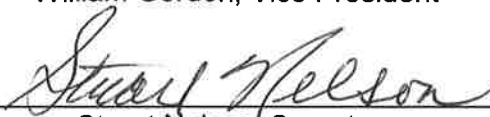
With no further business to come before the Commission, Commissioner Wright adjourned the meeting at 4:22 p.m. The Commission will hold a special meeting for the purpose of holding an Economic Development workshop on April 23, 2019 beginning at 9:00 a.m., in the District's Auditorium. The next regular meeting will be on April 23, 2019 and begin at 1:00 p.m. in the District's Auditorium.



Roger Wright, President



William Gordon, Vice President



Stuart Nelson, Secretary