

**WORKSHOP NOTES
OF KITTITAS COUNTY PUD #1
September 27, 2011**

A workshop was held at 10:00 AM of September 27, 2011.

Present at the Workshop were:

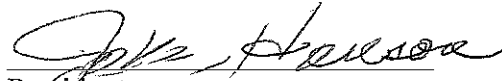
John Hanson, President
Paul Rogers, Vice President
Roger Sparks, Secretary
Chuck Ward, General Manager

Purpose of Workshop:


Executive Session was called at 10:04 AM per RCW 42.30.140 paragraph (4)(b) to discuss a collective bargaining strategy position and labor issues until 12:00 noon. The Board came out of Executive Session 12:00 noon and the Workshop was adjourned at 12:00 noon.

The workshop ended at 12:00 Noon.


ATTEST:



President



Secretary



Vice President

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**MINUTES OF THE BOARD OF COMMISSIONER'S
MEETING
OF KITTITAS COUNTY PUD #1
September 27, 2011**

The meeting of the Board of Commissioners of Public Utility District #1 of Kittitas County was called to order by President John Hanson at 1:00 P.M.

ROLL CALL:

John Hanson, President
Paul Rogers, Vice President
Roger Sparks, Secretary

OTHERS PRESENT:

Charles E. Ward, General Manager
Brian Vosburgh, Operations Manager
Matt Boast, Engineering Manager
Genine Pratt, CPA, Bivens & Wilson, P.S.
Gerard Wanechek
Dale Holter

PUBLIC COMMENTS:

Mr. Wanechek asked if the PUD was within the 2011 budget and asked when tree trimming will start.

Mr. Holter asked questions concerning a substation project in upper county and associated rights-of way for the project, specifically as they relate to Pat Deneen's property. Mr. Holter also asked questions relating to the ACX project and the PUD Line Extension Policy.

APPROVAL OF MINUTES OF PREVIOUS BOARD MEETING:

Commissioner Paul Rogers moved to accept the following:

- Workshop, August 30, 2011
- Regular Board Meeting, August 30, 2011
- Special Board Meeting, September 6, 2011

Commissioner Roger Sparks seconded the motion and it carried unanimously.

CLAIMS FOR APPROVAL:

Claims from 16522-16655 and 9900026 in the amount of \$627,982.01 were presented for approval. Commissioner Roger Sparks moved for approval of claims, Commissioner Paul Rogers seconded the motion, and it carried unanimously.

MANAGER’S REPORT:

Monthly Update:

Clallam PUD Packwood Agreement

The Agreement for the Sale and Purchase of Project Output and Associated Environmental Attributes Between Public Utility District No. 1 of Clallam County and Public Utility District No.1 of Kittitas County, Washington has been received, signed, and sent back to Clallam PUD for execution. The Agreement was reviewed by Terry Mundorf on September 7, 2011 and appropriate changes were made prior to the signing by Kittitas PUD. The Packwood Agreement with Energy Northwest is not finalized yet.

Residential Energy Consumption Chart

Sales for the month of August, 2011	MWh	Revenue	Actual % of Budget	
			MWh	Revenue
Budgeted 2011	1,972	\$ 183,033	154%	161%
Actual 2011	3,033	\$ 294,410	Actual % of 2010	
Actual 2010	3,165	\$ 293,736	96%	100%
Year to Date sales			Actual % of Budget	
Cumulative Budget 2011	37,246	\$ 3,270,952	104%	106%
Cumulative Actual 2011	38,760	\$ 3,459,734	Actual % of 2010	
Cumulative Actual 2010	36,310	\$ 3,213,836	107%	108%

Roza Point-of-Delivery

We received an official notification from BPA that BPA was unable to complete the Line and Load Interconnection Facilities Study for request number L0328 by September 6, 2011 as was previously planned.

The study is currently underway, but BPA is still in the process of requesting the cost estimates. BPA now expects to complete the study by December 1, 2011.

The General Manager had a discussion with BPA on September 22, 2011 concerning the study. Larry Felton was also brought up to speed with the issue.

August 1, 2011 Special Board Meeting: The Board met by phone to award the contract to Michel Powers for a dock crew for a minimum of 160 hours and a maximum of 240 hours.

August 2, 2011: Michels Power notified of the Bid award.

August 3, 2011: Received the signed contract with ACX and the contribution-in-aid payment followed.

August 5, 2011: Sign the contract with Michels Power for the project.

August 8, 2011: Michels Power began work on the project as well as the PUD crew.

September 8, 2011: Michel Powers left the project.

September 22, 2011: The 34.5 kV transformer was energized. The primary meter cabinet still needs to be installed. The remaining customer owned facilities and cut-over will be completed later this year.

In the August 2011 Board meeting, Commissioner Rogers stated he had received two questions from a customer and former employee. The two questions the customer wanted to know is as follows:

- 1) Is the District charging an interest rate to ACX for the work being done and if so, what was the interest rate?

The answer is the PUD is not a bank and cannot charge an interest rate or carrying charge to the customer. All actual costs (labor, materials, engineering, and administration) for the customer owned facilities will be paid by the customer.

- 2) What policy allows the District to give a revenue credit to ACX?

In the Line Extension Policy revised and adopted on April 28, 2009, it states:

“The District will extend other primary line extensions as provided for in the construction work plan or as deemed advantageous to the District to improve service reliability of the system or to position the District for future growth and development. The Manager shall have the discretion for allowing credits to customers based on future load growth from distribution lines on projects not to exceed a construction cost of \$50,000. The Board is authorized to waive project costs on projects over \$50,000 if it enhances business.”

Conservation: The calculated savings for a ductless heat pump and the amount the PUD could claim for administration costs is as follows:

For ductless heat pumps, the savings in the PTR is listed as 4,307 kWh annually – which would allow the PUD to claim $.08 \times 4,307$ or \$344.56 per installation in performance payment in addition to the \$1500 incentive.

NEW BUSINESS

Regional Dialogue (RD) Above Rate Period High Water Mark (RHWM) Load Service Choice for 2nd Purchase Period (FY15-19):

A discussion for Tier 2 Load-Following Choices was held with Larry Felton (BPA Power Account Executive for the District), Annick Chaler (BPA Policy Development Specialist) and Alisa Kasewetter (BPA Account Specialist), all by phone. BPA answered two questions posed by the PUD's Manager to Larry Felton.

The two questions were as follows:

1. Can the PUD switch from the **Load Growth (LG)** rate product during the term of the Regional Dialogue Contract that terminates in FY 2028?

The answer was technically yes, but there are many hurdles to overcome. BPA covered first a description of what the LG rate is:

Load Growth Rate Definition:

BPA commits to meet Load Following customers' load growth placed on BPA for the term of the commitment period – although when giving notice to purchase at the Load Growth rate the customer may establish set amounts of Above-RHWM load to be served by non-Federal resources or other Tier 2 rate alternatives for the contract term.

Then BPA covered how the PUD could switch from the LG rate:

LG Rate Diversification Right -Customers have a diversification right to limit the amount of power they purchase at the Load Growth rate in future years with notice provided by October 31 of rate case year (11 months before the rate period) and with possible liquidated damages. The next such opportunity is to provide such notice by 10-31-12 for **FY14** thru FY19.

However, the PUD would be required to cap its LG aMW's served until FY20 and serve any loads above that cap with a non-Federal resource from **FY14** thru FY19. Then the PUD could choose for the next five year purchase period (FY20 thru FY24) other Tier 2 rates from BPA for its entire A-HWM load with three years notice. The same would be true for the last Purchase Period from FY25 thru FY28.

2. The PUD asked: What is the process for forming a "New Public" under the RD Contract provisions?

The BPA definition of New Public means a Public that is not an Existing Customer.

The New Public can be formed out of an IOU's service territory for example.

If a New Public forms in whole or in part out of loads previously served by an entity other than an Existing Public and has qualified under BPA's Standards for Service, then BPA will calculate the Potential CHWM Eligibility for the New Public. A New Public that is forecast by BPA to have TRL greater than 10 aMW's must provide binding notice to BPA by the earlier of three years before the date on which service to the New Public at Tier 1 Rates is to begin.

In order satisfy the above definition for a New Public, it would have to be independent of any existing Public Utility served by BPA. That would mean a separate governing Board and Manager at a minimum. There are precedence's where one Public Utility customer of BPA relies heavily on a neighboring Public Utility for O&M, financial accounting and other services under bi-lateral contracts.

Larry Felton asked the Board if the District wanted to accept the Secondary Credit Services (SCS) from BPA for the Purchase Period FY15-FY19. Commissioner Paul Rogers moved to accept the Secondary Credit Services (SCS) from BPA for the Purchase Period FY15-FY19. Commissioner Roger Sparks seconded the motion and it carried unanimously.

System Pole Contact Count: Pole contacts have not been counted in many years and some of the companies that attach to the PUD poles are questioning the number of contacts. Therefore, they are refusing to pay the Pole Contact Fees. The staff seeks award of bid to perform a system pole contact count. Commissioner Roger Sparks moved to award the lowest bidder Innerpole the contract to perform a system wide pole attachment count, note tree trimming opportunities, note safety issues, and install approximately 350 guy guards furnished by Innerpole and GPS the pole locations at \$2.35 per pole and \$5.00 per guy guard. Commissioner Paul Rogers seconded the motion and it carried unanimously.

FINANCIAL REPORTS:

The following financial reports were presented:

- Delinquency Report (with Delinquent Accounts Graph)
- Comparison Year-to-Date, January 1 through August 31, 2011
- Profit and Loss Statement, August 31, 2011
- Balance Sheet, August 31, 2011
- Consumer Sales & Revenue Data, August 31, 2011
- Summary of Cash Activity, 2011

OPERATIONS REPORT:

Monthly Operations Report – The operations summary for August shows 4 new services, 3 altered services, 1 relocations/removal, 1 new plat, and 1 system improvement.

Contractor Project Update (Operations)

Michels Power has completed work on the ACX project and Kittitas PUD crew has finished the UG portion. The transformer is energized. The customer will not be ready for power to his new Hay Press until the week of October 3rd.

Michels Power will be working on the Kelly Project the week of September 26, 2011.

Future Operations Work – Currently there are 39 service requests, of which 28 are for new services, 2 altered services, and 9 new plats.

System Improvements – Nothing at this time.

Out to Bid – Nothing at this time.

Bids Awarded – Nothing at this time.

ENGINEERING REPORT:

GIS Mapping Project:

The following is a list of the status of the mapping;

34kV Trans - Complete
E1 ----- Complete
E2 ----- Complete
S1 ----- Complete
S2 ----- Complete
P1 ----- Complete
P2 ----- Complete
P3 ----- Complete
J1 ----- Complete
T1 ----- GPS Complete, 80% Drafted
T2 ----- GPS Complete, 30% Drafted
R1 ----- Complete
M1 ----- Complete
V1 ----- GPS Complete, 85% Drafted
A1 ----- GPS Complete, 65% Drafted
Work Orders 2007 to Present – 70% GPS, 25% Drafted

No change in the status of the mapping this month.

Dolarway Road

Conduit installation is in progress (east/west portion is complete, the road crossing at the Ellensburg Sub remains).

ACX Haypress Facility

ACX will begin installation of the new press the 26th of September and is scheduled to come on-line the 2nd week of October. The PUD has completed the line extension to serve the new load, but is waiting for the primary meter to arrive from the manufacturer. It was supposed to ship September, 20th.

Automated Meter Infrastructure (AMI) Business Case

Staff is working with Landis & Gyr, Aclara and Itron to finalize pricing for PLC and RF solutions.

Pole Joint-use Inventory

Staff has received quotes for obtaining an inventory of pole contacts by cable, telephone and communication companies.

Engineering (look ahead and projects in progress)

- 1) Energize ACX New Press
- 2) Plan for ACX cutovers (Existing Services)
- 3) 34kV Regulators
- 4) GIS Mapping (2011 completion goal – Staking package prep)
- 5) System One-line Map
- 6) Strategic Plan/ Quarterly Budget Review/ 2012 Budget
- 7) FuturaGIS Staking and WO Management Demo

COMMISSIONER REPORTS:

Commissioner Rogers stated he wanted staff to develop a preliminary budget by October 6, 2011 so the Board could make a decision concerning a rate increase. In addition, Commissioner Rogers wants to review the resolution to pass through the BPA rate increase.

FUTURE MEETINGS

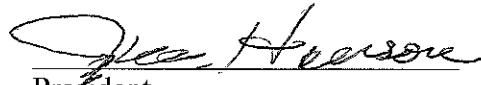
September 29, 2011	WPAG	Tacoma, WA
October 5, 2011	PPC Forum	Portland, OR
October 6, 2011	PPC	Portland, OR
October 6, 2011	Packwood Participants Mtg.	Portland, OR
October 12, 2011	Open Meetings/Public Records Training	Tacoma, WA
October 19-21, 2011	NWWH Annual Meeting	Union, WA
October 25, 2011	Board Workshop	10:00 Building B
October 25, 2011	Regular Board Meeting	1:00 Building B

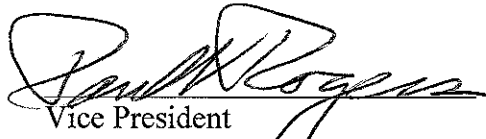
Commissioner Paul Rogers left the Board meeting at 3:50 P.M.

The Regular Board Session adjourned at 4:08 PM.

ATTEST:


Secretary


President


Vice President