

**MINUTES OF THE
SPECIAL BOARD MEETING
OF KITTITAS COUNTY PUD #1
November 15, 2011**

A Special Board Meeting was held at 10:00 A.M. of November 15, 2011.

Present at the Special Board Meeting were:

John Hanson, President
Paul Rogers, Vice President
Roger Sparks, Secretary
Chuck Ward, General Manager
Brian Vosburgh, Operations Manager
Matt Boast, Engineering Manager
Genine Pratt, CPA, Bivens & Wilson, P.S.

Guests

Pat Kelleher

Purpose of Special Board Meeting:

The Special Board Meeting was held at the headquarters of Kittitas County PUD #1 located at 1400 Vantage Hwy., Ellensburg, WA. The purpose of the Special Board Meeting was as follows:

1. Transfer of Bond Payment to Treasurer
2. Vantage Wind and Solar Project
3. FY2012 Budget Timeline
4. Used Pole Procedures
5. Closing of Work Orders
6. PTO Cap
7. Crew Reporting
8. Collective Bargaining Agreement Signing and Effective Date
9. Redistricting
10. Personnel and Succession Planning

Genine commented the Board needs to approve the transfer of funds so the Treasurer can make the Bond payments that are due. Normally, the Treasurer receives this approval a couple of days in advance, but since this was not announced as an action item at this meeting, the Treasurer said she would give the PUD until the Regular Board Meeting on November 29, 2011 to approve the transfer of funds. A resolution will be brought to the Board at the November regular Board Meeting for Board approval.

The Vantage Wind and Solar Project were discussed. Matt commented the project is in three phases. The first phase consists of 25 wind turbines in the town of Vantage. Each turbine is rated at 2.5 kW each making phase one approximately 62.5 kW total. The people managing the project stated they would like to have phase one completed in 2011. The second phase will be approximately 390 wind turbines on a hill just outside of Vantage. Each turbine will be rated at 2.5 kW each making phase two approximately 975 kW total. Phase two is projected for 2012. Phase three is a 1 MW solar facility near the 390 wind turbines and it is projected to be in 2012. Washington State Representative Bill Hinkle is a consultant with the project and he was asking if the PUD could have a wheeling rate by mid-December. PSE will pay more incentives than the PUD and Mr. Hinkle would like to wheel the power over the PUD lines to a point where PSE could take delivery of the power. Mr. Hinkle was going to contact the Board of Commissioners. The General Manager commented he had worked on a wheeling rate at his previous position in Wyoming. Commissioner Rogers commented and suggested a consultant needed to do the work in designing a wheeling rate for the PUD.

The timeline for the FY2012 budget was discussed. Genine said it would be difficult to have a final budget by the November Board meeting. The General Manager commented a draft budget would be ready to discuss at the November Board meeting. Another draft would be brought to the Board in December before the December Board meeting for fine tuning. The final budget would be ready for approval at the December Board meeting.

Commissioner Sparks asked what the historical and current procedure was for used poles. Matt explained the historical procedure and how the current procedure is suppose to work. The historical procedure was that the used pole was generally left on the property for the property owner to have and use. But this procedure was being abused by the crew. So before the General Manager came to the PUD, a new procedure was put in place to bring the used poles back to the office to be sold. If the property owner still wanted the pole, the pole could be left on his property, but he needed to come in to the office and pay for the poles. This way, anyone that wanted used poles could purchase them for a nominal fee. The butt of the poles is cut off and the purchaser has to sign a release. If the old pole was in a fence line being used as a fence post, then the old pole would be cut off and left as a fence post. The remaining portion of the pole would be available for purchase. For a short time, the crew seemed to bring the poles to the office in short pieces too small for any use, but this has not happened for a while. Commissioner Hanson asked what was the reject rate for poles tested in the field. Matt and Brian commented the reject rate is approximately 10%.

Genine commented on the quantity of work orders that has been closed recently. Approximately \$500,000 of work orders have been closed thus far and there are about \$500,000 more yet to be closed. The work orders go all the way back to 2006. Money is transferred from the Construction Fund to the General Fund after the Work Orders are closed and the inventory of the Work Orders (form 219) is supplied to Finance. In the past, there has not been a timely procedure to close the work orders as they are completed. As a result, the true cost of the work orders and inventory are distorted. The Construction Fund will have money transferred from it when the Work Orders are completed, the form 219 (inventory of work orders) is completed, and a request of transfer of funds to the General Fund is made. Commissioner Sparks questioned if the Bond Fund is being used for operation cost or costs

not allocated to the Bond Fund as presented in 2009? This is something the staff will try to answer in a future meeting.

The General Manager asked the Board, in light of recent events and discussions, if the Board wanted him to approach the Union and offer to raise the PTO cap to 1200 hours. The Collective Bargaining Agreement states the PTO cap is 900 hours which was accepted by both the Union and the Board. Commissioner Rogers commented he wanted to leave the PTO cap as accepted. There was no further discussion on the PTO cap.

The General Manager commented, in light of recent events and discussions, the PUD crew does not like reporting to anyone. Commissioner Hanson commented that goes way back. The General Manager offered two options. The first option was for the crew to report to the Board. Commissioner Rogers commented, in a joking manner, that would be fun. The second option would be for the crew to self-manage themselves. The General Manager commented this was his preference of the two options, but he could go either way. Commissioner Sparks clarified that would mean the crew would decide their schedule, workload, etc. Commissioner Rogers commented he knew the crew did not like reporting to Brian or anyone else, but that the crew needed to report to someone. Commissioner Rogers commented he thinks there needs to be a "come to Jesus meeting" with all the employees and the Board. He does not see a reason to change the reporting from how it is now and that it should stay the same as we are with the crew reporting to Brian. Commissioner Rogers commented it is time to loosen the tension at the PUD. He said the Board should not micro-manage the staff. He also commented the PUD needs to implement the Collective Bargaining Agreement.

The General Manager commented the Collective Bargaining Agreement states the Agreement will not be effective until signed by all parties which includes the IBEW Local Union 77 Business Manager, Don Guillot. He also commented that historically, it takes a significant amount of time for the Agreement to be signed by the Union. The General Manager also commented that Mr. Steve Hendrickson, Business Representative of the Union, suggested the Agreement can be effective with his signature only. The General Manager sought advice how the Board wanted to proceed with the effective date of the Agreement. Commissioner Rogers commented that Mr. Hendrickson's signature was sufficient without Mr. Guillot's signature for the Agreement to become effective.

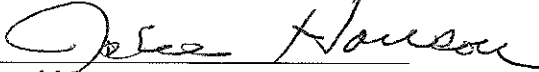
Commissioner Rogers commented on the redistricting efforts of the PUD. The General Manager said the PUD could not redistrict until the Kittitas County Commissioners completed the redrawing of the precinct boundaries. He said the PUD is not allowed, as he understands, to split a precinct. Commissioner Rogers commented he thinks the County Commissioners will be having a meeting soon to finalize their plans. The General Manager commented he would follow up on the date of the County Commissioners meeting.

An Executive Session was called at 11:40 AM for 50 minutes. The General Manager was excused from the meeting and not present for the first 20 minutes of the Executive Session during this time. The General Manager came back at 12:00 noon as directed and Commissioner Rogers said to give them 5 more minutes. At 12:05 PM, Commissioner

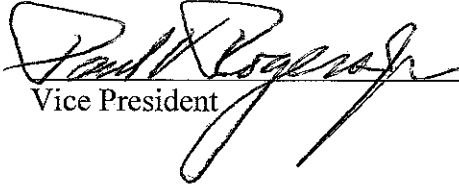
Rogers brought the General Manager back into the Executive Session for the remainder of the meeting. The Board came out of the Executive Session at 12:30 PM. The Regular Board Meeting was adjourned at 12:30 PM.

The Special Board Meeting adjourned at approximately 12:30 PM.

ATTEST:


President


Secretary


Vice President

RESOLUTION #727

A Resolution of the Board of Commissioners of Kittitas County Public Utility District No. 1 to transfer funds.

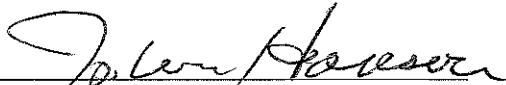
WHEREAS, the District needs to transfer funds as follows:

From General Fund 649010		\$230,690.28
To PUD 2002 Bond Fund 649030	\$22,760.29	
From Construction Fund 649022		\$586,723.75
To General Fund 649010	\$586,723.75	
From Refunding Fund 649037		\$51,840.38
To Electric Fund 649038	\$85,284.38	
To PUD 1999 Bond Fund 6490396	\$174,486.00	
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	\$869,254.41	\$869,254.41

WHEREAS, the County Treasurer needs to make Bond Payments due December 1, 2011

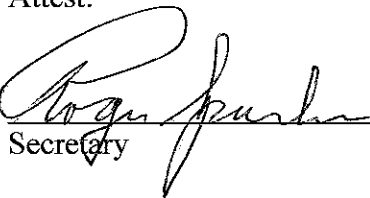
NOW, THEREFORE BE IT RESOLVED THAT, the Board of Commissioners of the District hereby approve the transfer of funds and the Bond Payments as noted.

ADOPTED by the Board of Commissioners of Public Utility District No. 1 of Kittitas County this 29th day of November, 2011.

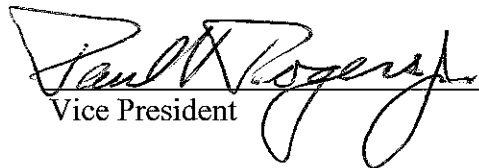


President

Attest:



Secretary



Vice President

RESOLUTION #728

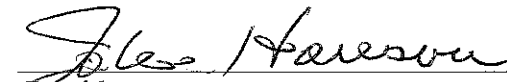
A Resolution of the Board of Commissioners of Kittitas County Public Utility District No. 1 to invest funds.

WHEREAS, the District request the Kittitas County Treasurer to invest funds as follows:

Fund Name	Fund Number	Date Matured	Amount Matured	Date To Invest	Amount of New Investment	New Mature Date
PUD General Fund	649010			11/30/2011	\$ 2,500,000.00	12/27/2011
PUD Bond Fund	649030					
PUD Bond Reserve	649031			11/30/2011	\$ 664,692.35	12/27/2011
PUD Construction Fund 2010-2012	649022			11/30/2011	\$ 540,000.00	12/27/2011
Electric Revenue Refunding Bond	649038					
PUD Refund Bond 2005	649037					
PUD Bond 1999 A/B	6490396					

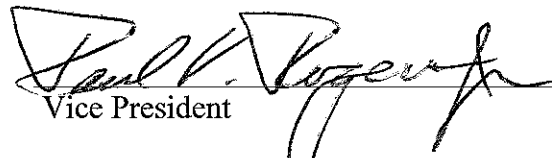
NOW, THEREFORE BE IT RESOLVED THAT, the Board of Commissioners of the District hereby approve the investment of funds by the Kittitas County Treasurer as noted.

ADOPTED by the Board of Commissioners of Public Utility District No. 1 of Kittitas County this 29th day of November, 2011.


President

Attest:


Secretary


Vice President

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