

**WORKSHOP NOTES
OF KITTITAS COUNTY PUD #1
June 28, 2011**

A workshop was held at 10:00 AM on June 28, 2011.

Present at the Workshop were:

John Hanson, President
Paul Rogers, Vice President
Roger Sparks, Secretary
Chuck Ward, General Manager
Kim Mikkelsen, Finance Manager
Matt Boast, Engineering Manager
Anne Falcon, EES Consulting

Purpose of Workshop:

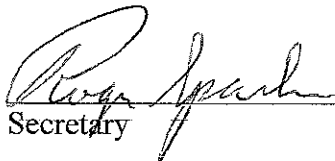
Anne Falcon of EES Consulting reported to the Board of Commissioners regarding her review of the District policy related to BPA's tiered rate methodology. Observations included:

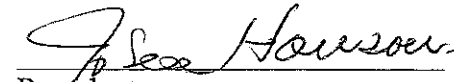
- The policy is consistent with rate setting principles
- The policy is "just, reasonable, and not unduly discriminatory or preferential – fair and equitable"
- The issue of Tier 2 will diminish over time as more expensive power is included in the resource mix
- Current large commercial customers may see the biggest impact depending on the growth of that class
- A suggestion of adding an Industrial rate schedule, such that a large (greater than 1 aMW) customer not served at transmission would not fit into the large commercial class.

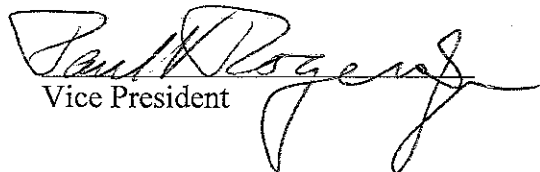
Executive Session was called at 11:42 AM per RCW 42.30.140 paragraph (4)(b) to discuss a collective bargaining strategy position for 20 minutes. The Board came out of Executive Session 12:04 PM.

The workshop adjourned at 12:04 P.M.

ATTEST:


Secretary


President


Vice President

**MINUTES OF THE BOARD OF COMMISSIONER'S
MEETING
OF KITTITAS COUNTY PUD #1
June 28, 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 1:03 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
Kim Mikkelsen, Finance Manager

PUBLIC COMMENTS:

There were none.

APPROVAL OF MINUTES OF PREVIOUS BOARD MEETING:

Commissioner Roger Sparks moved to accept the following:

- Workshop, May 31, 2011
- Regular Board Meeting, May 31, 2011
- Workshop, June 7, 2011

Commissioner Paul Rogers seconded the motion and it carried unanimously.

CLAIMS FOR APPROVAL:

Claims from 16149-16263 and 9900023 in the amount of \$333,720.50 were presented for approval. Commissioner Paul Rogers moved for approval of claims, Commissioner Roger Sparks seconded the motion, and it carried unanimously.

MANAGER'S REPORT:

Monthly Update:

Clallam PUD Packwood Agreement – No change – still waiting on documentation from Challam PUD.

Residential Energy Consumption Chart –

Sales for the month of May, 2011	MWh	Revenue	Actual % of Budget	
			MWh	Revenue
Budgeted 2011	3,009	\$ 273,007	144%	139%
Actual 2011	4,327	\$ 378,290	Actual % of 2010	
Actual 2010	3,685	\$ 334,343	113%	117%
Year to Date sales			Actual % of Budget	
Cumulative Budget 2011	30,961	\$2,688,392	95%	95%
Cumulative Actual 2011	29,504	\$2,559,691	Actual % of 2010	
Cumulative Actual 2010	26,864	\$2,337,751	109%	110%

Roza Point-of-Delivery

The Bureau of Reclamation did not follow through with a meeting on June 9, 2011. The District is still trying to schedule a meeting with the Bureau to finalize the contract and other issues. The Bureau of Reclamation is expected to deliver the extension contract to the District. They were also going to study the existing system to determine if and how much additional load can be added to the 34.5 kV line.

Staff had a meeting with BPA on June 10, 2011 to discuss the project of tapping the existing 115 kV Moxee BPA transmission line near Selah. BPA stated they would not need an impact/load study and could move directly to the feasibility study thus saving time. The time frame for tapping the transmission line and building facilities is still approximately 5 years out.

Manager Ward informed the Board of property for sale at the place of a potential tap with the BPA 115 line. He commented this would be an expensive alternative, but the planning would require at least 5 years advance planning. He indicated a preference of buying the PSE substation in Kittitas as a better alternative. Also noted was recent correspondence from an attorney representing possible service to new homes in the area. Commissioner Rogers suggested reviewing the options and their costs prior to a decision, and having a Workshop to discuss the alternatives.

Meeting Information – Manager Ward presented information from the following meetings he had attended:

PPC

The following documents were either e-mailed, faxed, or will be handed out at the Board meeting to the Commissioners.

- Transmission Non-Rate Case Issues
- Federal Legislation
- Fish and Wildlife
- Capital Investment/NOS Delay
- Conservation
- BPA FY 2012-13 Rate Case

- Environmental Redispatch
- Other Information Only Packet
- Wind Integration – Next Phase in the Regional Conversation
- Wind Integration Forum Steering Committee – Key Wind Initiative Backgrounder

WPUA

- No June meetings

WPAG

- Outcome of June 17, Conference Call
- WPAG Redispatch FERC Motion to Intervene 062011
- Rate Case Brief for the BPA 12 (rates) Proceeding

Other Information

- Energy Northwest Member Update
- Internal BPA Article on Runoff – Sloshing toward simmer: large, slow spring runoff continues
- 2011 Legislative Session Overview by Government Relations Director, Erik Poulsen and Water Program Director, John Kounts
- 2011 Legislative Bill Summary Topical Index

Old Business

NoaNet: NoaNet is preparing to issue Bonds to refund their 2011 Bonds. The 25% step-up was discussed at the Board meeting. Manager Ward had called Rick Lovely at Grays Harbor PUD regarding the 25% step up provision. He commented the step up provision was in the 3rd repayment agreement and we would be responsible for repayment in case of member defaults. Commissioner Rogers noted the intent of withdrawal from Noanet was that the District felt it was no longer a viable entity and it would be best to minimize losses. Manager Ward suggested we follow the path Grays Harbor takes, and at this point it is probably to not sign any repayment agreement.

WESCO: Manager Ward informed the Board of Commissioners about the meeting he, Brian and Matt had with WESCO regarding the multiplier correction. The District will recoup the money over a 19 month period and a new program of double checks in the field and in billing for typos etc. shall be instituted.

New Business

PUD 75th Anniversary: Manager Ward reported to the Board of Commissioners of ideas including; ad in the paper, float, banners, and maps of the service territory.

ACX: Manager Ward and Matt Boast met with ACX Hay Company. Manager Ward presented a contract with payment of \$85,000 up front and an agreement to repay \$130,000 over 5 years. He will also get a 7 – 10 year contract for service. No rate was committed to other than the current policy. No rate protection was offered.

TIER 2 Rate Discussion: was held regarding allocation of Tier 2 power with BPA relative to the current Policy regarding same. Commissioner Sparks indicated he would like to have a statement added to the policy “TIER 2 will only apply to when the PUD has reached the TIER 2 threshold”. Upon reaching the threshold, allocation of the TIER 2 power will be as per the policy on a rate class basis. Commissioner Rogers commented he would prefer to enter into individual contracts with negotiated rates for that customer, particularly if addition of a new large load would raise the rates within that classification more than 10%. Commissioner Sparks suggested a scenario analyzing what would occur with the addition of 3 new loads as well as ACX and a review of the potential rate increase within that classification.

FINANCIAL REPORTS:

The following financial reports were presented:

- Accounts Receivable Report, May, 2011 with Delinquent Accounts graph
- Financial Report, May, 2011
- Revenue Analysis, May, 2011
- Cash Flow Statement, May, 2011

OPERATIONS REPORT:

Monthly Operations Report – The operations summary for June shows 9 new services, 3 pole replacements, and 1 system improvement.

Contractor Project Update (Operations)

- There are no contractors on District property at this time.

Future Operations Work – Currently there are 53 service requests, of which 39 are for new services, 4 altered service, 9 new plats, and 1 pole replacements.

System Improvements – Nothing at this time. Commissioner Rogers asked for information on the Teanaway underground service status. Brian reported the District is waiting for right-of-ways.

MONTHLY 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, 55% Drafted	
T2 – GPS Complete, 25% Drafted	
R1 – Complete	
M1 – Complete	
V1 – GPS Complete, 80% Drafted	
A1 – GPS Complete, 60% Drafted	
WESCO Tap – 0% GPS, 0% Drafted	
Work Orders 2007 to Present – 70% GPS, 25% Drafted	

Dolarway Road

Belsaas and Smith were awarded the bid for the City of Ellensburg project. The project timeline outlines the electrical trenching and conduit to take place in July. The project should be completed by the end of 2011.

Raptor Protection/Prevention

Six (6) raptor guards were installed in the Ryegrass area along Vantage Highway where we have been having owl and osprey problems.

Kittcom

Manager Ward, Matt and Brian met with Kittcom dispatcher to improve the relationship and outage related calls to PUD linemen. They provided Kittcom with some District GIS data to assist the dispatchers avoid calling out PUD linemen for PSE or City of Ellensburg related outages.

ACX Haypress Facility

Matt Boast and the General Manager met with ACX to present the options available to them. ACX was going to meet with the serving utility and contact us after the meeting. The District is waiting for a notice to proceed with the project.

Hazard Mitigation Steering Committee Planning

Engineering has completed a draft plan of the Kittitas PUD annex document to be included in the county Hazard Mitigation Plan (HMP). The PUD has participated in this grant funded project for the past year. The PUD will be expected to adopt the HMP and the Kittitas PUD HMP Annex document. The plan is not a regulatory document but a plan for mitigating existing and potential hazards to which our critical facilities are exposed. The document and annex will be available soon for review.

Engineering (look ahead and projects in progress)

- 1) ACX design, permit and bid
- 2) Hazard Mitigation Plan Annex document
- 3) Automated Meter Infrastructure Business Case
- 4) Mapping (2011 completion goal – Staking package prep)
- 5) Strategic Plan/ Quarterly Budget Review

Outages – For the month of May, 2011 the District had 13 total outages, affecting 684 customers for a total time out of 95,813 minutes. One was due to a Grant County PUD pole fire, 5 due to overhead equipment failure, 1 underground equipment failure, 4 weather, 1 animal, and 1 unknown.

OTHER ISSUES:

Manager Ward reported a meeting with the County Commissioners regarding redistricting.

COMMISSIONER'S REPORTS:

Commissioners did not have reports.

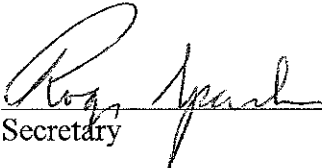
FUTURE MEETINGS:

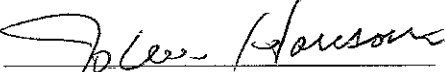
July 1, 2011	WPAG	Tacoma, WA
June 4, 2011	Holiday	
July 6, 2011	PPC Member Forum	Portland, OR
July 7, 2011	PPC	Portland, OR
July 13-15, 2011	WPUDA	Omak, WA
July 26, 2011	Board Workshop	10:00 Building B
July 26, 2011	Regular Board Meeting	1:00 Building B

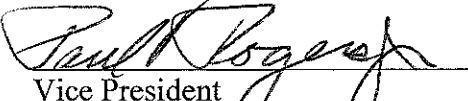
The Regular Session recessed at 2:52 P.M as per RCW 42.30.140 paragraph (4)(b) to discuss the collective bargaining position for a period of 40 minutes. The Board came out of Executive Session at 3:30 and extended the Executive Session for 10 more minutes. The Board came out of Executive Session at 3:40 and the regular session resumed.

The Regular Session adjourned at 3:40 P.M.

ATTEST:


Secretary


President


Vice President