

**MINUTES OF THE BOARD OF COMMISSIONER'S
MEETING
OF KITTITAS COUNTY PUD #1
December 21, 2010**

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

ROLL CALL:

Roger Sparks, President
John Hanson, Vice President (left meeting for an appointment at 4:35 P.M.)
Paul Rogers, Secretary

OTHERS PRESENT:

Charles E. Ward, General Manager
Kim Mikkelsen, Finance Manager
Brian Vosburgh, Engineering Manager
Matt Boast, System Engineer
Pat Kelleher, PUD Customer

APPROVAL OF MINUTES OF PREVIOUS BOARD MEETING:

Commissioner Paul Rogers moved to accept the minutes/notes of the following:

- Workshop Notes, November 23, 2010
- Regular Board Meeting Minutes, November 23, 2010
- Workshop Notes, December 8, 2010

Commissioner John Hanson seconded the motion and it carried unanimously.

PUBLIC COMMENTS:

There was none.

CLAIMS FOR APPROVAL:

Claims from 15325-15343 and 9900017 in the amount of \$436,817.95 were presented for approval. Commissioner Paul Rogers moved for approval of claims, Commissioner John Hanson seconded the motion, and it carried unanimously.

MANAGER'S REPORT:

Monthly Update:

Clallam PUD Packwood Agreement – Manager Ward spoke to Fred Mitchell of Clallam PUD. Mr. Mitchell assured Mr. Ward he was working on the Power

Purchase Agreement, but BPA had been rather slow in dealing with the renewable energy credits and the manner in which they would be transferred at no cost to the parties.

Residential Energy Consumption Chart – Budgeted residential sales for 2010 through November were 50.7 MW. Actual sales are at 46.0 MW, or -9.2% of budgeted. This has impacted the overall financial picture year-end. Projected sales through the end-of-year are 52.7 MW, originally budgeted for 55.8 MW. Year-end may show a decline of 5.7% from originally budgeted. In revenue for residential, this may mean a decline of \$251,000. Taking away the power purchases and taxes, this may impact margins a negative \$110,000. Though it is budgeted to make a 1.76 DSC, this would be down from the 1.99 DSC budgeted and impact the potential of equity development.

Roza Point-of-Delivery – Some positive news has developed for the Roza point-of-delivery. Joe Rogers of BPA was able to speak to Terry Kent from the Bureau of Reclamation about Roza. Terry admitted he's been delinquent on this issue. He's agreeable to making a trip over to Ellensburg, with BPA, sometime in January to discuss what can be done. The District's Account Executive from BPA will continue to work with the Bureau to finalize a meeting time.

Old Business

Policy #501 – Drug and Alcohol – Management and staff presented a Drug & Alcohol Policy for the Board of Commissioner's consideration. The Policy had been presented for consideration on:

September 28, 2010
October 19, 2010
October 26, 2010
November 23, 2010
December 8, 2010

Management and staff recommended passage of the Policy as presented. If the Board wished to not pass the motion, Robert's Rules of Order would call for an "indefinite postponement" and this item will not be brought before the board again.

Commissioner Hanson made a motion to table any action on the policy indefinitely. The motion died due to a lack of a second. Commissioner Hanson again expressed his concerns over allowing random drug testing, commenting the policy had good information regarding testing "for cause" or "reasonable suspicion", but Commissioner Hanson is opposed to any random testing, and believes it to be a violation of the 4th Constitutional Amendment. Commissioners Sparks, Hanson, and Rogers discussed the policy at length. Commissioner Rogers suggested any further policy revisions be discussed in a workshop forum prior to

a regular meeting. Commissioner Paul Rogers moved to accept the policy, and President Roger Sparks seconded the motion. President Sparks requested a vote on the policy. Commissioners Rogers and Sparks voted for the motion and Commissioner Hanson against. The motion carried.

New Business

Facilities Charge – After much discussion regarding the inadequacy of revenue to support projects proposed in the 2011 Budget, Commissioner Paul Rogers moved to increase the facilities charge \$3 beginning January 21, 2011. Commissioner Hanson seconded the motion. During discussion of the motion, the following items were mentioned:

1. Pat Kelleher, a customer of the PUD expressed his concerns that the rate increase was not announced properly.
2. Manager Ward indicated the facilities charge had not been changed since the 2002 Cost of Service Analysis (COSA). The results of the COSA had indicated a much larger facilities charge, but the rate adopted did not charge the full COSA facilities charge.
3. Commissioner Rogers indicated the increase would overall be about 2.91% to an average residential customer and shift some of the costs from variable to a more fixed manner and not be weather sensitive.

President Sparks called for a vote, and the motion carried unanimously.

Strategic Plan 2011-2015 – The Commissioners each reviewed the Strategic Plan for any revisions since the workshop and asked Manager Ward questions. Commissioner Rogers noted the AMR Metering amount was incorrectly stated and needed to be changed to the amount as noted in the Budget. After discussion, Commissioner Paul Rogers moved to accept the Strategic Plan. Commissioner Hanson seconded the motion and it carried unanimously.

Budget 2011 – The 2011 Budget with revisions recommended by the Board of Commissioners in the prior workshop was presented for approval. Manager Ward noted the Budget would be reviewed in April to determine if some of the priority projects that had been deferred could be added back in and the budget modified, as the Board had suggested in the workshop. Commissioner Rogers asked staff to review the benefits of membership with PNUCC and inform the board at the next meeting to determine if the District will stay a member. He also suggested staff review a possible alternative to Ruralite for 2012. Commissioner Hanson expressed concern over maintaining equity and DSC and whether they were essential for the bond rating, requesting staff work with Alan Dashen to see what he suggested. Commissioner Paul Rogers moved to accept the balanced budget as presented, and Commissioner Hanson seconded the motion. The motion carried unanimously.

Washington State Audit 2008 – 2009 – Manager Ward informed the Board of Commissioners the State Auditor is on site and performing an audit of the 2008 –

2009 Financial Reports. Commissioners Rogers and Sparks indicated they would like to be present for the exit conference. Manager Ward indicated he would attempt to have it coincide with a regular board meeting.

Residential Exchange Program – Manager Ward informed the Board of Commissioners about recommendations for signing or not signing the proposed Residential Exchange settlement. He told the Board of attorney Mundorff's discussion with WPAG participants and the various options available to the participants. Manager Ward suggested there would be no problem if the District just waited rather than accepting any proposed settlement at this time. Apparently one or more of the public utilities plans to file suit against the settlement. Commissioner Paul Rogers moved to not sign the proposed settlement. Commissioner Hanson seconded the motion. The motion carried with a 2 to 1 vote. Commissioner Sparks feels a wait and see action may cause a potentially larger liability to the District and voted against the motion.

FINANCIAL REPORTS:

The following financial reports were presented:

- Delinquency Report, November, 2010; Delinquent Accounts graph
- Financial Report, November, 2010
- Revenue Analysis, November, 2010

OPERATIONS REPORT:

Monthly Operations Report – The operations summary for November shows 4 new services, 3 altered services, 1 removal, 3 system improvements, and 2 pole changeouts.

Contractor Project Update (Operations)

- Horizon Feeder Upgrade – Michels is approximately 90% complete on the project. They should be completed shortly after the first of the year and moving off of the property.
- Parke Sub Rebuild – Power City Electric has completed the new construction of the Parke Substation. Cutover to the new sub went very well December 8th. Power City Electric is now working on demolition of the old substation and should be completed prior to Christmas.

Future Operations Work – Currently there are 70 service requests, of which 41 are for new services, 4 altered service, 10 new plats, and 15 pole replacements.

MONTHLY ENGINEERING REPORT:

GIS Mapping project:

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

34kV Trans – Complete

E1 – Complete

E2 – Complete

P1 – GPS Complete, 25% Drafted

P2 – GPS Complete, 25% Drafted

P3 – GPS Complete, 10% Drafted

J1 – GPS Complete, 60% Drafted

T1 – GPS Complete, 45% Drafted

T2 – GPS Complete, 25% Drafted

R1 – GPS Complete, 50% Drafted

M1 – 20% GPS, 0% Drafted

V1 – 80% GPS, 0% Drafted

A1 – GPS Complete, 0% Drafted

WESCO Tap – 0% GPS, 0% Drafted

Work Orders during mapping transition – 70% GPS, 25%
Drafted

Futura GIS is scheduled to upgrade the mapping software in February 2011. It is recommended the GPS portion of the project be completed before the scheduled upgrade.

Large Project Update (Engineering)

- Sapphire Skies – no action
- Kevin Kelly – no action
- Bowers Road -- The PUD has removed all but 21 residential meters from the City of Ellensburg Wheeling Points along Airport and Bowers Road. The majority of the “load” has already been transferred to the PUD Feeder E1. The PUD has obtained all necessary easements to “pick-up” the remaining customers on Sanders Road, and Thayer Excavation has started construction of the underground conduit work.
- Kittitas County Airport Development – no action
- City of Ellensburg The City of Ellensburg requested the PUD to move 5 poles (including a regulator bank) to accommodate the project south of Dolarway Road. The City had not budgeted for the cost to move this line and decided to not move the lines. The PUD requested that we the City maintain the access route to the pole line when they move the levy. The PUD requested the access to these poles be maintained. The city directed the contractor to build “ramps” crossing the levy, so we could access our regulator bank and poles still inside the flood plain area. However, we have discovered that with the loading of E2 feeder with Anderson Hay load that the regulators were at capacity during the last cold weather spell. We may want to replace these regulators and it may be wise to move them outside the levy area. We have contacted the City Public Works department to request some cost sharing in the labor to move them to a

more accessible location.

- Vantage Highway Replacement Project – Fire Damage Area -- Copper wire thieves are at it again. They have cut down 2 more poles at the east end of the fire damaged area. The crew has cleaned up the mess, dead-ended all the wire and re-energized the line. The line previously appeared to be abandoned and 2 phases were de-energized. This condition of the line may have encouraged thieves because there appeared to be no physical risk in dealing with the high voltage.

Outages – For the month of November, 2010 the District had 12 total outages, affecting 467 customers for a total time out of 61,220 minutes. Two were for overhead equipment failure, 6 weather, 1 animals, 1 human, and 1 unknown.

OTHER ISSUES:

Commissioner Sparks brought to the attention of Manager, Staff, and fellow Commissioners the following:

- Completion of the 2010 census count and the necessity for the District to review and possibly redistrict the second quarter of 2011.
- If there had been any response to the questions asked by the board regarding CWPA. Manager Ward assured the board he would have information at the next meeting.
- A suggestion Commissioner Rogers ask the Washington PUD Association to review the collection of sales tax. He feels the sales tax on large purchases (i.e. new large bucket truck) should go to Kittitas County.
- A 6-month evaluation of the new General Manager be performed at a Special Meeting before the Regular Meeting January 25, 2011. He also requested a report by Manager Ward on the “state of the PUD” as a new employee.

Commissioner Rogers requested creation of a policy regarding acceptance of credit cards for payment, and the upper limit the District will accept for same. A policy will be presented to the Board of Commissioners in the next workshop. He also requested a workshop be held prior to the January special and regular meetings.

Manager Ward asked the board if they would like to continue to review the policies. The board recommended to keep going through them and if there are any significant changes to have discussion in a workshop prior to action in a regular meeting.

ELECTION OF OFFICERS 2011:

Commissioner Paul Rogers moved the following officers for 2011:

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

Commissioner John Hanson seconded the motion and it carried unanimously.

REPRESENTATIVES FOR 2011:

The following list of representatives for 2011 for the various organizations was moved by Commissioner Paul Rogers, seconded by Commissioner Hanson and carried unanimously:

CENTRAL WASHINGTON POWER AGENCY:

Paul Rogers
John Hanson, Alternate
Roger Sparks, Alternate

NORTHWEST PUBLIC POWER ASSOCIATION:

Paul Rogers
Chuck Ward, General Manager

PUBLIC POWER COUNCIL:

Chuck Ward, General Manager
Paul Rogers, Alternate

ENERGY NORTHWEST:

Roger C. Sparks
Paul Rogers, Alternate
John Hanson, Alternate

WASHINGTON PUD ASSOCIATION:
(Meets 3rd Friday -Monthly)

Paul Rogers
John Hanson, Alternate
Roger C. Sparks, Alternate
Chuck Ward, Alternate

PRB/ENW (Participants' Review Board
With Energy Northwest)

Paul Rogers, Representative
Roger Sparks, Alternate

PNUCC:

Roger C. Sparks
Chuck Ward, General Manager

NRECA:

Chuck Ward, General Manager

COMMISSIONER'S REPORTS:

There were none.

FUTURE MEETINGS:

January 5 - 6, 2011	PPC Meeting	Portland
January 12 - 14, 2011	WPUA	Olympia
January 19, 2011	WPAG	Tacoma
January 25, 2011	Workshop	10:00 Conference Room
January 25, 2011	Workshop/Mgr. Eval	11:00 Conference Room
January 25, 2011	Regular Board Meeting	1:00 Conference Room

The Regular Session recessed to Executive Session at 4:35 P.M. for the purpose as stated in RCW 42.30.110, (1) (g) “to review the performance of a public employee”. The meeting was estimated to last for 15 minutes. Commissioner Hanson was unable to attend, due to a prior commitment.

The Regular Session reconvened at 4:50 P.M.

The Regular Session adjourned at 4:51 P.M.

ATTEST:

President

Secretary

Vice President