

**PUBLIC UTILITY DISTRICT NO. 1 OF COWLITZ COUNTY, WASHINGTON**

**MINUTES OF MEETING OF COMMISSIONERS**

**January 24, 2006**

**PRESENT:**

**COMMISSIONERS:**

John M. Searing, President  
Edward M. "Ned" Piper, Secretary

Merritt H. "Buz" Ketcham, Vice President

**STAFF:**

Brian Skeahan, General Manager  
Pat Lloyd, Auditor  
Mike Benjamin, Dir. of Acctg. & IS  
Dave Quinn, Director of Operations  
Steve Lafady, HR Mgr.  
Dave Andrew, Mgr. Comm  
Govt. Affairs

Sherry Crayne, Dir. Customer Svcs.  
Gerry Miller, General Counsel  
John Dietz, Director of Engineering  
Marilyn Miller, Treasurer/Risk Mgr.  
Jeffra Naze, Admin. Asst. to General Mgr.  
Bill Pfleeger, Sr. Engineer

**MEDIA:**

Betty Wilson for *KLTV*

**PUBLIC:**

Mark McCrady  
Melvin Wirkkala  
Sophie Wirkkala

**CALL TO ORDER:**

The regular meeting of the Commissioners of Public Utility District No. 1 of Cowlitz County, Washington was called to order at 2:00 p.m.

**APPROVAL OF THE MINUTES:**

The minutes of the Regular Meeting of January 10, 2005 were approved as published.

**CLAIMS AND PAYROLL NO. 1675 IN THE TOTAL AMOUNT OF \$24,132,218.05:**

Auditor Pat Lloyd reviewed significant claims. The Commission reviewed vouchers audited and certified by the auditing officer as required by RCW 42.24.080 and RCW 42.24.090 for which warrants were issued on January 12, 13, 17, 18 and 19, 2006, under provisions of Resolution No. 1421, and reviewed vouchers audited and certified by the auditing officer as required by RCW 42.24.080 and those reimbursement claims certified as required by RCW 42.24.090 recorded on listings made available to the Board as of the date of these Proceedings, January 24, 2006, the Commission by unanimous vote ratified/approved for payment of those vouchers included in such listings upon the motion of Mr. Ketcham, seconded by Mr. Piper, and carried. Warrants drawn to cover said vouchers are as follows:

**PAYROLL FUND:** Vouchers Nos. 43927 through 44083 inclusive (ratified) in the amount of \$398,684.55.

**ELECTRIC REVENUE FUND:** Vouchers Nos. 95564 and 95565 (ratified) in the amount of \$66,989.94; Vouchers Nos. 95566 through 95644 inclusive (ratified) in the amount of \$3,850,787.54; Voucher No. 95645 (ratified) in the amount of \$4,106,771.04; Voucher No. 95646 in the amount of \$2,278,726.00; Vouchers Nos. 95647 and 95648 (ratified) in the amount of \$718,104.84; Vouchers Nos. 95649 through 95716 inclusive in the amount of \$12,685,234.05.

**WATER REVENUE FUND:** Vouchers Nos. 06109 through 06111 inclusive (ratified) in the amount of \$12,496.72; Vouchers Nos. 06112 and 06113 in the amount of \$3,577.00.

**SWIFT NO. 2 REVENUE FUND:** Vouchers Nos. 01898 and 10899 in the amount of \$10,846.37.

**REPORTS:** (Informational, Non-Action)

**Brian Skeahan** – The Manager expanded upon the following topics covered in his January 24, 2006 Manager's Report:

**Rate Case:** (Tab 9, Board Packet)

Reviewed a 7(b)2 Rate Case document and responded to questions from the Commission regarding Bonneville's rate case process, the District's filing as a formal party to the Rate Case and the current status of work on the rate design issue included in BPA's initial proposal. He will be presenting both written and oral testimony on behalf of PPC and a joint customers' panel on Bonneville's base rate increase in an effort to influence the Agency to take all reasonable measures to reduce its FY 2006 rates. Paul Murphy has provided excellent guidance with this effort and, overall, the Manager is optimistic about the District's position.

**Transmission:** (Tab 10, 1/24/06 Board Packet)

Grant and Chelan PUDs, Puget Sound Energy and Seattle City Light are supporting Bonneville's Integration Proposal related to achieving needed transmission improvements to the Northwest's interconnected transmission system.

**Reardan Site:** (Tab 11, Board Packet)

ENW is not inclined to preserve the Reardan site, but rather more interested in developing a joint ownership project with Avista and other utilities.

**Energy Conservation Program Update:** (Tab 12, Board Packet)

Conservation Manager Jim Wellcome will make a presentation to the Commission at the February 14 meeting on the status of C&RD funding of the District's Residential Conservation Programs.

**Joint Purchasing:**

The District is participating in a joint purchasing agreement with other PUDs. Joint purchasing has been attempted in the past and failed. Parties are hopeful this latest effort will be successful.

**Cowlitz-Wahkiakum Governmental Conference (COG):**

Manager of Government and Community Affairs Dave Andrew has agreed to serve as Vice Chairman of COG. Consequently, Dave and the Manager have switched assignments – effective immediately, Dave is the District's Representative to COG and the Manager is its Alternate.

**Executive Session:**

An Executive Session will be called at the end of the meeting to discuss Swift 2 litigation issues and personnel matters.

**Pathways 2020:**

The Manager read a letter of appreciation from Pathways 2020 for the PUD's implementation of the new monthly billing cycle. (Attachment 1) He noted that there has been a smattering of e-mails about the change, both pro and con.

**Rate Case Testimony:**

At PPC's request, staff submitted rate test testimony last week. Director of Customer Services Sherry Crayne provided disconnect notice and write-off statistics that reflected major increases in those areas over the last few years.

**Gary Huhta –****Swift 2 Update:**

Gary reviewed significant events at Swift 2 over the last several weeks:

- In late December the District received authorization from FERC to maintain water in the canal for testing purposes.
- Both generator units were tested during the ensuing two-week period.
- SCADA testing may take place today.
- VA Tech's 120-day reliability period begins January 13.
- There has been a 92% reduction in canal leaks since mid-December (attributable in part to work performed by divers, the natural healing of the materials in canal, the collection of sediment and the formation of calcium deposits).
- Testing and checking of systems are ongoing.
- Discussion continues with FERC and the Board of Consultants for determination of an acceptable leakage level in the canal.
- The test energy produced in the Powerhouse is being sold to PacifiCorp at \$8/MWh; if all goes well, the Project may begin producing energy for the District's load as early as next week.
- There are still concerns about noise issues at the Project.
- Heavy rains have created abundant water, but due to flood restrictions, Swift 1 cannot reduce flows.
- SAS testing went well.

### **Monthly Directors Reports:**

#### **Mike Benjamin – Director of Accounting and IS – (Hand-out – Attachment 2)**

Mike reviewed December accounting and budget statistics. Power costs for December were slightly more than budgeted for, but revenues were on target. Mike reported that the District is considering rate increases to maintain reserves at the Policy level. The Manager reported that reserves are currently at the low point of the year but the utility's average reserves are slightly higher, i.e. mid-year reserves increase to \$38-\$39 million. At some future point, staff will explore seasonality of rates for non-industrial customers as a possible way to maintain a steady level of reserves throughout the year.

#### **Gary Huhta – Director of Power Management – (Hand-out – Attachment 3)**

Gary reviewed December figures for power resources, mid-Columbia pricing, snow pack, storage and runoff, forward pricing and Swift 2 replacement power costs. Bonneville has agreed to provide the District with a full PF backfill for power lost under the Grant contracts. Following receipt of a letter confirming that arrangement, staff will draft a letter of appreciation to Bonneville under the Board's signature.

### **Board Reports:**

#### **Commissioner Piper:**

Mr. Piper reported that the Manager and Dave Andrew recently made a presentation to Longview's Early Edition Rotary that was well received. He encouraged making the presentations to other groups within the community whenever possible.

#### **Commissioner Searing:**

Mr. Searing reported that he appreciated the morning workshop on upcoming financial obligations with the White Creek Wind Project. He also noted that the WPUA's Board recently approved a design plan for the new WPUA building in Olympia, a big step in going forward with what has been a long process.

### **Comments from the General Public:**

Staff and the Commission received comments and responded to questions from Mrs. Sophie Wirkkala related to contract meter reading, collection activities and staff compensation. Mrs. Wirkkala asked the Board to consider holding future meetings in the evenings so more people can attend, particularly the Special Meeting of January 31 at which a proposal to increase electric rates will be considered. Commissioner Searing stated that the Board would consider that option.

**AGENDA ACTION ITEMS:****STAFF RECOMMENDATIONS****No. 1: Interconnection Standards Policy for Electric Generators with a Capacity of Not More Than 25 Kilowatts (Tab 3, 1/24/06 Board Packet)**

Director of Engineering John Dietz reported that the Standards are a result of the net metering law RCW 80.60 that provides the opportunity for electric customers in Washington to generate electricity to offset their load on their local utility. The Interconnection Standards were developed by the WPUA who strived to make uniform Standards that all participants in the State must follow to connect their load to their local utility. Net metering has been in effect in Washington since 1998, but the District has never had a customer utilize the program. John reported that the biggest issues he sees with interconnection will be system operations and crew safety. Each connection will be taken individually and evaluated as to location, how it's connected and what labeling will be necessary to warn crews that a given source is on the District's system. Washington PUDs are already working on a second iteration for larger projects. The Manager noted that WPUA's Dave Warren is urging members to adopt the Standards as soon as possible to reflect a good faith effort to enact uniform Standards throughout the State. Motion was made by Mr. Ketcham and seconded by Mr. Piper that the Interconnection Standards be adopted. The motion was unanimously carried.

**No. 2: Swift No. 2 – Powerhouse Repair – Change Order No. 4 to Contract No. SWPC92 – Phoenix Power Controls (Tab 4, Board Packet)**

Gary Huhta reported that the Change Order includes control room furniture, cabling in the Powerhouse and electrical support for startup activities performed by Christianson Electric who verified field changes and electrical inputs to the SCADA system necessary during dry and wet test commissioning for integration of multiple control systems in the Powerhouse. The Change Order increases the contract by \$26,170, for a total contract amount of \$705,992. Motion was made by Mr. Ketcham and seconded by Mr. Piper that the Change Order be approved and the General Manager be authorized to sign the same. The motion was unanimously carried.

[Clerk's Note: Due to inadvertence, Staff Recommendations Nos. 3 and 4 were considered and acted upon out-of-agenda sequence.]

**No. 4: Swift No. 2 – Power Canal Repair – Change Order No. 8 to Contract No. SWPC89 – Kiewit Pacific Company (Tab 6, Board Packet)**

Gary Huhta reported that the Change Order encompasses eight items related to Kiewit's (KPC) repair work on the canal. Change Order No. 8 totals \$478,868, making the new contract amount \$30,566,380.80, or 6.2% over the original contract amount. KPC has objected to signing Change Orders 4 through 8 and, as has been the case with Change Orders Nos. 4 through 7, the District will issue Change Order No. 8 as a unilateral change order and good faith demonstration of paying KPC for actual work performed. Motion was made by Mr. Ketcham and seconded by Mr. Piper that Change Order No. 8 to Contract No. SWPC89 with KPC be approved and the General Manager be authorized to sign the same. (For clarification purposes, the Manager noted that some of the items on Change Order No. 8 were agreed to under the terms of an earlier mediation process with a "reservation of rights" to pursue cost counterclaims when the parties re-engage in that process.) The motion was unanimously carried.

**No. 3: Swift No. 2 – Powerhouse Repair – Change Order No. 6 to Contract No. SWPC86 – VA Tech Hydro (Tab 5, Board Packet)**

Gary Huhta reported that the Change Order includes ten miscellaneous changes (both of cost and of credit) to the contract with VA Tech that result in a \$123 net decrease to the contract total. The most significant credit under the Change Order is related to asbestos removal and abatement in the generator units (no detection of asbestos found in either unit). Motion was made by Mr. Ketcham and seconded by Mr. Piper that Change Order No. 6 to Contract No. SWPC86 be approved and the General Manager be authorized to sign the same. The motion was unanimously carried.

**No. 5: Change Order No. 1 and Acceptance of Work – Swift No. 2 Fishing Pier Project – Five Rivers Construction – Contract No. SWPC93 (Tab 7, Board Packet)**

Sr. Engineer Bill Pfleeger reported that the Change Order covers final actual unit quantities and required price adjustments. The contract adjustment is \$6,600.07, resulting in a total contract cost of \$102,861.32, plus sales tax. He further reported that, with the exception of approval of the subject Change Order, all work under the contract is complete and recommended that it be accepted as such to allow for the release of retainage under the terms of the contract. Motion was made by Mr. Ketcham and seconded by Mr. Piper that Change Order No. 1 to Contract No. SWPC93 be approved and the General Manager be authorized to sign the same, and that the work under Contract No. SWPC93 be accepted as complete. The motion was unanimously carried.

**Resolution No. 2546:**

**A RESOLUTION** of the Commission of Public Utility District No. 1 of Cowlitz County, Washington, Approving an Assignment of Phase I Purchaser Share for Nine Canyon Wind Project.

Counsel Gerry Miller reported that the Columbia Generating Station (Columbia) is assigning 2 MW of its share of the Nine Canyon Wind Project's Phase I output to Franklin PUD. Under the terms of the Nine Canyon Power Purchase Agreement, members must formally agree by resolution that each member is passing on its right to acquire the shares. Attached to the resolution is Preston Gates' legal opinion confirming the procedure. Motion was made by Mr. Ketcham and seconded by Mr. Piper that the resolution be adopted. The motion to adopt Resolution No. 2546 was unanimously carried and the Clerk was directed to file the original resolution in the records of the District. By this reference, Resolution No. 2546 is incorporated in these minutes as if fully set forth herein. The Manager explained that the District's 2 MW share of the Nine Canyon Project is part of Columbia's 4 MW share, a portion of which was originally used to provide station power to WNP 2. Although the District was interested in picking up the remaining 2 MW, Franklin PUD got to it first. He noted, however, as a member of ENW, Franklin likely would have first rights to that share regardless.

**Motion:**

Motion was made by Mr. Ketcham and seconded by Mr. Piper that a Special Meeting of the Board of Commissioners be held on Tuesday, January 31, 2006 at 2:00 p.m. in Cowlitz PUD's Auditorium at 961 12<sup>th</sup> Avenue in Longview, Washington for the purpose of receiving comments on a proposal to increase electric rates. The Manager reported that the 2006 Budget includes an assumption that electric rates would return to those in effect prior to the October 2004 3% rate reduction. Since Budget adoption in December of 2005, nothing has occurred to change that assumption. Further, BPA's initial rate proposal indicates a potential impact of 12% to the District in October of 2006. In deference to the Commission's preference to take two smaller rate increases rather than a single large increase in '06 and, from a cash flow perspective, the first of those adjustments needs to be implemented soon. The motion was unanimously carried and the Clerk was directed to publish the Notice of Special Meeting (Attachment 4) in accordance with statutory requirements.

**Other Business:** None

**Comments:**

**From the General Public Present:** None

**From the General Manager:** None

**From the Commissioners:** None

**Motion:**

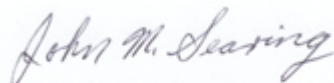
Motion was made by Mr. Ketcham and seconded by Mr. Piper that the meeting be recessed to Executive Session for the purpose of discussing potential Swift 2 litigation matters and personnel issues for a period not to exceed approximately one hour's duration. It was announced that Board action as a result of the Executive Session was not anticipated. The motion was unanimously carried and the meeting was recessed to Executive Session with the General Manager, the Commission, Gerry Miller and Gary Huhta in attendance for the litigation portion of the Session and the General Manager, the Commission, Steve Lafady and Sherry Crayne in attendance for the portion of the Session required for discussion of personnel matters. At 3:50 p.m. the meeting was recessed to Executive Session to begin at approximately 4:00 p.m.

**Break: 3:50 p.m.**  
**Executive Session: 4:00 p.m.**

Following Executive Session, the regular meeting of the Commission of Cowlitz County PUD was reconvened at approximately 5:45 p.m. No action was required as a result of the Executive Session.

**Adjournment:**

The President announced that there will be a Special Meeting of the Board on Tuesday, January 31, 2006 for the purpose of receiving comments related to a proposed adjustment to electric rates. The next regular meeting of the Board of Cowlitz PUD Commissioners is Tuesday, February 14, 2006 at 2:00 p.m. The meeting was adjourned at approximately 5:45 p.m.



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President

ATTEST:



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Secretary



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Vice President

Prepared by: /s/  
Jeffra Naze, Admin. Asst. to General Mgr.