

PUBLIC UTILITY DISTRICT NO. 1 OF COWLITZ COUNTY, WASHINGTON

**MINUTES OF MEETING OF COMMISSIONERS
Regular Meeting of October 14, 2008
PUD Auditorium**

Present:**Commissioners:**

Merritt "Buz" Ketcham, President
Edward M. "Ned" Piper, Vice President

Mark McCrady, Secretary

Staff:

Brian Skeahan, General Manager
Pat Lloyd, Auditor
Dave Andrew, Mgr. Comm. & Govt. Affairs
Royce Hagelstein, Dir. of Acctg. & Finance
Tim Johnston, Substation Engineering Mgr.
Sherry Crayne, Director of Customer Services
Sandy Willman, Admin. Asst. to the General Mgr.

Don McMaster, Chief Operating Officer
Rick Syring, Director of Engineering
Marilyn Miller, Treasurer/Risk Manager
Steve Lafady, Human Resources Manager
Monte Roden, Director of Operations
Diana MacDonald, Mgr. Environmental & Regulatory Services

Media:

Betty Wilson, KLTV

Guests:

Ted Sprague, CEDC
Merry Swanberg, CEDC

Kim Adamson, General Mgr. of BHSD
John Ryan, Weyerhaeuser

Call to Order – Pursuant to published Notice, 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. by Commissioner Ketcham.

Approval of the Minutes – The minutes of the Regular Board Meeting of September 23, 2008 were approved as published.

Approval of Vouchers of \$3,879,859.39 – The Commission reviewed vouchers audited and certified by Auditor Pat Lloyd as required by RCW 42.24.080 and RCW 42.24.090 for which warrants were issued on October 14, 2008, under provisions of Resolution No. 1421. Motion was made by Commissioner Piper to approve the vouchers and seconded by Commissioner McCrady. Motion carried. Warrants drawn to cover said vouchers are as follows:

<u>Fund</u>	<u>Voucher Nos.</u>	<u>Amount</u>
Electric Revenue	07174 – 07535*	\$ 3,418,305.55
Swift Revenue	02181 – 02192	15,727.85
Water Revenue	06527	1,504.00
Payroll	1747	444,321.99

* Voucher No. 07356 is voided.

**Statutory Budget Hearing
To Determine whether it will be Necessary to Request a
Property Tax Levy for the Year 2009**

Senior Rate Analyst Royce Hagelstein presented his preliminary proposed budget summaries for 2009. There were no comments from the public. Motion was made by Commissioner Piper and seconded by Commissioner McCrady to not request a tax levy for the year 2009 and to adjourn the budget hearing until Tuesday, December 9, 2008, at which time the final budget shall be adopted. Motion carried.

Guest Presentation

Ted Sprague, President of Cowlitz Economic Development Council (CEDC) – Gave an update on their current recruitment activities and the various trades shows they have participated in 2009. Ted stated CEDC has been very cautious with expenditures and that General Manager Brian Skeahan has been very vigilant that they walk a straight-line. Even though the economy is poor, there are clients out there that are going forward. CEDC is looking for new ways to market the community. Ted said Brian is CEDC's "most valuable star" and so much that if a new client is scheduled to visit and Brian is not available, they will reschedule the visit. Commissioner McCrady is pleased with the infrastructure being built and thanked Ted for spending wisely.

Agenda Action Items

Staff Recommendations:

No. 30/10/14 – Public Works Trust Fund Loan Application Authorization (Tab 3, Board Packet)

Kim Adamson, General Manager of Beacon Hill Sewer District, reported the PWTF loan of \$1,000,000 for the Mint Farm Water Source Supply project was approved in August. The City of Longview will prepare an Interlocal Agreement stating that BHSD will be reimbursed 85% of the debt service each year. BHSD is also requesting the loan be extended to a 20-year term. Kim requested authorization to sign and enter into the agreement with the PWTF Board for the pre-construction loan of the Mint Farm well project and to amend the loan term from five years to twenty years. Motion was made by Commissioner McCrady authorizing Kim Adamson to execute the agreements and seconded by Commissioner Piper. Motion carried.

No. 31/10/14 – Transfer of Accounts to Reserve for Bad Debts

Auditor Pat Lloyd requested authorization to transfer 258 accounts to Reserve for Bad Debts that were terminated services during the second quarter of 2007. Commissioner McCrady moved to authorize the transfer and seconded by Commissioner Piper. Motion carried.

No. 32/10/14 – BPA Residential Exchange Refund Disbursement

General Manager Brian Skeahan reported we will be receiving an additional \$3,658,141 from BPA representing the final amounts of the Residential Exchange Refund to be received. It was recommended that Weyerhaeuser and Longview Fibre be refunded their portion of approximately \$2,534,215 in accordance with our contracts with those two companies and the remaining refund amount to be held in reserves for future rate stabilization. Motion was made by Commissioner Piper authorizing this disbursement and seconded by Commissioner Piper. Motion carried.

No. 33/10/14 – Bid Award – Construction to Upgrade Olive Way Substation

Substation Engineering Manager Tim Johnston reported the District received three bids for the civil construction required for the upgrade of the Olive Way substation from 69 kV to 115 kV as part of the District's seven year plan. Tim recommended that the lowest bidder J.H. Kelly, LLC be awarded the contract. Motion was made by Commissioner Piper to award the bid to J.H. Kelly, LLC and seconded by Commissioner McCrady. Motion carried.

Resolution No. 2606:

A RESOLUTION appointing Paul Brachvogel to the Position of General Counsel of the District and Rescinding Resolution No. 2530 and any other Resolutions and/or Part of Resolutions in Conflict with this Resolution, all to be effective as of October 25, 2008.

Motion was made by Commissioner McCrady to approve the resolution and seconded by Commissioner Piper. Motion carried.

Travel Authorization No. T-242:

Travel Authorization for Commissioner Ketcham to attend APPA's National Energy Efficiency Summit scheduled for November 12 – 14, 2008 in Indianapolis, Indiana.

Motion was made by Commissioner Piper to approve the travel authorization and seconded by Commissioner McCrady. Motion carried.

Reports (Informational, Non-Action)

Brian Skeahan, General Manager – Reported BPA and slice contract matters are progressing and we continue to be actively involved in the process. A Board workshop is scheduled for October 29 to discuss these contracts.

Brian has been asked to participate on the Northwest Energy Efficiency Alliance (NEEA) Board of Directors and the Northwest Energy Efficiency Taskforce (NEET) Executive Committee. NEEA creates and manages cost-effective market transformation conservation efforts that are more regional rather than utility service territory. NEET is responsible of looking at new approaches to accomplishing energy conservation in the region. With conservation being a key in the power resource load following contract, being involved so closely with these two groups will benefit the District.

Participants of the Harvest Wind project held a conference call on October 9. The primary discussion was the implications of the financial situation on the ability to finance. Bond sales have been few and the interests rates are up significantly (5.5% +/-, up 50 to 80 basis points since mid September). This compares to 30-year treasuries being down to 4.31%, a historic low. Fortunately we would not need to be in the bond market for a 2009 COD (given the one year PTC extension) until probably the third or fourth quarter of 2009. Such predictions are always risky, however Brian believes the money could very well be looking for a safe place to land, and tax exempt munis are about as safe as it gets, which would put a downward pressure on rates. Another concern is the construction loan (Nordbank). A construction loan would be roughly on a May 2009 schedule. The third part is the tax equity participant. The White Creek project ended up with Prudential and Lehman, who is now in bankruptcy. The number of interested investors is likely to be smaller; however we are still comfortable with the rate assumptions that have been modeled. A small group including Brian will be flying to New York soon to meet with Nordbank and other banks, rating agencies and Meridian.

On other related matters the contract with Summit as the development partner was approved, Bob Young's group will move forward for construction management, turbine bids are still being worked on, Orrick was selected as tax counsel and a decision was made on the 230 kV transmission along the northern route.

Staff / Director's Reports

Don McMaster, Chief Operating Officer – Reported that the employees' training day on October 13th went well and thanked Steve Lafady and Katrina Perkins for all their hard work organizing the event. He also gave updates on grounds security, AMI, identity theft policy, and contract management changes. Commissioner Ketcham asked how the new fleet maintenance department is working out. Don stated it is all positive.

Sherry Crayne, Director of Customer Services – Presented the September Board Report.

Monte Roden, Director of Operations and Rick Syring, Director of Engineering – The September Operations and Engineering reports were given.

Board Reports

Commissioner Ketcham – None

Commissioner Piper – None

Commissioner McCrady – None

Other Business: None

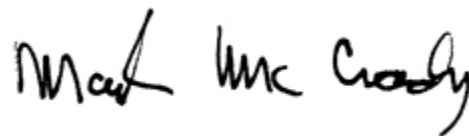
Comments:

From the General Public: None

From the General Manager: None

From the Commissioners: None

Adjournment – The next regular Board meeting of the Commission would be held Tuesday, October 28, 2008 at 2:00 p.m. in the PUD Auditorium. Meeting was adjourned at 4:30 p.m.



Secretary

Attest:



President



Vice President

Prepared by _____
Sandra Willman, Administrative Assistant to
the General Manager