

**PUBLIC UTILITY DISTRICT NO. 1
OF
BENTON COUNTY**

Date: August 23, 2011
Time: 9:00 a.m.
Place: 2721 West 10th Avenue, Kennewick, Washington

Present-Benton PUD:

Commissioners Sanders and Bertsch
General Manager Sanders
Assistant General Manager Bartram
Legal Counsel Hultgrenn
Director of Engineering Dunn
Director of Operations Hunter
Director of Power Management Bickford
Manager of Accounting Meyer
Manager of Communications and Governmental Relations Miller
Manager of Products and Services Johnson
Manager of Information Systems Swanson
Manager of Contracts and Purchasing Ochweri
Financial Analyst Pryor
Energy Programs Analyst Schumacher
Supervisor of Executive Administration Cole

Excused: Commissioner Jeff Hall

Guest: Larry Felton, Bonneville Power Administration

Manager of Communications and Governmental Relations led the pledge of allegiance.

Commissioner Robert Bertsch excused Commissioner Jeff Hall from attendance at today's commission meeting.

Management Reports

Director of Power Management:

1. The Bonneville Power Administration (BPA) has notified the District that computer-related programming for Slice customers will not be ready by the October 1, 2011 deadline as originally intended. Exhibit O of the District's slice contract with BPA calls for operations under current methodology with corrected percentages until technical development is completed. Costs relating to the technical development may be in the range of \$72,000.
2. The Packwood Participants Group is reviewing the current Packwood contract, and an updated contract is anticipated to be brought to a September 2011 commission meeting.
3. Staff and the State Auditor's Office recently met to discuss preliminary audit plans relating to I-937 compliance. Additional information will be forthcoming on expected expenses and responsibilities for costs relating to the audit.

Director of Operations:

1. The Commission was briefed on an accident at the Kennewick Substation resulting in minor employee injuries and damage to a transformer. The District' safety committee completed a review of the accident and those results will be reviewed by all crews. A spare transformer is being moved to the site.

Assistant General Manager/Manager of Customer Service:

1. Manager of Customer Service reported on a billing issue due to a defective meter at a mobile home park in Benton City – noting the District is backbilling the customer for 18 months of usage. A discussion was held on the determination to backbill only 18 months due to circumstances where the customer may not have known of the consumption issues, difficulty in estimating the amount undercharged due to move-in and out of the mobile home park, and District staff not noticing the problem during routine meter reads.

2. Manager of Customer Service reported on the District's remittance processing equipment, specifically noting the benefits of the system over manual data entry, and same day bank processing. In the future, the District is researching the usage of payment kiosks to allow for additional efficiencies in payment processing.

3. Assistant General Manager reported that the CC&B customer care and billing project anticipates going live over the weekend on October 8 and 9. Although staff anticipates a clean cutover to the new system by Sunday, there is an opportunity to take advantage of Columbus Day, October 10th. Since many customers anticipate that offices are closed at Benton PUD on that day, staff suggested announcing closure of the customer service office. Notices will be made to the public of such closure, and customer service may open on the 10th if all work relating to the cut-over is completed during the weekend. The remainder of the District will remain open and operate normally on October 10th. The Commission concurred to close the office for customer service, if needed, on Monday, October 10, 2011.

Assistant General Manager:

1. The schedule for upcoming rating agency presentations was reviewed. Utility ratios as reported from the American Public Power Association (APPA) relating to ratings was briefly discussed.

General Manager:

1. A seminar on public records and the open public meetings act is being held in Kennewick on September 27, 2011. The seminar is targeted for public officials. Commissioners asked to be registered for the afternoon portion of the meeting.

Public Comments

Customer Rex Gest asked when the Columbia Generating Station would be back on line, and Commissioner Lori Sanders noted it was anticipated to be back on line in late September.

Consent Agenda

Motion by Lori Sanders, seconded by Robert Bertsch to approve the Consent Agenda as follows:

- a) Approving the minutes of the regular Commission Meeting of August 9, 2011.
- b) Approving the Travel Report dated August 23, 2011.

c) Approving Vouchers audited and certified by the auditing officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing made available to the Commission. As of this date, the Commission does approve the following for payment: Accounts Payable Automated Clearing House (ACH) payments 7116-7192 in the total amount of \$714,934.80, Warrants (CHK) 49653-49719 in the total amount of \$252,807.33, Electronic Fund Transfer (EFT) payments 2529-2535 in the total amount of \$5,607,152.30, Customer Refund (ERM) payments 49720-49786 in the total amount of \$5,666.86; Residential conservation rebates Credits on Customer Accounts 720.00; Payroll Direct Deposit Advice 08/04/11 30436-30594 in the total amount of \$291,930.44, for a grand total of \$6,873,211.73.

d) Review Jobs Report for Commission dated August 15, 2011.

e) Adopting Resolution No. 2135, declaring certain vehicle surplus to District needs according to the laws of the State of Washington, Title 54, RCW 54.16.180, and authorizing the General Manager, on behalf of the District, to dispose of same.

f) Adopting Resolution No. 2136, declaring certain miscellaneous equipment surplus to District needs according to the laws of the State of Washington, Title 54, RCW 54.16.180, and authorizing the General Manager, on behalf of the District, to dispose of same.

g) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 1 of Contract No. 02-51-28 with FortisBC, to update bankruptcy language included in both the Canadian and United States bankruptcy acts.

h) Amending Designation of Representatives for 2011, authorizing Allison Walsh to act in the capacity of Vice-Chair and Trustee to the Central Washington Public Utilities – Unified Insurance Program, effective August 1, 2011.

MOTION CARRIED.

Resolution No. 2137, Amending the 2011 Budget

Financial Analyst reviewed budget amendments for 2011, noting a \$1.6 million decrease in estimated retail revenues due to cool wet spring weather, a decrease of \$4.2 million in net power supply expenses based on current mark to market reports, and an increase of \$0.6 million in projected net capital expenditures, including deferral of BTOP2 project to 2012.

Motion by Lori Sanders, seconded by Robert Bertsch adopting Resolution No. 2137, amending the 2011 budget.

MOTION CARRIED.

Northwest Energy Efficiency Alliance Presentation

Energy Programs Analyst gave a presentation on maximizing energy efficiency by the Northwest Energy Efficiency Alliance (NEEA). A portion of the District's conservation target is derived from the savings produced by NEEA. The presentation described how the District benefits from the low cost market transformation that NEEA influences. The low cost savings resulting from NEEA will contribute towards achieving I-937 target requirements.

Future Planning

Assistant General Manager confirmed October 28, 2011 for a commission workshop on broadband, noting the workshop would start at 8:30 a.m. and was anticipated to end by Noon.

The proposed 2012 budget binders will be provided at the September 27, 2011 commission meeting, and the budget hearing is scheduled for the first Monday in October, October 3, 2011, at 6:00 p.m. Motions setting the broadband workshop and budget public hearing will be presented at future commission meetings.

Meeting Reports

Commissioner Lori Sanders reported on Energy Northwest board meeting attendance.

Commissioner Robert Bertsch reported on American Public Power Association (APPA) interests involving financing for publics and market based rates.

At 10:15 a.m., President Robert Bertsch announced that the Commission Meeting would recess for 45 minutes, and reconvene at 11:00 a.m. in the Auditorium.

At 11:00 a.m., President Robert Bertsch reconvened the Commission Meeting into regular open public session in the District's Auditorium.

President Robert Bertsch welcomed public in attendance, introduced Commissioner Lori Sanders, and stated that Commissioner Jeff Hall was not in attendance at today's commission meeting. General Manager of Benton PUD, Jim Sanders, was introduced. President Robert Bertsch announced that this portion of the Benton PUD meeting was scheduled as a joint meeting with Franklin PUD for the purpose of discussing the requirements of the Energy Independence Act (EIA) and House Bill 2124 and Senate Bill 5964 which address the requirements of the Act.

President Robert Bertsch stated that public comment would be allowed, noting five minutes for each public comment, in order to allow time for all those who intended to address the commission.

Franklin PUD President Bill Gordon opened the meeting on behalf of the Franklin PUD commission and introduced Commissioners Stuart Nelson and Roger Wright. General Manager of Franklin PUD, Ed Brost, was introduced. President Bill Gordon stated that due diligence was important and required to keep rates as low as possible, including addressing the requirements of Initiative 937.

General Manager Brost gave a brief background of Initiative 937 requirements, noting utilities must acquire all cost-effective, feasible and achievable conservation, and the target dates for those requirements. It was noted that the initiative failed in Benton and Franklin counties by over 66%. Mandates of I-937 that affect Benton and Franklin PUDs were reviewed. Forecasted energy needs and resources for Franklin PUD were discussed.

General Manager Jim Sanders reviewed forecasted energy needs and resources for Benton PUD. The anticipated impact to customer rates for both Benton and Franklin PUDs were reviewed under the current requirements. It was stated that Senate Bill 5964 and House Bill 2124 were introduced at the end of the 2011 legislative session to clarify that if a utility has excess energy, the utility has the option to choose not to buy unneeded energy or renewable energy credits as currently required by the EIA. The bills prioritize conservation – the least cost resource. The legislation does not change the intent of the EIA.

At 11:40 a.m., President Robert Bertsch opened the meeting for public comment.

The following attendees provided public comments:

1. Barrett Pryce, Legislative Director for Senator Mike Hewitt, stated his support for the bills and urged others to pass resolutions in support of the bills.
2. State Representative Brad Klippert, 8th Legislative District, stated he was one of the sponsors of the bills and stated it was imperative to get the bills passed, noting ratepayers do not need to purchase unneeded power in these economic times.
3. Carl Adrian, TRIDEC, stated his support for the bills, and noted that he has recommended to the board at TRIDEC to adopt a resolution supporting the legislation. He noted that TRIDEC is supportive of renewable energy but increased rates do not help economic development.
4. Judith Gigley, Benton Franklin Community Action Committee, expressed CAC's support of the bills and gave a history of how the committee and its functions within the community are impacted in economic times.
5. Jack Baker, Energy Northwest, noted both PUDs' support and use renewable power and stated his support of the bills.
6. Tom McKay, AgriNorthwest, stated he supported the bills. He noted in his business that consistent water is vitally important, which took significant capital and electricity. He stressed that increasing costs impact his business, jobs and the region's economy.
7. Jim Toomey, Port of Pasco, noted support of the bills, and stated that the Port of Pasco adopted Resolution No. 1311 in support of the two bills.
8. Via telephone call at 12:00 p.m., Representative Nealey noted support of the bills and briefly reviewed areas relating to technology, communications and environmental committees. Representative Nealey ended his telephone call at 12:05 p.m.
9. Marie Mosley, City of Kennewick, stated her support of the bills, and reviewed areas of importance to the City of Kennewick and partnerships with Benton PUD. She stated that she will be recommending to the Kennewick City Council to support the bills in the near future.
10. Steve Taylor, City of Connell, stated that the City Council voted on August 15, 2011, to support the language in both bills, and noted the City's appreciation of Franklin PUD's efforts to keep rates stable in difficult periods of times and delaying increases as long as possible.
11. Jim Follansbee spoke in favor of both bills.
12. Roy Anderson asked about permits and licenses relating to wind turbines and will this affect wind turbines. General Manager Jim Sanders briefly provided information to Mr. Anderson and stated wind turbines were not affected by the issues being addressed. Mr. Anderson stated he supported the legislation.
13. Robert Newton noted he did not initially know who to support and discussed the wind turbines seen in the gorge. He then stated he did support the bills.
14. Darryl Olsen, Columbia Snake River Irrigators Association, stated the Association did not initially support I-937, and then stated the Association is supportive of confronting the existing I-937 laws and sees the bills as a platform for additional potential changes.
15. Jeff Ashmead noted support of the bills, stating that it appeared the largest beneficiaries of I-937 were wind power entities.

16. Sherry Harvey spoke in support of the bills, noting it was never good to buy energy you don't need.
17. Harry Porter spoke in favor of the bills.
18. Representative Klippert spoke a second time, urging others to support the bills.

President Robert Bertsch asked for any additional public comments, and none were heard.

President Bill Gordon and President Robert Bertsch thanked everyone for their attendance and comments. President Robert Bertsch stated that the bills discussed were intended to simply improve the existing law, not change it, and help in minimizing rate impacts as a result of the current requirements.

At 12:45 p.m., President Robert Bertsch announced that the commission meeting would recess for 15 minutes, and would reconvene in the District's Commission Room.

At 1:00 p.m., President Robert Bertsch reconvened the commission meeting into regular open public session.

Clif Finch and Randy Ray, Aequus, Inc. joined the commission meeting.

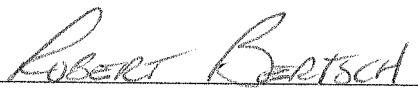
Resolution No. 2138, House Bill 2124 and Senate Bill 5964, Requirements of the Energy Independence Act

Manager of Communications and Governmental Relations informed the Commission that two emails were received, which were distributed, from Harvey Lighthouse and Jeff Jensen, both of Harms Engineering, stating their support of the bills. The Commission held a general discussion on the comments heard from the public regarding the Energy Independence Act and the house and senate bills.

Motion by Lori Sanders, seconded by Robert Bertsch adopting Resolution No. 2138, supporting House Bill 2124 and Senate Bill 5964 that narrow the requirements for utilities to purchase eligible renewable energy resources or renewable energy credits when not needed to serve customer loads.

MOTION CARRIED.

Hearing no objection, President Robert Bertsch adjourned the Commission Meeting at 1:05 p.m.


Robert Bertsch, President

ATTEST:


Lori Kays-Sanders, Secretary