

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

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Date: September 27, 2011  
Time: 9:00 a.m.  
Place: 2721 West 10<sup>th</sup> Avenue, Kennewick, Washington

***Present-Benton PUD:***

Commissioners Sanders, Bertsch and Hall  
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  
Manger of Customer Service Ball  
Manager of Human Resources Walsh  
Manager of Key Accounts McAloon  
Manager of Products and Services Johnson  
Manager of Risk Management & Treasury White  
Manager Applications and Integrations Folta  
Financial Analyst Pryor  
Rates Analyst Murray  
Executive Assistant Henderson  
Supervisor of Executive Administration Cole

***Guests:*** Jeb Spengler, Seattle-Northwest Securities Corporation; Christine Pihl and Mark Sterrett, JP Morgan

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Customer Robert Gretzinger led the pledge of allegiance.

**Public Hearing – Redistricting of Commissioner Districts**

President Robert Bertsch opened the Public Hearing at 9:00 a.m. and stated the purpose of today's Hearing was to review information and accept public comments on two proposals for redistricting of commissioner districts as required every 10 years after receipt of the federal census data.

General Manager Sanders noted the two options being presented today were briefly reviewed at the August 9, 2011 commission meeting and stated a Public Hearing to allow for public comments was discussed and set at the September 13, 2011 commission meeting.

Manager of Applications and Integrations stated the requirements of RCW 29A.76 for redistricting of commissioner districts and reviewed two options prepared by staff. Option 1

presents the proposed commissioner districts with a horizontal geographic stratification and achieves a compact, contiguous and as nearly equal as possible population between each boundary while preserving existing communities of mutual and related interest. This option provides greater compaction and more equal distribution of population. Option 2 shows the boundaries as being contiguous with the population being not nearly as equal due to the population size and geographic locations of the currently adopted voter precincts within Benton County.

Manager of Applications and Integrations stated staff recommendation was Option 1 due to better adherence to the legal requirements by being more compact, contiguous and having as nearly equal as possible population, while preserving existing communities of mutual and related interest.

The Commission held a discussion on the options and stated they had no preference and concurred with the staff recommendation.

President Robert Bertsch opened the meeting for public comments at 9:05 a.m. and none were received. General Manager stated that a resolution using Option 1 for commissioner redistricting would be presented on October 11, 2011 for consideration, unless public comment is received during the interim period that required additional commissioner review.

President Robert Bertsch stated that the public comment period on the two options for commissioner redistricting will remain open until October 11, 2011 at 9:00 a.m. at which time the public comment period will be closed.

President Robert Bertsch closed the Public Hearing on commissioner redistricting at 9:15 a.m.

### **Management Reports**

#### *Manager of Communications and Governmental Relations:*

1. An update was provided on SB 5964 and HB 2124. Resolutions supporting the bills have been passed by most of the local cities, ports, chambers and economic development organizations. Public utilities impacted by the Energy Independence Act have met to discuss the issues related to it and are working on a response to Representative Upthegrove's guiding principles relating to possible legislation.
2. Commissioner Sanders will attend Nuclear Regulatory Commission public meetings on the license renewal for Energy Northwest's Columbia Generating Station.

#### *Director of Power Management:*

1. The new Bonneville Power Administration (BPA) effective October 1, 2011 will have a one year delay due to technical issues. An interim agreement will be effective on October 1, 2011, and it was reported The Energy Authority (TEA) is prepared to operate under the interim agreement.

#### *Director of Engineering:*

1. An update on NoaNet activities was provided, including an update on 2012 budget issues, and anticipated loss of revenues due to a merger with Qwest and CenturyTel. The potential need

for member guarantees for lines of credit is being considered, primarily to fund fiber-optic construction to cellular sites. A discussion was held on the NoaNet wholesale business model and continuing discussion to consider pursuing retail authority.

*Assistant General Manager:*

1. The Commission was informed that the bond sale occurred yesterday due to market changes that were favorable to taking action prior to today's scheduled bond sale. It was noted the discretion on the date of the sale, adopted at a previous commission meeting, allowed District staff and bond analysts to take advantage of changes in the bond market as it was occurring. A discussion on the sale will be provided later in the agenda today. Assistant General Manager introduced consultants who led the bond sale as Jeb Spengler, Seattle-Northwest Securities Corporation, Christine Pihl, JP Morgan, and Mark Sterrett, JP Morgan.

2. The Commission was informed of changes in Low Income Home Energy Assistance Program (LIHEAP) funding which will result in lower dollars available for low income assistance to District customers for the 2011/2012 season. Staff acknowledged the potential impacts to customers due to economy changes, closures in the Hanford area and other areas, rate increases, and now the lowered available funding. Staff discussed lowering the disconnect threshold for customers who are past due to prevent balances from growing so large that payment is difficult, and to reduce balances before the winter moratorium program begins in November. Commissioner Lori Sanders urged staff to continue creative thinking to encourage Helping Hands donations, and General Manager acknowledged the community awareness and civic-minded people who live here and their support of the Helping Hands program in the past.

3. Assistant General Manager reported on attendance at a seminar regarding capital funding needs and financial concerns of the Bonneville Power Administration (BPA). BPA is forecasting rising capital needs, and reports not enough borrowing authority to meet those needs. Borrowing authority of BPA increases the federal deficit, so options are being reviewed and discussed.

**Consent Agenda**

Motion by Jeff Hall, seconded by Lori Sanders to approve the Consent Agenda as follows:

- a) Approving the minutes of the regular Commission Meeting of September 13, 2011.
- b) Approving the Travel Report dated September 27, 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 7296-7362 in the total amount of \$545,293.85, Warrants (CHK) 49965-49985 and 50032-50072 in the total amount of \$7,385,701.09, Electronic Fund Transfer (EFT) payments 2546-2554 in the total amount of \$7,385,701.09, Customer Refund (ERM) payments 49986-50031 and 50073 in the total amount of \$5,114.11; Residential Conservation Rebates Credits on Customer Accounts in the total amount of \$675.00; Payroll Direct Deposit Advice 09/15/11 30917-31078 in the total amount of \$298,662.75, for a grand total of \$8,648,631.95. For September 2011 Stopped ERM in the amount of \$331.18, Voided ACH in the amount of \$9,352.62 and Voided Warrants in the amount of \$1,936.40 were included on the report.
- d) Reviewed Jobs Report to Commission dated September 19, 2011.

e) Resolution No. 2141 declaring certain vehicles 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) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 1 of Contract No. 09-16-04 with Foster Pepper, PLLC, to increase the not-to-exceed amount by \$80,000.00 bringing the new not-to-exceed amount to \$125,000.00.

MOTION CARRIED.

At 10:05 a.m., President Robert Bertsch announced that the Commission Meeting would recess for 10 minutes.

At 10:15 a.m., President Robert Bertsch reconvened the Commission Meeting into regular open public session.

### **The Energy Authority, Contract Change Order**

Director of Power Management recommended the Commission approve Change Order No. 1 of Exhibit B to the TEA Trading Agreement Services Guides portion of the Energy Authority contract. The amendment allows TEA to trade transmission surplus as principal and allows agency trades without an enabling agreement. It also updates provisions of the amendment.

Motion by Jeff Hall, seconded by Lori Sanders authorizing the General Manager, on behalf of the District, to sign substantially in the form presented, Change Order No. 1 – Exhibit B, Trading, Resource, Scheduling and Optimization Services Guidelines TEA Trading Agreement Services Guidelines, of Contract No. 09-16-02 with The Energy Authority.

MOTION CARRIED.

### **Draft 2012 Strategic Plan**

Assistant General Manager briefly reviewed the draft Strategic Plan. The Plan builds upon the initiatives identified as priorities by the Commission and Leadership Team. It was noted a broadband workshop will be held on Friday October 28, 2011, and additional items may be incorporated into the plan as a result of that workshop.

### **Proposed 2012 Budget**

Manager of Risk Management and Treasury distributed budget binders to the Commission and gave an overview of the budget document. Commissioner Lori Sanders thanked staff for their detail to budget line items to allow for full review of items included in certain areas of the budget. Manager of Risk Management reviewed the remaining schedule prior to adoption of the budget, noting a Public Hearing scheduled for Monday, October 3<sup>rd</sup>, where a detailed presentation on the budget would be provided, closing of the public comment period on October 25, 2011, a revised summary operating statement, capital plan and updated power supply plan, as well as any further identified changes to be provided at the November 22, 2011 commission meeting, and final adoption of the budget scheduled for December 13, 2011.

General Manager stated that unless needed, a recommendation will be brought to a future meeting recommending cancellation of the December 27, 2011 commission meeting.

### **2012 Revenue Requirements and Cost of Service Analysis (COSA) Update**

Manager of Risk Management and Treasury presented the District's current financial forecast and reviewed what was presented to rating agencies, as well as the current forecast prepared in conjunction with the 2012 proposed budget, retail revenue adjustment presentation provided to customers at customer meetings in 2010, and adjustments in the presentation in preparation for the upcoming customer meetings on rates.

Director of Power Management reviewed COSA assumptions and results, including key assumptions of wholesale power costs, irrigation mitigation and load shaping charges, and retail rate design and base charges. At the conclusion of the presentation, General Manager stated that revised revenue requirements for 2012 show a 10.6% required increase in retail revenues; however, this can be partially mitigated through the use of \$4 million of bond proceeds. The net retail revenue requirement results indicate a 6% increase in 2012 and staff recommends moving forward with planning and communications at this level unless commission feedback changes staff direction.

The Commission was informed that customer meetings are scheduled for October 11 and 12. An initial rate recommendation will be brought to the October 25, 2011 commission meeting, and a final staff recommendation will be presented to the commission on November 8, 2011.

General Manager stated that prior to the final adoption of rates, communications on rate proposals are needed due to significant budget issues at the state level which impacts the District's customers and other agencies as they plan for their own budgetary needs.

### **August Financials**

The August 2011 financial statements were reviewed.

### **2011 Bond Issue – Pricing Update**

Assistant General Manager introduced Jeb Spengler, Seattle-Northwest Securities Corporation; Christine Pihl and Mark Sterrett, JP Morgan, and thanked them for a successful bond sale that occurred on September 26, 2011.

Manager of Risk Management and Treasury reviewed the bond resolution previously adopted in response to new legislation allowing the General Manager or Assistant General Manager to finalize a bond sale within certain defined parameters. Final rating agency reports were distributed, noting all ratings were affirmed. Ms. Pihl reviewed the parameters as previously defined by commission resolution and distributed a report summarizing the results of the bond sale.

Mr. Spengler reviewed specifics of the sale, noting the District was able to issue \$38,545,000 of 2011 bonds that will mature 2012-2035. The bond issue refunded \$32,645,000 of 2001A and 2002 bonds with maturities in 2012-2022, with a net present value refunding savings of \$4,616,528, or 14.14%. In addition to the refunding, the bond issue includes \$10,000,000 of new money for capital projects. Ms. Pihl stated the closing of the sale will occur on October 11, 2011 and the refunded bonds will be defeased also on that day.

Mr. Spengler thanked staff for their hard work leading up to the sale and their responses to the rating agencies which was important in getting new rating agency analysts current on the industry and the District prior to the sale.

A brief discussion was held on proposed federal jobs packages and tax elimination proposals and the possible impacts it had on the market. Assistant General Manager thanked everyone involved in the outcome of this successful bond sale and refunding, noting flexibility in when the sale could occur was important in today's market.

Manager of Risk Management and Treasury distributed signature documents required of the Commission as part of the bond sale.

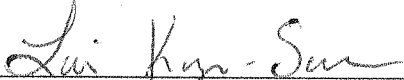
**Meeting Reports**

Commissioner Lori Sanders reported on the status of the Columbia Generating Station outage.

Hearing no objection, President Bob Bertsch adjourned the Commission Meeting at 11:25 a.m.

  
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Robert Bertsch, President

ATTEST:

  
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Lori Kays-Sanders, Secretary