

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

Date: October 25, 2011
Time: 9:00 a.m.
Place: 2721 West 10th 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
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 of Information Systems Swanson
Supervisor of System Engineering Scherer
Executive Assistant – AGM Henderson
Supervisor of Executive Administration Cole

Director of Operations led the pledge of allegiance.

Management Reports

General Manager:

1. General Manager distributed an invitation to attend the annual PNUCC meeting next Friday.
2. The Commission was updated on the General Manager's trip to Washington DC last week with representatives of the Public Power Council. Topics discussed were retaining cost based rates, BPA's environmental re-dispatch policy, and the Columbia River Treaty -- an emerging issue in the Pacific Northwest. Information was distributed from the Columbia Treaty Power Group. Information was also provided in Washington DC on activities relating to the Mid Columbia Energy Initiative.
3. A poll from the Northwest RiverPartners was distributed. The poll surveyed opinions throughout the Pacific Northwest on issues related to the hydrosystem.
4. General Manager informed the Commission that many employees will be wearing blue jeans for the next month as part of a fundraiser for United Way. Employees are donating a buck a day to wear blue jeans. Bingo is also being played as part of the United Way fundraiser.

5. Additional information on the residential exchange will be forthcoming at a November commission meeting. BPA is opening a period of time to allow those who want to sign an additional opportunity to do so. Those who previously signed must continue to sign for the contract to be allowed.

Assistant General Manager:

1. At the next commission meeting, a semi-annual report of internal audit activities will be discussed including several future planning topics on items relating to audits. These include an external review of the District's risk management procedures, and the consideration to utilize external auditors due to complexities involved with certain areas of the District's business. An external auditor will be recommended for the 2012 audit.

2. Manager of Risk Management and Treasury informed the Commission that at the PURMS upcoming meeting, the District's representative will be voting and bringing back to the Commission amendments to the interlocal agreement on self-insurance. There are some significant changes due to amendments in the Washington Administrative Code on funding self-insurance pool reserve levels based on an annual actuarial review and resulting confidence levels for unpaid claims.

3. An update on the Economic Development Revolving Fund being administered by the Benton-Franklin Council of Governments was distributed and briefly discussed.

Director of Operations:

1. The BPA outages in the Finley area were discussed. It was noted only half of the customers anticipated to be without power were actually out of power due to the ability to transfer some load due to the mild weather last weekend. An additional outage is scheduled for this Friday.

General Manager:

1. The Commission was updated on discussions with the State Auditor on auditor roles relating to certain I-937 compliance areas. The District's legal counsel, Dan Hultgrenn, is working with outside counsel, Don Cohen, on the reading of the requirements of I-937.

2. General Manager recommended moving Consent Agenda Item No. 4f, "Battelle Memorial Institute, Pacific Northwest Division, Contract Change Order", off the Consent Agenda and onto the business agenda for discussion.

President Robert Bertsch announced that Consent Agenda Item No. 4f would be removed from the Consent Agenda and placed on the regular business agenda.

Consent Agenda

Motion by Jeff Hall, seconded by Lori Sanders to approve the Consent Agenda as amended, removing Consent Agenda Item No. 4f to the regular business agenda:

- a) Approving the minutes of the regular Commission Meeting of October 11, 2011.
- b) Approving the Travel Report dated October 25, 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 7406-7491 in the total amount of \$638,428.04, Warrants (CHK) 50274-50303 and 50368-50398 in the total amount of \$206,165.55, Electronic Fund Transfer (EFT) payments 2562-2567 in the total amount of \$3,250,428.49, Customer Refund (ERM) payments 50258-50273 and 50304-50367 in the total amount of \$13,353.99, Residential Conservation Rebates Credits on customer accounts in the total amount of \$840.00, Payroll Direct Deposit Advice 10/13/11 31240-31402 in the total amount of \$303,697.47, for a grand total of \$4,412,913.54. October 2011 Stopped Warrants in the amount of \$3,628.43 and Stopped ERM in the amount of \$1,705.92 were included on the report. Warrant numbers 50258-50273 were presented in summary on the October 11, 2011 report, however the detailed listing was not included. The detailed listing is included in this report.

d) Award the contract for 15kV #2 URD Cable, Bid Package No. 11-06, to WESCO/Okonite of Portland, Oregon, for the total amount of \$156,500.00, plus Washington State sales tax in accordance with RCW 54.04.080.

e) Adopting Resolution No. 2144, 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) Removed to business agenda.

g) Reviewing Jobs Report to Commission dated October 17, 2011.

h) Reviewing Hanson Consulting, Third Quarter Report 2011.

MOTION CARRIED.

Battelle Memorial Institute, Pacific Northwest Division, Contract Change Order

Supervisor of System Engineering reviewed changes to the cooperative agreement with Battelle Memorial Institute. It was noted that signing Modification 2 to the Sub-Recipient Cooperative Agreement is necessary to continue to move forward with the collaboration on distributed energy-storage and generation with other area utilities. The approval is also needed to maintain the project schedule and facilitate preparation of the required sub-contracts with other utilities and for material procurement and consulting services. The District will be reimbursed by Battelle for 50% of the cost, as well as reimbursed by the partner utility through an interlocal agreement for 50%, resulting in no net cost to the District for the additional scope of work.

Motion by Lori Sanders, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign Change Order No. 2 of Contract No. 10-21-04 with Battelle Memorial Institute, Pacific Northwest Division, for Modification 2 of Battelle Sub-Recipient Cooperative Agreement No. 115492.

MOTION CARRIED.

2012 Proposed Budget – Close Public Comment Period

Manager of Risk Management and Treasury recommended the Commission close the public comment period on the proposed 2012 budget, and stated no public comments have been received. On November 22, 2011, the following will be brought for Commission review, a revised summary budget, operating statement and capital summary reflecting an update on power supply costs, an updated retail load forecast for 2012 showing anticipated reduction in customer growth, revised labor allocations, and final numbers from the bond issue. Staff anticipates recommending adoption of the 2012 budget at the first meeting in December.

Motion by Lori Sanders, seconded by Jeff Hall closing the public comment period on the 2012 proposed Budget.

MOTION CARRIED.

As requested by Commissioner Lori Sanders at the Public Hearing on October 3, 2011, Manager of Risk Management distributed a handout showing historical summary information of capital spending, excluding broadband and excluding capital contributions.

Setting Special Meeting for November 8, 2011, Ten-Year Cost Effective Conservation Resource Potential and Biennial Conservation Target

A new memo recommendation was distributed. Director of Power Management recommended the Commission set a public hearing for November 8, 2011, to provide public comment opportunity on the District's assessment of conservation potential. The Commission will be asked to adopt the ten-year potential and biennial conservation targets prior to conclusion of the public hearing.

Motion by Jeff Hall, seconded by Lori Sanders setting a special meeting of the Benton PUD Commission for November 8, 2011, at 8:45 a.m., at the Administration Office of Benton PUD located at 2721 West 10th Avenue, Kennewick, Washington, for the purpose of discussing and considering adoption of the District's Energy Independence Act (EIA) 2012-2021 ten-year cost-effective conservation resource potential and 2012-2013 biennial conservation target.

MOTION CARRIED.

Setting Special Meeting for October 28, 2011, broadband workshop

General Manager recommended the Commission set a special meeting in order to hold a workshop on broadband issues as identified at the 2012 Strategic Planning workshop.

Motion by Jeff Hall, seconded by Lori Sanders setting a special meeting of the Benton PUD Commission for October 28, 2011, at 8:00 a.m., at the Administration Office of Benton PUD located at 2721 West 10th Avenue, Kennewick, Washington, to hold a workshop on broadband services relating to the District's proposed strategic plan.

MOTION CARRIED.

DHittle & Associates, Inc. – Contract Change Order

Director of Engineering recommended the Commission approve a contract change order with DHittle & Associates, allowing for needed engineering staff augmentation services for an existing back log of projects and to provide some margin for emerging work. Without the additional engineering resources, projects that impact the safe and reliable operation of some of the District's substation and distribution facilities will be delayed.

Motion by Lori Sanders, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign Change Order No. 1 of Contract No. 11-21-12 with DHittle & Associates to increase the not-to-exceed amount by \$50,000.00 to a new not-to-exceed amount of \$100,000.00.

MOTION CARRIED.

Resolution No. 2145, Modification to Low Income Senior and Disabled Discount Program

Manager of Key Accounts and Manager of Customer Service recommended the Commission approve a modification to the low income senior and disabled discount program due to the effects of the economy and the lowered availability of funding through the Low Income Heating Energy Assistance (LIHEAP) program, currently anticipated at a 43% reduction.

Motion by Lori Sanders, seconded by Jeff Hall to adopt Resolution No. 2145, modifying the Low Income Senior and Disabled Discount Program.

MOTION CARRIED.

Commissioner Lori Sanders asked for the current status of funding levels for the helping hands program from the Community Action Committee (CAC). Manager of Customer Service noted that information would be provided.

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

At 10:15 a.m., President Bertsch announced that the Commission Meeting would reconvene into regular open public session.

Customer Privacy Rights

Assistant General Manager reviewed the purpose of preparing customer privacy rights in order to be proactive to concerns being raised intermittently nation-wide due in part to automated meters being installed on residential homes. The District has received little communications from customers until a recent letter received from a customer asking for meter removal.

Manager of Customer Services stated she is monitoring issues being raised by customers at other utilities in order to raise the District's awareness on the issues being discussed. A YouTube video on smart meters was shown. At the conclusion of the video a brief discussion was held about implied consent as addressed in the video. Staff identified concerns in the video relating to "big brother" concerns, privacy, meter accuracy and health considerations.

Manager of Customer Service stated the Commission will be asked at a future meeting to consider approval of a customer privacy statement, and a recommendation may also be presented for an opt out provision. A brief discussion on net meters was held, noting AMI meters are also installed at those locations.

Draft – Retail Rate Schedules

Manager of Products and Services noted proposed retail rates were provided in the packet for review. Revenue requirements for 2012 show a 10.6% required increase in revenue, however this can be partially mitigated through the drawdown of cash reserves by \$4.6 million. Net revenue requirement results show a need for a 6% increase for 2012. The revised rate schedules reflect a 6% revenue increase, which would increase revenues annually by approximately \$6.6 million beginning in 2012.

General Manager noted a recommendation on the rate schedules will be brought to a future meeting for commission consideration.

September Financials

Manager of Accounting reviewed the September 2011 financial statements.

Meeting Reports


Commissioner Jeff Hall noted the Washington PUD Association has consensus to not pursue retail authority for telecommunications in the upcoming legislative session.

President Robert Bertsch reported on a PNWA meeting.

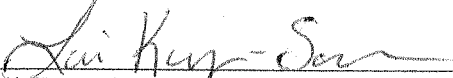
At 11:15 a.m., President Robert Bertsch announced that the Commission would go into Executive Session with legal counsel for 15 minutes for the purpose of discussing potential litigation.

At 11:30 a.m., President Robert Bertsch reconvened the Commission Meeting into regular open public session.

Hearing no objection, President Robert Bertsch adjourned the commission meeting at 11:30 a.m.


Robert Bertsch, President

ATTEST:


Lori Kays-Sanders, Secretary