

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

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

Present-Benton PUD:

Commissioners Bertsch, Hall and Sanders
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 Risk Management and Treasury White
Manager of Communications and Governmental Relations Miller
Manager of Accounting Meyer
Manager of Key Accounts McAloon
Manager of Applications & Integration Folta
Administrative Assistant II George
Administrative Assistant II Preddie

Guests: Larry Felton, Bonneville Power Administration; Nancy Neraas, Foster Pepper; Jeb Spengler, Seattle Northwest Securities via phone conference

Administrative Assistant II George led the pledge of allegiance.

Treasurer's Report

Treasurer reviewed the July 2011 Treasurer's Report. The Commission accepted the July 2011 Treasurer's Report. The counterparty credit and sector reports were reviewed. It was reported that the Build America Bond subsidy payment was received on August 3, 2011.

Management Reports

General Manager:

1. George Caan, Executive Director of the Washington PUD Association, will be visiting with staff this afternoon. Commissioners were invited to join him for lunch.
2. The Commission was updated on analysis work being accomplished on climate change issues, and distributed a copy of a presentation given at PNUCC. The draft Climate Change Report is on the Federal Columbia River Power System website, and BPA is accepting comments on the summary paper. Staff will continue to monitor and provide Commissioners with an executive summary when available.
3. Energy Northwest is holding its annual member forum on September 7 and 8, 2011.

4. General Manager and Manager of Applications & Integration provided information on commissioner district boundaries and noted the District has received results from the last federal census. Public Utility Districts are required under RCW 54.12.010 to be examined every ten years to determine substantial equality of population and to redistrict as required by statute. The General Manager reviewed the criteria required under RCW 54.12.010. Two proposals were briefly reviewed. A proposed change of commissioner boundaries will be presented at the September 13, 2011 commission meeting for review, and the Commission will be asked to set a public hearing for September 27, 2011 to allow for public input on the proposed boundaries. On October 11, 2011 staff will bring a resolution to adopt the new commissioner district boundaries.

Director of Power Management:

1. It was noted that the Frederickson plant did not run in July.
2. Puget Sound Energy has issued an RFP for additional resources. District staff will review Frederickson options and bring back more information.
2. Director discussed receipt of a survey from Energy Northwest and will respond. Commissioners were invited to respond separately if they have not already done so and were provided a copy of the survey.
3. The Commission was made aware that the District is coming to the end of the 2001 slice block contract and several close-out actions will be forthcoming over the next several months.

Manager of Communications and Governmental Relations:

1. The Commission was updated on the joint public hearing scheduled for August 23, 2011, with Franklin PUD on the proposed bills relating to the Energy Independence Act (I-937). The agenda and those confirmed to attend and speak were reviewed. A news release will be sent out next week. TRIDEC and local chambers of commerce board members have been invited to attend. Manager of Communications and Governmental Relations is preparing a draft resolution for the Commission's consideration. Commissioner Jeff Hall noted that he will not be in attendance at the meeting. President Robert Bertsch requested the meeting agenda ahead of the meeting.
2. The Commission was briefed on Judge Redden's ruling on the BiOp. The BiOp will remain in place until December 31, 2013, and continuation of the spill was ordered. A news release and talking points from Northwest RiverPartners were distributed as well as Congressman Hasting's new release.
3. It was noted that the U.S. House members introduced a bill to fix the HRA VEBA issues.

Assistant General Manager:

1. The Commission was informed of a meter failure on an old meter. Staff will be talking with the customer and looking at the potential to back-bill the customer for energy delivered but not billed. A new meter has been installed.
2. A Broadband Workshop tentatively scheduled for October 19, 2011 will be moved to a different time due to availability issues of all three commissioners.

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 July 26, 2011.
- b) Approving the Travel Report dated August 9, 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: Automated Clearing House (ACH) Payments 7054-7115 in the total amount of \$358,578.46, Warrants 49521-49595 in the total amount of \$261,306.35; Electronic Fund Transfer (EFT) Payments 2524-2528 in the total amount of \$691,005.57; Customer Refund (ERM) Payments 49596-49652 in the total amount of \$5,020.64; Residential Conservation Rebates Credits on Customer Accounts in the total amount of \$600.00; and Payroll Direct Deposit Advice 07/21/11 30276-30435 in the total amount of \$299,711.57 for a grand total of \$1,616,222.59.
 - d) Adopting Resolution No. 2132, amending the Salary Administration Plan effective September 1, 2011.
 - e) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 8 of Contract No. 03-51-13 with U.S. DOE/Bonneville Power Administration, to revise Exhibit J of the Point to Point Transmission Service Agreement, effective October 1, 2011.
 - f) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 1 of Contract No. 04-51-06 with Constellation Energy Commodities Group, Inc., to increase the Collateral Threshold of the ISDA agreement.
 - g) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 3 of Contract No. 08-06 with Sun Pacific Energy, to increase the not-to-exceed amount by \$48,000 for a new not-to-exceed amount of \$698,000, and extend the term on the contract to December 31, 2011.
 - h) Reviewing the 2011 Strategic Plan – Second Quarter Report
 - i) Adopting Resolution No. 2133, 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.
- MOTION CARRIED.

Resolution No. 2134, Authorizing Issuance and Sale of Electric Revenue and Refunding Bonds, Series 2011, Providing Delegation to Approve Final Terms of Bonds

Mr. Jeb Spengler of Seattle Northwest Securities gave an update on the treasury market and interest rates via phone conference. Ms. Nancy Neeras, the District's bond counsel from Foster Pepper, reviewed Resolution No. 2134 and the new legislation allowing delegation for approving the final terms of the bonds. Manager of Risk Management and Treasury reviewed a handout showing the parameters detailed in the contract and the expected results as well as a tentative schedule for the 2011 bond issue. Mr. Spengler will provide more information at the next Commission meeting. Rating agency discussions will be held August 29 and 30 via conference calls, and it is anticipated that ratings will be received the week of September 12 and the bond issuance in October of 2011. President Robert Bertsch thanked the staff for the information provided regarding the upcoming bond sale.

Motion by Jeff Hall, seconded by Lori Sanders, adopting Resolution No. 2134, authorizing the issuance and sale of Electric Revenue and Refunding Bonds, Series 2011, to finance capital improvements to the District's electric system and to refund certain outstanding electric bonds of the District, and delegating authority to the General Manager or Assistant General Manager, on behalf of the District, to approve the final terms of the Bonds.

MOTION CARRIED.

Designate Unrestricted Reserves to Replace Bond Insurance

Assistant General Manager and Manager of Risk Management and Treasury reviewed staff's recommendation to designate \$1.5 million of unrestricted reserves to supplement the Debt Service Reserve Fund. The purpose of the designation is to provide for the build-up of reserves to cash fund the debt service reserve requirements upon expiration of bond insurance policies. The current reserve fund requirement is \$5.7 million; however, that amount will change as the District issues or refunds bonds. These balances will show on the monthly treasurer's report and the monthly financial report beginning in August 2011.

Motion by Lori Sanders, seconded by Jeff Hall designating \$1.5 million of unrestricted reserves to supplement the Debt Service Reserve Fund (DSRF) requirement.

MOTION CARRIED.

Performance Measurement – Second Quarter 2011 Report

Assistant General Manager presented the second quarter performance measurement results. During the second quarter, 17 of the 23 performance measures were rated as having positive performance with a positive outlook and/or exceeding the quarterly expectation. Average Unit Price – Sales for Resale was rated as needing improvement because of the low market wholesale power prices. The impact to revenues of the low average unit price was offset by the increased volume of energy available for wholesale sale. Broadband Network Reliability was also rated as needing improvement due to an outage, however, reliability in three of the four broadband categories continued to meet expectations. One measure, Hiring Efficiency, was rated red indicating negative quarterly performance due to the length of time to fill non-bid positions. Two measures are under construction and one measure had no data to report over second quarter.

At 10:15 a.m., President Robert Bertsch announced that the Commission Meeting would recess for 10 minutes.

At 10:25 a.m., President Robert Bertsch announced that the Commission Meeting would reconvene into regular open public session.

Other Business

Benton City Settlement Agreement

Assistant General Manager and Manager of Accounting reviewed a settlement agreement signed by the City of Benton City relating to over-payment of city utility occupation tax by the District. The Manager of Accounting and District legal counsel were thanked for their efforts in working with City staff in reaching this agreement.

Motion by Jeff Hall, seconded by Lori Sanders authorizing the General Manager, or his designee, on behalf of the District, to enter into a Settlement Agreement with the City of Benton City relating to the District's claim for over-payment of city utility occupation tax in substantially the form presented today.

MOTION CARRIED.

Meeting Reports

Commissioner Jeff Hall reported attending PPC/PNUCC meetings last week.

Director of Power Management provided an update on the BPA conservation budget. Commissioner Lori Sanders indicated she spoke with BPA regarding conservation requirements and budget issues, and General Manager confirmed staff and commission need to continue educating BPA on issues of concern. Larry Felton, BPA Account Representative, indicated conservation is now under Greg Delwiche, and that additional information will be forthcoming.

General Manager reported that the Columbia Generating Station outage would be back on line mid to late September.

Hearing no objection, President Robert Bertsch adjourned the Commission Meeting at 10:43 a.m.


Robert Bertsch, President

ATTEST


Lori Kays-Sanders, Secretary