

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

Date: September 13, 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 Hultgren
Director of Engineering Dunn
Director of Operations Hunter
Director of Power Management Bickford
Manager of Risk Management and Treasury White
Manager of Accounting Meyer
Manager of Communications and Governmental Relations Miller
Manager of Products and Services Johnson
Manager of Human Resources Walsh
Manager of Information Systems Swanson
Manager of Key Accounts McAloon
Manager of Contracts and Purchasing Ochweri
Supervisor of Executive Administration Cole

Guests: Rich Nall, Northwest Open Access Network (NoaNet); Larry Felton, Bonneville Power Administration (BPA)

Manager of Products and Services led the pledge of allegiance.

Treasurer's Report

Treasurer reviewed the August 2011 Treasurer's Report. The Commission accepted the August 2011 Treasurer's Report. The counterparty credit and sector reports were reviewed.

Management Reports

General Manager:

1. Distributed a Monday publication in the Tri-City Herald advertising a notice of public hearing for redistricting requirements planned to be held on September 27, 2011. The Monday publication meets the two week notice requirement to the public prior to holding a public hearing on redistricting of commissioner districts. Additional notices are scheduled for publication in the Tri-City Herald and the Prosser Record Bulletin. This matter is scheduled for discussion today, and the Hearing may be re-advertised for a different date at direction of the Commission.
2. An update on the residential exchange settlement was provided. Several non-signing utilities to the Agreement are considering signing. General Manager stated his support of

allowing additional signatories to the Agreement, noting the change would move the Agreement effective date to January 31, 2012.

3. General Manager stated he would be traveling with the Public Power Council to Washington D.C. in mid-October. Assistant General Manager would be managing the commission meeting and other customer activities planned during that time period.

4. A letter to Senator Patty Murray regarding PMA Rate Policies, signed by 13 individuals representing various northwest public power entities, was distributed.

Director of Power Management:

1. It was reported that Frederickson did briefly run this month, however no report was distributed.

2. A BPA conservation audit for October through April 2011 was completed with no findings.

Manager of Communications and Governmental Affairs:

1. An update was provided on proposed I-937 bills since the August 28, 2011 commission meeting. Approximately 16 local resolutions are being considered. Resolutions in support of the proposed bills have been adopted by the City of Richland, Clallam PUD and Franklin PUD. A portion of the meeting can be found on YouTube, posted by Charter Cable. Additional information on the bills was provided to the Commission.

2. The Employee Recognition Breakfast, instead of a dinner, is scheduled for September 21, 2011 from 7:00-9:00 a.m. The commissioners were invited to attend.

3. A brief discussion was held on a request from the American Public Power Association asking Jeff Hall as President of the Washington PUD Association, to assist in their national conference.

Assistant General Manager/Manager of Risk Management and Treasury

1. The Commission was updated on progress relating to the upcoming bond issuance. Binders and documents used during the presentations to the rating agencies were distributed to the commissioners. Questions are being reviewed and answered as they are received from the rating agencies. Manager of Risk Management and Treasury reviewed the schedule for the bond issuance, and noted October 11, 2011 was anticipated as the bond closing date. Due to recent market changes, favorable to the District, net present value savings of \$4.6M is now anticipated, although savings will fluctuate up to the date of pricing on September 27th.

Assistant General Manager/Manager of Information Systems:

1. Manager of Information Systems reviewed changes in the go-live date of the CC&B Project, previously stated as October 8th, now moved to the first weekend in November. The Commission was previously asked to authorize a potential closure of customer service on October 10, 2011 while staff worked on a cut-over to the new system. This closure will no longer be required. The delay was noted as required patches that will need additional testing, and the temporary loss of a key employee to the project.

Consent Agenda

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

a) Approving the minutes of the regular Commission Meeting of August 23, 2011.

- b) Approving the Travel Report dated September 13, 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 7193-7295 in the total amount of \$1,063,025.71, Warrants (CHK) 49787-49869 and 49935-49963 in the total amount of \$518,399.88, Electronic Fund Transfer (EFT) Payments 2536-2545 in the total amount of \$2,112,103.69, Customer Refund (ERM) payments 49870-49934 and 49964 in the total amount of \$4,656.99, Residential Conservation Rebates, Credits on Customer Accounts in the total amount of \$570.00, Payroll Direct Deposit Advice 08/18/11 30595-30755 in the total amount of \$302,739.06, Direct Deposit Advice 09/01/11 30756-30916 in the total amount of \$290,392.44, for a grand total of \$4,291,887.77; For August 2011, Stopped Warrants in the total amount of \$5,944.74 and Stopped ERM in the total amount of \$111.47 were included on the report.
- d) Approving Work Order No. 109724, Locust Grove and Clodfelter Roads.
- e) Adopting Resolution No. 2139, declaring certain equipment, meters, 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 the same.
- f) Adopting Resolution No. 2140, declaring certain equipment, retired current and voltage transformers, 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 the same.
- g) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 2 of Contract No. 09-08, with Dependable Janitor Services, Inc., to increase the not-to-exceed amount by \$56,708.52 for the third year of the contract, bringing the new not-to-exceed amount of the contract to \$170,125.56.

MOTION CARRIED.

Set Public Hearing for September 27, 2011 – Redistricting of Commissioner District Boundaries

General Manager reviewed the upcoming schedule to adopt new commissioner districts as required by RCW 29A.76 and reiterated the publishing of the notice of the public hearing was initially published in Monday's Tri-City Herald. A schedule of additional publication dates was distributed to the Commission.

Motion by Jeff Hall, seconded by Lori Sanders, setting a public hearing for September 27, 2011, at 9:00 a.m., for the purpose of reviewing and allowing for public comment on a proposal for redistricting of the Benton PUD Commissioner districts, and directing the General Manager to provide notice of such public hearing as required by law.

MOTION CARRIED.

Set Public Hearing for October 3, 2011 – Proposed 2012 Budget

Manager of Risk Management and Treasury reviewed key dates in the budget process and recommended a public hearing be scheduled for October 3, 2011 to allow public participation and comment. Budget binders on the proposed 2012 budget will be distributed at the September 27, 2011 commission meeting, the public comment period will be closed on October 25, 2011,

and any comments will be taken into consideration. The final budget is anticipated to be adopted the first commission meeting in December 2011.

Motion by Lori Sanders, seconded by Jeff Hall setting a public hearing on the Proposed 2012 Budget for October 3, 2011, at 6:00 p.m., at the District's Administration Office located at 2721 West 10th Avenue, Kennewick, Washington, and directing the General Manager to publish the notice of the public hearing date, time and location.

MOTION CARRIED.

Bonneville Power Administration, Contract Change Order No. 7

Manager of Products and Services recommended the Commission approve revisions to Exhibits F,M,N and O of the Bonneville Power Administration contract. The new BPA power contract begins October 1, 2011, but BPA is behind schedule in program development requirements to meet the October 1st date. The delay requires several BPA power contract exhibit updates.

Motion by Lori Sanders, seconded by Jeff Hall to authorize the General Manager, on behalf of the District, to sign revised Exhibits F,M,N and O, in substantially the form presented, as part of Contract No. 11-51-01-CO #8 with Bonneville Power Administration.

MOTION CARRIED.

Packwood Lake Hydroelectric Project Power Sales Contract

Manager of Products and Services recommended the Commission approve a new contract for the Packwood Lake Hydroelectric Project, noting the original contract has been in place since 1961. The new contract has the same participants and shares, but updates communication protocols, additional details on Energy Northwest obligations, and approval requirements by the Purchasers Committee.

Motion by Lori Sanders, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign Contract No. 11-51-14 with Energy Northwest, in substantially the form presented, for the new Packwood Lake Hydroelectric Project Power Sales, to update and supersede the prior WPPSS Packwood Project Power Sales from 1961.

MOTION CARRIED.

Kennewick General Hospital Broadband Service Order Proposal

Director of Engineering reviewed recent authority provided for in Resolution No. 2128 regarding purchasing of services under broadband service orders. It was noted the resolution will require an amendment to change the authority from purchasing of services to contracting of services. The Kennewick General Hospital proposal is above the authority of Resolution No. 2128. Rich Nall, NoaNet, reviewed a proposed aggregated service contract with One World Telecommunications (OWT) for Kennewick General Hospital that totals \$438,000 over a five year period. It was noted that the KGH Southridge facility, not yet built, was included in the contract. KGH along with OWT approached NoaNet (acting on behalf of the District) for a package of services at a discounted rate, noting their budget constraints and need for increased bandwidth. Mr. Nall stated that discounting rates where multiple sites are aggregated has been done previously with regard to the Kennewick School District. Contract terms were reviewed in detail.

Commissioner Lori Sanders questioned the timing of entering into the contract prior to the October workshop on the District's broadband services. Director of Engineering noted that contracts being entered into for broadband services all have one to five year terms which will need to be met regardless of what decisions are made for broadband services going forward. A discussion was held on the potential loss of revenue that could occur by not entering into agreements until the future of broadband services was determined.

Motion by Lori Sanders, seconded by Jeff Hall authorizing the General Manager, on behalf of the District to approve Broadband Service Order Contract No. 11-46-09 with One World Telecommunications (OWT) to serve twelve Kennewick General Hospital (KGH) facilities at an aggregated rate of \$7,300 per month for five years for a total contracted amount of \$438,000.
MOTION CARRIED.

Broadband 2nd Quarter Revenue Report

Rich Nall, NoaNet reviewed the Broadband Sales report for the 2nd Quarter 2011, stating total revenue at the end of the second quarter, not including aid to construction, was \$731,819, \$42,820 above 2nd quarter revenue targets.

July 2011 Financials

Manager of Accounting reviewed the July 2011 Financial Statements.


Future Planning

Assistant General Manager distributed a timeline on customer meetings related to rate communications. All comments from customers will be provided to the Commission on October 25, 2011. An initial staff recommendation will be made on October 25th and a final rate recommendation will be brought to the Commission on November 22, 2011. Commissioner Lori Sanders noted a statement from Mr. Darryl Olsen at the last commission meeting about a strategy to push for a delay on I-937 requirements and a discussion was held.

Meeting Reports

Commissioner Lori Sanders reported on Energy Northwest's schedule for start-up of the Columbia Generating Station.

Hearing no objection, President Robert Bertsch adjourned the Commission Meeting at 10:18 a.m.


Robert Bertsch, President

ATTEST:


Lori Kays-Sanders, Secretary