

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

Date: February 27, 2007
Time: 9:00 a.m.
Place: Kennewick Main Office

Present:

Commissioners Hall, Sanders and Bertsch
General Manager Sanders
Assistant General Manager/Director of Operations Long
General Counsel Hultgrenn
Auditor/Director of Finance and Business Services Bartram
Director of Power Management Gregg
Director of Engineering Hunter
Manager of Risk Management & Treasury Bickford
Manager of Accounting White
Manager of Broadband McCollum
Manager of Human Resources Walsh
Manager of Key Accounts and Marketing McAloon
Manager of Customer Service Ball
Manager of Communications and Governmental Relations Miller
Financial Analyst II Hawkey
Electrical Engineer II Scherer
Manager of Contracts and Purchasing Alexander
Superintendent of Support Services Splattstoesser
Manager of Geographic Information Systems Folta
Commission Relations Specialist/Executive Assistant Hurst

Guests: Mike Randall and Angela Smith; New Edge

Commissioner Robert Bertsch led the Pledge of Allegiance.

January Financials

Manager of Accounting reviewed the January 2007 financial statements.

Management Report

General Manager:

1. The State Auditor's office has scheduled an entrance conference with the Commission for March 5, 2007, at 8:00 a.m. in the District's administrative offices. After discussion, Commission concurred that all commission members attend the conference. General Manager noted a Commission Special Meeting will be called as required by the Washington Open Public Meetings Act.
2. General Manager reported that upon completion of his term as Executive Committee Chairman for the Public Power Council (PPC), PPC recognized his service on the Committee by awarding a gift certificate in the amount of \$250. District policy requires that awards, gifts or gratuities in excess of \$50 per year from a single source be disclosed to ensure no conflict

of interest exists. The Commission concurred that the General Manager be allowed to accept the service recognition award as the award was unsolicited, does not present an actual or apparent conflict of interest, and was not provided in order to influence current or future business matters.

3. The Large Customer Meeting was a great success. A thank you letter will be sent to Congressman Hastings for his attendance and participation in the event.
4. An update was provided on issues discussed during PPC's Washington D.C. trip, including direct service industry (DSI) issues, the slice product, residential exchange and the McDermott bill on salmon/dam issues.
5. Manager of Communications and Governmental Relations is working on White Papers in preparation for the upcoming American Public Power Association (APPA) legislative rally.
6. An update was provided on I-937 rulemaking. The Washington PUD Association (WPUDA) has formed a steering committee of various publics and co-ops to strategize how to go forward with I-937 requirements.

Manager of Communications and Governmental Relations:

1. A letter from Congressman Hastings urging opposition to Senator McDermott's bill was distributed. A review of Northwest RiverPartners activities to promote the Northwest's rivers and dams was provided.
2. The Northwest RiverPartners Director's Report was distributed.
3. An update was provided on the WPUDA's position regarding the Governor's executive order on climate change.
4. A White Paper on challenges with wholesale telecommunication services was distributed.

Director of Power Management:

1. The market to market report was distributed and discussed.
2. An updated was provided on the forced outage and potential dispute regarding the Frederickson facility.

Manager of Key Accounts and Marketing:

1. Manager of Key Accounts reported working with Port of Benton on a time for a possible March tour of the Whitstran gasification project for the Commission. More information will be forthcoming.
2. A contract for irrigation scheduling services is anticipated to be brought for Commission consideration at the March 27, 2007 Commission Meeting.

Manager of Customer Service:

1. The IVR system is live for District employees only in order to identify any issues prior to offering to the District's customers. The Commission was urged to utilize the system and provide comments regarding their usage experience.

Manager of Risk Management and Treasury:

1. The District's line of credit will be brought to the March 27th Commission meeting for renewal consideration. Staff anticipates sending a request for proposals in the 2008 timeframe for future line of credit needs.

Assistant General Manager:

1. The Commission was updated on purchase offers received for the Prosser pole yard and the Finley Combustion Turbine. Recommendations for consideration of the offers received will be brought to the March 27, 2007 Commission Meeting.

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 February 13, 2007.
- b) Approving the District Travel Report dated February 27, 2007.
- c) 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 Warrants 28178/28247-28252/28326 in the total amount of \$998,465.15, Customer Refunds 28248/28251-28327/28390 in the total amount of \$7,251.44, Automated Clearing House Payments 26-32 in the total amount of \$58,756.71, and Electronic Fund Transfer Payments 1509-1523 in the total amount of \$1,157,496.99; Payroll Direct Deposit Advice 02/08/07 12530-12662 in the total amount of \$202,583.22 and Warrants 02/08/07 502459-502500 in the total amount of \$51,972.88, for a grand total of \$2,476,526.39. Void/cancelled warrants for February 2007 in the total amount of \$486.08 were included on the report.

MOTION CARRIED.

Refrigerator Recycle Program – Contract Award Recommendation

Superintendent of Support Services recommended the Commission approve a contract for the refrigerator recycle program with JACO Environmental, Inc. Funds for this service will be paid from the net CRC credit received from the Bonneville Power Administration (BPA) and is included in the District's budget.

Motion by Robert Bertsch, seconded by Lori Sanders to award Contract No. 07-45-03 for a Refrigerator Recycle Program to JACO Environmental, Inc. of Snohomish, Washington, for the first 700 units collected by JACO with a not-to-exceed amount of \$92,050.00.

MOTION CARRIED.

Zephyr Heights Substation Construction – Contract Award Recommendation

Electrical Engineer II recommended the Commission award a contract to Moza Construction for the construction of the Zephyr Heights Substation. Moza meets all applicable District requirements for this project and provided the lowest responsive bid.

Motion by Robert Bertsch, seconded by Lori Sanders to award Contract No. 07-01 for Zephyr Heights Substation Construction to Moza Construction, Inc. of Tacoma, Washington, for the total amount of \$386,987.00, plus Washington State sales tax, in accordance with RCW 54.04.080.

MOTION CARRIED.

Resolution No. 1933, Revising Risk Management and Trading Policies for Power and Natural Gas

Manager of Risk Management and Treasury reviewed proposed revisions to the Risk Management and Trading Policies for Power and Natural Gas, and noted the resolution consolidates several documents into one and establishes an inclusive policy to guide staff in power and natural gas risk management.

Motion by Lori Sanders, seconded by Robert Bertsch to adopt Resolution No. 1933, Revising Risk Management and Trading Policies for Power and Natural Gas Sales and Purchases.

MOTION CARRIED.

At 10:00 a.m., President Jeff Hall announced the Commission Meeting would recess for 10 minutes.

At 10:10 a.m., President Jeff Hall reconvened the Commission Meeting into regular open public session.

Resolution No. 1934, Policy and Procedures for Reporting Alleged Improper Governmental Actions and Protecting Employees Against Retaliation

General Manager reviewed changes made to the directive accompanying the resolution. The changes were in response to Commission discussion at the January 30th Commission Meeting.

Motion by Lori Sanders, seconded by Robert Bertsch to adopt Resolution No. 1934, Establishing Policy and Procedures for Reporting Alleged Improper Governmental Actions and Protecting Employees Against Retaliation.

MOTION CARRIED.

Cancellation of March 13, 2007 Commission Meeting

General Manager recommended the Commission cancel the March 13, 2007 Commission Meeting due to scheduling conflicts with commissioner attendance at the APPA legislative rally.

Motion by Robert Bertsch, seconded by Lori Sanders cancelling the regularly scheduled Commission Meeting of March 13, 2007, and directing the General Manager to provide notification to the public of such cancellation.

MOTION CARRIED.

Proposed Amendments to Governance Policy of the Commission – Discussion

General Manager reviewed significant recommended changes to the Governance Policy, including the addition of an audit committee consisting of the Commission members. No comments or additions regarding the Policy were received from the Commission. The final Policy will be brought for Commission consideration on March 27, 2007.

Electronic Bill Presentment & Payment/Bill Print & Mailing Services

Manager of Customer Services reviewed the vendor selection process and noted the EBPP is expected to result in higher customer satisfaction, allow customers to access their billing information 24 hours a day, and provide greater efficiencies and cost savings to the District. A final contract award recommendation is anticipated for the March 27th or April 10th Commission Meeting. Financial Analyst II gave a presentation on service and cost statistics on the two responsive vendors and how District staff provided a point analysis in determining the areas of strength for each vendor. A demonstration of one vendor's services utilized by Waste Management was provided. A discussion was held with the Commission on advantages to the customer for this new service.

Cost of Service Analysis Update Provided to Large Irrigation Customers

Director of Power Management reviewed information provided to Mr. Pat Tucker of Sandpiper Farms in response to questions regarding the use of reserve drawdowns in the 2007 cost of service analysis (COSA). A discussion was held with the Commission and staff on debt reduction

allocations by customer class as a result of the COSA, and how the large irrigation customer class rate was allocated. Director agreed to prepare a breakdown of rate class unbundled costs per MWh.

At 11:45 a.m., President Jeff Hall announced the Commission Meeting would recess for five minutes.

At 11:50 a.m., President Jeff Hall announced the Commission Meeting would reconvene into regular open public session.

Customer Satisfaction Survey – New Edge

Manager of Communications and Governmental Relations stated the current customer service survey originated three years ago when the District contracted with Dr. Pam Henderson of New Edge. The survey is administered quarterly and measures both impressions and interactions of customers. Mr. Mike Randall and Ms. Angela Smith of New Edge were introduced. An overview of the survey for the past three years was provided. The survey results showed an outstanding customer service overall satisfaction rate in December 2006 of 87.6%.

President Jeff Hall congratulated the District's employees and stated staff was doing a great job of telling the Benton PUD story to the District's customers.

2006 Results – Strategic Planning, Financials and Performance Benchmarks

General Manager reviewed the Major Accomplishments and Challenges for 2006 which included information resulting from the Strategic Plan, financial information and performance measures.

President Jeff Hall congratulated fellow Commissioners, the General Manager and staff, for a successful year.

Other Business

Manager of Geographic Information Systems recommended the Commission convey to the owners of record two separate quit claims – a transmission line easement which serves no District purpose and a new easement has been acquired, and an access easement that currently does not service ingress/egress to Highlands Substation. A new easement has been granted which better serves the District's needs.

Motion by Robert Bertsch, seconded by Lori Sanders to approve conveying to the owner of record a Transmission Line Easement, lying in Section 9, Township 8 North, Range 29 East, W.M., granted under Volume 152, Page 12, records of Benton County, State of Washington.

MOTION CARRIED.

Motion by Robert Bertsch, seconded by Lori Sanders to approve conveying to the owner of record an Access Easement lying in Section 9, Township 8 North, Range 29 East, W.M., granted under Auditor's File Number 2001-008156, records of Benton County, State of Washington.

MOTION CARRIED.


At 12:45 p.m., President Jeff Hall announced the Commission would go into Executive Session for one hour with the General Manager to discuss the performance of a public employee.

At 1:45 p.m., President Jeff Hall announced the Commission would continue in Executive Session an additional 25 minutes for the same subject and purpose.

At 2:10 p.m., President Jeff Hall reconvened the Commission Meeting into regular open public session.

Motion by Lori Sanders, seconded by Robert Bertsch adopting Resolution No. 1935, providing for a compensation and benefits adjustment for James W. Sanders, General Manager.
MOTION CARRIED.

Hearing no objection, President Jeff Hall adjourned the Commission Meeting at 2:15 p.m.



Jeffrey D. Hall, President

ATTEST:



Robert E. Bertsch, Secretary