

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

Date: August 26, 2008
Time: 9:00 a.m.
Place: 2721 West 10th Avenue, Kennewick, Washington

Present:

Commissioners Hall, Sanders, and Bertsch
Assistant General Manager/Director of Finance and Business Services Bartram
Legal Counsel Hultgrenn
Director of Engineering Dunn
Director of Operations Hunter
Director of Power Management Gregg
Manager of Accounting White
Manager of Communications and Governmental Relations Miller
Manager of Customer Service Ball
Manager of Human Resources Walsh
Manager of Key Accounts McAloon
Manager of Products and Services Johnson
Supervisor of Broadband Nall
Supervisor of Customer Systems Meyer
Electrical Engineer II Scherer
Financial Analyst II Hawkey
Power Management Analyst I Bender
Broadband Account Representative Tier
Executive Assistant – AGM/Finance and Business Services Scrimsher

Absent: General Manager Sanders

Guests: Pat Tucker; Gary McCollum; Larry Felton, Bonneville Power Administration (BPA)

Supervisor of Broadband led the Pledge of Allegiance.

Management Report

Assistant General Manager:

1. General Manager is on personal leave this week. General Manager will be taking personal leave on September 9, 2008, to speak at a forum on Whidbey Island on the benefits of forming a public utility district. In order to allow him to catch an early flight that day, which is also a commission meeting day, the normal meeting agenda will be modified to allow for appropriate coverage of the Financial Forecast and AMI presentation prior to his departure.

Director of Engineering:

1. City of Kennewick has been in communication with District staff regarding the Kennewick Planning Commission's concern with the methodology used to determine the underground/overhead placement of powerlines. The District currently budgets \$100,000 annually for City of Kennewick undergrounding project requests. Typically undergrounding

costs are approximately five times more than overhead costs and are not always geographically feasible. Director of Engineering will be contacting City Manager Hammond for further discussion.

2. NoaNet Board has approved a new \$1.5 million line of credit. NoaNet has requested that a Member Guarantee in the form of a Fourth Repayment Agreement be signed by its members. Staff recommendation will be brought before the Commission at the September 9, 2009 meeting.

Manager of Communications and Governmental Relations:

1. Northwest RiverPartners Members forum will be held October 10, 2008 at the Three Rivers Convention Center in Kennewick from 7:30 a.m. to noon. The agenda topics and list of guest speakers were shared with the Commission. Northwest RiverPartners is anticipating an annual assessment increase of approximately 12.5% which would bring the District's assessment to approximately \$34,000 annually.
2. Franklin PUD will be contracting the lobbying services of Randy Ray, Aequus. Mr. Ray's 2009 rates were discussed with the Commission.
3. The Annual Employee Recognition Dinner will be held September 25 at 6:00 p.m. This year's event will feature Bucket Truck Bingo, an employee fundraiser for United Way.
4. New Edge will be attending the October 14, 2008 Commission Meeting to present the Customer Survey results.

Director of Power Management:

1. The mark to market report was distributed and Director pointed out the value would change by about \$300k in the near future due to July actuals and changes in the slice true-up.
2. 2009 net power supply costs were discussed, and it was noted that the preliminary budget numbers have increased to \$45 million -- up from \$42 million.
3. Larry Felton, BPA, distributed and discussed the BPA document FY 2010-2011 Power Rates "What ifs". BPA will be holding a 2010 BPA Rate Case Customer Workshop on September 23, 2008.
4. Energy Northwest has offered the District a free membership to the Nuclear Energy Institute (NEI). The membership would allow District access to information on nuclear statistics, costs, plant shut downs, license renewals as well as other resources and newsletters. Staff recommended joining NEI and the Commission concurred.
5. Snohomish PUD has agreed to take the Packwood output.
6. Manager of Products and Services discussed the "Good Faith Estimate of Slice Purchase" letter to be issued to BPA later this week. He stated the letter would include a minimum slice percentage of 60%, which is consistent with numbers from other slice customers.

Public Comments

Mr. Pat Tucker stated that he enjoyed the Strategic Planning Workshop held on August 5. He regrettably had to leave the meeting early and missed the Frederickson portion of the Workshop. Mr. Tucker requested additional data regarding dollars spent on Frederickson and noted he would be contacting the Director of Power Management regarding Frederickson questions.

A discussion was held concerning the costs and Collective Bargaining Agreement obligations associated with AMI deployment. Additional information was provided verbally to Mr. Tucker regarding the customer classes benefiting from the implementation of AMI, energy loss numbers, and meter accuracy.

Mr. Tucker also reiterated his concern with the District's high reserve level.

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 August 12, 2008.
- b) Approving the District Travel Report dated August 26, 2008.
- 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 1838-1891 in the total amount of \$324,750.42, Warrants (CHK) 35899/35969-35972/36024 in the total amount of \$726,248.42, Electronic Fund Transfer (EFT) Payments 1962-1972 in the total amount of \$1,570,426.62 and Customer Refund (ERM) Payments 35970/35971-36025/36086 in the total amount of \$10,932.78; Payroll Direct Deposit Advice 08/07/08 17849-17989 in the total amount of \$247,012.90, and Warrants 08/07/08 503885-503913 in the total amount of \$38,627.98 for a grand total of \$2,917,999.12. Voided Warrants for August 2008 in the total amount of \$757.41 were included in the report.
- d) Review of Jobs Report to Commission dated August 26, 2008.
- e) Awarding the contract for a 15 kV Underground Primary Distribution Cable, Bid Package No. 08-08 to WESCO/Okonite of Portland, OR, for a total amount of \$138,960.00 plus Washington State sales tax in accordance with RCW 54.04.080. Note: a typographical error in the dollar amount was corrected prior to the Consent Agenda being considered

MOTION CARRIED.

Benton REA Service Territory Agreement Amendment

Director of Engineering recommended signing Amendment 2 of the Service Area Agreement, between Public Utility District No. 1 of Benton County (Benton PUD) and Benton Rural Electric Association (Benton REA). Benton PUD entered into a Service Area Agreement with Benton REA on July 25, 2000. This agreement was amended September 9, 2003, to extend the initial term of the agreement from 10 years to 25 years. The proposed Amendment 2 clarifies elements of the agreement by adding to definitions, and assigns additional service areas to both Benton PUD and Benton REA.

Motion by Lori Sanders, seconded by Robert Bertsch, to authorize the General Manager on behalf of the District to sign Amendment 2 of the Service Area Agreement, (BPUD Contract #00-21-10-CO#2), between Public Utility District No. 1 of Benton County and Benton Rural Electric Association.

MOTION CARRIED.

Resolution No. 2004, 2008 Amended Budget

Manager of Risk Management and Treasury recommended the Commission adopt Resolution No. 2004, amending the 2008 budget. The proposed budget amendments were reviewed in detail. Manager of Risk Management noted that the White Creek purchase was not included in the amended budget.

Motion by Robert Bertsch, seconded by Lori Sanders, to adopt Resolution No. 2004, approving amendments to the 2008 Budget.

MOTION CARRIED.

Filing of Proposed 2009 Budget/Set Public Hearing on 2009 Budget

Manager of Risk Management and Treasury reviewed the purpose of filing the District's proposed budget in accordance with interpretations of RCW 54.16.080, and reviewed key dates toward the eventual adoption of the 2009 budget in December of 2008. Staff will continue to revise the proposed budget based on updated assumptions leading up to the Public Hearing scheduled for October 6, 2008.

Motion by Robert Bertsch, seconded by Lori Sanders, to file the Proposed 2009 Budget in the District's records and set the Public Hearing on the Proposed 2009 Budget for October 6, 2008 at 6:00 p.m. at the District's Administration Office located at 2721 West 10th Avenue, Kennewick, Washington. The General Manager is directed to publish the notice of filing of the Proposed 2009 Budget and the date and location of the Public Hearing.

MOTION CARRIED.

Discontinue Promotional One-Time Five Dollar Electronic Bill Credit

The Commission authorized a one-time five dollar credit on July 24, 2007 for customers who enrolled in electronic billing and extended this credit to August 31, 2008 on February 12, 2008.

The District recommends letting the one-time five dollar credit expire on August 31, 2008. Customer adoption of electronic billing will continue to be promoted to customers through the newsletter, media and bill inserts. Commission concurred with recommendation.

July Financials

Manager of Accounting reviewed the July 2008 financial statements.

Broadband Sales Update

Broadband Account Representative reviewed the first quarter 2008 broadband and sales marketing report.


Other Business

Director of Power Management and Manager of Products and Services gave an update to the Commission on the White Creek purchasing process. A Memo of Understanding has been signed by the District and Klickitat PUD. Staff is currently reviewing several transaction documents. It is anticipated that staff will provide a more detailed update at the September 9 Commission Meeting and bring a recommendation to the Commission by the end of September. The District has provided \$50,000 upfront toward the estimated purchase price of \$11 million. The purchase of White Creek will allow the District to meet the 3% renewable target needed for I-937 requirements in 2012.

Meeting Reports


Commissioner Lori Sanders recently attended a Benton Franklin Council of Governments (BFCG) meeting. An expanded Bridge Study may cause an assessment increase to some of the affected jurisdictions. Staff will research whether the District will be impacted by the increase.

Hearing no objection, President Jeff Hall adjourned the Commission Meeting at 10:24 a.m.



Jeff D. Hall, President

ATTEST:



Robert E. Bertsch, Secretary