

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

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

Present:

Commissioners Hall, Sanders, and Bertsch
General Manager Sanders
Assistant General Manager/Director of Finance and Business Services Bartram
Legal Counsel Hultgrenn
Manager of Treasury and Risk Management Bickford
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 Human Resources Walsh
Manager of Customer Service Ball
Manager of Key Accounts McAloon
Manager of Products and Services Johnson
Superintendent of Support Services Splattstoesser
Power Management Analyst Bender
Commission Relations Specialist Hurst

Guests: Jeff Fuller, The Energy Authority; Rene Dumstorf, The Energy Authority (by conference call)

Manager of Accounting led the pledge of allegiance.

Treasurer's Report

Treasurer reviewed the November 2008 Treasurer's Report. The Commission approved the November 2008 Treasurer's Report. The investment list and counterparty credit reports were briefed.

Assistant General Manager reviewed a graph showing a two-year look at reserve levels.

Management Reports

General Manager:

1. General Manager reported on annual employee meetings held last week. The employees were updated on the District's main goals for 2009, emphasizing AMI in the first quarter and the District's thematic goal of "The First 1,000 Meters" by April 1, 2009. Other targeted goals briefly reviewed were financial planning, GIS system, outage management, broadband, conservation, document management and the electric system.
2. Staff has requested information from the Washington State Auditor on providing funds to Energy Northwest in support of the Science Technology Engineering Math school.

3. A discussion was held on a recent article in the Tri-City Herald on a proposed Benton City Business Park. Information was previously provided to the Mayor on this proposed project, and the Commission was informed that the Mayor may attend a Commission Meeting in the near future to discuss broadband service in the area.

Director of Engineering:

1. The Commission was updated on the AMI project.

Director of Power Management:

1. The mark to market report was distributed and briefly reviewed.
2. The Frederickson Operations Report was distributed and briefly reviewed.
3. The Commission was briefed on a Bonneville Power Administration (BPA) workshop on revenue requirements and the BPA Rate Case for the upcoming year.

Manager of Human Resources:

1. A hand-out was provided on employee separation reasons and a comparison of turn-over rates compared to other utilities, using benchmark data from the Northwest Wage and Hour Survey.

Assistant General Manager/Manager of Key Accounts:

1. The District is holding a red mitten fundraiser where employees compete in who can sell the most red mittens – each sold for \$1 donation. For every \$1 that an individual donates, a mitten will be put up in the lobby. All donations for the fundraiser will be provided to the Benton PUD Helping Hands Program distributed through the Benton Franklin Community Action Committee (CAC).

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 November 25, 2008.
- b) Approving the District Travel Report dated December 9, 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 2259-2315 in the total amount of \$653,521.40, Warrants (CHK) 37255/37328-37375-37428 in the total amount of \$680,327.08, Electronic Fund Transfer (EFT) Payments 2025-2037 in the total amount of \$8,100,261.70, and Customer Refund (ERM) Payments 37329/37374-37429/37431 in the total amount of \$204,662.95; Payroll Direct Deposit Advice 11/26/08 19000-19154 in the total amount of \$269,419.23 and Warrants 11/26/08 504090-504100 in the total amount of \$13,985.36, for a grand total of \$9,922,177.72. Voided ERM for November 2008 in the total amount of \$211.30 were included in the report.
- d) Reviewing Jobs Report to the Commission dated December 9, 2008.
- e) Approving Work Order No. 22282 to construct new Feeder OV4 from Orchard View.
- f) Adopting Resolution No. 2019 approving the 2009 Prequalification of Contractors.
- g) Adopting Resolution No. 2020, affirming trustee and appointing alternate trustee to the Central Washington Public Utilities Unified Insurance Program (UIP).
- h) Approving memberships, dues and fees associated with District affiliations as presented at the December 9, 2008 Commission Meeting for a one-year term from January 1, 2009 through December 31, 2009.

MOTION CARRIED.

Resolution No. 2021, Adoption of 2009 Budget

Manager of Treasury and Risk Management recommended the Commission adopt Resolution No. 2021 as provided for in the District's policies.

Motion by Robert Bertsch, seconded by Lori Sanders adopting Resolution No. 2021, approving the final 2009 Budget in accordance with District practice.

MOTION CARRIED.

Cab & Chassis, Bid Package No. 08-12, Contract Award Recommendation

Superintendent of Support Services recommended the Commission award a contract for a cab and chassis to Jim's Pacific Garage. This unit will replace Unit No. 22 which has met the District's replacement criteria.

Motion by Robert Bertsch, seconded by Lori Sanders to award the contract for a cab and chassis, Bid Package No. 08-12, to Jim's Pacific Garage, Inc. of Pasco, Washington, for the total amount of \$102,259, plus Washington State sales tax, in accordance with RCW 54.04.080.

MOTION CARRIED.

At 9:55 a.m., President Jeff Hall announced that the Commission Meeting would recess for 10 minutes.

At 10:05 a.m., President Jeff Hall announced that the Commission Meeting would reconvene into regular open public session.

Resolution No. 2022, Authorizing the 2009 Merit Based Salary Administration Plan

Manager of Human Resources briefed the Commission on work leading up to the recommendation presented today, including studies performed by Milliman, Inc. It was noted that additional analysis is continuing with certain positions listed on Exhibit A, and an additional recommendation may be brought for consideration in January 2009 with potential changes to Exhibit A.

A draft Total Compensation Philosophy was distributed. Commissioners were informed that the philosophy will be discussed at a January 2009 commission meeting.

Motion by Lori Sanders, seconded by Robert Bertsch adopting Resolution No. 2022, authorizing the 2009 Merit Based Salary Administration Plan effective January 1, 2009.

MOTION CARRIED.

Kuffel, Hultgrenn, Klashke & Shea Legal Consulting Services Agreement

General Manager recommended the Commission approve a three-year contract with Dan Hultgrenn of Kuffel, Hultgrenn, Klashke & Shea. The District's current three-year contract with Mr. Hultgrenn's firm expires at the end of 2008.

Motion by Robert Bertsch, seconded by Lori Sanders authorizing the General Manager, on behalf of the District, to sign a three-year contract with Kuffel, Hultgrenn, Klashke & Shea, Contract No. 09-01-01, to perform legal consulting services for a not-to-exceed amount of \$89,000 per year, for a total of \$267,000, with an expiration date of December 31, 2011.

MOTION CARRIED.

Aequus, Inc., Consulting and Lobbying Services Agreement

Manager of Communications and Governmental Relations recommended the Commission approve a contract with Randy Ray of Aequus, Inc., increasing the monthly contractual amount by \$500 from last year's contract. It was noted the client list for Mr. Ray's services remains the same as reported last year, with the addition of Franklin PUD. Commissioner Lori Sanders requested periodic reporting on Mr. Ray's work relating to this contract.

Motion by Robert Bertsch, seconded by Lori Sanders authorizing the General Manager, on behalf of the District, to sign a one year contract with an option to extend for an additional two years with Aequus Corporation, Contract No. 09-12-01, to perform consulting and lobbying services for a not-to-exceed amount of \$48,000 per year, with an expiration date of December 31, 2009.

MOTION CARRIED.

Election of Officers for 2009

Motion by Robert Bertsch, seconded by Jeff Hall that effective January 1, 2009 Lori Sanders be nominated and elected President of the Commission, Robert Bertsch be nominated and elected Vice-President of the Commission and Jeff Hall be nominated and elected Secretary of the Commission.

MOTION CARRIED.

Designation of Representatives to Various Organizations for 2009

Motion by Lori Sanders, seconded by Robert Bertsch that the Public Utility District No. 1 of Benton County shall be represented at the below named organizations by the person(s) designated herein for the year 2009:

Washington Public Utility Districts Association

Representative: Jeffrey D. Hall
Alternate: Robert E. Bertsch

Public Utility Risk Management Services

Representative: Lori Kays-Sanders
Alternate: Dan Bickford

Energy Northwest

Representative: Lori Kays-Sanders
Alternate: Robert E. Bertsch

Energy Northwest Nine Canyon Wind Project Purchaser's Committee

Representative: Randy E. Gregg
Alternate: John Gottschalk

Energy Northwest Packwood Purchaser's Committee

Representative: Randy E. Gregg
Alternate: John Gottschalk

Northwest Public Power Association, Inc.

Representative: Robert E. Bertsch
Alternate: Lori Sanders

American Public Power Association

Representative: Lori Kays-Sanders
Alternate: Jeffrey D. Hall

American Public Power Association Legislative & Resolutions Committee

Representative: Lori Kays-Sanders
Alternate: Jeffrey D. Hall/Karen M. Miller

2009 Participants Review Board (elections)

Representative: Robert E. Bertsch
Alternate: Lori Kays-Sanders

(For the purpose of casting votes at the 2009 Participants Review Board Elections)

Pacific Northwest Waterways Association

Representative: Christie McAloon
Alternate: Robert E. Bertsch

CARES Board

Representative: Randy Gregg

Prosser Economic Development Association

Representative: Christie McAloon
Alternate: Jeffrey D. Hall/Pat Sullivan

Benton City Economic Development Association

Representative: Christie McAloon
Alternate: Lori Kays-Sanders

Tri-City Regional Chamber of Commerce

Representative: Karen M. Miller
Alternate: Lori Kays-Sanders/Robert E. Bertsch

Prosser Chamber of Commerce

Representative: Pat Sullivan
Alternate: Jeffrey D. Hall/Christie McAloon

Benton Franklin Council of Governments

Representative: Lori Kays-Sanders
Alternate: Robert E. Bertsch

Northwest Open Access Network (NoaNet)

Representative: Rich Nall

Central Washington Public Utilities (CWPU)

Representative: James W. Sanders
Alternate: Allison Walsh

Prosser Tower Site, Inc.

Representative: Pat Sullivan

White Creek, LLC.

Representative: Randy Gregg
Alternate: Chris Johnson

TRIDEC

Representative: James W. Sanders
Alternate: Karen Miller

MOTION CARRIED.

Motion by Lori Sanders, seconded by Robert Bertsch that the following named representative(s) of Benton PUD are authorized to act in the following capacity to the organization listed below for the year 2009:

Central Washington Public Utilities – Unified Insurance Program

Representatives: Allison, Walsh, Trustee
Danette Layne, Alternate Trustee
Chad Bartram, Treasurer
Janet White, Assistant Treasurer

CARES

Representatives: Chad Bartram, Auditor
Randy Gregg, Board member

GHFB, LLP (formerly known as Power Resource Managers)

Representative: James W. Sanders, President and CEO

Public Power Council

Representative: James W. Sanders, Executive Committee
Alternate: Randy Gregg, Executive Committee

Prosser Tower Site

Representative: Pat Sullivan, Board member

Prosser Chamber of Commerce

Representative: Pat Sullivan, Board member

Tri-Cities Visitor & Convention Bureau

Representative: Karen Miller, Board member

Tri-City Regional Chamber of Commerce

Representative: Karen Miller, Board member

Energy Northwest

Representative: Lori Sanders, Board member

Washington Public Utility Districts Association

Representative: Jeffrey D. Hall, Secretary/Treasurer

MOTION CARRIED.

Cancellation of December 23, 2008 Regular Commission Meeting

Motion by Lori Sanders, seconded by Robert Bertsch cancelling the District's regular commission meeting scheduled for 9:00 a.m. on December 23, 2008, and directing the General Manager to provide notification to the public of such cancellation.

MOTION CARRIED.

Resolution No. 2023, Adopting a One-Time Schedule Change to a Regularly Scheduled Meeting of the Commission

General Manager discussed a January 13, 2009 commission meeting conflict with a workshop being held by the American Public Power Association.

Motion by Robert Bertsch, seconded by Lori Sanders adopting Resolution No. 2023, approving a one-time schedule change to a regularly scheduled meeting of the Benton PUD Commission.

MOTION CARRIED.

Other Business

The Commission discussed District business travel that conflicts with the February 24, 2009 commission meeting and it was noted that Commissioner Lori Sanders would not be in attendance at the February 10, 2009 commission meeting.

Northwest Requirements Utilities (NRU) Request for Proposals for Resources

General Manager briefly reviewed previous work done on issues relating to the sale of Frederickson obligations. Director of Power Management noted the IRP Team is planning a presentation in the January timeframe, and distributed a proposed response to a request for proposals from the Northwest Requirements Utilities. The Commission will be kept apprised of the results of the NRU RFP.

Meeting Reports

Assistant General Manager briefed the Commission on discussions recently held at a NoaNet meeting. A future funding matrix was distributed and discussed.

At 11:00 a.m., President Jeff Hall announced that the Commission Meeting would recess for 5 minutes.

At 11:05 a.m., President Jeff Hall announced that the Commission Meeting would reconvene into regular open public session.

Resolution No. 2024, Amending the Resource Management Agreement with The Energy Authority

Ms. Rene Dumstorf, Vice President of Risk Control at The Energy Authority joined the meeting by conference call, and Jeff Fuller of The Energy Authority, attended the commission meeting in person. Ms. Dumstorf reviewed the District's current practice of managing its credit exposure within its own set of credit limits for trading activity. The Energy Authority (TEA) is proposing to manage the District's exposure and credit limits collectively under one credit limit established by TEA, similar to the method used for TEA equity partners. Benefits noted were availability of more counterparties, better pricing, better market knowledge, and a reduction in overall credit risk to certain counterparties due to the ability to net payables and receivables. TEA would continue daily credit exposure monitoring for the District. Director of Power Management noted the recommended trading changes applied to trading as principle trades, and noted that longer term trades are causing about two-thirds of the District's credit exposure. It was noted that any modifications to the agreement with TEA would require agreement by both the District and TEA. Director affirmed that if the agreement is signed by TEA before December 20, 2008 that netting could be back to November 2008 activity.

Motion by Robert Bertsch, seconded by Lori Sanders adopting Resolution No. 2024, amending the Resource Management Agreement with The Energy Authority, Contract No. 06-51-11, to allow trading under The Energy Authority credit limits.

MOTION CARRIED.

Ms. Dumstorf left the conference call at 11:30 a.m.


Other Business

Assistant General Manager, Manager of Accounting, and Legal Counsel discussed a possible overpayment of privilege taxes and the need to submit a claim by the end of the year to the State of Washington for possible repayment to the District. The possible overpayment is associated with a recent court ruling pertaining to the applicability of privilege tax to the customer base charge. Filing of a claim prior to December 31, 2008 may preserve the District's right to claim a refund for an additional year.


Motion by Lori Sanders, seconded by Robert Bertsch authorizing the General Manager, on behalf of the District, to present a claim to the Department of Revenue, if applicable, for overpayment of State privilege taxes.

MOTION CARRIED.

Hearing no objection, President Jeff Hall adjourned the Commission Meeting at 11:45 a.m.


Lori Kays-Sanders, President

ATTEST:


Jeffrey D. Hall, Secretary