

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

Date: July 22, 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
Director of Operations Hunter
Director of Power Management Gregg
Manager of Accounting White
Manager of Communications and Governmental Relations Miller
Manager of Engineering Gottschalk
Manager of Key Accounts McAloon
Manager of Products and Services Johnson
Manager of Human Resources Walsh
Manager of Customer Service Ball
Supervisor of Information Systems Mills
Financial Analyst II Pryor
Financial Analyst II Hawkey
Administrative Assistant - Power Management Baur
Power Management Analyst II Bender
Commission Relations Specialist/Executive Assistant Hurst

Guest: Pat Tucker; Larry Felton, Bonneville Power Administration

Mr. Gest, a Benton PUD customer, led the Pledge of Allegiance.

Management Report

General Manager:

1. The Office of Financial Management announced an increase in Commissioner per diem effective July 21, 2008 of \$104 per day, with a maximum annual amount of \$14,560, per WSR 08-11-127 and WSR 08-13-104). The District has implemented this change.
2. General Manager noted that a proposed resolution from Mr. Tucker to the Commission would be discussed at the August 12, 2008 commission meeting from the perspective of the District's existing financial planning policies.
3. General Manager noted that Agenda Item No. 5G, Bonneville Power Administration Product Decision, would not have full discussion today due to continuing discussion with BPA relating to the product decision. Staff will prepare an additional agenda item for discussion on this subject in August.

Director of Power Management:

1. The mark to market report was distributed and briefly discussed.
2. In response to Mr. Tucker's concerns and request for analysis regarding the District's determination for providing a customer rate credit, an analysis sheet showing the initial payment of \$6.4 million from the BPA Standstill Agreement and percentages of allocations paid to customers was reviewed in detail. Large Irrigation customers will receive 32% of their share of the amount between June and August. Residential customers will receive 22% during this time period. Staff now anticipates a final record of decision from BPA by the end of September, at which time BPA will ask the Federal Energy Regulatory Commission (FERC) for final approval. Final determination is expected in late September or early October of 2008.

Assistant General Manager:

1. The Commission was informed that Constellation will be returning collateral provided by the District due to credit exposures as discussed at a previous commission meeting. A discussion was held on ways to mitigate the frequency of posting collateral with Constellation in the future.
2. Supervisor of Information Systems informed the Commission that the District is changing e-mail software from Groupwise to Outlook and upgrading to MS 2007 in the Fall 2008 timeframe. The software changes will allow for better integration with other systems.
3. As discussed at a previous commission meeting, Manager of Customer Service provided additional information regarding the District's protected bill status practices in response to a letter from Mr. and Mrs. Kelly dated June 18, 2008. It was determined that the District's future AMI system will allow adjustable meter read cycles and allow this practice to continue -- a practice deemed desirable and very beneficial to certain customers, including fixed income customers. Manager of Customer Service recommended, and the Commission concurred, to allow the practice of protected bill status to continue for existing customers until a future decision is made after AMI implementation.
4. Manager of Accounting provided an update on the rural economic development fund, and confirmed that the District meets the qualifications to receive the funds. The Benton Franklin Council of Governments has indicated a willingness to administer the development funds if the Commission decides to move ahead with the program. Commissioner Lori Sanders asked if the District could direct the usage of the funds as an economic development tool. Assistant General Manager noted staff will review the request, and it was anticipated that a contract with the Council would be considered in September, with a resolution regarding the program brought to the Commission in October. Assistant General Manager asked for Commission concurrence to continue moving forward with the fund application, and Commission concurrence was received.
5. Manager of Key Accounts informed the Commission that a call center would be installed in the front office of the Administration Office over the weekend.
6. Manager of Key Accounts informed the Commission that an Eagle Scout working on one of his projects will be distributing CFLs to the District's customers, walking door to door, with the supervision of his father.

Manager of Communications and Governmental Relations:

1. An update was provided on the Northwest RiverPartners and a meeting being planned in the area. More information is forthcoming.
2. The District has partnered this year with Franklin PUD to host the spectator area for those with special needs at the annual Tri-City Water Follies. District employees may volunteer to help with this event.

Public Comments

Mr. Pat Tucker acknowledged the Commission's receipt of his proposed financial policy resolution, and reiterated his concern with the District's reserve level target and goals to meet that target. Mr. Tucker indicated that he could not attend the August 12th commission meeting where the proposed resolution would be discussed and asked if the resolution could be discussed at the August 5th special meeting. General Manager indicated that the agenda had been set for the August 5th special meeting. Accordingly, the resolution would need to be delayed to a meeting after August 12th.

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 July 8, 2008.
- b) Approving the District Travel Report dated July 22, 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 1718-1772 in the total amount of \$375,343.06, Warrants (CHK) 35387/35434-35529/35586 in the total amount of \$706,896.45, Electronic Fund Transfer (EFT) Payments 1944-1953 in the total amount of \$1,762,681.03 and Customer Refund (ERM) Payments 35435/35528-35587/35589 in the total amount of \$8,459.60; Payroll Direct Deposit Advice 07/10/08 17571-17710 in the total amount of \$280,581.66, and Warrants 07/10/08 503823-503851 in the total amount of \$36,862.14 for a grand total of \$3,170,823.94. Voided ERM payments for July 2008 in the total amount of \$260.10 were included in the report.
- d) Review of Jobs Report to Commission dated July 22, 2008.
- e) Awarding the contract for a 15 kV metal-clad switchgear, Items No. 1 and No. 2, Bid Package No. 08-05 to Myers Power Products of Corona, California, for a total amount of \$288,200.00 plus Washington State sales tax in accordance with RCW 54.04.080.
- f) Reviewing 2008 Strategic Plan Second Quarter Report.

MOTION CARRIED.

Setting Special Meeting of the Commission – 2009 Strategic Planning Workshop

Assistant General Manager recommended the Commission set a special meeting to hold a workshop on 2009 strategic planning.

Motion by Robert Bertsch, seconded by Lori Sanders, setting a special meeting of the Benton PUD Commission for August 5, 2008, at 8:00 a.m., at the Columbia Center Red Lion Hotel, 1101 North Columbia Center Blvd., Kennewick, Washington, for the purpose of discussing strategic planning for 2009.

MOTION CARRIED.

Bonneville Power Administration Point-to-Point Transmission Agreement

Director of Power Management reviewed in detail recommended changes to Exhibit C of the BPA Point-to-Point Transmission Agreement and recommended its adoption.

Motion by Robert Bertsch, seconded by Lori Sanders authorizing the General Manager, on behalf of the District, to sign Revision 7 to Exhibit C of the BPA Point-to-Point Transmission Service Agreement No. 97TW-10041.

MOTION CARRIED.

The Energy Authority Trading As Principal Update

Director of Power Management reviewed a risk matrix prepared by The Energy Authority that shows Benton PUD risks as a result of TEA trading as principal in day-ahead and hourly trading. Director affirmed an annual audit of TEA will be planned, and the quarterly performance measures will be an additional tool to identify any concerns relating to trading.

The Energy Authority Trading Agreements

Director of Power Management recommended the Commission authorize the Director to approve trading agreements as listed in a letter to TEA dated July 22, 2008. The agreements have been reviewed by outside legal counsel Eric Friedman.

Motion by Robert Bertsch, seconded by Lori Sanders approving The Energy Authority Trading Agreements, as listed in the letter to The Energy Authority, attached, for the purposes of trading as principal for the District.

MOTION CARRIED.

At 10:05 a.m., President Jeff Hall announced the Commission Meeting would recess for 10 minutes.

At 10:15 a.m., President Jeff Hall announced the Commission Meeting would reconvene into regular open public session.

Draft 2009 Power Supply Plan Update

Director of Power Management reviewed the draft 2009 Power Supply Plan. The District has been taking 57% of the power from Packwood for the last several years. Snohomish PUD has indicated an interest in the entire output of Packwood. Due to their need to purchase power to serve their retail load, BPA will not require them to reduce their BPA block purchases as BPA requires of the District. This is a better use of the power and staff is recommending that Shohomish take the output if their Board gives approval, otherwise the District should continue to take in the power.

2009-2013 power supply budget assumptions were reviewed including BPA rate increases of 10% for FY 2010 and 5% for FY 2012. These assumptions along with a 75% probability of occurrence (power costs lower 3 out of 4 years) would result in a 2009 net power cost budget of just under \$42M. These assumptions will be reviewed and updated in the fall.

Bonneville Power Administration Block/Slice Agreement, Exhibit C

Director of Power Management recommended the Commission authorize the General Manager to submit Benton PUD's information relating to updating Exhibit C of the BPA block/slice agreement.

Motion by Lori Sanders, seconded by Robert Bertsch authorizing the General Manager, on behalf of the District, to submit Benton PUD's 2009 Total Retail Load Forecast to BPA, and to notify BPA that the District will take a 57% share of Packwood Hydro Project unless Snohomish PUD decides to take Packwood output in 2009.

MOTION CARRIED.

Bonneville Power Administration Product Decision

Director of Power Management stated that review is continuing on the BPA product decision recommendation, including staff working with BPA Account Executive, Larry Felton, to ensure full understanding of Tier 1 cost of load following versus slice issues. Further information will be provided to the Commission on August 12, 2008.

June Financials

Manager of Accounting reviewed the June 2008 financial statements.

Future Planning

Manager of Human Resources stated that a representative from the Milliman Group will be attending the next commission meeting to discuss a market survey analysis.

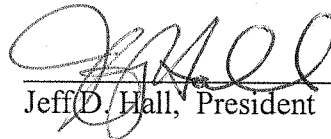
General Manager noted that the proposed resolution provided by Mr. Tucker would be discussed at the September 9, 2008 Commission Meeting to allow for appropriate staff attendance.

Executive Session

At 11:25 a.m., President Hall announced that the Commission Meeting would go into Executive Session with legal counsel for 15 minutes for the purpose of discussing potential litigation relating to legal risks of a proposed action that the District has identified.

At 11:40 a.m., President Jeff Hall reconvened the Executive Session into regular open public session.

Hearing no objection, President Jeff Hall adjourned the Commission Meeting at 11:40 a.m.



Jeff D. Hall, President

ATTEST:



Robert E. Bertsch, Secretary

July 22, 2008



Ms. René Dumstorf
Vice President, Risk Control
The Energy Authority
301 W. Bay Street, Suite 2600
Jacksonville, FL 32202

RE: Benton PUD Approval of Certain TEA Trading Agreements

Dear René:

Public Utility District No. 1 of Benton County ("the District") has reviewed nine power trading agreements between The Energy Authority, Inc. ("TEA") and various counterparties that are not standard Western Systems Power Pool agreements. These agreements were reviewed for their adequacy for use by TEA in "TEA Trading Agreement Services" described in the Resource Management Agreement (RMA) between the District and TEA dated June 30, 2006.

The following agreements between TEA and the listed counterparties are hereby approved by the District, subject to any provisions of the RMA and to the District's established credit limits for the counterparties, which may be revised by the District from time to time:

1. EEI Master Power Purchase and Sale Agreement dated as of July 1, 2001 between TEA and American Electric Power Service Corporation
2. Service Agreement dated as of November 17, 1999 by and between Arizona Public Service Company and TEA
3. Electric Power Purchase and Sale Agreement dated May 15, 1998 by and between BP Energy Company (formerly Amoco Energy Trading Company) and TEA
4. Electric Power Purchase and Sale Agreement dated August 8, 1997 by and between Cargill Power Markets (formerly Heartland Energy Services, Inc.) and TEA
5. Power Purchase and Sale Agreement dated August 1, 1997 by and between Coral Power, L.L.C. and TEA
6. EEI Master Power Purchase and Sale Agreement dated as of May 1, 2005 between J. Aron & Company and TEA, together with EEI Collateral Annex
7. Master Energy Power Purchase and Sale Agreement dated as of July 11, 2000 by and between TEA and Morgan Stanley Capital Group Inc.
8. Electric Power Purchase and Sale Agreement dated July 15, 1997 by and between Rainbow Energy Marketing Corporation and TEA
9. Master Energy Power Purchase and Sale Agreement dated as of July 26, 1999 by and between TEA and TransAlta Energy Marketing (U.S.) Inc.

Please call me at (509) 582-1236 if you have any questions.

Sincerely,

Randy Gregg
Director of Power Management

RG/pb
c: TEA, Jeff Fuller