

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

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Date: May 27, 2008

Time: 9:00 a.m.

Place: 2721 West 10<sup>th</sup> Avenue, Kennewick, Washington

***Present:***

Commissioners Hall, Sanders and Bertsch

General Manager Sanders

Assistant General Manager/Director of Operations Long

Legal Counsel Hultgrenn

Auditor/Director of Finance and Business Services Bartram

Director of Power Management Gregg

Manager of Risk Management & Treasury Bickford

Manager of Accounting White

Manager of Products and Services Johnson

Manager of Communications and Governmental Relations Miller

Manager of Human Resources Walsh

Manager of Customer Service Ball

Manager of Engineering Dunn

Manager of Key Accounts McAloon

Manager of Contracts and Purchasing Alexander

Supervisor of Broadband Nall

Products and Services Analyst Philipp

Senior Engineer Gottschalk

Supervisor of Customer Systems Meyer

Lead Meter Reader Neswick

Administrative Assistant II - Power Management Baur

Commission Relations Specialist/Executive Assistant Hurst

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Assistant General Manager led the Pledge of Allegiance.

**Management Report**

*Manager of Communications and Governmental Relations:*

1. A representative from the Northwest RiverPartners recently spoke at a fisheries and wildlife hearing in Washington D.C.
2. Northwest RiverPartners is putting forth a strong focus on harvest issues. General Manager noted that the Columbia Snake River Irrigators Association (CSRIA) is hiring a consultant to look at harvest issues. Harvest issues may impact river operations and ultimately the District's power costs. The District will be providing CSRIA with monetary assistance in review of the harvest issues in exchange for a copy of the final report.
3. Northwest RiverPartners is holding a members forum this week in Salem, Oregon. They anticipate holding a forum in the Tri-Cities area in October of 2008.
4. A hand-out from the Washington PUD Association (WPUDA) regarding Public Disclosure Commission guidelines was distributed.

5. The Commission was informed that the District has been asked to hang banners for the upcoming fair, and the request has been declined due to the expense involved and issues relating to appropriate use of the District's equipment.

*Director of Finance and Business Services:*

1. Manager of Customer Service presented the CS Week, Excellence in Customer Service Award, received by staff last week. The award was presented to the District for excellence in implementing electronic bill payment and presentment. General Manager thanked District staff involved in implementing a successful customer program.
2. Manager of Customer Service reviewed concerns discussed with the Commission by Mr. Hartley in February of 2008, on the following issues: 1) District notification to landlords of tenant disconnection for non-pay, and 2) temperature thresholds for disconnections in the winter months. At the conclusion of the review, Manager of Customer Service recommended no changes to the District's current policies and practices in the areas discussed. The Commission concurred with staff's recommendations and thanked staff for the extensive work in reviewing the issues.
3. Manager of Accounting distributed a report from the American Public Power Association regarding payments and contributions by public power distribution systems to state and local governments. An analysis of the District's contributions to state and local governments was also provided.
4. Director distributed the Annual Report and thanked the Manager of Communications and Governmental Relations for the professional look of the report.
5. Manager of Treasury and Risk Management reported that a collateral call was received on Constellation, and cash collateral was posted by the District as required. Director noted this was an unusual occurrence but not unanticipated by staff.
6. A special meeting of the Commission will be scheduled for August 5, 2008 for the purpose of strategic planning for 2009. Staff is considering discussion of the following three items: broadband, technology integration and power supply. The Commission was urged to contact the Director or General Manager if additional topics were desired.

*Supervisor of Broadband:*

1. Supervisor briefed the Commission on Northwest Open Access Network (NoaNet) investments to date.

*Director of Power Management:*

1. The mark to market report was distributed and briefly discussed.
2. Preliminary cost information on the Bonneville Power Administration (BPA) Integrated Program Review was distributed. The information indicates that BPA's costs may increase by 20% over the next five years. Staff had previously been assuming no increases in BPA power costs due to the reduced costs of the residential exchange. Additional information will be forthcoming.
3. A paper on BPA's Fish and Wildlife Program showing total annual average costs to BPA rate payers was distributed and briefly review.
4. A discussion was held on the proposed new BPA contracts and tiered rate methodology. At a previous commission meeting, a discussion was held on the District obtaining an independent review regarding staff's recommendation on BPA products. After looking at this consideration, General Manager noted that there were not any experts in the field that he would consider being able to provide the District with an independent review. Commissioner Lori Sanders expressed concern with assisting the Director of Power Management on load following issues. General Manager asked what the Commission required to feel confident

with staff recommendations, and confirmed his belief that the Director of Power Management will have the resources needed to do the analysis of the BPA products with recommendation on appropriate product. At the conclusion of discussion, Commission concurred that independent review is not required at this time.

*Assistant General Manager:*

1. The Commission was briefed on discussions being held regarding the District's gas metering station that may have a use with the proposed ethanol plant to be located near Agrium. Further information and a possible recommendation will be brought to a future 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 May 13, 2008.
- b) Approving the District Travel Report dated May 27, 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 1503-1570 in the total amount of \$596,052.37, Warrants (CHK) 34586/34679 - 34759/34789 in the total amount of \$355,767.62, Electronic Fund Transfer (EFT) Payments 1906-1913 in the total amount of \$3,711,500.65, and Customer Refund (ERM) Payments 34680/34758 - 34790 in the total amount of \$8,105.03; Payroll Direct Deposit Advice 05/15/08 17014-17153 in the total amount of \$226,021.57 and Warrants 05/13/08 503604-503631 in the total amount of \$37,214.68, for a grand total of \$4,934,661.92. Voided Ach Payments for May 2008 in the total amount of \$6,667.47 were included in the report.
- d) Approving Work Order No. 22133, to construct an underground extension of an existing primary feeder and construct new lateral circuits to serve commercial development in the Southridge area.

MOTION CARRIED.

**Rejection of Power Transformer Surplus Sale Quotes**

Manager of Engineering recommended the Commission reject all quotes received for a Generator Step Up Three Phase Power Transformer. All quotes received were lower than anticipated by District staff. Additional research regarding sale of the power transformer will be performed.

Motion by Robert Bertsch, seconded by Lori Sanders to reject all quotes received for Quote No. 1468 Generator Step Up Three Phase Power Transformer surplus sale.

MOTION CARRIED.

**Resolution No. 1996, Providing Staff Procedure for Procurement of Certain Materials, Equipment, Supplies, Services, Public Works, and Personal Services**

Manager of Contracts and Purchasing recommended the Commission adopt Resolution No. 1996. Effective June 12, 2008, Senate Bill 6560 will amend state law increasing the dollar amounts allowed for procurement and public works. This resolution increases the dollar limits appropriately.

Motion by Lori Sanders, seconded by Robert Bertsch approving Resolution No. 1996 providing a revised staff procedure for procurement of certain materials, equipment, supplies, services, public works, and personal services.

MOTION CARRIED.

**Interlocal Agreement with Port of Benton – Wholesale Telecommunications**

Supervisor of Broadband recommended the Commission approve an interlocal agreement with Port of Benton to allow the District the ability to provide wholesale broadband services within the Port District.

Motion by Lori Sanders, seconded by Robert Bertsch authorizing the General Manager, on behalf of the District, to sign Contract No. 08-46-03 with the Port of Benton for an Interlocal Agreement for Wholesale Telecommunications Services.

MOTION CARRIED.

**Resolution No. 1997, Provisionally Authorizing Entering Into a Collective Bargaining Agreement**

Manager of Human Resources recommended the Commission authorize the General Manager to entering into a collective bargaining agreement contingent upon represented employee ratification on June 2, 2008.

Motion by Robert Bertsch, seconded by Lori Sanders provisionally authorizing the General Manager, on behalf of the District, to enter into the Collective Bargaining Agreement between Public Utility District No. 1 of Benton County and IBEW Local No. 77.

MOTION CARRIED.

**Resolution No. 1998, Approving Authority to Issue Checks or Warrants & Initiate Electronic Funds Transfers**

Manager of Treasury and Risk Management recommended the Commission adopt Resolution No. 1998, approving certain staffing authorities.

Motion by Robert Bertsch, seconded by Lori Sanders approving Resolution No. 1998 approving the authority to issue checks or warrants and initiate electronic funds transfers (EFT).

MOTION CARRIED.

At 10:15 a.m., President Jeff Hall announced the Commission Meeting would recess for 15 minutes.

At 10:30 a.m., President Jeff Hall announced the Commission Meeting would reconvene into regular open public session.

**Retail Energy Sales Ten-Year Forecast 2008-2018**

Products and Services Analyst gave a presentation on the District's Retail Energy Sales Ten-Year Forecast. The forecast includes analyses in the areas of residential, commercial/industrial and irrigation, and upon Commission approval, is utilized in the District's power supply plan, cost of services/rates, budget and five-year capital plan.

Motion by Robert Bertsch, seconded by Lori Sanders approving the Retail Energy Sales Ten-Year Forecast 2008-2018.

MOTION CARRIED.

### **Nine Canyon Wind Project Update**

Senior Engineer Gottschalk gave a presentation updating the Commission on the Nine Canyon Wind Project, including information on the Phase III expansion, fiscal year 2008 generation, major equipment replacement accomplishments and project costs.

### **April 2008 Financial Report**

Manager of Accounting reviewed the April 2008 financial report.

### **Quarterly Financial Report**

Director of Finance and Business Services gave a presentation on power supply risks and the associated impact on rates. Manager of Treasury and Risk Management gave a presentation on the financial forecast using the latest revised estimates, power supply scenarios and long-range forecasts, showing cash and investments, and a review of long range forecasts of debt coverage and debt profile. Challenges and risk factors were identified as the impacts of BPA rate cases, fiscal year 2008 water runoff, proposed ethanol plants and the possible purchase of renewable energy capacity from White Creek Energy.

At the request of Commissioner Lori Sanders, a discussion was held concerning unrestricted funds, the possibility of any debt being paid off out of those funds, and the costs of defeasing bonds.

### **AMI/Smart-Grid Project Update**

Manager of Engineering gave a progress report on the AMI-Smart-Grid project and reviewed analyses from the two final vendors selected. Contract commission consideration is scheduled for September of 2008.

At 12:45 p.m., President Jeff Hall announced the Commission Meeting would recess for 5 minutes.

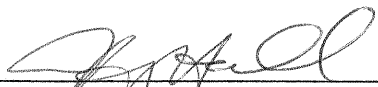
At 12:50 p.m., President Jeff Hall reconvened the Commission Meeting into regular open public session.

### **Other Business**

General Manager reviewed in detail survey questions received from Energy Northwest. The Commission provided input for the survey, and requested a copy of the District's final submission to Energy Northwest.

Commissioner Lori Sanders recommended a topic for discussion at the August 5, 2008 strategic planning session regarding the District providing broadband services as a package and how or if that was a possibility. Commissioner Lori Sanders questioned how to determine the real value of the Frederickson power supply. General Manager noted the Director of Power Management will be providing that information at a later Commission Meeting.

Hearing no objection, President Jeff Hall adjourned the Commission Meeting at 1:30 p.m.

  
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Jeff D. Hall, President

ATTEST:

  
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Robert E. Bertsch, Secretary