

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

Date: November 25, 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 Hultgren
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 Key Accounts McAloon
Manager of Products and Services Johnson
Supervisor of Broadband Nall
Financial Analyst Pryor
Commission Relations Specialist Hurst
Power Management Analyst Bender

Guest: Larry Felton, Bonneville Power Administration

Mr. Rex Gest, customer, led the pledge of allegiance.

Open Public Hearing – Considerations Regarding Adoption of Public Utility Regulatory Policy Act (PURPA) Standards for: Integrated Resource Planning/Energy Efficiency, Rate Design Modifications to Promote Energy Efficiency Investments, Smart Grid Investments, Smart Grid Information

At 9:00 a.m., President Jeff Hall opened the Public Hearing, and stated the purpose of today's Hearing was to provide public review and comment on integrated resource planning/energy efficiency, rate design modifications to promote energy efficiency investments, consideration of smart grid investments, and smart grid information, in accordance with recent amendments to the Public Utility Regulatory Policy Act of 1978 (PURPA). President Jeff Hall stated that at the conclusion of staff presentation and commission and public comments, the Public Hearing would be closed and the commission would consider Resolution No. 2016 during the regular agenda of today's meeting.

Manager of Products and Services noted that publication of today's Hearing was published in the Tri-City Herald on November 21, 2008. Each PURPA standard was reviewed as well as the analysis completed by staff. At the conclusion of the presentation, Manager of Products and Services stated

that non-regulated utilities are required to consider the standards, but not required to adopt them. Resolution No. 2016 provides staff's recommendations and reasons for not implementing the new PURPA standards at this time.

At 9:10 a.m., President Jeff Hall asked for public comment and none were received.

At 9:11 a.m., President Jeff Hall stated that the Public Hearing for consideration of the amended PURPA standards was closed.

Resolution No. 2016, Setting Forth Commission's Conclusions Regarding Adoption of New PURPA Standards

Motion by Robert Bertsch, seconded by Lori Sanders adopting Resolution No. 2016 setting forth the Commission's conclusions regarding adoption of new PURPA standards as amended by Section III(D) of the Energy Independence and Security Act of 2007.

MOTION CARRIED.

Report from Management

General Manager:

1. The PNUCC Annual Report was distributed.
2. The American Public Power Association (APPA) is requesting nominations for those interested in serving on the Policy Makers Council. At Commissioner Bertsch's request, a nomination on his behalf will be submitted to APPA.
3. Jack Baker of Energy Northwest has requested \$5,000 in support of the Science Technology Engineering Math school. General Manager will bring back additional information to the next commission meeting.
4. The draft Designation of Representatives listing for 2009 was distributed, and General Manager recommended this listing be reviewed under Other Business at today's meeting.
5. General Manager stated the election of commission officers for 2009 will be on the December 9th, 2008 commission agenda.

Director of Power Management:

1. The mark to market report was distributed and briefly discussed. It was noted that 2009 information will be reported at the next commission meeting.
2. The Risk Management Committee (RMC) has been reviewing expanding the trading as principle with The Energy Authority (TEA) to utilize their credit limits for all the principle trades since the meeting with the TEA equity owners in July. The ongoing credit crisis has made clear the advantage of utilizing the TEA credit limits, which is netting and setting off the District's sales with the purchases made by other TEA members. An analysis as of October 20, 2008 showed the District's receivable exposure would have been reduced by \$1.2 million with this approach. The disadvantage is District exposure to a counterparty could exceed the current Commission approved limit of \$2.25 million. TEA has proposed enhanced reporting to mitigate. The RMC voted unanimously to recommend this change. Representatives from TEA will be attending the December 9, 2008 commission meeting to discuss this proposed change which will require an amendment to the Resource Management Agreement.
3. The Commission was updated on the Port of Benton biomass project.

Manager of Treasury and Risk Management:

1. The counterparty credit report was distributed. Changes recommended to some counterparties from the Risk Management Committee were reviewed in detail.

Assistant General Manager:

1. A summary of financial guarantees and commitments, either explicitly or through membership to the Northwest Open Access Network (NoaNet), were distributed and reviewed in detail. It was noted that financial guarantees are not specifically addressed in the District's financial policies. Staff is currently reviewing the treatment of financial guarantees for planning purposes, and further information will be brought at a later time.

Manager of Communications and Governmental Relations:

1. A report on a successful Senior Day was provided.
2. An invitation to the 2008 Elected Leaders reception in December was distributed and the commissioners were urged to attend.
3. Talking points on the District's Climate Change Policy were distributed.
4. An invitation to the Tri-Cities Business and Visitor Center's new building open house was distributed.

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 12, 2008.
- b) Approving the District Travel Report dated November 25, 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 2192-2258 in the total amount of \$423,814.98, Warrants (CHK) 37032/37065 – 37186/37254 in the total amount of \$248,527.03, Electronic Fund Transfer (EFT) Payments 2021-2024 in the total amount of \$312,400.13, Customer Refund (ERM) Payments 37066-37185 in the total amount of \$1,430,509.98; Payroll Direct Deposit Advice 11/13/08 18848-18999 in the total amount of \$250,581.80, Warrants 11/13/08 504077-504089 in the total amount of \$17,884.12 for a grand total of \$2,683,718.04. Voided ERM for November 2008 in the total amount of \$2,560.88 were included on the report.
- d) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 1 of Contract No. 07-45-03 with JACO Environmental, Inc., effective December 15, 2008, to provide additional funding of \$100,000 for the "See You Later Refrigerator" Refrigerator Recycle Program, bringing the new not-to-exceed amount to \$192,000, and to revise the contract to reduce the customer incentive from \$40 to \$30 and to include collecting freezers.
- e) Approving Contract Completion and Acceptance for miscellaneous construction repair by Paramount Communications, Inc. for Contract No. 07-46-07, (CPO No. 16648) in the amount of \$202,200.66, including tax.
- f) Adopting Resolution No. 2017, declaring certain transformers surplus to District needs according to the laws of the State of Washington, Title 54, RCW 54.16.180, and authorizing the General Manager, on behalf of the District, to dispose of same.

MOTION CARRIED.

Resolution No. 2018, Determination that 20-Year BPA Slice/Block Power Sales Agreement Meets Emissions Performance Standard

Power Management Analyst recommended the Commission adopt Resolution No. 2018, indicating that based on the information provided by BPA and the District's analysis, it is the District's

determination that the new long-term BPA Slice/Block Power Sales Agreement No. 09PB-13005 meets the greenhouse gas emissions performance standard required by Washington State Law ESSB 6001.

Motion by Robert Bertsch, seconded by Lori Sanders adopting Resolution No. 2018, making the determination that the District's new long-term Slice and Block Power Sales Agreement No. 09-PB-13005 with the Bonneville Power Administration meets the Greenhouse Gas Emissions Performance Standard required by Washington State Law ESSB 6001.
MOTION CARRIED.

Resolution No. 2015, Execution of BPA's Slice/Block Power Sales Agreement

Director of Power Management reviewed Resolution No. 2015 and noted the only changes to the BPA Slice/Block power sales agreement since its presentation to the Commission on November 12, 2008 were corrections to points of metering in Exhibit E. It was noted a new Creditworthiness Agreement was required upon approval of the new contract. The agreement is similar to that currently in place with the existing BPA contract. Nancy Neraas, legal counsel, will provide a finalized legal opinion upon receipt of certifications received from the District's legal counsel and executive assistant. The Agreement will commence October 1, 2011 and expire September 30, 2028.

Motion by Lori Sanders, seconded by Robert Bertsch to adopt Resolution No. 2015, authorizing the General Manager, on behalf of the District, to execute in substantially the form on file with the District, and take any and all action necessary, to implement the Slice/Block Power Sales Agreement with the Bonneville Power Administration, BPA Contract No. 09PB-13005.
MOTION CARRIED.

Mr. Larry Felton, BPA Account Executive, noted that the contract would be signed by BPA on Monday which is the deadline for contract approval.

At 10:20 a.m., President Jeff Hall announced that the commission meeting would recess for 10 minutes.

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

Summary of Proposed 2009 Budget

Manager of Treasury and Risk Management provided and reviewed a summary of all changes made to the proposed 2009 budget since the October 13, 2008 budget public hearing. Manager of Treasury specifically noted that the BPA rate credit ends in May of 2009. At conclusion of the review, Manager of Treasury stated the final 2009 budget would be provided for commission consideration at the December 9, 2008 commission meeting.

October Financial Statements

Manager of Accounting reviewed the October 2008 financial statements.

Other Business

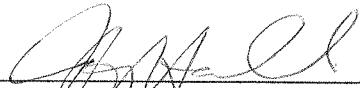
General Manager and Commission reviewed possible changes to the 2009 Designation of Representatives to Various Organizations. Commissioner Lori Sanders requested to be added to the listing as an alternate representative to the Northwest Public Power Association. Commissioner Jeff Hall expressed interest in the secretary/treasurer position to the Washington PUD Association (WPUDA). General Manager was directed to provide a letter to the WPUDA on his behalf.

Commissioner Lori Sanders asked if the District could review providing a proposal to the Northwest Requirements Utilities (NRU) based on its Frederickson obligation or provide information relating to why the District should not pursue providing a proposal. General Manager stated information on this issue would be brought to the December 9, 2008 commission meeting.

Commissioner Lori Sanders reported on her attendance at an Energy Northwest Executive Board Meeting, and issues discussed during that meeting.

Commissioner Jeff Hall reported on his attendance at the WPUA Energy Committee Meeting.

Hearing no objection, President Jeff Hall adjourned the Commission Meeting at 11:05 a.m.



Jeffrey D. Hall, President

ATTEST:



Robert E. Bertsch, Secretary