

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

Date: April 28, 2009
Time: 9:00 a.m.
Place: 2721 West 10th Avenue, Kennewick, Washington

Present:

Commissioners Sanders, Bertsch and Hall
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 Key Accounts McAloon
Manager of Human Resources Walsh
Financial Analyst Hawkey
Commission Relations Specialist Hurst

Guests: Larry Felton, Bonneville Power Administration; Brad Langdell, consultant

Randy Gregg led the pledge of allegiance.

Management Report

General Manager:

1. The Commission was updated on staff efforts relating to opportunities to obtain stimulus funding that will benefit the District and the region, and what other entities in the region are pursuing for the funding. Mr. Larry Felton, BPA, stated that BPA wants to develop a strong proposal for the Department of Energy that proves a business case for a region-wide smart grid proposal.

Director of Engineering:

1. The thematic goal of 1,000 AMI meters installed, read and billed by May 29th was anticipated to be met by May 6, 2009. Sensus, the District's vendor for AMI, is making significant moves to become a major player in the Smart Grid industry. General Manager noted that installing AMI is a move toward smart grid capabilities.

Director of Power Management:

1. The mark to market report was distributed and briefly discussed.

Manager of Communications and Governmental Relations:

1. The Commission was updated on the final days of the Washington State legislature, noting that House Bill 5840 did not pass, and the renewable tax incentive bill did pass.

2. A brief discussion was held on the Washington PUD Association (WPUDA) political action network.
3. The monthly newsletter from the Northwest RiverPartners was distributed, and it was noted that they are continuing to do a great job of getting information out regarding dam breaching issues.

General Manager:

1. Commissioners were invited to an all-employee barbeque on May 11th, from 11:00 a.m. to 1:00 p.m. in celebration of the many accomplishments of the District's employees.

Consent Agenda

Motion by Robert Bertsch, seconded by Jeff Hall to approve the Consent Agenda as follows:

- a) Approving the minutes of the regular Commission Meeting of April 14, 2009.
 - b) Approving the District Travel Report dated April 28, 2009.
 - 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 2873-2912 in the total amount of \$402,115.27; Warrants (CHK) 38952/38978-39025/39067 in the total amount of \$233,105.47; Electronic Fund Transfer (EFT) Payments 2105-2108 in the total amount of \$1,023,534.13; Customer Refund (ERM) Payments 38979-39024 in the total amount of \$3,760.80; Payroll Direct Deposit Advice 04/16/09 20634-20802 in the total amount of \$307,949.40, Warrants 04/16/09 504143-504144 in the total amount of \$512.14, for a grand total of \$1,970,977.21. Voided warrants for April 2009 in the total amount of \$7,210.20 were included on the report.
 - d) Reviewing Jobs Report to Commission dated April 20, 2009.
 - e) Adopting Resolution No. 2036, declaring certain transformers and miscellaneous equipment 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.
 - f) Reviewing the 2009 Strategic Plan – First Quarterly Report
- MOTION CARRIED.

Bonneville Power Administration Letter Agreement – Columbia River Crossing

Director of Engineering recommended the Commission approve a letter agreement with BPA to establish the foundation for a cooperative effort between the District and BPA to benefit the region through the ultimate construction of a McNary-John Day 500kV transmission line. The agreement includes consideration of the District releasing its rights to the Columbia River crossing in exchange for a future point of delivery.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign a Bonneville Power Administration letter agreement, Contract No. 09TX-13972, in substantially the form presented today, authorizing the assignment of rights, title and ownership of the District's Columbia River transmission line crossing located west of the McNary Dam and east of the Highway-395 bridge to the Bonneville Power Administration.

MOTION CARRIED.

Annual Application for Public Utility Tax Credit and Deposit to Rural Economic Development Revolving Fund

Assistant General Manager recommended the Commission authorize the District to apply to the Department of Revenue for a \$25,000 public utility tax credit, and if received, deposit \$50,000 to the Rural Economic Development Revolving Fund. It was noted that no funds have been administered

by the Benton Franklin Council of Governments in 2008 for this program. Commissioner Lori Sanders asked if it would be possible to measure the Council's efforts, and also define what the District would consider successful administration of the program. A brief discussion was held.

Motion by Jeff Hall, seconded by Robert Bertsch to authorize the District Auditor to (1) apply to the Department of Revenue for a \$25,000 public utility tax (PUT) credit after May 1, 2009, and (2) contingent upon receiving approval from the Department of Revenue, deposit \$50,000 to the Rural Economic Development Revolving Fund after July 1, 2009.

MOTION CARRIED.

2009 Internal Audit Plan and Report on 2008 Internal Audits

Assistant General Manager reviewed internal audit results from 2008 in detail and stated some changes were made for better internal controls in engineering billings, no findings were made on the audit of the Benton Franklin Community Action Committee, staff did a good job on the physical inventory with a very slight percentage variance found, and no preferential treatment was found on adjustments relating to District employee accounts.

Manager of Accounting reported on areas to be audited for 2009, including four special audit areas: system security in financials and human resources payroll systems, small and attractive assets spot checks, clothing allowance accounts, and a limited scope on the retail billing process under the new AMI system.

Financial Policy Update – Schedule and Approach

Assistant General Manager briefed the Commission on the current schedule and approach for updating the District's existing financial policies in order to finalize prior to staff's rating agency visits in August of 2009. Staff has contracted with Mr. Mark Beauchamp, an independent financial consultant with extensive experience in both consumer-owned and investor-owned utilities, to review the District's current policies relative to reserve levels and a power cost adjustment. District's Commissioner Lori Sanders, with concurrence of Commissioners Jeff Hall and Robert Bertsch, asked if a special meeting could be scheduled to review staff recommendations on the District's financial policies. Assistant General Manager noted a special meeting would be scheduled.

At 10:05 a.m., President Lori Sanders announced that the Commission Meeting would recess for 15 minutes.

At 10:20 a.m., President Lori Sanders reconvened the Commission Meeting into regular open public session.

2009 Large Customer Meeting – Draft Agenda

Assistant General Manager stated that this year's Key Customer Meeting is planned for May 21, 2009. Manager of Key Accounts discussed the draft agenda. Assistant General Manager gave a presentation showing the finance and rates portion of the meeting that reviews utility rate comparisons, rate forecasts, recent cost trends, bond ratings and key metrics. Commissioner Lori Sanders recommended slight changes to the slide presentation and it was noted the changes would be made.

March 2009 Financial Statements

Manager of Accounting reviewed the March 2009 financial statements.

Other Business

General Manager recommended the Commission amend the Designation of Representatives listing, appointing Jeff Hall as the District's representative for voting at the 2009 Northwest Public Power Association Conference and also as the District's representative for voting at the Participants Review Board for 2009.

Motion by Robert Bertsch, seconded by Lori Sanders amending the Designation of Representatives listing for 2009 as follows: appointing Jeff Hall as the District's representative to the Northwest Public Power Association for the purpose of casting votes at their Annual Meeting in May 2009, and appointing Jeff Hall as the District's representative to the 2009 Participant's Review Board for the purpose of casting votes at the 2009 Participant's Review Board elections.
MOTION CARRIED.

Meeting Reports

President Lori Sanders reported on an Energy Northwest Strategic Planning meeting. Commissioner Robert Bertsch reported on an American Public Power Association conference call on climate and water issues.

Executive Session


At 11:05 a.m., President Lori Sanders announced the commission meeting would recess for 15 minutes to go into Executive Session for the purpose of considering the acquisition of real property.

At 11:25 a.m., President Lori Sanders announced the commission meeting would reconvene into regular open public session.

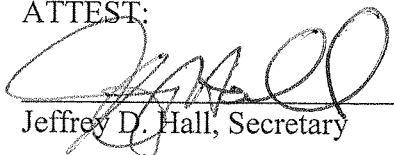
Director of Engineering recommended the Commission accept the seller's offer to purchase property planned as a future site for the Southridge area substation.

Motion by Robert Bertsch, seconded by Jeff Hall to accept the seller's offer for the District to purchase 1.19 acres located in the southeast quarter of the southeast quarter of Section 17, Township 8 North, Range 29 East, W.M., Benton County, state of Washington, in the amount of \$50,000, for the construction of a substation, and authorizing the General Manager, or his designee, on behalf of the District, to sign any and all documents relating to the final sale of the described property.
MOTION CARRIED.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 11:26 a.m.


Lori Kays-Sanders, President

ATTEST:


Jeffrey D. Hall, Secretary