

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

Date: December 8, 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 Bartram
Legal Counsel Hultgrenn
Director of Engineering Dunn
Director of Power Management Bickford
Manager of Risk Management and Treasury White
Manager of Human Resources Walsh
Manager of Accounting Meyer
Manager of Products and Services Johnson
Manager of Customer Service Ball
Manager of Information Systems Swanson
Manager of Key Accounts McAloon
Financial Analyst II Pryor
Supervisor of Executive Administration Cole

Guests: Christine Hein Pihl and BoMee Chu, J.P. Morgan, by conference call

Supervisor of Executive Administration led the pledge of allegiance.

Treasurer's Report

Treasurer reviewed the November 2009 Treasurer's Report. The Commission approved the November 2009 Treasurer's Report. The counterparty credit report and credit report by sector were distributed and briefly discussed.

Management Reports

Director of Power Management:

1. The mark to market report was distributed and briefly reviewed.
2. The first Year 2010 mark to market was distributed and briefly reviewed.
3. The Commission was informed that some conservation contracts may exceed the \$100,000 authority limit previously granted to the General Manager, and additional authority may be requested to allow conservation efforts by contractors to continue once they have reached the \$100,000 contractual level.

Director of Engineering:

1. The Commission was updated on the AMI project. Currently over 18,000 meters have been installed, with two crews working on the installations. An additional TGB may be installed in the January timeframe, weather dependent. One severance posting relating to the AMI project was

completed. AMI project costs total \$9.7 million, including \$1.4 million in District labor. Total project costs from inception, including the request for proposals evaluation process is \$4 million. Director stated the AMI project should come in under budget.

2. The Commission was updated on the smart grid project. The District has received a notice of intent to award, and the Department of Energy is working with Battelle on getting a cooperative agreement in place by year-end.

3. Manager of Broadband, Rich Nall, has been nominated for a board position with the Northwest Open Access Network (NoaNet).

General Manager:

1. A survey for Energy Northwest will be brought to the January 12, 2010 commission meeting for discussion.

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 November 24, 2009.
 - b) Approving Travel Report dated December 8, 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 3869-3930 in the total amount of \$540,852.41, Warrants (CHK) 41881/41992-41939/42057 in the total amount of \$278,316.45, Electronic Fund Transfer (EFT) Payments 2214-2223 in the total amount of \$8,402,728.84, and Customer Refund (ERM) Payments 41940/42058-41991/42059 in the total amount of \$8,872.15; Payroll Direct Deposit Advice 11/25/09 23299-23464 in the total amount of \$304,034.90 and Warrants 11/25/09 504160-504161 in the total amount of \$2,000 for a grand total of \$9,536,804.75. Voided Warrants for November 2009 in the total amount of \$68.30 were included in the report.
 - d) Adopting Resolution No. 2063, approving the 2010 Prequalification of Contractors.
 - e) Adopting Resolution No. 2064, declaring certain 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 the same.
 - f) Reviewing annual update of Identity Theft Protection and Prevention Program
- MOTION CARRIED.

Designation of Representatives to Various Organizations for 2010

General Manager distributed a new proposed listing that changed the recommended alternate representative for Western Electric Coordinating Council from Rick Dunn to Gloria Bender. Commissioner Jeff Hall also noted that he will be serving as the Vice-President of the Washington PUD Association in 2010.

Motion by Jeff Hall, 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 2010:

WASHINGTON PUBLIC UTILITY DISTRICTS ASSOCIATION

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

PUBLIC UTILITY RISK MANAGEMENT SERVICES

Representative: Lori Kays-Sanders
Alternates: Janet White

ENERGY NORTHWEST

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

ENERGY NORTHWEST MODULAR NUCLEAR STUDY COMMITTEE

Representative: Dan Bickford
ENW Rep: Lori Kays-Sanders

ENERGY NORTHWEST NINE CANYON WIND PROJECT PURCHASER'S COMMITTEE

Representative: Dan Bickford
Alternate: John Gottschalk

ENERGY NORTHWEST PACKWOOD PURCHASER'S COMMITTEE

Representative: Dan Bickford
Alternate: John Gottschalk

NORTHWEST PUBLIC POWER ASSOCIATION, INC.

Representative: Robert E. Bertsch
Alternates: 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
Alternates: Jeffrey D. Hall/Karen M. Miller

2010 PARTICIPANTS REVIEW BOARD (elections)

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

(For the purpose of casting votes at the 2010 Participants Review Board Elections)

PACIFIC NORTHWEST WATERWAYS ASSOCIATION

Representative: Christie McAloon
Alternates: Robert E. Bertsch

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: Chris Johnson
Alternate: Dan Bickford

WESTERN ELECTRICITY COORDINATING COUNCIL

Representative: Dan Bickford
Gloria Bender

TRIDEC

Representative: James W. Sanders
Alternate: Karen Miller

MOTION CARRIED.

Motion by Jeff Hall, seconded by Robert Bertsch, that the following named representative(s) of Benton PUD are authorized to act in the following capacity to the organizations listed below for the year 2010:

CENTRAL WASHINGTON PUBLIC UTILITIES – UNIFIED INSURANCE PROGRAM

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

CARES

Representative: Dan Bickford, Board Member
Chad Bartram, Auditor

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: Dan Bickford, 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

TRIDEC

Representative: James W. Sanders, Board Member

ENERGY NORTHWEST

Representative: Lori Sanders, Board Member

AMERICAN PUBLIC POWER ASSOCIATION POLICY MAKERS COUNCIL

Representative: Robert E. Bertsch, Board Member

WASHINGTON PUBLIC UTILITIES DISTRICT ASSOCIATION

Representative: Jeffrey D. Hall, Vice-President

MOTION CARRIED.

Election of Officers for 2010

Motion by Jeff Hall, seconded by Robert Bertsch, that effective January 1, 2010, Lori Kays-Sanders be nominated and elected President of the Commission, Robert E. Bertsch be nominated and elected as Vice-President of the Commission, and Jeff Hall be nominated and elected Secretary of the Commission.

MOTION CARRIED.

Resolution No. 2065, Adopting the 2010 Budget

Manager of Risk Management and Treasury recommended the Commission adopt a resolution approving the 2010 budget. President Lori Sanders stated the budget document is an excellent piece of work, and thanked staff for their efforts in compiling the detailed amount of information found within the budget.

Motion by Robert Bertsch, seconded by Jeff Hall adopting Resolution No. 2065, approving the 2010 Budget.

MOTION CARRIED.

2010 Affiliations List

Assistant General Manager noted the increase in dollars from the 2009 Affiliations List was largely due to the WECC assessment that has in the past been paid by the Bonneville Power Administration.

Motion by Robert Bertsch, seconded by Jeff Hall to approve memberships, dues and fees associated with District affiliations as presented at the December 8, 2009 Commission Meeting for a one-year term from January 1, 2010 through December 31, 2010.

MOTION CARRIED.

Resolution No. 2066, Establishing the Accounting for Hedging Activities Related to the Purchase and Sale of Energy

Manager of Accounting recommended the Commission adopt the resolution which allows the District to continue to defer unrealized gains or losses resulting from recognizing derivative instruments at fair value.

Motion by Jeff Hall, seconded by Robert Bertsch adopting Resolution No. 2066, authorizing the deferral of gains or losses that would result from recording fair values of derivative contracts in accordance with Governmental Accounting Standard (GAS) 53.

MOTION CARRIED.

Customer Policies and Rates – Continue Suspension of \$50 Deposit Assessed at Disconnect

Manager of Customer Service recommended the Commission continue suspension of the \$50 additional assessment for each incidence of disconnection for non-payment through December of 2010. The continuation of the suspension will provide relief to customers who have been disconnected and are having difficulty coming up with the funds to get their service reconnected. Staff will continue to monitor financial indicators through 2010, and will recommend reinstatement of the disconnect policy assessment if it is determined that the suspension is negatively impacting write-offs.

Motion by Robert Bertsch, seconded by Jeff Hall approving the continued suspension of the assessment of an additional \$50 deposit for each incidence of disconnection for non-payment.

MOTION CARRIED.

Treasury Services Contract, Change Order

Manager of Risk Management and Treasury recommended the Commission approve a change order with Bank of America to extend the contract term and not-to-exceed amount.

Motion by Jeff Hall, seconded by Robert Bertsch authorizing the General Manager, on behalf of the District, to sign Change Order No. 1 of Contract No. 04-16-02 with Bank of America, to extend the

term of the contract to December 31, 2011 and increase the not-to-exceed amount by \$300,000, bringing the new not-to-exceed amount of the contract to \$350,000.

MOTION CARRIED.

Resolution No. 2067, Declaring Approval of the Resolutions Enacted by the Board of the PURMS Self-Insurance Fund at its Annual Meeting on November 12, 2009.

Manager of Risk Management and Treasury recommended the Commission approve the PURMS resolution that votes on resolutions that were presented to the PURMS Board at the Annual Meeting held on November 12, 2009. The resolution is required to adopt the PURMS resolutions that require a super-majority which was not available at the annual meeting. The resolutions provided by PURMS and acknowledged in the resolution for consideration today have been reviewed by staff and legal counsel.

President Lori Sanders asked that each resolution of PURMS be considered as a separate action by the Benton PUD Commission.

Motion by Robert Bertsch, seconded by Jeff Hall approving PURMS Resolution No. 11-12-09-1, approving action to comply with 2009 WACs for liability and property pools.

MOTION CARRIED.

Motion by Jeff Hall, seconded by Robert Bertsch approving PURMS Resolution No. 11-12-09-2, Program Treasurer's Bond and Bond or Insurance Coverage and Indemnification for PURMS' Directors, Officers and Committees.

MOTION CARRIED.

Motion by Robert Bertsch, seconded by Jeff Hall approving PURMS Resolution No. 11-12-09-3, Approving Amended Administrator Service Agreement and Related SIA Amendments.

MOTION CARRIED.

Motion by Jeff Hall, seconded by Robert Bertsch approving PURMS Resolution No. 11-12-09-4, Terms of \$100,000 Limited "In Lieu Of" Bod coverage under SIA for Members' Treasurers.

MOTION CARRIED.

Motion by Robert Bertsch, seconded by Jeff Hall approving PURMS Resolution No. 11-12-09-5, Authorizing Voting Procedures re: Resolutions for 11-12-09 Board Meeting.

MOTION CARRIED.

Motion by Robert Bertsch, seconded by Jeff Hall approving Resolution No. 2067, declaring approval of the Resolutions Enacted by the Board of the PURMS Self-Insurance Fund at its Annual Meeting on November 12, 2009.

MOTION CARRIED.

At 9:45 a.m., President Lori Sanders announced that the commission meeting would recess for 15 minutes.

At 10:00 a.m., President Lori Sanders announced that the commission meeting would reconvene into regular open public session.

2010 Bond Issue

Assistant General Manager briefed the Commission on two previous commission meetings where discussions and presentations were held on proposed debt restructuring, and noted the Commission requested that staff explore further debt issuance scenarios which would levelize annual debt service in the years 2016 and 2017.

At 10:03 a.m., Christine Pihl Hein and BoMee Chu, both of J.P. Morgan, joined the commission meeting by conference call. Ms. Hein gave a presentation briefly reviewing past information provided to the Commission, and then showing additional options for a potential cash defeasance of the 2001 bonds and a new money bond issue in 2010. Three proposed new money scenarios were reviewed, \$10 million, \$15 million and \$16.4 million.

Manager of Risk Management and Treasury gave a presentation on two options of defeasance of the 2001A bonds to allow for shaving the peaks in the years 2016 and 2017, and gave three options for the size of the proposed bond issuance, \$10 million, \$15 million and \$16.4 million. Staff recommended a cash defeasance of \$16.4 million of the 2001 bonds in early 2010, and a bond issuance of \$16.4 million to finance capital expenditures and replenish cash used for the defeasance. Staff noted the recommendation takes advantage of historically low interest rates, reduces projected rate increases in 2012-2013, supports stable rates, supports ratepayer equity for long-lived assets and supports the District's financial policy guidelines.

Commissioner Jeff Hall acknowledged staff's recommendations on borrowing money with the current conditions available, and stated things could be looked at in the future as needed. Ms. Pihl stated that PUD staff was a pleasure to work with and acknowledge the thoroughness of their work on the issues.

Ms. Pihl and Ms. Chu left the commission meeting at 10:40 a.m.

Manager of Treasury and Risk Management stated that the proposed bond sale could be done as a negotiated sale or a competitive sale and explained the processes of each type.

After a general discussion, the Commission concurred with the staff recommendation to prepare for a \$16.4 million bond issuance under the negotiated sale process.

Security Audit Report

Manager of Information Systems reviewed the reassessment of a security audit accomplished 3 years prior and reviewed noted improvements and the District's ranking by the consultant – showing an improvement from the previous ranking. Recommendations going forward were briefly reviewed.

Cancellation of December 22, 2009 Regular Commission Meeting

General Manager stated that all business currently identified as needing to come before the Commission has been completed, and a recommendation was made to cancel the next regularly scheduled meeting of December 22, 2009.

Motion by Jeff Hall, seconded by Robert Bertsch cancelling the District's regular commission meeting scheduled for 9:00 a.m. on December 22, 2009, and directing the General Manager to provide notification to the public of such cancellation.

MOTION CARRIED.

Meeting Reports

President Lori Sanders provided a brief update on Energy Northwest CEO search committee activities.

President Lori Sanders briefed the Commission on discussions held with the executive policy advisor for the governor on energy issues relating to conservation.

Commissioners Jeff Hall and Robert Bertsch briefly discussed the annual meeting of the Washington PUD Association, and Commissioner Jeff Hall noted he was elected as Vice-President to the board.

At 11:15 a.m., President Lori Sanders announced that the Commission Meeting would recess of 10 minutes.

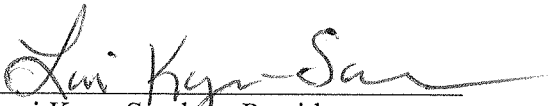
At 11:25 a.m., President Lori Sanders announced that the Commission Meeting would reconvene into regular open public session.

At 11:25 a.m., President Lori Sanders announced that the Commission Meeting would go into Executive session with General Counsel for 55 minutes to discuss potential litigation and to discuss the performance of a public employee.

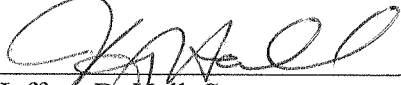
At 12:20 p.m., President Lori Sanders reconvened the Commission Meeting into regular open public session.

President Lori Sanders reviewed retention and performance criteria that were proposed for an employment contract with the General Manager.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 12:35 p.m.


Lori Kays-Sanders, President

ATTEST:


Jeffrey D. Hall, Secretary