

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

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Date: February 10, 2009  
Time: 9:00 a.m.  
Place: 2721 West 10<sup>th</sup> Avenue, Kennewick, Washington

***Present:***

Commissioners Bertsch and Hall  
General Manager Sanders  
Assistant General Manager/Director of Finance and Business Services Bartram  
Legal Counsel Hultgrenn  
Manager of Treasury and Risk Management Bickford  
Director of Engineering Dunn  
Director of Operations Hunter  
Director of Power Management Gregg  
Superintendent of Support Services Splattstoesser  
Manager of Accounting White  
Manager of Communications and Governmental Relations Miller  
Manager of Human Resources Walsh  
Manager of Key Accounts McAloon  
Manager of Customer Service Ball  
Manager of Contracts and Purchasing Alexander  
Manager of Contracts and Purchasing Ochweri  
Supervisor of Broadband Nall  
Power Management Analyst Bender  
Commission Relations Specialist Hurst  
Executive Assistant Scrimsher

***Absent:*** President Lori Sanders, excused

***Guest:*** Jim Oakley, Energy Northwest; Dave Spencer, Northwest Open Access Network

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Mr. Rex Gest led the pledge of allegiance.

**Treasurer's Report**

Treasurer reviewed the January 2009 Treasurer's Report. The Commission approved the January 2009 Treasurer's Report. The counterparty credit report was distributed and briefly discussed.

Vice-President Robert Bertsch noted that President Lori Sanders was excused from attendance at today's commission meeting.

**Management Reports**

*Director of Power Management:*

1. The mark to market report was distributed and briefly reviewed.
2. The Frederickson report was distributed and briefly reviewed. It was noted that the plant did not run in January of 2009.

3. The Bonneville Power Administration (BPA) power rate case background information was distributed. It was noted the transmission rate case and power rate case will be done jointly. A 0% projected increase in transmission and 9.4% projected increase in the power rate case were discussed.
4. Under a new BPA conservation program, BPA will be directly funding efficient motor rewinds at a service shop in Pasco. The District will receive credit for the conservation savings from any District customer that participates.

*Manager of Communications and Governmental Relations:*

1. A brief discussion was held on the Governor's bill being presented in both the House and Senate.
2. Bills proposed to amend the Energy Independence Act (Initiative 937) were briefly reviewed.
3. The success of the first Energy Independence Day held in Olympia was discussed.
4. The WSU Imagine Tomorrow Program was reviewed. The District will be one of the sponsors for this event for \$2,500. The sponsorship includes great exposure through promotional material and on-site during the event. Kennewick and Prosser High Schools were involved in the program last year.
5. The District's proposed stimulus package submissions were distributed and briefly reviewed.
6. Manager of Communications and Governmental Relations reported that work was continuing on developing white papers for the upcoming American Public Power Association Legislative Rally in Washington, D.C.
7. Senator Cantwell has been named Chair of the Senate and Energy Natural Resources subcommittee.
8. City of Kennewick has requested the District provide a letter of support for matching funds for a sign at the Southridge area entrance to the community. The District will be sending a letter in support of the sign.
9. The Northwest RiverPartners has asked its members to send a letter opposing Oregon State's proposal to remove the Total Dissolved Gas (TDG) monitors from the dams. A letter from the District opposing the removal of TDG monitors will be sent today.
10. A Public Power Council (PPC) Mythbusters information sheet regarding the hydrosystem was distributed.
11. A handout on hydropower and how it relates to climate change was distributed.

*Manager of Customer Service:*

1. The Credit and Collections Dashboard was reviewed. A handout was provided detailing highlights of the report. It was noted the District is doing better than national trends, with the age of its receivables at 60 days or less. Net write-offs in 2008 were 1/5<sup>th</sup> a percent of revenue compared to 1/2 percent of revenue in 2005. Disconnects were down 21% compared to 2007. Success of the District's credit and collections statistics were attributed to lower rates, consistent credit policies, extensive employee training, and good customer notification procedures. The commission was briefed that changes in the economy and potential rate increases could affect these statistics in the years to come.

*Jim Oakley, Energy Northwest*

1. Mr. Oakley, Energy Northwest Account Executive, provided an update on the Columbia Generating Station, Mustang Ridge, Packwood net generation and the Nine Canyon wind farms.

*Director of Engineering:*

1. Michelle Ochweri, the new Manager of Contracts and Purchasing, was introduced. It was noted Linda Alexander, currently in that position, will be retiring in June of 2009.

2. Director provided an update on the AMI project. The Commission was informed that the District's thematic goal of April 17<sup>th</sup> for the first 1,000 meters may be delayed due to a functionality issue identified with the disconnects of the meters. It was noted that the issue was identified prior to a massive implementation was completed and Sensus was actively working on resolving the problem. The TGB noise issue has been resolved to the District's satisfaction. Sensus is cooperating with the District in resolving issues relating to customer notification and reworking of meters already installed, as part of their work in addressing the meter disconnect issue.
3. Talking points for AMI were distributed.

### **Public Comments**

Mr. Rex Gest expressed concern with BPA's new proposal for utilities to look at providing their own generation – specifically as it related to past decisions to build nuclear plants at the Washington Public Power Supply System (WPPSS). General Manager provided an explanation on the federal base system requirements and the need to acquire additional resources in excess of the FBS allocation. It was noted the District would acquire resources for its own resources, not like the WPPSS decision to acquire resources for BPA. Director of Power Management noted the District can make decisions in small increments instead of very large ones as was accomplished during the WPPSS decisions.

### **Consent Agenda**

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

- a) Approving the minutes of the regular Commission Meeting of January 27, 2009.
- b) Approving the District Travel Report dated February 10, 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 2519-2566 in the total amount of \$250,188.83, Warrants (CHK) 38110/38164 – 38166/38228 in the total amount of \$461,450.63, Electronic Fund Transfer (EFT) Payments 2059-2072 in the total amount of \$8,206,925.32, Customer Refund (ERM) Payments 38165-38229/38261 in the total amount of \$2,030.64; Payroll Direct Deposit Advice 01/22/09 19638-19802 in the total amount of \$280,990.40 and Warrants 01/22/09 504108-504109 in the total amount of \$2,000, for a grand total of \$9,203,585.82. Voided ERM for January 2009 in the total amount of \$297.17 were included in the report.
- d) Approving Work Orders 20887, 22334 and 22341.
- e) Awarding the contract for 15kV URD Cable, Bid Package No. 09-04, to WESCO/Okonite of Portland, Oregon, for the total amount of \$113,589, plus Washington State sales tax, in accordance with RCW 54.04.080.
- f) Awarding Contract No. 09-03 for Tree Trimming to Asplundh Tree Expert Company of Kenmore, Washington, in the not-to-exceed amount of \$533,000, plus Washington State sales tax in accordance with RCW 54.04.080 for the first year with the option to extend annually up to two additional years.
- g) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 3 of Contract No. 06-01 with Asplundh Tree Expert Company, to increase the third year not-to-exceed amount from \$480,000 to \$595,000, plus Washington State sales tax.

MOTION CARRIED.

**Cancellation of February 24, 2009 Regular Commission Meeting**

Motion by Jeff Hall, seconded by Robert Bertsch cancelling the District's regular commission meeting scheduled for 9:00 a.m. on February 24, 2009, and directing the General Manager to provide notification to the public of such cancellation.

MOTION CARRIED.

At 9:55 a.m., Vice-President Robert Bertsch announced that the Commission Meeting would recess for 10 minutes.

At 10:05 a.m., Vice-President Robert Bertsch reconvened the Commission Meeting into regular open public session.

**Pole Attachment Rate Revision**

Director of Engineering recommended the commission approve the amendment to the Pole Attachment License Agreement. The amendment will remove the current requirement of a 180-day notice prior to changes in attachment fees, and incorporate the requirements of legislation passed in 2008 and codified under RCW 54.04.045. It was noted the District currently has approximately 17,000 pole attachments.

Motion by Jeff Hall, seconded by Robert Bertsch approving the amendment to the Pole Attachment License Agreement.

MOTION CARRIED.

**Correctional Industries, Washington State, Contract Award Recommendation**

**Remodel and Workstations for Customer Service Office**

Manager of Key Accounts recommended the commission approve a contract with Correctional Industries, under the direction of Chandler Business Interior, Inc. to remodel and purchase workstations for the customer service offices. The work will be completed under a Washington State contract; therefore a bid process is not required.

Motion by Jeff Hall, seconded by Robert Bertsch authorizing the General Manager, on behalf of the District, to sign Washington State Contract No. 14393 (Benton PUD Contract No. 09-31-01) with Correctional Industries of Shelton, Washington, under the direction of Chandler Business Interior, Inc. to remodel and purchase workstations for the District's Customer Service offices for a not-to-exceed amount of \$98,123.98, including Washington state sales tax, in accordance with RCW 54.04.080.

MOTION CARRIED.

**Battelle Memorial Institute, Pacific Northwest Division, Interlocal Cooperation Agreement, Use of Fiber Optic System**

Director of Engineering recommended the commission approve a contract with Battelle Memorial Institute to establish an Interlocal Cooperation Agreement (ICA) for use of a fiber optic system. It was noted this agreement was in the negotiation stages for the last two years. The agreement is for 15 years with the option to extend an additional five years. Director reviewed phases included in the ICA, noting the end result would be a build-out from Richland into Prosser. A letter to the Battelle Memorial Institute from the District's General Manager providing for contract clarification was briefly discussed.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign Contract No. 08-46-08 with Battelle Memorial Institute, acting on behalf of the United States Department of Energy's Pacific Northwest National Laboratory (PNNL), to establish an Interlocal Cooperation Agreement (ICA) between Benton PUD and PNNL for use of a fiber optic system.

MOTION CARRIED.

Mr. Dave Spencer, NoaNet, provided the commission with an update of NoaNet activities. Director stressed how much the region depends on NoaNet to bring fiber to the community. A proposed NoaNet expansion was reviewed which would require additional capital of approximately \$1.5 million, with an expected payback of \$5 million.

**Resolution No. 2028 Wholesale Customer Service Policy, Rates, Terms and Conditions of Service for Telecommunications**

Supervisor of Broadband reviewed changes to the District's current policy and specifically discussed adding VLAN's and Ports, eliminating 3-5 Mbps and 5-7 Mbps bursting options at certain speeds, adding 3 Mbps and 4 Mbps business fixed wireless services and adding multi-tenant rates. The new policy would be effective as of January 1, 2009.

Motion by Jeff Hall, seconded by Robert Bertsch, adopting Resolution No. 2028 adopting revised Wholesale Customer Service Policy, Rates, Terms and Conditions of Service for Telecommunications.

MOTION CARRIED

**The Energy Authority Consulting Task Order**

Director of Power Management recommended the Commission approve The Energy Authority (TEA) 2009 consulting task order which provides resources from TEA to follow and address power management issues in 2009.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to approve TEA 2009 Consulting Task Order, under Contract No. 06-51-11, in the amount of \$20,000 per month.

MOTION CARRIED.

**Audit of The Energy Authority**

Manager of Treasury and Risk Management reviewed the audit performed for 2008 TEA activities. The audit was done by representatives from Benton, Franklin and Grays Harbor PUDs. Based on the audit procedures performed, the deal capture process related to day ahead and real time transactions appears to have adequate controls in place to ensure each PUD's transactions are properly accounted for.

**The Energy Authority New Slice Term Sheet**

Manager of Risk Management and Treasury recommended the Commission approve the new slice term sheet. The changes will implement the requirements under the Bonneville Power Administration (BPA) contract to efficiently manage the District's power resources throughout the term of the BPA contract.

Motion by Jeff Hall, seconded by Robert Bertsch to approve the new Slice Term Sheet with The Energy Authority which modifies the Resource Management Agreement (RMA) dated June 2006,

and provides for management of the District's block and slice entitlements from the Bonneville Power Administration and other District resources commencing October 1, 2011, in substantially the form presented today.

MOTION CARRIED.

#### **The Energy Authority New Slice Optimization Services Pre-Commercial Activities**

Manager of Risk Management and Treasury recommended the Commission approve the new slice optimization services pre-commercial activities task order. It was noted that staff remains in negotiations with regard to warranty of services.

Motion by Jeff Hall, seconded by Robert Bertsch to authorize the General Manager, on behalf of the District, to sign The Energy Authority New Slice Optimization Services, Pre-Commercial Activities Task Order, under Contract No. 06-51-11 in the amount not-to-exceed \$800,000, in substantially the form presented today.

MOTION CARRIED.

#### **Energy Northwest Memorandum of Understanding, Rattlesnake Mountain Building Site**

Director of Engineering recommended the Commission approve a memorandum of understanding with Energy Northwest regarding a combined community communications facility. A final MOU was distributed and discussed.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign a Memorandum of Understanding with Energy Northwest, regarding a Combined Community Communications facility.

MOTION CARRIED.

#### **Microwave Network**

Director of Operations reviewed with the Commission the Microwave Network and provided background on how this information is used by the District and other public entities. The presentation was intended to educate the Commission on how the District's communication systems integrate with the other systems. The District will be making some decisions regarding the Microwave Network and the 800 MHz system in the future.

#### **December Financial Statement**

Manager of Accounting reviewed the December Financial Statements. It was noted the District's annual state audit will take place in mid-March and the entrance audit with the Commission will be scheduled accordingly.

#### **Performance Measurement – 4<sup>th</sup> Quarter 2008 Report**

Assistant General Manager presented the fourth quarter performance measurement results. During the fourth quarter, 15 of the 19 performance measures were rated as having positive performance with a positive outlook and/or exceeding the quarterly expectation. Telephone Service Level, which has been under construction, was revised to include two measures with goals to answer 65% of calls within 30 seconds and 90% within 120 seconds. Three measures, Safety, Electric System Outages, and Day Ahead Power Price vs. ICE were rated as needing improvement and not meeting the targeted quarterly performance. One measure, Broadband Network Reliability, was rated red indicating negative quarterly performance.

Proposed Changes for 2009 Performance Measurement Reporting were discussed.

**2008 Strategic Plan – Fourth Quarter Report and 2008 Summary**

Assistant General Manager presented to the Commission the Strategic Planning fourth quarter report as well as the District's 2008 accomplishments.

**Future Planning**

General Manager noted that the Manager of Communications and Governmental Relations was preparing materials in preparation for the American Public Power Association legislative rally to be held in Washington D.C.

General Manager informed the Commission that a GIS demonstration and the Broadband Business Plan will be brought to the commission in March.


**Meeting Reports**

Commissioner Jeff Hall reported on a Washington PUD Association finance committee meeting he attended and thanked the Assistant General Manager for his successful involvement on the committee.

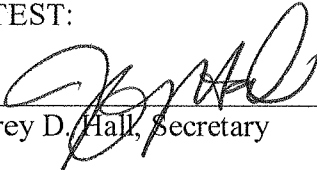
At 12:25 p.m., Vice-President Robert Bertsch announced that the Commission Meeting would recess for 10 minutes to discuss litigation to which the District is a party.

At 12:35 p.m., Vice-President Robert Bertsch announced that the Commission Meeting would reconvene into regular open public session.

Hearing no objection, Vice-President Robert Bertsch adjourned the Commission Meeting at 12:36 p.m.

  
Robert E. Bertsch, Vice- President

ATTEST:

  
Jeffrey D. Hall, Secretary