

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

Date: January 27, 2009
Time: 9:00 a.m.
Place: 2721 West 10th Avenue, Kennewick, Washington

Present:

Commissioners Sanders 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
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
Manager of Customer Service Ball
Supervisor of Information Systems Mills
Supervisor of Broadband Nall
Supervisor of Support Services Splattstoesser
Products and Services Analyst Philipp
Commission Relations Specialist Hurst

Excused: Commissioner Robert E. Bertsch

Guests: Larry Felton, Bonneville Power Administration; Benton City Mayor Carnahan and guests

Director of Engineering led the pledge of allegiance.

President Lori Sanders stated that Commissioner Robert Bertsch was excused from attendance at today's commission meeting.

Report from Management

General Manager:

1. An article in Clearing Up on wind power and salmon issues and the impacts on renewables was briefly discussed.
2. A letter to Sarah Patton of the Northwest Energy Coalition on issues ranging from wind, renewables, fish, and the Snake River dams was distributed and briefly discussed.
3. A letter to Senator Cantwell on the stimulus package and urging Congress to include additional funding for renewable energy production incentives (REPI) as well as new Clean Renewable Energy Bonds (CREBs) was distributed and briefly discussed.

4. A resolution adopted by WPUA in support of expanded telecommunications authority was distributed.
5. Information regarding a seminar on cap and trade being offered in Seattle in March was distributed.
6. A letter to Representative Rick Larsen from BPA and Alcoa was distributed and briefly discussed.
7. A letter to the editor on the District's auditorium use was briefly discussed. Staff is reviewing the policy and will bring a recommendation to the Commission in March for consideration.

Manager of Treasury and Risk Management:

1. The daily credit report prepared by The Energy Authority (TEA) was distributed and reviewed.
2. Ms. Nancy Neraas, the District's long-standing bond counsel, is moving to Foster Pepper. Due to her expertise and knowledge of the utility industry as well as her work with the District over the long term, staff will continue utilizing her services with the new law firm.
3. The Resource Management Agreement with TEA requires changes due to the need for additional Bonneville Power Administration (BPA) contractual services. The contract will be brought to the February 10, 2009 commission meeting for consideration.

Director of Power Management:

1. The mark to market report was distributed and briefly discussed.
2. Information on forward market transactions was distributed and briefly discussed.
3. The December 2008 Frederickson report was distributed and briefly discussed.

Manager of Communications and Governmental Relations:

1. A tracking list from WPUA on bills before the legislature was distributed and key bills were briefly reviewed.
2. Representative Haler is sponsoring Energy Independence Day in Olympia on February 6th that will feature power-related industries in the Tri-Cities area. Benton PUD will be sharing a booth with Franklin PUD and have information relating to power generation.
3. The Tri-Cities Legislative Council is holding its annual Olympia reception February 19th.

Assistant General Manager/Manager of Accounting:

1. The Commission was briefed on the history of changes relating to commissioner salaries and per diem over the past years, and the resolutions adopted by the commission in response to legislative action. The State Auditor is reviewing its recommendations on when per diem and salaries can be changed effective the date of legislation, and when a change can take place only after a commissioner stands for election. Further information will be reported upon receipt of the State Auditor's guidance.

Public Comments

Mr. Lloyd Finley, Manager of HVAC Recovery, discussed a bid in which he participated in the Fall of 2007, and stressed the importance of awarding bids by preference to local entities in order to ensure their success in the community. Mr. Finley did note that he could not meet the tempered glass requirement. Mr. Finley questioned if the winner of the bid, Jayco Environmental, Inc., was administering the contract correctly, specifically regarding picking up refrigerators that do not operate. General Manager requested staff review the bid process utilized prior to awarding the contract, and requested information relating to the winning bidder's contract administration practices in the area of recovery.

Mayor Carnahan and others were welcomed. Director of Engineering and Supervisor of Broadband provided an update on the District's current fiber routes and future fiber plans. A schematic of future fiber through a PNNL proposed contract was distributed. Any potential build through the PNNL contract, if approved, would be scheduled for the 2009/2010 timeframe.

Mayor Carnahan stated that Benton City is looking for fiber in 2010 to support a proposed industrial park as well as the citizens and schools in the area. Mayor Carnahan stressed that the Benton City area needs to be competitive with new technology in order to successfully grow the community. Mr. John Haakenson, Port of Benton, stated that one of the first questions asked of new entities considering moving into the area was the support of technology of this type and its current availability. Mr. Dan Cryer, Port of Kennewick, noted his support of Mayor Carnahan and further recognized the importance of bringing fiber to the Benton City area. Mr. Cryer was pleased with the high speed broadband available now at the Spaulding Business Park. Mayor Carnahan thanked the Commission.

Mr. Rex Gest, customer, discussed the fiber available from the Columbia Generating Station to Energy Northwest, and staff held a brief discussion on the location of the fiber in that area.

Report from Management (continued)

Director of Engineering:

1. The Commission was provided an update on the status of the District achieving its thematic goal relating to AMI of "the first 1,000 meters" by April 17, 2009.

Assistant General Manager/Manager of Key Accounts:

1. Manager of Key Accounts discussed recommendations for additional remodel work in the customer service area. The remodel would allow for a revolving door to resolve HVAC issues, provide better working areas, and provide an additional office for the Supervisor of Customer Care. This remodel was originally budgeted for 2008, but due to high costs in the responsive RFPs, the work is being re-bid this year. Dependent upon pricing, a contract may be brought for consideration within the next two months. A budget adjustment in August would be required since the work was originally budgeted in 2008.

Manager of Products and Services:

1. The Department of Labor and Industries requested and was provided with information relating to commercial conservation measures taken by contractors as part of their effort to ensure compliance.

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

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

Consent Agenda

Motion by Jeff Hall, seconded by Lori Sanders to approve the Consent Agenda as follows:

- a) Approving the minutes of the regular Commission Meeting of January 6, 2009.
- b) Approving the District Travel Report dated January 27, 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 2440-2518 in the total amount of \$872,715.02, Warrants (CHK) 37800/37865 37935/37992 37994/38063 in the total amount of \$675,079.40, Electronic Fund Transfer (EFT) Payments 2054-2058 in the total amount of \$431,872.32, Customer Refund (ERM) Payments 37866/37934 37993 38064/38109 in the total amount of \$13,431.28; Payroll Direct Deposit Advice 01/08/09 19476-19637 in the total amount of \$270,512.72 and Warrants 01/08/09 504107 for -0-, for a grand total of \$2,263,610.74. Voided ERM for December 2008 in the total amount of \$91 was included on the report.

- d) Reviewing Jobs Report to Commission dated January 27, 2009.
- e) Adopting Resolution No. 2026, 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 same. (AGEMA Thermovision – infrared camera).
- f) Authorizing the General Manager, on behalf of the District, to award the contract for wood pole inspection and treatment, Bid Package No. 09-01 to Osmose Utilities Services, Inc. of Tyrone, Georgia, for the total amount of \$173,937.90, plus Washington State sales tax in accordance with RCW 54.04.080.
- g) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 4 of Contract No. 07-21-05 with Manpower, to increase the not-to-exceed amount by \$90,000, effective January 1, 2009, bringing the new not-to-exceed amount to \$219,500, and extending the contract date to December 31, 2009.

MOTION CARRIED.

Nonstandard Discretionary Compensation and Benefits Annual Report

Manager of Human Resources reviewed a summary of nonstandard discretionary compensation for 2008. In accordance with Resolution No. 1922, which requires an annual reporting of aggregate value to be reported to the Commission, it was noted that the total paid for 2008 was \$35,720.92.

Renewable Energy Credits – 2008 Activity

Manager of Products and Services and Products and Services Analyst reviewed the District's renewable energy credit (REC) activity for 2008, and noted that under I-937 RECs can be sold through December 31, 2011 on an as available basis.

Solar Energy Update

Manager of Products and Services and Products and Services Analyst informed the Commission that the Kennewick solar system is running and generating electricity; the Prosser project is working on programming issues. A significant amount of the costs associated with the demonstration projects will be refunded through BPA. The District's customers are starting to investigate solar technology as an energy source; however, cost is currently an inhibiting factor for system installations.

Rattlesnake Mountain Building Site

Director of Operations updated the Commission on development of a request for proposals to construct a building and tower site on Rattlesnake that will consolidate all the users. The District has been asked to act as a primary tenant to manage agreements to collect initial capital costs and annual maintenance fees with 9 to 15 other public entities that would be housed in part of the facility. Staff anticipates providing the Commission a contract and recommendation in March of 2009.

Emergency Restoration Plan

Director of Operations gave an overview of the emergency restoration plan and provided an update of the outage queue that was recently tested by District staff. Certain staff recently attended a meeting

on FEMA requirements in the event of an emergency, and upon final review of the FEMA requirements it is anticipated that changes will be made to the Plan. Additional information will be brought to the Commission at a later date.

Resolution No. 2027, Merit Based Salary Administration Plan/Total Compensation Philosophy Statement

Manager of Human Resources recommended the Commission adopt Resolution No. 2027, authorizing a merit based salary administration plan. A recap of the work with Milliman leading up to the recommendation was reviewed. A review of the compensation philosophy document was provided. It was noted that the new salary administration plan limits base pay to 110% of the position rate target, and provides for an annual lump sum merit increase above 110% up to 115%. This change represents a reduction in the top-end of the salary ranges which are currently set at 120%. The new Plan replaces Exhibits A & B of past resolutions.

Motion by Jeff Hall, seconded by Lori Sanders adopting Resolution No. 2027, authorizing a Merit Based Salary Administration Plan and acknowledging the Total Compensation Philosophy Statement, effective January 27, 2009.

MOTION CARRIED.

Other Business

Supervisor of Information Systems recommended the Commission approve a change order with MBJ Consulting, increasing the not-to-exceed amount of the contract by \$90,000 annually for 2009 and 2010. This is a three-year contract entered into in 2008.

Motion by Lori Sanders, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign Change Order No. 1 of Contract No. 08-15-01 with MBJ Consulting, to increase the not-to-exceed amount by \$90,000 annually for 2009 and 2010, bringing the new not-to-exceed amount to \$270,000.

MOTION CARRIED.

Future Planning

General Manager noted the Infinia Tour is scheduled for March 11th for those interested in attending.

General Manager discussed the federal stimulus package and questioned if the Commission desired staff to submit a request for funding for a broadband build-out larger than the current plan. The Commission concurred that the General Manager should move forward on submitting a request for funding for broadband. Commissioner Lori Sanders requested that Riverview High School and the library in the Finley area also be considered during future fiber project plans.

General Manager briefed the Commission on a meeting scheduled to discuss BPA's role in conservation, and discussed the Public Power Council's direction to work with BPA in re-looking at the conservation effort, recognizing that the Energy Independence Act (I-937) plays a part in conservation for the larger utilities. Talking points on the issue were distributed.

Meeting Reports

Commissioner Lori Sanders discussed an article in Clearing Up from the Northwest Energy Coalition advocating a new BPA Administrator. The Commission requested the General Manager send a letter supporting the current BPA Administrator, Steve Wright.

Commissioner Lori Sanders reported on a new generation meeting held by the American Public Power Association and discussions held with other attendees regarding nuclear energy. Commissioner expressed the value of attending the conference for the networking as well as the learning.

Commissioner Lori Sanders briefly discussed proposed legislation that provides for salary caps for certain public service companies, and a brief discussion was held.

Commissioner Lori Sanders reported that an area in Prosser known as Mustang Ridge on or near Mercer Ranch is being studied as a wind site by Energy Northwest. Director of Power Management stated he would get additional information on the sited area.

At 11:50 a.m., President Lori Sanders stated that the Commission Meeting would recess for 5 minutes. The Commission Meeting was reconvened at 11:55 a.m.

At 11:55 a.m., President Lori Sanders stated that the Commission Meeting would go into Executive Session for 30 minutes with General Counsel for the purpose of discussing litigation to which the District may become a party.

At 12:25 p.m., President Lori Sanders reconvened the Commission Meeting into regular open public session.

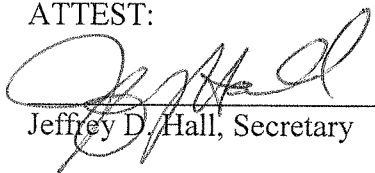
Motion by Jeff Hall, seconded by Lori Sanders authorizing the General Manager, on behalf of the District, to undertake any legal action necessary to preserve and pursue the District's claim for a refund of overpayments of privilege tax.

MOTION CARRIED.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 12:30 am.


Robert E. Bertsch, Vice President

ATTEST:


Jeffrey D. Hall, Secretary