

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

Date: January 6, 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 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
Supervisor of Information Systems Mills
Power Management Analyst Bender
Records Program Administrator Azure
Administrative Assistant – Engineering Gale
Administrative Assistant – Administration Preddie
Commission Relations Specialist Hurst

Guest: Larry Felton, Bonneville Power Administration

Commissioner Robert Bertsch led the pledge of allegiance.

Oath of Office

Assistant General Manager/Auditor administered the Oath of Office to Commissioner Jeff Hall, re-elected to a six-year term on the Benton PUD Commission.

Treasurer's Report

Treasurer reviewed the December 2008 Treasurer's Report. The Commission approved the December 2008 Treasurer's Report. The investment list and counterparty credit reports were briefed. The Commission was informed that the District was not currently trading with Semptra.

Management Reports

General Manager:

1. A letter from Douglas PUD asking for support of Lynn Heminger for the Washington State seat on the Northwest Public Power Association's Board of Trustees was distributed. The Commission requested a letter supporting Mr. Heminger be submitted on behalf of the Commission.

2. TRIDEC is holding its annual economic outlook forum on January 28, 2009. The commissioners were urged to attend.
3. Information from the Public Power Council (PPC) on Direct Service Industries (DSI) information was distributed.
4. A letter from Steve Wright, BPA, was distributed, expressing congratulations on entering into a new power contract.
5. A paper from the Washington PUD Association (WPUDA) energy and legislative committees was distributed that addressed proposed amendments to I-937.

Manager of Communications and Governmental Relations:

1. Manager of Communications reported on a meeting with the Tri-City Herald Editorial Board attended by Jim Sanders, Benton PUD; Ed Brost and Debbie Bone-Harris, Franklin PUD; Steve Eldridge, Umatilla Electric Cooperative; and Darryl Olsen, Columbia Snake River Irrigators Association.
2. Data regarding fish issues and recovery from PNUCC was distributed. Excerpts from the information will be used to help educate customers on the issues.
3. The WPUDA legislative reception in Olympia is scheduled for January 15, 2009.
4. Representative Larry Haler is working on an Energy Independence Day in Olympia that will focus on the Tri-Cities area. The event is scheduled for February 6, 2009.

Director of Power Management:

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

Assistant General Manager:

1. As a follow-up to a request received from Energy Northwest to provide contributions toward the Science Technology Engineering and Math (STEM) school, the Washington State Auditor's office informed District staff that there is no authority which allows a PUD to provide contributions of that manner.
2. As authorized at the December 9, 2008 Commission Meeting, General Manager submitted a claim to the Department of Revenue for overpayment of State privilege taxes. Legal Counsel reviewed issues relating to the statute of limitations on such claims. A final answer on this claim may take up to one year.

Director of Operations:

1. Director reviewed building proposals for future use of the Rattlesnake Mountain site. Additional discussion on this issue will be scheduled for the next commission meeting. General Manager stated he was pleased with the work and interest of this project by Energy Northwest.

Director of Engineering:

1. Director reiterated the thematic goal of "the first 1,000 meters" as the focus of the District, noting the goal was to install, read and bill the first 1,000 meters on AMI by April 17, 2009. Delays in receiving meters were discussed. The District will issue a request for proposals to electrical contractors soon in order to create a call-out list in the event of customer equipment problems identified during the change-out of meters.
2. Director discussed a follow-up conversation with Mr. Larry Dunbar, City of Port Angeles, regarding information relating to Sensus Flexnet, and it was clarified that the City was evaluating a different system than the Flexnet system being installed by the District.
3. General Manager noted that it was anticipated \$1.6 million would be paid out of reserves for AMI in 2008, however this total amount was not paid due to the delay receiving the meters for the AMI project. Director indicated the meters represented around \$1 million of the total anticipated

expenditures in 2008, and that the balance (over \$600k) was spent on radio equipment and computer hardware and software.

Consent Agenda

President Lori Sanders discussed the current usage of the Consent Agenda for certain large dollar amount items, explicitly noting the digger derrick as a large expenditure. General Manager stated that routine business is considered for placement on the consent agenda, which may include items of a large dollar amount. General Manager indicated that per the Governance Policy, any commissioner may individually move any item to the business agenda for discussion. Commissioner Lori Sanders confirmed that she did not require any items to be moved to the business agenda at this time.

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 December 9, 2008.
- b) Approving the District Travel Report dated January 6, 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 2316-2439 in the total amount of \$1,598,681.49, Warrants (CHK) 37432/37480 37549/37607 37609/37683 37730/37796 in the total amount of \$491,101.07, Electronic Fund Transfer (EFT) Payments 2038-2053 in the total amount of \$4,273,015.11, Customer Refund (ERM) Payments 37481/37548 37608 37684/37729 37797/37799 in the total amount of \$12,110.40; Payroll Direct Deposit Advice 12/11/08 19155-19313 in the total amount of \$313,599.60, Warrants 12/11/08 504101-504105 in the total amount of \$4,379.02; Direct Deposit Advice 12/24/08 19314-19475 in the total amount of \$284,623.96 and Warrants 12/24/08 504106 for a 0 amount, for a grand total of \$6,977,510.65. Voided ACH December 2008 in the total amount of \$1,976.19 and voided warrant December 2008 in the total amount of \$238.26 were included on the report.
- d) Reviewing Quarterly Contracts Activity Report to Commission dated January 6, 2009.
- e) Awarding a contract for No. 2 15kV URD Cable, Bid Package No. 09-02, to WESCO/Okonite of Portland, Oregon, per firm pricing, option (a), for the total amount of \$113,700, plus Washington State sales tax in accordance with RCW 54.04.080.
- f) Awarding a contract for a digger derrick, Bid Package No. 08-11, to Altec, Inc. of Dixon, California, for the total amount of \$162,701, 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. 12 of Contract No. 95-23-02 with Doble Engineering, to extend the contract for a three year period, February 6, 2009 through February 6, 2012, with a not-to-exceed amount of \$66,000 for that period.
- h) Adopting Resolution No. 2025 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.
- i) Amending Designation of Representatives to Various Organizations for 2009, authorizing James W. Sanders to act in the capacity of Board Member to TRIDEC.
- j) Adding Leadership Tri-Cities to the District's 2009 Affiliations List.

MOTION CARRIED.

At 10:00 a.m., President Lori Sanders announced that the Commission Meeting would recess for 10 minutes.

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

Irrigation Water Management Program

Manager of Products and Services recommended the Commission approve a contract with IRZ Consulting, LLC for the District's Scientific Irrigation Scheduling (SIS) Program that is available for large customers. The SIS program for 2009-2011 has been approved by BPA as a custom project proposal which outlines the program requirements that are substantially in the FY 2006-2008 BPA approved SIS program. The 2009 SIS program will be self funded by the District and will receive 100% kWh savings toward the Contract High Water Mark (CHWM). The SIS program will allow the District to claim actual kWh's for the CHWM, plus claim savings under I-937.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign Contract No. 09-45-02 between Benton PUD and IRZ Consulting, LLC for the District's Scientific Irrigation Scheduling (SIS) program in an amount not-to-exceed \$180,585.
MOTION CARRIED.

Document Management System Update

Supervisor of Information Systems gave a presentation on the status of the Document Management Team and work relating to preparing for a commission recommendation on a document management system in early March 2009.

IRP Update on Resource Costs and CO₂ Assumptions

Director of Power Management gave a presentation to update the Commission on generating resource costs, and the planning environment relating to CO₂ costs and timing and natural gas and coal costs. The Commission concurred with the information presented. Director advised that if the Commission hears information that is different at next week's APPA meeting or other forums, to notify the IRP team for possible changes.

November Financial Statements

Manager of Accounting reviewed the November Financial Statements.


Future Planning

General Manager distributed a draft 2009 performance appraisal document to be utilized in 2010 during the performance evaluation process of 2009 accomplishments. General Manager clarified for the Commission that for 2009 he is serving on the following committees/boards: Executive Committee of the Public Power Council, Chair of the Board for PNUCC, Vice-Chair and possible Chair of the WPUDA Energy Committee, and Board Member of TRIDEC. General Manager stated he would schedule a time in February/March to allow the Commission to complete his performance review for 2008.

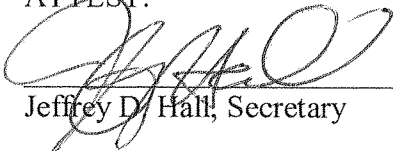
President Sanders noted she is attending an energy conference in Houston in February, and asked the Director of Power Management to review the agenda and provide recommendations on classes most beneficial to attend.

Commissioner Jeff Hall announced he would occasionally be attending the Public Power Council meetings.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 11:30 am.


Lori Kays-Sanders, President

ATTEST:


Jeffrey D. Hall, Secretary