

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

Date: July 14, 2009
Time: 9:00 a.m.
Place: 2721 West 10th Avenue, Kennewick, Washington

Present:

Commissioners Sanders, Bertsch and Hall
Assistant General Manager/Director of Finance and Business Services Bartram
Director of Engineering Dunn
Director of Operations Hunter
Director of Power Management Bickford
Manager of Communications and Governmental Relations Miller
Manager of Human Resources Walsh
Manager of Products & Services Johnson
Manager of Key Accounts McAloon
Manager of Customer Service Ball
Manager of Broadband Nall
Manager of Contracts & Purchasing Ochweri
Supervisor of Executive Administration Hurst
Marketing Specialist II Sparks
Financial Analyst II Martin
Executive Assistant-AGM Scrimsher
Administrative Assistant-Executive Preddie
Administrative Assistant-HR George

Absent: General Manager Sanders

Guest: Larry Felton, BPA Account Executive

Manager of Broadband led the pledge of allegiance.

Assistant General Manager stated the General Manager would not be in attendance at today's meeting, and further noted the Treasurer and Deputy Auditor would also not be in attendance.

Assistant General Manager stated Commissioner Lori Sanders would be joining the meeting at a later time.

Treasurer's Report

On behalf of the Treasurer, Assistant General Manager reviewed the June 2009 Treasurer's Report. The Commission approved the June 2009 Treasurer's Report. The counterparty credit report was distributed and briefly discussed. The credit exposure by sector report was distributed and briefly discussed.

Management Reports

Assistant General Manager:

1. The Commission was informed that the District's annual budget hearing for 2010 was scheduled for October 5, 2009, at 6:00 p.m. A formal motion setting the meeting will be brought to a future commission meeting.
2. The Energy Authority's (TEA) Semiannual West Coast Partners Meeting is scheduled for next week in Bellevue. Information on the meeting will be provided to the commissioners.

Director of Engineering:

1. A brief update was provided on the Smart Grid Test Bed. Utilities are working together to develop a final proposal to the Department of Energy.
2. Director stated that 7,365 AMI meters have been installed, and the Commission was updated on the new Sensus meters. Poly phase meters are currently being tested by Sensus to ensure their upgraded communication module design is working correctly prior to shipment.

Director of Operations:

1. Materials from Energy Northwest's (ENW) Rattlesnake Mountain Combined Community Communication Facility stakeholder's meeting were distributed. A user's group is preparing a letter to Representative Doc Hastings requesting funding support for the facility. Signed agreements are due to ENW in August of 2009.

Director of Power Management:

1. The District's 2010 Power Supply Plan Draft and the BPA Exhibit C Load Forecast will be brought to the July 28, 2009 commission meeting, with the final power supply plan brought for consideration in December 2009.
2. An update was provided on the Central Washington Power Agency (CWPA) request for proposals on renewables.
3. An update was provided on the Waxman-Markey legislation. TEA and the Washington PUD Association (WPUDA) are reviewing its impacts.

Manager of Communications and Governmental Relations:

1. A presentation and tour of the District's web site was provided. Staff reported utilizing Google Analytics which provides statistical data relating to customer usage of the web site. It was noted that over 8,000 visits were recorded in a one month period. Manager of Communications thanked the Marketing Specialist II for her work in developing the new web site.

Public Comments

Mr. Robert Gretzinger, customer, noted he received a packet of information on the water situation in the Yakima Valley.

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 June 23, 2009.
- b) Approving the District Travel Report dated July 14, 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 3175-3268 in the total amount of \$1,049,867.59, Warrants (CHK) 39686/39768 – 39808/39960 in the total amount of \$612,540.56, Electronic Fund Transfer (EFT) Payments 2134-2146 in the total amount of \$5,843,881.72, Customer Refund (ERM)

Payments 39769/39807, 39879-39961/40020 in the total amount of \$10,929.47; Payroll Direct Deposit Advice 06/25/09 21472-21638 in the total amount of \$284,416.83 and Warrants 06/25/09 504149-504149 in the total amount of \$0, for a grand total of \$7,802,636.17. Voided Warrants for July 2009 in the total amount of \$3,141.24 were included in the report.

- d) Awarding the contract for 15kV URD Cable, Bid Package No. 09-07, to WESCO/Okonite of Portland, Oregon, for the total amount of \$80,800, plus Washington State sales tax, in accordance with RCW 54.04.080.
- e) Reviewing Quarterly Contract Activity Report to Commission dated July 14, 2009.

MOTION CARRIED.

Resolution No. 2041, Designating Deputy Auditors for the District

Assistant General Manager recommended the Commission adopt Resolution No. 2041, designating Jon Meyer and Davene Martin as Deputy Auditors of the District.

Motion by Jeff Hall, seconded by Robert Bertsch, adopting Resolution No. 2041 designating deputy auditors for the District.

MOTION CARRIED

Resolution No. 2042 Approving Authority to Issue Checks or Warrants and Initiate Electronic Funds Transfers

Assistant General Manager recommended the Commission adopt Resolution No. 2042, revising the authority to issue checks or warrants and initiate electronic funds transfers (EFTs), by District employees and Commission appointed positions.

Motion by Jeff Hall, seconded by Robert Bertsch, adopting Resolution No. 2042 approving the authority to issue checks or warrants and initiate electronic funds transfers (EFTs), by District employees and Commission appointed positions.

MOTION CARRIED

Resolution No. 2043 Amending Customer Service Policies and Rates

Marketing Specialist II reviewed in detail the recommended changes and clarifications to the Customer Service Policies and Rates, including the budget payment plan, deposits, line extension policy, bill payment policies, payment arrangement and assistance options, temporary service and multi-tenant facilities. Assistant General Manager recommended the Commission adopt Resolution No. 2043, amending the Customer Service Policies and Rates effective July 14, 2009.

Motion by Jeff Hall, seconded by Robert Bertsch, adopting Resolution No. 2043 amending Customer Service Policies and Rates effective July 14, 2009.

MOTION CARRIED

Other Business

Director of Engineering recommended the Commission authorize the General Manager, on behalf of the District, to approve and sign additional change orders to Paramount Communications, Inc., noting the Commission previously authorized change orders up to \$179,813, at the June 23, 2009 commission meeting.

Motion by Jeff Hall, seconded by Robert Bertsch, authorizing the General Manager, on behalf of the District, to approve and sign additional change orders to Paramount Communications, Inc. of Kennewick, Washington, for Contract No. 09-06 in the amount of \$200,187; increasing the cumulative change order authorization to \$380,000 and a contract total not-to-exceed to \$1,950,197.
MOTION CARRIED

Assistant General Manager recommended approval of the Special Commission Meeting Minutes for July 7, 2009. It was noted that information from the workshop will be provided at the July 28, 2009 commission meeting. It is anticipated that the final draft strategic plan for 2010 will be brought to the September 8, 2009 for review.

Motion by Jeff Hall, seconded by Robert Bertsch, approving the Special Commission Meeting Minutes of July 7, 2009.
MOTION CARRIED.

At 10:05 a.m., Vice-President Robert Bertsch announced that the Commission Meeting would recess for 25 minutes.

At 10:30 a.m., President Lori Kays Sanders joined the meeting at 10:30 a.m., and reconvened the Commission Meeting into regular open public session.

Resolution No. 2044 Modifying Financial Policies of the District

Assistant General Manager reviewed the financial planning process, and noted that the Director of Power Management will prepare the District's financial forecast for review at the July 28, 2009 commission meeting. Rating agency visits are scheduled for August 11 and 12 of this year.

Assistant General Manager highlighted proposed changes to the District's Financial Policies, including modifications to minimum reserve levels, guidelines on debt levels, periodic reporting of contingent liabilities, and evaluation of capital investments.

A discussion was held on minimum cash reserve levels. Commissioner Lori Sanders expressed concern that the current draft policies plan for too high of reserve levels, and stated she would like staff to look at reserve levels, debt reduction, and how to avoid debt. She further stated that she understood the need for sufficient reserve levels and that the levels may need to be increased, but felt the current proposal was a little aggressive, particularly the proposed levels for the Five-Year Capital Improvement Program.

A discussion was held on Consultant Mark Beauchamp's recommendation, risk mitigation and the possibility of reducing levels in the capital improvement area. Commissioner Robert Bertsch stated his areas of concern were the high capital reserve levels, the low levels of operations and maintenance and the upcoming bond debt. He noted that he did not want to change the current proposal to set \$26M aside, but recommended some possible shifts in allocations. Commissioner Jeff Hall suggested leaving the proposal as it currently is with a caveat in the financial policies changing allocated levels dependent upon a possible bond issuance, and further stated he believed it was prudent to avoid debt.

Assistant General Manager reviewed various scenarios utilizing an interactive spreadsheet showing minimum cash reserves when adjusting allocations to both Operations and Maintenance (O&M) and Capital Improvements. Assistant General Manager recommended the Commission consider adjusting minimum levels on the spreadsheet to see the impacts on the cash reserve levels. The

Commission tested various scenarios and agreed on adjusting O&M expenses from 12.5% to 15% and Capital Improvements from 58.3% to 30%.

At the conclusion of the spreadsheet review, Commissioner Lori Sanders noted that she would like to have the District address a power cost adjustment methodology, and Assistant General Manager stated staff is considering an option of tracking the impacts of a power cost adjustment for one year and will report back to the Commission at a later time.

Motion by Jeff Hall, seconded by Robert Bertsch, adopting Resolution No. 2055, modifying the Financial Policies of the District with the following amendments to the July 14, 2009 draft: Operations and Maintenance at 15% and Five-Year Capital at 30%.
MOTION CARRIED

Assistant General Manager stated that additional changes will be required to wording contained in the draft financial policies utilizing the percentages agreed upon.

Motion by Jeff Hall, seconded by Robert Bertsch rescinding the motion to adopt Resolution No. 2055.
MOTION CARRIED.

Commission directed staff to modify the District's proposed financial policies as presented on July 14, 2009, using 15% for Operations and Maintenance and 30% for Five-Year Capital and present a draft policy at the next commission meeting incorporating these changes.

Meeting Reports


Assistant General Manager provided an update on the Public Utility Risk Management Services (PURMS) recent executive and board meetings, noting several large claims have been submitted that may result in assessments to the members. Commissioner Lori Sanders indicated that PURMS is a good value to the District.

Director of Engineering announced that Rich Nall has been promoted to Manager of Broadband.

Hearing no objection, President Lori Kays-Sanders adjourned the Commission Meeting at 11:18 a.m.


Robert E. Bertsch, Vice President

ATTEST:


Jeffrey D. Hall, Secretary