

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

Date: March 10, 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 Key Accounts McAloon
Supervisor of Broadband Nall
Supervisor of Products and Services Johnson
Utility Tree Coordinator Cramer
Senior Engineer Scherer
Broadband Account Representative Tier
Commission Relations Specialist Hurst

Guest: Lloyd Finley, customer; Larry Felton, BPA Account Executive

Mr. Lloyd Finley, customer, led the pledge of allegiance.

Treasurer's Report

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

Management Reports

Director of Operations:

1. The District's tree trimming program was attributed to the minimal outages experienced to the District's electrical system over the weekend due to a wind storm. Utility Tree Coordinator announced the District has again received the Tree Line USA Award and reviewed the requirements of the award. There has been a significant drop in outages over the last ten years attributed to the tree trimming program.

Director of Power Management:

1. The mark to market report was distributed and briefly discussed.
2. The Frederickson report was distributed and briefly discussed.

3. A letter from Steve Wright, Bonneville Power Administration, on the status of BPA's financial situation was distributed. An update from the Public Power Council on the 2010-2011 BPA rate case was distributed and discussed. The update showed that the Power rate increase could grow from 9% to 15-20%. Mr. Felton briefed the Commission on BPA's Program in Review.

Manager of Products and Services:

1. The "See Ya Later" refrigerator program requirements were reviewed in detail as staff's response to Mr. Finley's concerns expressed during the January 27, 2009 commission meeting regarding JACO's administration of the refrigerator program contract with the District. Specifically, staff reviewed the requirements for recycling the units, and that the program only pays for units in working order. It was noted that JACO may pick up units that are not in working order; however, they are not considered part of the District's refrigerator program and are not reimbursed by the District. Recently, a change order to the contract was processed allowing freezers to be part of the program. Manager explained JACO's process and procedures for recycling the safety glass, noting that parts of that process are contracted out by JACO to a third party.

President Lori Sanders asked Mr. Finley if he had additional comments or information to share with the Commission. Mr. Finley noted that because JACO picks up units not in working order, it may slow down the pick up of units that are allowed for recycling through the program, and stressed the customer service issue involved with the delay in customer response time for customers with units who qualify for the "See Ya Later" refrigerator program.

Director of Engineering:

1. Director provided an update to the Commission on AMI issues, and noted that the District's new thematic goal is to read and bill 1,000 AMI meters by May 29, 2009. This change in the thematic goal from April 17, 2009, is due to the meter functionality issue relating to the disconnect on certain meters.

2. The Infinia facility tour is scheduled for Wednesday, March 11, 2009, from 10:00 a.m. to Noon.

Assistant General Manager:

1. Manager of Key Accounts reviewed staff recommendations to modify the District's rules of administration regarding rental of the Auditoriums. This review was prompted by a comment written in a letter to the editor in the Tri-City Herald relating to religious services. During review, staff also reviewed the current rental policy on political usage. Staff recommended changes to the policy to allow use of the auditorium for religious services, prayer, etc. The second change recommended allows public usage for political meetings; however the group may not use the facilities or its properties to imply District support of any issue and/or candidate, etc. The Commission concurred with the staff's recommended changes to the Auditorium Directive. Assistant General Manager noted that these changes may allow rental to groups whose viewpoint may not be shared by the District, employees or certain public.

2. Manager of Key Accounts discussed the Finley School Districts' position that they are not able to pay the electric bill within the 30-day due date as the District has allowed for certain governmental entities. The School contends that due to the timing of the District's bill cycle they are unable to pay by the due date in certain months which triggers a late fee on their account. Staff recommended that accumulated late fees for Finley School District be waived subject to the School District agreeing to pay future invoices on a timely basis, with an exception provided for months where the meter is read prior to the end of the month. President Lori Sanders and Commissioner Robert Bertsch expressed concern for waiving the late fees when other businesses also have cash

flow issues during certain times of the month. The Commission directed the General Manager to work with the School District in developing an agreement whereby the School District agrees to pay their electrical billing by the due date when the meter is read on the first of the month or after. Late fees may be waived for months where the meter is read prior to the end of the month. The Commission agreed to waive accumulated late fees contingent on the School District remaining current on their electrical accounts in accordance with the proposed agreement; however, if violations of the proposed agreement occur, then retroactive late fees will be reinstated and due within 30 days.

Manager of Communications and Governmental Relations:

1. An update was provided on legislative activities. An editorial regarding legislation related to the Energy Independence Act by Senator Lisa Brown was reviewed.
3. An update was provided on Northwest RiverPartners' involvement and the results of the hearing held by Judge Redden. Letters sent to Representatives Hastings and McMorris were distributed.
4. Notes from Senator Delvin and Representative Haler were received expressing thanks for the District's involvement with Energy Independence Day.

At 10:15 a.m., President Lori Sanders announced that the commission meeting would recess for 15 minutes.

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

Public Comments

Mr. Rex Gest, customer, stated that he had utilized the "See Ya Later" refrigerator program and believed that JACO was following the rules as described today. Mr. Robert Gretzinger, customer, stated that he had also utilized the program and discussed JACO's response time.

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 February 10, 2009.
- b) Approving the District Travel Report dated March 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 2567-2683 in the total amount of \$1,159,862.49, Warrants (CHK) 38262/38304 38317/38377 38410/38436 38443/38499 in the total amount of \$455,412.77, Electronic Fund Transfer (EFT) Payments 2073-2086 in the total amount of \$7,251,250.04, Customer Refund (ERM) Payments 38305/38316 38378/38409 38437/38442 38500/38533 in the total amount of \$6,958.73; Payroll Direct Deposit Advice 02/05/09 19803-19967 in the total amount of \$281,877.41, Warrants 02/05/09 504110- 504137 in the total amount of \$21,353.68, Direct Deposit Advice 02/19/09 19968-20132 in the total amount of \$275,745.90, Warrants 02/19/09 504138 for \$-0-, for a grand total of \$9,452,461.02. Voided Warrant/EFT for January 2009 in the total amount of \$6,370.40 and Stop Warrant for January 2009 in the total amount of \$1,433.81 were included on the report.

MOTION CARRIED.

Governance of the Benton PUD Commission – Annual Code of Conduct Acknowledgement

General Manager reviewed each Commissioner's individual requirement to acknowledge their conflict of interest disclosure responsibilities as defined in RCW 42.23, and as stated and adopted under the Governance of the Benton PUD Commission, Policy No. 6, Code of Conduct. The Commission each individually acknowledged this requirement.

Update on Proposed 2010 Rate Structure Changes

Manager of Products and Services reviewed three options for future changes to the General Service classes rate structure. The three options are: 1) leave the rates as currently approved, 2) remove the declining block as soon as possible and offer customers with 5% or greater bill impacts increased conservation incentives, or 3) remove the declining block on January 1, 2010 and use a phased approach for medium general service customers over the next two years, and offer all customers with 5% or greater bill impacts increased conservation incentives. General Manager stated that absent additional significant information or concern by the Commission, Option 3 is the staff's recommendation. Commission discussion and possible action will be brought to a future commission meeting. Manager of Products and Services reviewed the District's notification process prior to administering the recommended rate structure changes. Manager also reviewed changes to the Large Industrial classes rate structure. The class currently has monthly demand and energy rates, and staff is recommending the structure be changed to match the Large General Service class.

Quarterly Financial Forecast Update

Manager of Treasury and Risk Management gave a presentation on the District's quarterly financial forecast. Key drivers to proposed rate increases were a BPA 9.5% rate increase in October 2009 and net power supply cost increases of \$10M in 2012. Four forecast scenarios were reviewed as follows: Option 1 continue status quo, Option 2 rate actions only, Option 3 \$5M bond issue, and Option 4 \$10M bond issue. Option 4 was noted as staff's recommendation because it reduces and delays rate increases, provides for higher days cash on hand during uncertain times, and allows for more flexibility to mitigate higher power costs. General Manager stated staff would continue to watch issues relating to the recommendations in the forecast, and will provide the Commission with an update in June 2009, including a possible recommendation to update the District's financial policies based on discussions to be held with financial advisors and rating agencies on how to position the District and maintain or improve ratings. President Lori Sanders stated she preferred Option 3, and Commissioner Robert Bertsch concurred. Commissioner Robert Bertsch requested information at the next update on the status of the District's current bonds. Commissioner Jeff Hall stated he was comfortable as this point with either Option 3 or 4. Assistant General Manager stated that staff is in the preliminary stages of preparing for a large customer meeting and stressed the importance of communicating to those customers a future rate increase of 5 to 7%, acknowledging that the numbers are still preliminary at this time. President Lori Sanders requested information relating to how the rate picture would change if the Frederickson obligation was gone. General Manager discussed the economic impacts currently impacting pricing. A forecast option which includes the selling of the Frederickson obligation will be brought back at the next update.

January 2009 Financials

Manager of Accounting reviewed the January 2009 financial statements. The Commission was informed that during the year-end reconciliations, the accounting staff identified one additional entry in the amount of \$206,000 to be included in the December financial statements. This adjustment was made and the financial statements were re-issued.

Mr. Tim Anderson of the Washington State Auditor's Office is here conducting the District annual audit. The entrance conference with the Commission will be scheduled for the upcoming commission meeting. The upcoming commission meeting will also include the February financials, and a draft of the annual report with note disclosures and management discussion.

Broadband 2008 Sales Results

Broadband Account Representatives provided a new 2008 sales results report and noted that total broadband revenue generated during 2008 was \$858,008 – a 9% increase from total sales billing during 2007, or a 13% increase if an early contract termination of \$33,085 was removed. Upgrading of customers is being seen primarily from the school districts.

Community Involvement

Manager of Communications and Governmental Relations reviewed projects relating to the District's community involvement as authorized by Resolution No. 1924, noting employees volunteered to help host the Special Needs viewing area at the annual Tri-City Water Follies in conjunction with Franklin PUD, worked on fundraisers for United Way, and promoted the new red mitten campaign which generated funding for the Helping Hands program.

Other Business

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign a contract with Paramount Communications, Inc. of Kennewick, Washington, Contract No. 09-46-03 for broadband installation of underground fiber optic cable for a not-to-exceed amount of \$68,594.50, plus Washington State sales tax, in accordance with RCW 54.04.080.

MOTION CARRIED.

General Manager informed the Commission that a meeting with City of Richland representatives is scheduled for this Friday to discuss fiber path availability.

Future Planning

Assistant General Manager discussed strategic planning for 2010 and the need to schedule 1 or 2 days for possible workshops. The commission concurred on the dates of June 11 and July 7 for possible commission workshops.

Meeting Reports

President Lori Sanders reported on a trip to Houston sponsored by Energy Northwest to attend Cambridge Energy Research Associates' (CERA) annual conference. There were many interesting sessions on the future costs of crude oil and natural gas, as well as discussions on the comeback of nuclear power.

Commissioner Jeff Hall reported on a Washington PUD Association (WPUDA) meeting, and stated that Benton PUD's governance policy and credit and collections dashboard were discussed.


Commissioner Robert Bertsch reported on his trip to Washington D.C.

At 12:10 p.m., President Lori Sanders announced that the commission meeting would go into Executive Session for 25 minutes with General Counsel to discuss litigation to which the District may become a party and to discuss the performance of the General Manager.

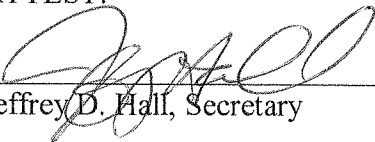
At 12:35 p.m., President Lori Sanders reconvened the commission meeting into regular open public session.

General Manager updated the Commission regarding on-going efforts to market the Frederickson project.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 12:40 p.m.


Lori Kays-Sanders, President

ATTEST:


Jeffrey D. Hall, Secretary