

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

Date: March 24, 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
Manager of Human Resources Walsh
Supervisor of Broadband Nall
Manager of Products and Services Johnson
Senior Engineer Scherer
Financial Analyst Pryor
Broadband Account Representative Tier
Products and Services Analyst Philipp
Products and Services Analyst Schumacher
Administrative Assistant Bergum
Commission Relations Specialist Hurst

Commissioner Jeff Hall led the pledge of allegiance.

Audit Entrance Conference for 2008 Audit

Assistant General Manager introduced Kent Zirker, Lisa Roundy and Tim Anderson of the State Auditor's Office. Mr. Anderson reviewed in detail the scope of the 2008 audit, and asked for any additional areas the commission would like included in the audit scope. President Lori Sanders asked if the audit would include the District's refunding of the residential exchange credit to its customers, and requested the scope include this issue due to the large sum of monies associated with the credit. Mr. Anderson stated he anticipated an exit conference with the commission at the conclusion of the audit in May.

Management Reports

Director of Power Management:

1. The mark to market was distributed and briefly discussed. Director noted the net power cost projection had increased to about \$1 million over budget due to declining runoff projections and power prices.

2. The status of a FEMA claim submitted from Energy Northwest due to a slide two years previous in the Packwood area was briefly reviewed.
3. Manager of Products and Services provided additional information regarding the JACO refrigeration recycling contract and affirmed no staff concerns with JACO's administration of the contract.

Manager of Key Accounts:

1. It is anticipated that the Port of Benton gasifier project will receive federal funding being received by the Department of Energy in the June timeframe.
2. Commissioner availability for the annual Large Customer Meeting was confirmed for either May 21st or June 2nd of 2009. A final date will be provided soon.

Manager of Human Resources:

1. A summary of changes in federal requirements for employee benefits was briefly reviewed. It was noted the District is in compliance with all requirements.

Director of Engineering:

1. The District has installed 1,000 meters on the AMI project. A map showing routes for upcoming AMI meter placement was distributed. The thematic goal of reading and billing 1,000 AMI meters by May 29, 2009 continues on target.
2. The Commission was briefed on a meeting with representatives from the City of Richland on a proposed dark fiber agreement in conjunction with the District's fiber build-out as part of the PNNL contract.
3. An update was provided on an upcoming Northwest Open Access Network (NoaNet) line of credit (LOC) request which will be brought for consideration at the April 14, 2009 commission meeting.

Manager of Communications and Governmental Relations:

1. An update on legislative activities was provided -- including proposed changes to the Energy Independent Act (I-937).

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 March 10, 2009.
- b) Approving the District Travel Report dated March 24, 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 2684-2738 in the total amount of \$447,435.97, Warrants (CHK) 38534/38645 38682/38684 in the total amount of \$187,958.45, Electronic Fund Transfer (EFT) Payments 2087-2090 in the total amount of \$181,671.26, Customer Refund (ERM) Payments 38646/38681 in the total amount of \$2,702.34; Payroll Direct Deposit Advice 03/01/2009 20133-20296 in the total amount of \$268,514.85, Warrants 03/01/2009 504139 for \$0, for a grand total of \$1,088,282.87. Voided ACH/Warrant for March 2009 in the total amount of \$4,798.76 was included on the report.
- d) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 9 of Contract No. 07-22-03 with Miner & Miner Consulting Engineers, Inc., to increase the not-to-exceed amount by \$20,000, to provide additional supplemental analysis and programming support, bringing the new not-to-exceed amount to \$920,878.68.

- e) Authorizing the General Manager, on behalf of the District, to sign a three year contract with Premier Landscape & Design, Contract No. 09-38-02, to perform landscape maintenance for a not-to-exceed amount of \$29,055.00 per year for a total of \$87,165.00, with an expiration date of March 23, 2012.
- f) Adopting Resolution No. 2029 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.
- g) Approving Work Order No. 22400 for 2009 Annual Pole Maintenance Testing Program.
- h) Approving conveying to the owner of record an easement recorded under Auditor's File No. 2009-001936, records of Benton County, state of Washington, located in Section 07, Township 8 North, Range 30 East, W.M.

MOTION CARRIED.

Temporary Increase of Maximum Counterparty Credit Exposure for Power and Gas Sales

Director of Power Management recommended the Commission authorize a temporary increase to enhance the District's ability to ensure that it continues to transact with financially strong counterparties. The Risk Management Committee will continue to manage the credit limits of each individual counterparty.

Motion by Robert Bertsch, seconded by Jeff Hall to temporarily increase the Maximum Counterparty Credit Exposure as stated in Exhibit B of the District's Risk Management and Trading Policies from \$2.25 million to \$3 million for BP and Powerex until December 31, 2009.

MOTION CARRIED.

At 10:00 a.m., President Lori Sanders announced that the Commission Meeting would recess for 15 minutes.

At 10:15 a.m., President Lori Sanders announced that the Commission Meeting would reconvene into regular open public session.

Resolution No. 2030, Retail Energy Sales Ten-Year Forecast 2009-2019

Products and Services Analyst Philipp gave a presentation on the retail energy sales ten-year forecast. The presentation showed 2009 growth at -0.6%, noted that an ethanol plant included in the 2008 forecast was removed from the 2009 forecast, and included information relating to economic trends. Information found in the forecast is utilized in the cost of service study, budget and five-year capital plan.

Motion by Jeff Hall, seconded by Robert Bertsch adopting Resolution No. 2030, approving the Retail Energy Sales Ten-Year Forecast 2009-2019.

MOTION CARRIED.

Resolution No. 2031, Five-Year Plan of Service

Senior Engineer gave a presentation on the 2008 Five-Year Plan of Service. The primary purpose of the study is to ensure the distribution system can provide satisfactory service to District customers under projected peak load conditions. The study identifies and prioritizes system improvements that are required during the next five years to maintain reliable service.

Motion by Jeff Hall, seconded by Robert Bertsch adopting Resolution No. 2031, approving the Five Year Plan of Service for 2008-2009 through 2012-2013.

MOTION CARRIED.

At 11:20 a.m., President Lori Sanders announced that the Commission Meeting would break for 30 minutes.

At 11:50 a.m., President Lori Sanders announced that the Commission Meeting would reconvene into regular open public session.

Resolution No. 2032, Broadband Business Plan

General Manager announced that this agenda item would be presented for information only today, and urged the Commission to ask any questions relating to the Broadband Business Plan prior to the next regularly scheduled commission meeting of April 14, 2009, at which time the Plan would be brought back for adoption consideration.

Supervisor of Broadband reviewed lessons learned, provided an overview of market data and a financial summary, and discussed the evaluation of alternative models, including the proposition that the fiber optic network may be considered the "Next Utility". Staff summarized the presentation by recommending the District stay the course of its current plans and approve the 2009-2013 business plan that includes a rolling five-year revenue, capital expense and operating expense forecast along with the foundational data for planning assumptions. Going forward, annual updates will be made to the financial pro-forma, including revenue forecasts and costs. In summary, staff recommended continuing to expand the fiber backbone into commercial areas, widening the gap between operations and maintenance costs with an expectation the District will be covering all annual operating, maintenance and capital expenditures by year 2013 or 2014. Staff will also continue to expand relationships and secure agreements that position the District for the future while staying focused on meeting the expectations set by the 2009 and 2010 work plans, and continuing strategic planning to identify future needs or potential changes in direction.

Commissioner Lori Sanders asked for possible future consideration of charging a base fee to certain customer classes who utilize the services, and indicated she would work with staff on additional questions related to the financial analysis. Supervisor of Broadband asked for any questions, and no further questions were received at the time. General Manager urged the Commission to provide the District with any questions regarding the Broadband Business Plan prior to the April 14, 2009 commission meeting.

At 12:55 p.m., Commissioner Lori Sanders dismissed herself from the remainder of the commission meeting.

Ten-Year Cost Effective Conservation Resource Potential – Residential Sector Update

Director of Power Management stated that staff is analyzing the ten-year cost effective conservation potential as required under the Energy Independence Act (EIA or I-937). EIA requires the District to acquire all cost-effective conservation over a ten-year period starting January 1, 2010. Director pointed out this analysis of conservation potential for the residential sector is performed under the strict guidelines of the EIA and ultimately will determine the recommended MWh target for the first two-year period. Dave Warren, Washington PUD Association, has confirmed that the commission is the regulator for purposes of determining this two year target. The State Auditor will perform an audit after each two year period to determine that actual MWh of conservation was achieved, met or exceeded the Commission established target.

Manager of Products and Services presented a detailed presentation providing staff's recommended results for the residential sector portion of the District's ten-year conservation resource potential. In

summary, staff reviewed three rulemaking options and recommended Option No. 2. The residential achievable conservation potential results for the District's service area and adjusted from the Council's 5th Power Plan are 20,463 MWh's for 2010 through 2019. It was noted the residential ten-year achievable conservation potential results are estimated at \$514,508 to \$892,169 annually, using the methodologies in the 5th Plan while adjusting to the District's service area. Manager of Products and Services stated that recommended results for the commercial and irrigation sectors will be brought to a future commission meeting. At the conclusion of the presentation, Director stated a final decision on the conservation resource potential will be brought to the commission in the summer of 2009. Staff briefly discussed options regarding public involvement prior to finalization.

Review Final Draft of 2008 Annual Financial Report

Assistant General Manager and Manager of Accounting gave a presentation on the District's year-end financial statements and note disclosures, Management Discussion and Analysis (MD&A), statistical section, and letter of transmittal with the Commission prior to completion of the annual audit by the State Auditor's Office and publication of the Comprehensive Annual Financial Report.


February 2009 Financials

Manager of Accounting reviewed the February 2009 financial statements.

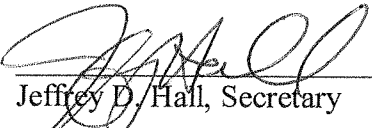
Future Planning

Commissioner Jeff Hall noted he would not be in attendance at the May 26, 2009 commission meeting.

Hearing no objection, Vice-President Robert Bertsch adjourned the Commission Meeting at 2:10 p.m.


Lori Kays-Sanders, President

ATTEST:


Jeffrey D. Hall, Secretary