

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

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Date: May 26, 2009  
Time: 9:00 a.m.  
Place: 2721 West 10<sup>th</sup> Avenue, Kennewick, Washington

***Present:***

Commissioners Sanders and Bertsch  
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 Customer Service Ball  
Manager of Products and Services Johnson  
Manager of Human Resources Walsh  
Supervisor of Broadband Nall  
Contracts and Purchasing Coordinator Tucksen  
Manager of Contracts and Purchasing Ochweri  
Manager of Engineering Gottschalk  
Commission Relations Specialist Hurst

***Excused:*** Commissioner Jeff Hall

***Guests:*** Jim Oakley, Energy Northwest; Larry Felton, Bonneville Power Administration; Jim Lewis, consultant; Kent Zirker, Tim Anderson and Teresa Hanford, Washington State Auditor's Office

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Commissioner Robert Bertsch led the pledge of allegiance.

**Audit Exit Conference for 2008 Audit**

Assistant General Manager introduced Kent Zirker, Tim Anderson and Teresa Hanford of the State Auditor's Office, and reviewed the District's governance policy on open and candid discussions between audit staff and the commission which would require District staff to leave the meeting to allow for discussion with the commission and auditors at some time during today's meeting. The commission meeting would remain in open session.

Mr. Anderson noted the 2008 audit scope included accountability for public resources and compliance, financial statements and conservation rate credit engagements. Public resources accountability included areas of insurance/bonding/risk management, utilities-credits and other adjustments, procurement-public works projects; and contracts and agreements. It was reported that two conservation rate credit engagements and an issue relating to meter base labeling errors in the Desert Rose apartment complex were reviewed.

Mr. Anderson discussed one exit note at the completion of the audit relating to controls over manual adjustments for utility billing systems, and the District's inability at the time of the audit to provide supporting documentation of the manual adjustment reviews. Mr. Anderson reported District staff has reviewed this exit note and the issue was resolved. Both Mr. Anderson and the Assistant General Manager expressed their thanks to the District staff and auditor staff for cooperation at all levels during the audit.

In accordance with the District's governance policies, General Manager excused all District staff from attendance at the commission meeting at 9:10 a.m., and informed the public in attendance that they were welcome to remain in the public meeting.

At 9:15 a.m., President Lori Sanders announced District staff could resume attendance at the public meeting, and the state auditors were thanked for their diligent review of the 2008 audit.

### **Management Report**

#### *General Manager:*

1. Mr. Bob Dyer, The Energy Authority, is scheduling a mid-July partner meeting in Bellevue. Additional information is forthcoming.
2. Federal Form 990, Board Member Questionnaire, was distributed from the Washington PUD Association, and each commissioner was asked to complete the form.
3. The District has received a subpoena for documents relating to buying power and reselling during the 2000-2001 timeframe, in reference to a lawsuit, California Department of Water Resources v. Powerex Corp, Case No. 2:05-CV-00518 GEB EFD. Staff is responding to the subpoena.

#### *Manager of Human Resources:*

1. An information sheet on proposals to amend Internal Revenue Service Code 105 was distributed and briefly discussed.
2. Staff is continuing to finalize documentation regarding requirements under Affirmative Action, and a high level review of the District's procedures for compliance will be brought to a future commission meeting.
3. Benefits open enrollment is June 1 through 30 of 2009 – information packets are being mailed to each participant's home for review. Mandatory meetings are scheduled for Wednesday, June 3, 2009. It was noted that increases to medical benefits for the self-funded insurance Trust are in line with national trends. Changes to the District's carrier and plan design for life, disability and accidental death and dismemberment were reviewed.

#### *Director of Engineering:*

1. A timeline for the Bonneville Power Administration's (BPA) smart grid test bed was distributed. BPA is asking interested participants to sign a letter of intent.

#### *Director of Power Management:*

1. The mark to market report was distributed and briefly discussed.
2. General Manager noted that Thursday evening is Randy Gregg's retirement party.

#### *Manager of Customer Service:*

1. Manager of Customer Service reported that staff was evaluating a potential recommendation to suspend the assessment of an additional \$50 deposit upon disconnect of a customer's service. The suspension would be in effect through the end of 2009. This requirement is currently published in the District's customer service policies. It was noted that in 2008 over 1,900 disconnections occurred,

and over 2/3 of those disconnections were assessed an additional \$50 deposit. The recommendation to suspend the disconnect deposit of \$50 is in recognition of the economic challenges being faced by District customers. The Commission concurred with staff recommendation to bring an action to a future commission meeting.

President Lori Sanders excused Commissioner Jeff Hall from attendance at today's meeting.

### **Consent Agenda**

Motion by Robert Bertsch, seconded by Lori Sanders to approve the Consent Agenda as follows:

- a) Approving the minutes of the regular Commission Meeting of May 12, 2009.
- b) Approving the District Travel Report dated May 26, 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 2971-3031 in the total amount of \$483,703.80, Warrants (CHK) 39200/39263-39325/39364 in the total amount of \$155,972.73, Electronic Fund Transfer (EFT) Payments 2118-2119 in the total amount of \$157,340.69, Customer Refund (ERM) Payments 39264/39324-39365/39369 in the total amount of \$7,112.80; Payroll Direct Deposit Advice 05/14/09 20970-21135 in the total amount of \$285,743.94 and Warrants 05/14/09 504146-504146 for the total amount of -0-, for a grand total of \$1,089,873.96. Voided ACH for May 2009 in the total amount of \$22.00 was included on the report.
- d) Reviewing Jobs Report to Commission dated May 18, 2009.

MOTION CARRIED.

### **Battelle Memorial Institute, Pacific Northwest National Laboratory – Richland to Prosser Dark Fiber**

Supervisor of Broadband recommended the Commission approve a contract with Battelle Memorial Institute on behalf of the Department of Energy for Phase 3 of the Richland to Prosser Dark Fiber project. Approving the contract will enable the District to fulfill the commitments made in the Interlocal Cooperative Agreement with Pacific Northwest National Laboratories (PNNL). PNNL has agreed to reimburse the District for actual costs associated with Phase 3 of the contract.

Motion by Robert Bertsch, seconded by Lori Sanders authorizing the General Manager, on behalf of the District, to sign a contract with Battelle Memorial Institute acting on behalf of the United States Department of Energy's Pacific Northwest National Laboratory (PNNL), to establish scope, fiber-optic system design and cost reimbursement for Phase 3 of the "Richland to Prosser Dark Fiber" project identified in the Inter-Local Cooperation Agreement between Benton PUD and PNNL.

MOTION CARRIED.

### **Fiber Optic Build, Kennewick to Prosser, Bid Package No. 09-06, Contract Award Recommendation**

Supervisor of Broadband recommended the Commission declare Sefnco Communications, Skyview Construction, Henkels & McCoy non-responsive and award a contract for the fiber optic build from Kennewick to Prosser to Paramount Communications. Responses of the three bids considered non-responsive were reviewed.

Motion by Robert Bertsch, seconded by Lori Sanders declaring Sefnco Communications, Skyview Construction, and Henkels & McCoy non-responsive, and award a contract for fiber optic build from Kennewick to Prosser, Bid Package No. 09-06 to Paramount Communications of Kennewick, Washington, for the total amount of \$1,570,187.00, plus Washington State sales tax in accordance with RCW 54.04.080.  
MOTION CARRIED.

**Resolution No. 2038, White Creek Wind Project – Amendment to the Asset Purchase Option Agreement**

Manager of Products and Services recommended the Commission adopt Resolution No. 2038, authorizing the approval of the Fourth Amendment to the Asset Purchase Option Agreement (APOP) of the White Creek Project. The changes to the APOP due to the amendment were reviewed.

Motion by Robert Bertsch, seconded by Lori Sanders to adopt Resolution No. 2038 authorizing the approval of the Fourth Amendment to the Asset Purchase Option Agreement of the White Creek Project.  
MOTION CARRIED.

**Increase Risk Management Policy Maximum Counterparty Credit Limit**

Director of Power Management recommended the Commission authorize an increase in the Risk Management Policy credit limit under defined criteria. The recommendation for the new policy ensures that sufficient credit limits exist to continue to successfully hedge the District's surpluses, but only provides this increased credit to the most creditworthy counterparties. The change provides flexibility to manage the District's credit exposure.

Motion by Robert Bertsch, seconded by Lori Sanders to increase the Risk Management Policy (RMP) Maximum Counterparty Credit limit from \$2.25 million to \$3 million for counterparties that The Energy Authority's credit rating system rates at \$15 million or higher.  
MOTION CARRIED.

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

At 10:20 a.m., President Lori Sanders announced that the commission meeting would reconvene into regular open public session.

**Integrated Resource Plan Update**

Director of Power Management gave a presentation on specific sections of the District's Integrated Resource Plan: high water mark and net position, supply side resource, planning environment, demand side management, modeling and action plan. Director reported that the 2009 scope of work on the IRP includes rerunning the model with updated load forecasts, BPA contract post 2011, supply side resource options, CO2 and fuel assumptions, capital cost projections and the District's conservation plan. The information contained in today's presentation will be incorporated into the final IRP document, then brought back for Commission approval in the summer of 2009.

**Benchmarking Update**

Director of Operations gave a brief history of the District's work relating to benchmarking, beginning in 2005 as identified in the District's strategic plan. Mr. Jim Lewis, consultant, reviewed benchmarking through 2007 on total distribution system and capital, distribution system expense, and all capital. At the conclusion of the presentation, Mr. Lewis stated that he would no longer be

providing this service to the District since the Energy Information Administration information for government entities is no longer being collected. Director stated staff will continue using the District's performance measures including operations and maintenance expense per customer and operations and maintenance and capital versus budget to benchmark in the future. Director reviewed cost savings opportunity ideas.

**Meeting Report**

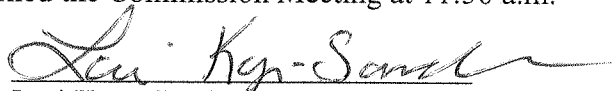
Commissioner Robert Bertsch stated he was elected to the Participants Review Board, and will be attending an American Public Power Association meeting via conference call on May 27, 2009.

**Executive Session**

At 11:25 a.m., President Lori Sanders announced that the Commission would go into Executive Session with legal counsel for 25 minutes for the purpose of discussing litigation to which the District may become a party.

At 11:50 a.m., President Lori Sanders reconvened the Commission Meeting into regular open public session.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 11:50 a.m.

  
Lori Kays-Sanders, President

ATTEST:

  
Robert E. Bertsch, Vice-President