

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

Date: October 26, 2010
Time: 9:00 a.m.
Place: 2721 West 10th Avenue, Kennewick, Washington

Present:

Commissioners Sanders, Bertsch and Hall
General Manager Sanders
Assistant General Manager Bartram
Legal Counsel Hultgrenn
Manager of Risk Management and Treasury White
Director of Engineering Dunn
Director of Power Management Bickford
Director of Operations Hunter
Manager of Human Resources Walsh
Manager of Accounting Meyer
Manager of Products and Services Johnson
Manager of Communications and Governmental Relations Miller
Manager of Engineering Gottschalk
Rates Analyst Mike Murray
Administrative Assistant – Power Management Bergum
Supervisor of Executive Administration Cole

Guests: Larry Felton, Bonneville Power Administration

Legal Counsel led the pledge of allegiance.

Treasurer's Report

Treasurer reviewed the September 2010 Treasurer's Report. The Commission approved the September 2010 Treasurer's Report. The counterparty credit report was distributed and briefly discussed. The credit exposure by sector was distributed and briefly discussed.

Management Report

Director of Power Management:

1. The mark to market reports for 2010 and 2011 were distributed and briefly discussed.
2. The Frederickson report for October 2010 was distributed and briefly discussed.
3. Mike Murray was introduced and welcomed as the District's new rates analyst.

Director of Operations:

1. Director provided an updated on the State microwave system currently operated by Benton County Emergency Management. Staff has investigated the option of purchasing the system or letting Emergency Management retain the system in exchange for the District having a presence on the governing board. An agreement for Commission consideration is anticipated to be presented at a November commission meeting. A discussion was held on costs associated with the infrastructure and capital costs, and Director noted that the District was reimbursed for its costs by Southeast

Communications Center (**SECOMM**). General Manager noted that at this time staff considers the District in a better position to enter into a cooperative agreement in lieu of owning the system.

Manager of Human Resources:

1. The Commission was reminded that Central Washington Public Utilities (CWPU) is conducting a CWPU-wide dependent eligibility audit. All employees and commissioners must respond appropriately within the designated timeframe.

Manager of Communications and Governmental Relations:

1. Manager of Communications reported on a scam being reported by small businesses relating to a telephone caller identifying themselves as a PUD employee, and asking for credit card payment information to pay alleged late bills. The police were notified, and the media has been made aware of the scam in an effort to notify the public. Information on the scam is also on the District's web site.

2. The Washington PUD Association is getting organized with new committees formed after the reorganization. A brief discussion was held on the meetings held to date.

3. The District's employees were congratulated and thanked for their involvement in United Way, noting the District's goal of \$26,000 was exceeded by a wide margin.

Public Comment

Mr. Larry Felton, Bonneville Account Executive, thanked the Commission for allowing Mr. Steve Wright of BPA to be on the agenda for November 9, 2010, noting rate payers of BPA as well as others have been invited to attend. Mr. Wright plans to discuss BPA's financial condition, rates, and steps they are taking to reduce costs.

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 September 28, 2010.
- b) Approving the minutes of a Special Public Hearing on October 4, 2010 on the Proposed 2011 Budget.
- c) Approving the Travel Report dated October 26, 2010.
- d) 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 5355-5515 in the total amount of \$1,242,318.47, Warrants (CHK) 46591-46634, 46686-46730 and 46865-46945 in the total amount of \$784,282.15, Electronic Fund Transfer (EFT) payments 2370-2385 in the total amount of \$9,078,153.06, Customer Refund (ERM) payments 46635-46685, 46731-46732, 46733-46864, 46946-46990 in the total amount of \$40,695.21; Residential Conservation Rebates Credits on Customer Accounts \$5,255.00; Payroll Direct Deposit Advice 09/30/10 26907-27070 in the total amount of \$311,954.15, Direct Deposit Advice 10/06/10 27071-27072 in the total amount of \$403.11, Direct Deposit Advice 10/14/10 27073-27235 in the total amount of \$287,588.25 for a grand total of \$11,750,649.40. For September and October 2010, stopped warrants in the amount of \$25.00, stopped ERM in the total amount of \$248.85 and voided warrants in the total amount of \$4,133.71 were included in the report.
- e) Authorizing the General Manager, on behalf of the District, to sign the Satisfaction of Line Extension Contract, and approving the associated Satisfaction of Mortgage for Contract No. 99-03, recorded under Auditor's File No. 1999-013461, recorded in Benton County, State of Washington.
- f) Reviewing Jobs Report for Commission dated October 12, 2010.
- g) Reviewing Contracts Activity Report to Commission dated October 18, 2010.
- h) Reviewing Conservation Rebate Update, 3rd Quarter, 2010.

- i) Adopting Resolution No. 2106, affirming trustee and appointing alternate trustee to the Central Washington Public Utilities Unified Insurance Program.
- j) Adopting Resolution No. 2105, declaring certain vehicles 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 same.
- k) Authorizing the General Manager, or his designee, on behalf of the District, to sign Revision No. 12, Exhibit D, Additional Products and Special Provisions to the Benton PUD Block and Slice Power Sales Agreement, BPA Contract No. 00PB-12180.
- l) Authorizing the General Manager, or his designee, on behalf of the District, to sign Revision No. 9 to Exhibit C of Bonneville Power Administration (BPA) Block and Slice Power Sales Agreement Contract No. 00PB-12180, updating the District's Total Retail Load and Net Requirements for Contract Year 2011, and additional updates to resource information for Packwood.
- m) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 3 of Contract No. 09-45-14 with Campbell and Company, to increase the not-to-exceed amount by \$100,000, bringing the new not-to-exceed amount of the contract to \$300,000.
- n) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 1 of Contract No. 09-08 with Dependable Janitor Services, Inc., to increase the not-to-exceed amount by \$56,708.52, for the second year of the contract, bringing the new not-to-exceed amount of the contract to \$113,417.04.
- o) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 1 of Contract No. 10-21-02 with Manpower, to increase the not-to-exceed amount by \$25,000, bringing the new not-to-exceed amount of the contract to \$80,000.
- p) Authorizing the General Manager, on behalf of the District, to sign a three-year contract with Tyndale Company, Inc., of Pipersville, Pennsylvania, Contract No. 10-31-02, to provide the District with Fire Resistant Clothing for a not-to-exceed amount of \$30,000 per year for a total of \$90,000, with an expiration date of October 28, 2013.
- q) Amending the Designation of Representatives to Various Organizations for 2010, authorizing the following individuals to act in the following capacity to the organizations listed: effective October 27, 2010 for CWPU Unified Insurance, add Chad Bartram as the Alternate Trustee and remove Danette Layne, and remove Chad Bartram as Treasurer and Janet White as Assistant Treasurer; effective October 26, 2010 add Terri Cole as Board Member to the Washington Public Records Officers Association.

MOTION CARRIED.

Resolution No. 2107, Surplus Equipment – Streetlights located within Kennewick City Limits and Resolution No. 2108, Transferring Ownership of Streetlights Located within the Kennewick City limits.

Manager of Engineering recommended the Commission adopt Resolution No. 2107 to surplus streetlights owned by the District within the Kennewick City limits. The City of Kennewick is moving forward with a major streetlight re-lamping project. Transferring ownership of the District owned streetlights will allow the City to replace all of the lights within the City which will maximize energy savings and provide a consistent light color and intensity throughout the community. The District will continue to provide the energy requirements and the operations and maintenance services needed.

Capital costs associated with retaining the streetlights were reviewed, and General Manager stated it was advantageous for the District as well as the City to transfer the streetlights.

Motion by Robert Bertsch, seconded by Jeff Hall adopting Resolution No. 2107 to surplus District-owned streetlights located within the Kennewick City limits.

MOTION CARRIED.

Motion by Robert Bertsch, seconded by Jeff Hall adopting Resolution No. 2108 transferring ownership of streetlights located within the Kennewick City limits to the City of Kennewick.

MOTION CARRIED.

Contract Award recommendation, Conservation Resource Potential Study

Manager of Products and Services recommended the Commission award a contract for a Conservation Resource Potential Study to EES, Inc. EES is an experienced vendor that will be utilized to conduct an assessment of energy efficiency resources. The results of the study will be used to determine the District's 10 year conservation plan from 2012-2022 and will be consistent with I-937 requirements and NWPCC methodology.

Motion by Robert Bertsch, seconded by Jeff Hall awarding Contract No. 10-45-19 for Conservation Resource Potential Study to EES, Inc. of Kirkland, Washington for a not-to-exceed amount of \$83,539.95, plus Washington State sales tax in accordance with RCW 54.04.080.

MOTION CARRIED

PURMS Update and Amendments to Self Insurance Agreement

Manager of Risk Management and Treasury noted she would be attending the upcoming annual PURMS Board meeting and reviewed proposed amendments to the Self Insurance Agreement. She informed the Commission that anything requiring unanimous vote would need to be brought back for Commission approval at a later time. Matters that require a super-majority or two-thirds vote she may vote on behalf of the District.

Close Public Comment Period – Proposed 2011 Budget

Manager of Risk Management and Treasury recommended the Commission close the public comment period for the proposed 2011 Budget, and stated that no additional comments have been received by the public since the October 4, 2010 budget public hearing.

Motion by Robert Bertsch, seconded by Jeff Hall closing the public comment period on the Proposed 2011 Budget.

MOTION CARRIED.

Manager of Risk Management and Treasury provided a budget hand-out that showed revisions made by staff since the October 4th public hearing and briefly reviewed amended areas. Assistant General Manager noted that the changes show reductions in operations and maintenance and capital costs, however power costs for 2011 are increasing which impacts the budgetary savings being shown. It was noted that BPA is seeing the same assumptions for power costs, and there was concern that anticipated increases could trigger a BPA cost recovery adjustment clause in the rate period 2011-2013. General Manager concurred that BPA is in the same market with power costs and is seeing the same cost pressures as the District. Assistant General Manager stated that a proposed rate action will be recommended at the November 23, 2010 commission meeting.

Manager of Risk Management and Treasury reviewed staffing level updates and proposed changes in salaries and wages for 2011.

General Manager summarized by stating staff did a good job of looking at budgetary reductions through changes in staffing and salaries, and reductions were also considered in some areas of training and travel.

September Financials

Manager of Accounting reviewed the September 2010 financial statements.

At 10:15 a.m., President Lori Sanders announced that the Commission Meeting would recess until 10:30 a.m.

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

Five-Year Financial Forecast

Manager of Risk Management and Treasury gave a presentation on the five-year financial forecast. The forecast included revisions in the proposed 2011 budget, including net power supply increases of \$1.4 million due to forward wholesale markets, non-power expense reductions of \$217,000, and capital reductions of \$2 million. It was noted that non-power expenses assumed 2011 reductions for one year. The forecast includes an 8% revenue increase in 2011 and 10% in 2012. Looking ahead, power costs continue to be a key driver in increased costs, and future annual revenue actions are anticipated.

A brief discussion was held on Frederickson output, and General Manager noted that with gas prices decreasing Frederickson could be in the market more with a lower margin.

2011 Revenue Requirements and Cost of Service Analysis (COSA) Update

Manager of Products and Services stated that the COSA update will be brought to the November 9, 2010 commission meeting to review the proposed breakdown of rate changes for customer classes, and a final recommendation on rate changes will be brought to the November 23, 2010 commission meeting.

After a brief discussion, Manager of Products and Services stated that the new cost of service analysis (COSA) recommendations are an overall revenue increase of 8% with a cap of 9% for any customer class. \$3.5 million of reserves will be used to buy down the required revenue increase to the 8% level.

General Manager summarized that the Commission has been provided budget amendments, financial statements, forecasts and COSA updates, and asked if staff is heading in the desired direction of the Commission, noting merit deferrals and furlough days as well as other budget cuts. With concurrence of direction, staff will continue with upcoming Commission recommended actions.

President Lori Sanders requested salary actions of other jurisdictions, preferably locally, bargaining and non-bargaining, and General Manager stated this information would be provided at an upcoming meeting. The Commission concurred with staff direction at this time.

Meeting Reports

President Lori Sanders noted the upcoming Energy Northwest Member Forum. Commissioner Robert Bertsch stated he had attended a recent Northwest Open Access Network (NoaNet) meeting where member assessments were recently addressed.

Executive Session

At 11:10 a.m., President Lori Sanders announced that the Commission Meeting would go into executive session for 20 minutes for the purpose of discussing labor negotiations relating to the collective bargaining agreement.


At 11:30 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 11:30 p.m.



Lori Kays-Sanders, President

ATTEST:



Jeffrey D. Hall, Secretary