

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

Date: November 9, 2010

Time: 9:00 a.m.

Place: 2721 West 10th Avenue, Kennewick, Washington

Present-Benton PUD:

Commissioners Sanders, Bertsch and Hall

General Manager Sanders

Assistant General Manager Bartram

Legal Counsel Hultgrenn

Director of Engineering Dunn

Director of Operations Hunter

Director of Power Management Bickford

Manager of Accounting Meyer

Manager of Communications and Governmental Relations Miller

Manager of Contracts & Purchasing Ochweri

Manager of Customer Service Ball

Manager of Engineering Gottschalk

Manager of Human Resources Walsh

Manager of Key Accounts McAloon

Manager of Products and Services Johnson

Manager of Risk Management & Treasury White

Superintendent of Support Services Splattstoesser

Compliance-Power Settlements Administrator Bender

Administrative Assistant – Power Management Bergum

Administrative Assistant – Executive Administration Preddie

Present-Franklin PUD:

Commissioners Chuck Hall, Bill Gordon, Stu Nelson

General Manager Brost

Executive Assistant Bauer

Guest: Steve Wright, Bonneville Power Administration (BPA)

Commissioner Jeff Hall led the pledge of allegiance.

President Lori Sanders introduced Benton PUD and Franklin PUD Commissioners.

Franklin PUD Commissioner Chuck Hall opened the public meeting for Franklin PUD and introduced newly elected Commissioner Roger Wright, whose term will begin on January 1, 2011, replacing Commissioner Chuck Hall.

President Lori Sanders welcomed Mr. Steve Wright, BPA Administrator, and stated that following his presentation, the Benton PUD Commission would announce a recess of their commission meeting and the Franklin PUD Commission would adjourn their commission meeting.

President Lori Sanders introduced Mr. Steve Wright, Administrator of Bonneville Power Administration.

Mr. Wright thanked President Lori Sanders for the introduction and noted that he was pleased to be here today and thanked those attendees at today's meeting.

Mr. Wright gave a presentation on BPA and the Northwest Economy. The presentation provided information on 1984-2011 Wholesale Energy cost components. Mr. Wright stated that BPA rates provide value to the Pacific Northwest, and that hydropower and transmission assets form the core of that value, low water and the poor economy has hit BPA hard, aging assets need substantial investment, and that based on customer input, projected costs are coming down as we balance the near and long-term needs. He noted that customer rate results will vary, and local utilities will determine the retail impact of BPA's rates. BPA net revenues and reserves available for risks were reviewed, as well as Energy Northwest's debt restructuring. Wind integration and natural gas prices were defined within the presentation. Risks that could result in rate impacts in the upcoming rate period were discussed. Summarizing, Mr. Wright noted that BPA is investing in core assets that create value, that BPA (power business) is proposing to take more financial risk by not replenishing reserves and relying more on borrowing against Treasury and using transmission business (TBL) reserves to protect against contingencies, which makes rates more volatile.

President Lori Sanders thanked Mr. Steve Wright, stating she appreciated his comments.

President Lori Sanders inquired if BPA were to modify rates going forward if that would be during the next rate case, and Mr. Wright responded that repayment of Treasury and TBL would be required prior to the next rate case.

President Lori Sanders stated that Benton PUD has deferred some capital projects and closely reviewed budgets, and Mr. Wright acknowledged that BPA has also spent considerable time reviewing budget components and continues to do so.

Commissioner Robert Bertsch inquired whether the aging assets on the hydro system are some of the capital expenditures they are deferring, and Mr. Wright noted that the hydro system remains BPA's highest priority, with Grand Coulee Dam as a major focus over the next decade.

Commissioner Bill Gordon asked if BPA uses short and long term range planning information from Energy Northwest, and Mr. Wright noted that new processes have been put in place in the last three years.

Commissioner Stu Nelson inquired how outage of the Columbia Generating Station (CGS) for condenser replacement was going to affect BPA. Steve Wright noted they are supportive of the project and the extended outage has been included in BPA's forecast.

Commissioner Chuck Hall stated there was concern of over-building wind. Mr. Wright responded that BPA does not take the financial risk associated with the wind farms – that wind obligations are held through project purchaser’s agreements.

President Lori Sanders opened the Commission Meeting for public comment.

The following comments are summarized:

Carl Adrian, TRIDEC. Mr. Adrian stated that much of the agriculture in the region is dependent on low cost energy, and when competing economically with other communities it is one of the community’s selling points. The business and agricultural community are concerned about rate increases, and the long-term future in terms of stability and sustainable energy. TRIDEC is working on the creation of the Mid-Columbia Energy Initiative to position the area as a national leader in renewable energy, stating one of its goals is becoming an energy hub. It was noted that Mr. Larry Felton of BPA is active in the Initiative as well as others in attendance today. Mr. Wright acknowledged BPA’s continuing support of TRIDEC and its efforts, recognizing the challenge of wind and the future of sustainable energy.

Josh Regan, Agrium Inc. – Mr. Regan stated that rate increases are a concern as power is Agrium’s second highest cost. He applauded conservation efforts and asked Mr. Wright to discuss incremental production and supply. Mr. Wright encouraged Mr. Regan to work with the local utilities in conservation efforts and stated the wholesale market is rapidly changing.

Tom Mackay, AgriNorthwest – Mr. Mackay stated that AgriNorthwest is a major customer of Benton PUD and indicated that energy, especially electricity, is their second or third largest cost of doing business in this area. Increases cause mandates to cut costs in other areas. Mr. Mackay urged everyone to continue to look at ways to keep prices low, and asked that if there was an obligation to put in more wind, could it be utilized more efficiently to help with increasing costs. Mr. Wright responded that they continue to look at the challenges created by wind utilization and conservation requirements.

Jim Sanders, Benton PUD General Manager. General Manager indicated he would like BPA to continue an analysis of wind energy affects on the long-term wholesale market in the Northwest, and expressed concern about the wind on the wholesale market in an average water year. Mr. Wright responded that information on wind’s effects in the market would be provided.

Hank Kosmata, Richland Utility Advisory Committee. Mr. Kosmata discussed residential exchange assumptions, and Mr. Wright noted BPA sees a modest increase (about 10%) in the next rate period.

Colin Hastings, Tri-City Regional Chamber of Commerce. Mr. Hastings expressed concerns from employers and businesses in this environment of uncertainty and the increase in energy costs as part of that environment. Mr. Hastings stated anything BPA could do to alleviate that uncertainty would be helpful. Mr. Hastings asked about wind integration on the region’s hydro system and its effects. Mr. Wright responded that intermittent adjustments to the hydro system are hard on the equipment, and costs are being reviewed to better understand the effects.

Ed Brost, Franklin PUD. Mr. Brost stated that rate stability is important to customers, and he encouraged BPA to share as much information as possible. Mr. Brost noted that Franklin PUD strives to keep rates as steady as possible. He commented that there is much work being done on the residential exchange, and asked what BPA planned to do if the settlement was approved by the parties. Mr. Wright did not believe it likely that BPA would be signing the residential exchange. Ratification of the agreement by Congress is an option; however due to the recent congressional delegation changes ratification would have to be carefully studied.

Commissioner Lori Sanders asked for clarification on the rate increases and a brief discussion was held.

At 10:25 a.m., President Lori Sanders announced that the Benton PUD Commission Meeting would recess for 20 minutes and reconvene in the Benton PUD Commission Room at 10:45 a.m.

At 10:25 a.m., President Chuck Hall announced that the Franklin PUD Commission Meeting would adjourn until 1:00 p.m. at which time the meeting would reconvene at Franklin PUD's offices located at 1411 West Clark Street, Pasco, Washington.

At 10:45 a.m., President Lori Sanders reconvened the Commission Meeting into regular open public session.

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 Operations Hunter
Director of Power Management Bickford
Manager of Accounting Meyer
Manager of Communications and Governmental Relations Miller
Manager of Human Resources Walsh
Manager of Key Accounts McAloon
Manager of Products and Services Johnson
Manager of Contracts and Purchasing Ochweri
Manager of Broadband
Superintendent of Support Services Splattstoesser
Broadband Account Representative Tier
Administrative Assistant – Executive Administration Preddie

Treasurer's Report

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

Management Reports

General Manager:

1. There will be no Commissioner's meeting on negotiations as part of the upcoming Washington PUD Association (WPUA) meeting.
2. The first part of today's meeting with Steve Wright of BPA went well.
3. The Commission was reminded of early release for Thanksgiving and Christmas.

Manager of Communications and Governmental Relations:

1. An update was provided on a recent meeting with the Tri-City Herald Editorial Board, in part due to the amount of news coverage relating to rates. President Lori Sanders noted that she understood BPA is working with the assumption of a 10% increase, and General Manager affirmed they continue to work on the numbers, but the District is assuming a 10% BPA increase at this time.
2. A recap and handout on "Save our Wild Salmon" was distributed and briefly discussed.
3. The Tri-Ports Legislative Lunch is scheduled for November 30, 2010 at the Pasco Red Lion Hotel.
4. The 8th Annual Elected Leaders Reception is scheduled for December 2, 2010 at the Three Rivers Convention Center.

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 October 26, 2010.
- b) Approving the Travel Report dated November 9, 2010.
- 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 5516-5581 in the total amount of \$618,053.66, Warrants (CHK) 46991-47027 and 47102-47159 in the total amount of \$336,756.17, Electronic Fund Transfer (EFT) Payments 2386-2392 in the total amount of \$2,078,205.29, Customer Refund (ERM) Payments 47028-47101 and 47160 in the total amount of \$14,517.35; Residential Conservation Rebates Credits on Customer Accounts in the total amount of \$2,315.00, Payroll Direct Deposit Advice 10/28/10 27236-27395 in the total amount of \$293,888.40 in the total amount of \$3,343,735.87. For October 2010, stopped Warrants in the total amount of \$25.00, stopped ERM in the total amount of \$5,049.96, voided ERM in the total amount of \$65.52, voided ACH in the total amount of \$445.62, and voided Warrants in the total amount of \$75.00 were included on the report.
- d) Awarding Contract No. 10-38-04 for a security monitoring system to Moon Security of Pasco, Washington, for the total amount of \$77,667.00, plus Washington State sales tax in accordance with RCW 54.04.080, with an expiration date of December 31, 2011.

MOTION CARRIED.

Draft Retail Rate Schedules

Manager of Products and Services provided an update on retail rate schedules, confirming staff continues to recommend an 8% overall revenue increase effective January 1, 2011. A final recommendation will be brought for Commission consideration on November 23, 2010.

Status of Conservation Projects

Manager of Products and Services provided the Commissioners with an update on the status of the conservation program. The Benton PUD Ten Year Energy Conservation Plan outlined the plan to meet I-937 conservation requirements and had a target for the first two years. Current and planned residential, commercial, agricultural and industrial conservation projects are either completed or in progress to meet our current CY 2010-2011 Energy Independence Act requirements. The current conservation proposed budget of \$2.5 million is expected to be spent in 2011. President Lori Sanders inquired about District communications to customers due to funding availability impacts and customer payment expectations, and a brief discussion was held.

Broadband Sales Update – Third Quarter 2010

Manager of Broadband and Broadband Account Representative reviewed the third quarter 2010 broadband sales results. Staff noted encouraging growth and interest in broadband and stated they remain confident that the District will meet and possibly exceed its projections by year-end 2010.

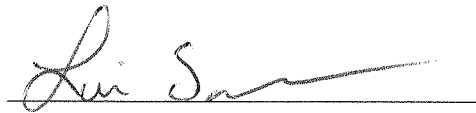
Performance Measurement Report – Third Quarter 2010

Assistant General Manager reported that during the third quarter of 2010, 17 of the 23 performance measures were rated as having positive performance with a positive outlook and/or exceeding the quarterly expectation. One of the District's measures was rated as needing improvement, one of the measures was rated as having adverse performance and one was rated as having no data available and/or no activity during the quarter. Three of the measures were under construction. President Lori Sanders discussed comparing market prices received on Sales for Resale with others, and a discussion was held noting the District does benchmark in the quarterly performance measures against the ICE Mid-Columbia Price Index...

Meeting Reports

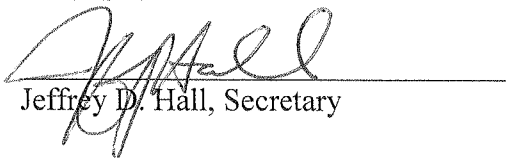
President Lori Sanders reported on her trip with Energy Northwest to New York to meet with lending institutions.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 11:43 a.m.



Lori Sanders, President

ATTEST:



Jeffrey D. Hall, Secretary