

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

Date: December 14, 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 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 Human Resources Walsh

Manager of Customer Service Ball

Manager of Key Accounts McAloon

Manager of Products and Services Johnson

Manager of Risk Management & Treasury White

Manager of Information Systems Swanson

Financial Analyst Pryor

Administrative Assistant – Finance and Business Services Henderson

Supervisor of Executive Administration Cole

Guest: Steve Anderson, EES Consulting

Commissioner Jeff Hall led the pledge of allegiance.

Treasurer's Report

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

Management Reports

General Manager:

1. Commissioner Jeff Hall was congratulated on his election as President of the Washington PUD Association for 2011.
2. General Manager reported on discussions held with Marie Mosley and staff from the City of Kennewick regarding the District's policy on undergrounding distribution lines. The City's elected officials are interested in meeting with the Commission in the first quarter of 2011 to discuss their vision of showplaces within the City and the District's participation in that vision.

Assistant General Manager:

1. It was clarified that commissioners, in the capacity they serve the District, are not subject to B&O tax.
2. Manager of Customer Service reminded the Commission of the temporary suspension of an additional \$50 deposit assessment at the time of disconnect that was extended to December 31, 2010. Reinstatement of the additional deposit was not recommended due to continuing economic conditions and less funding available through CAC. Manager of Customer Service noted the success of the active collection policy, as well as the ability to more easily target customers who should be paying deposits due to the implementation of the Online Utility Exchange service. No action is needed unless reinstatement of the deposit is required. Resolution No. 2094, adopted June 8, 2010, did not include the additional deposit assessment and that resolution remains in effect. The Commission concurred to not reinstate the \$50 deposit assessment at the time of disconnect. President Lori Sanders asked for a report during the first quarter of 2011 on how the Online Utility Exchange is providing a benefit for the District.

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. The District was contacted on its interest in a pilot biomass project in the Prosser area. Staff has communicated to the parties that the District has no interest in the project at this time.
4. EES Consulting is working on the District's conservation potential assessment, and is putting together a questionnaire for customers. The results of the survey will be incorporated in the District's ten-year conservation plan.

Director of Operations:

1. An update on the AMI project was provided, and it was noted that the District continues to be on an installation hold of Sensus meters.
2. The District has five meter readers, which is a slight change from anticipated meter reader needs, due to the delay in Sensus meter installation.

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 November 23, 2010.
- b) Approving the Travel Report dated December 14, 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 5682-5792 in the total amount of \$913,930.24, Warrants (CHK) 47319-47358, 47406-47447, 47450-47477, 47580 in the total amount of \$457,052.65, Electronic Fund Transfer (EFT) payments 2401-2409 in the total amount of \$2,602,807.19, Customer Refund (ERM) payments 47359-47405, 47448-47449, 47478-47579 in the total amount of \$20,552.40; Residential conservation rebates credits on customer accounts in the total amount of \$4,165.00; Payroll Direct Deposit Advice 11/24/10 27557-27720 in the total amount of \$311,627.47, for a

grand total of \$4,310,134.95. For November 2010, voided ACH in the total amount of \$2,994.00 and voided Warrants in the total amount of \$8,440.00 were included in the report.

d) Adopting Resolution No. 2112 approving the 2011 Prequalification of Contractors.

e) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 2 of Contract No. 08-15-01 with MJB Consulting, Inc. to extend the contract to December 31, 2011, and increasing the not-to-exceed amount by \$30,000, for a new not-to-exceed amount of \$300,000.

f) Awarding a contract for 15kV URD cable, Bid Package No. 10-13 to WESCO-Okonite of Portland, Oregon, for the total amount of \$158,200, plus Washington State sales tax, in accordance with RCW 54.04.080.

g) Awarding the contract for single-phase step voltage regulators, Bid Package No. 10-12 to McKaig/Evergreen – Siemens of Bothell, Washington, for the total amount of \$75,090, plus Washington State sales tax, in accordance with RCW 54.04.080.

h) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 1 of Contract No. 10-15-05 with Blue Heron Consulting Corp., changing the scope of work and increasing the not-to-exceed amount by \$50,000, bringing the new not-to-exceed amount to \$850,000.

i) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 3 of Contract No. 09-01 with Osmose Utilities Services, Inc., to extend the wood pole treatment and inspection services contract per Option No. 13 of the contract, to December 31, 2011, and increasing the not-to-exceed amount by \$150,000, bringing the new not-to-exceed amount to \$503,937.90.

j) Authorizing the General Manager, on behalf of the District, to sign a three year contract with Hanson Consulting Services, Contract No. 10-31-03, to perform utility related consulting services for a not-to-exceed amount of \$60,000 per year, for a total of \$180,000, with an expiration date of December 31, 2013.

k) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 3 of Contract No. 08-31-04 with Columbia REA, to extend the safety services contract an additional three (3) years with a total not-to-exceed amount of \$180,000, for a new not-to-exceed amount of \$295,000.

MOTION CARRIED.

President Lori Sanders noted the value to the District of Mr. Hanson's consulting services contract and asked for periodic updates of his services. General Manager stated quarterly updates would be provided to the Commission for Hanson Consulting Services.

Designation of Representatives to Various Organizations for 2011

General Manager recommended the Commission approve the Designation of Representatives to Various Organizations for 2011. This delegation authorizes designated District staff and/or the Commission to act on behalf of the District to various organizations. Designations can be amended at any time throughout the year by motion of the Commission.

Motion by Jeff Hall, seconded by Robert Bertsch that the Public Utility District No. 1 of Benton County shall be represented at the below named organizations by the person(s) designated herein for the year 2011:

Washington Public Utility Districts Association (WPUDA)
Representative: Jeffrey D. Hall
Alternate: Robert E. Bertsch

Public Utility Risk Management Services (PURMS)
Representative: Lori Kays-Sanders
Alternate: Janet White

Energy Northwest
Representative: Lori Kays-Sanders
Alternate: Robert E. Bertsch

Energy Northwest Modular Nuclear Study Committee
Representative: Dan Bickford
ENW Rep: Lori Kays-Sanders

Energy Northwest Nine Canyon Wind Project Purchaser's Committee
Representative: Dan Bickford
Alternate: John Gottschalk

Energy Northwest Packwood Purchaser's Committee
Representative: Dan Bickford
Alternate: John Gottschalk

Northwest Public Power Association, Inc.
Representative: Robert E. Bertsch
Alternate: Lori Kays-Sanders

American Public Power Association
Representative: Robert E. Bertsch
Alternate: Lori Kays-Sanders

American Public Power Association Legislative & Resolutions Committee
Representative: Robert E. Bertsch
Alternates: Lori Kays-Sanders/Karen M. Miller

2011 Participants Review Board (elections)
Representative: Robert E. Bertsch
Alternate: Jeff Hall

(For the purpose of casting votes at the 2011 Participants Review Board Elections)

Pacific Northwest Utilities Conference Committee
Representative: James W. Sanders

Pacific Northwest Waterways Association
Representative: Christie McAloon
Alternate: Robert E. Bertsch

Prosser Economic Development Association
Representative: Christie McAloon
Alternate: Jeffrey D. Hall/Pat Sullivan

Benton City Economic Development Association
Representative: Christie McAloon
Alternate: Lori Kays-Sanders

Tri-City Regional Chamber of Commerce
Representative: Karen M. Miller
Alternate: Lori Kays-Sanders/Robert E. Bertsch

Prosser Chamber of Commerce
Representative: Pat Sullivan
Alternate: Jeffrey D. Hall/Christie McAloon

Benton Franklin Council of Governments
Representative: Lori Kays-Sanders
Alternate: Robert E. Bertsch

Northwest Open Access Network (NoaNet)
Representative: Rick Dunn

Central Washington Public Utilities (CWPU)
Representative: James W. Sanders
Alternate: Allison Walsh

Prosser Tower Site, Inc.
Representative: Pat Sullivan

White Creek, LLC
Representative: Chris Johnson
Alternate: Dan Bickford

Western Electricity Coordinating Council
Representative: Dan Bickford
Alternate: Gloria Bender

TRIDEC
Representative: James W. Sanders
Alternate: Karen Miller

MOTION CARRIED.

Motion by Jeff Hall, seconded by Robert Bertsch that the following named representative(s) of Benton PUD are authorized to act in the following capacity to the organizations listed below for the year 2011:

Central Washington Public Utilities – Unified Insurance Program

Representatives: Allison Walsh, Trustee
Chad Bartram, Alternate Trustee

CARES

Representative: Dan Bickford, Board Member
Chad Bartram, Auditor

Public Power Council

Representative: James W. Sanders, Executive Committee
Alternate: Dan Bickford

Prosser Tower Site

Representative: Pat Sullivan, Board Member

Prosser Chamber of Commerce

Representative: Pat Sullivan, Board Member

Tri-Cities Visitor & Convention Bureau

Representative: Karen Miller, Board Member

Tri-City Regional Chamber of Commerce

Representative: Karen Miller, Board Member

TRIDEC

Representative: James W. Sanders, Board Member
Alternate: Karen Miller

Energy Northwest

Representative: Lori Sanders, Board Member
Representative: Lori Sanders, Executive Board

American Public Power Association Policy Makers Council

Representative: Robert E. Bertsch, Board Member

Pacific Northwest Utilities Conference Committee

Representative: James W. Sanders, Board Member

Washington Public Utilities District Association

Representative: Jeffrey D. Hall, President

Northwest Open Access Network
Representative: (open)

Public Power Inc.
Representative: James W. Sanders, Board Member

Washington Association of Public Records Officers
Representative: Terri A. Cole, Executive Board Member
MOTION CARRIED.

Election of Officers for 2011

Motion by Lori Sanders, seconded by Jeff Hall that Robert Bertsch be nominated and elected President of the Commission, Jeff Hall be nominated and elected Vice-President of the Commission, and Lori Kays-Sanders be nominated and elected Secretary of the Commission.
MOTION CARRIED.

2011 Affiliations List

Assistant General Manager recommended the Commission approve the 2011 District affiliations listing. The listing contains employee and District memberships in civic and service organizations, and additionally lists professional society memberships, certifications and industry associations to which the District pays dues or membership fees.

Motion by Robert Bertsch, seconded by Jeff Hall to approve memberships, dues and fees associated with District affiliations as presented at the December 14, 2010 Commission Meeting for a one-year term from January 1, 2011 through December 31, 2011.
MOTION CARRIED.

Resolution No. 2111, Adopting the 2011 Budget

Manager of Risk Management and Treasury recommended the Commission adopt the 2011 budget, stating the budget establishes the allocation of resources within which the District will execute its 2011 Strategic and Operating Plans. President Lori Sanders stated that adopting the budget is not considered as final approval to expend items found within the budget. General Manager confirmed President Lori Sanders' comment, stating administrative mechanisms are built into the District's processes for bringing certain budgeted items to the Commission prior to going forward.

Motion by Robert Bertsch, seconded by Jeff Hall to adopt Resolution No. 2111, adopting the 2011 Budget.
MOTION CARRIED.

Resolution No. 2113, Declaring Approval of PURMS Resolution No. 11-4-10-6, Enacted by the Board of the PURMS Self-Insurance Fund at its Annual Meeting on November 4, 2010

Manager of Risk Management and Treasury recommended the Commission approve a resolution which approves PURMS Resolution No. 11-4-10-6, related to modifying the formula for liability and property premium assessments and reducing the equally shared portion from 10% to 5%.

Additional PURMS resolutions requiring Commission approval will be brought for Commission consideration in the first quarter of 2011.

Motion by Robert Bertsch, seconded by Jeff Hall adopting Resolution No. 2113, declaring approval of PURMS Resolution No. 11-4-10-6 enacted by the Board for the Public Utility Risk Management Services (PURMS) Self-Insurance Fund at its annual meeting on November 4, 2010.

MOTION CARRIED.

Cancellation of December 28, 2010 Regular Commission Meeting

General Manager recommended the Commission cancel its regularly scheduled meeting of December 28, 2010.

Motion by Jeff Hall, seconded by Robert Bertsch cancelling the District's regular commission meeting scheduled for 9:00 a.m. on December 28, 2010, and directing the General Manager to provide notification to the public of such cancellation.

MOTION CARRIED.

At 9:45 a.m., President Lori Sanders announced that the Commission Meeting would recess for 10 minutes.

At 9:55 a.m., President Lori Sanders announced that the Commission Meeting would reconvene into regular open public session.

Economic Development Policy and Tiered Rate Methodology

Assistant General Manager stated that in August 2010, as part of the Commission Workshop on rates, staff identified BPA's proposed tiered rates methodology as having significant economic development implications. To better understand staff concerns, the District contracted with Mr. Steve Andersen from EES Consulting to provide an analysis of tiered rates impacts on retail rates.

Mr. Andersen gave a presentation on Economic Development and BPA Tiered Rates Methodology. Who should pay for BPA Tier-2 power is a policy decision. Six rate policy alternatives and threshold levels for new large loads were reviewed. Key assumptions in base case analysis were displayed and impacts of rates in the out years by customer class were shown. A sensitivity analysis that could impact assumptions of the customer classes shown was reviewed. In summary, Mr. Andersen stated the District has two questions to answer: 1) should there be high water marks established for each existing customer class, and 2) who pays NLSL incremental power costs?

Assistant General Manager noted a recommendation will be brought for commission consideration in January 2011. General Manager stated that this presentation is focused on new load growth; however impacts could also occur if existing customers expand. He further stated these issues are being looked at by the majority of utilities. Director of Power Management stated the presentation did not include the District's current excess power versus Tier 1 and Tier 2. General Manager stated additional information will be forthcoming.

Meeting Reports

Commissioner Robert Bertsch stated that there are two open positions on the Northwest Open Access Network (NoaNet) Board. General Manager noted he nominated the District's Director of Engineering, Rick Dunn, for a seat on the NoaNet board.


Assistant General Manager stated that the Helping Hands Program holiday fundraiser has been successful to date, with \$1,200 currently in customer donations.

Executive Session

At 11:00 a.m., President Lori Sanders announced that the commission meeting would go into Executive Session with legal counsel for 15 minutes for the purpose of discussing potential litigation.

At 11:15 a.m., President Lori Sanders announced that the commission meeting would reconvene into regular open public session.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 11:15 a.m.



Robert Bertsch, President

ATTEST:



Lori Sanders, Secretary

