

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

Date: January 12, 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 Hultgren
Manager of Risk Management and Treasury White
Director of Engineering Dunn
Director of Power Management Bickford
Director of Operations Hunter
Manager of Risk Management and Treasury White
Manager of Human Resources Walsh
Manager of Accounting Meyer
Manager of Customer Service Ball
Manager of Products and Services Johnson
Manager of Geographic Information Systems Folta
Manager of Communications and Governmental Relations Miller
Financial Analyst II Pryor
Supervisor of Executive Administration Cole

Guest: Larry Felton, Bonneville Power Administration

Director of Engineering led the pledge of allegiance.

Treasurer's Report

Treasurer reviewed the December 2009 Treasurer's Report. The Commission approved the December 2009 Treasurer's Report. The counterparty credit report and credit report by sector were distributed and briefly discussed.

Management Reports

General Manager:

1. General Manager stated he was traveling to Washington D.C., accompanying a committee formed through the Washington PUD Association (WPUDA), to discuss with legislative staff issues relating to cyber security.
2. The Commission was updated on District staff involvement with the Mid Columbia Energy Initiative, and a newspaper article on the Energy Park was distributed.
3. A letter from the Governor to Energy Secretary Chou was distributed. The letter offers the Governor's support of the Energy Initiative. The prime influence of the Initiative is the smart grid test bed which the District is involved in.
4. An e-mail from PNGC regarding a meeting with Representative Hastings in Portland was distributed for information.

Director of Engineering:

1. An update was provided on the AMI project, noting over 20,000 meters have been installed. The project is on hold for approximately two weeks due to meter supply issues.
2. It was reported that the TGB has been installed on Rattlesnake Mountain.
3. The Department of Energy and Battelle continue to work on an agreement for the smart grid project.
4. It was reported that Rich Nall, Manager of Broadband, was elected to the Northwest Open Access Network (NoaNet) Board. Rick Dunn, Director of Engineering, will be recommended as the District's new member representative at the upcoming commission meeting.
5. At President Lori Sanders' request, Director of Operations reported that the local ham radio operators were provided a communications rack at the new Rattlesnake Mountain communication facilities through Energy Northwest.
6. General Manager noted that at the upcoming WPUA Manager's Section Meeting a high level overview of the smart grid project and Benton PUD's involvement will be presented.

Director of Operations:

1. The installation of antennas on Rattlesnake Mountain has been problematic due to weather issues. It was noted that the Energy Northwest Sub-Tenant Agreement previously approved by the Commission did not include a termination notification provision. The agreement will be brought to an upcoming commission meeting for approval of the new agreement.

Director of Power Management:

1. The mark to market and Frederickson reports were distributed and briefly discussed.
2. Manager of Products and Services and Manager of Customer Service informed the Commission of staff recommended usage of monies provided through the Enron settlement. The settlement funds, approximately \$87,000, and will be used for conservation and also the Helping Hands Program through the Community Action Committee (CAC). Manager of Customer Service stated that \$20,000 will be allocated to CAC and will help approximately 200 customers. The intended use of the settlement funds meets the allowed criteria. The Commission concurred with staff's recommendation on the usage and allocation of the Enron settlement funds.
3. Manager of Customer Service stated that the December holiday fundraising event was very successful with a total of \$3,036 earned to assist customers through the CAC Helping Hands Program.

Assistant General Manager:

1. A brief review was provided of past discussions held with the Commission on a recommended bond issuance and recommended reserve requirements.
2. Manager of Risk Management and Treasury distributed information on a tentative schedule for the 2010 bond issue. Rating agency discussions will be held via conference calls, and it is anticipated that ratings will be received at the earliest by February 8, 2010. General Manager stated that the February 23, 2010 commission meeting will need to be cancelled because of conflicts with the American Public Power Association (APPA) meetings in Washington D.C. In order to proceed with the bond sale, a March 2, 2010 special meeting of the commission is an option. The Commission concurred to hold a March 2, 2010 special meeting if needed. Manager of Risk Management and Treasury reviewed information on Build America Bonds (BABS) and stated the option of issuing this type of bond would be open until the day of issuance. A hand-out with the bond schedule and information on BABS was distributed. Assistant General Manager stated that staff recommends increasing the size of the bond issue to \$17M to provide for amounts needed to be placed into debt service reserve accounts and asked for Commission feedback on increasing reserve

account levels. Commission directed staff to adjust the bond issue size to accommodate all additional reserve requirements arising out of the new bond issue, including any amounts necessary to provide additional cash reserves to compensate for bond insurer ratings. General Manager stated a recommendation on the bond issuance and reserve levels would be brought at a later commission meeting.

3. Manager of Risk Management and Treasury provided an update on the District's Rural Economic Development Revolving Fund being managed by the Benton Franklin Council of Governments, stating that the first loan utilizing District funds has been accomplished. An amount of \$12,500 from the District's Fund has been loaned. The purpose of the loan is to allow a local business to expand into adjoining space for an ice cream parlor. Over time, five jobs are anticipated as a result of the project which received support from the Downtown Kennewick Association.

Manager of Communications and Governmental Relations:

1. The Washington State 2010 legislative session is underway. Several PUDs are working with other utilities and organizations on issues relating to I-937. The WPUA legislative reception is Thursday night.

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 December 8, 2009.
- b) Approving Travel Report dated January 12, 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 3931-4080 in the total amount of \$1,637,265.54, Warrants 42060-42133, 42232-42302, 42305-42380, 42436-42522, 42524-42624 in the total amount of \$950,557.08, Electronic Fund Transfer (EFT) Payments 2224-2242 in the total amount of \$4,588,982.83, Customer Refund (ERM) Payments 42134-42231, 42303-42304, 42381-42435, 42523-42523, 42625-42671 in the total amount of \$20,103.97; Payroll Direct Deposit Advice 12/10/2009 23465-23632 in the total amount of \$345,760.63, Warrants 12/10/2009 504162 in the total amount of -0-, Direct Deposit Advice 12/24/2009 23633-23797 in the total amount of \$292,924.29, Warrants 12/24/2009 504163 in the total amount of -0- for a grand total amount of \$7,835,594.34. For December 2009 stopped warrants in the amount of \$1,762,86, stopped ERM in the amount of \$142.18, voided ACH in the amount of \$13,822.33, were included on the report.
- d) Reviewing Quarterly Contract Activity Report to Commission dated January 4, 2010.
- e) Awarding the contract for 15kV Triplex URD Cable, Bid Package No. 09-13, to WESCO/Okonite of Portland, Oregon, for the total amount of \$236,838, plus Washington State sales tax in accordance with RCW 54.04.080.
- f) Awarding the contract for a cab and chassis, Bid Package No. 09-10 to Jim's Pacific Garage, Inc. of Pasco, Washington, for the total amount of \$112,622, plus Washington State sales tax, in accordance with RCW 54.04.080.
- g) Awarding the contract for a digger derrick, Bid Package No. 09-14 to Altec Industries of Portland, Oregon, for the total amount of \$162,701, plus Washington State sales tax, in accordance with RCW 54.04.080.
- h) Declaring S.D.P. Manufacturing non-responsive and awarding the contract for a mini digger derrick, Bid Package No. 09-15 to Titan Truck Equipment of Spokane, Washington, for the total amount of \$133,472.25, plus Washington State sales tax in accordance with RCW 54.04.080.
- i) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 2 of Contract No. 07-32-02 with Tyndale Company, to extend the term of the contract to January 30,

2011, and increase the not-to-exceed amount by \$25,650, bringing the new not-to-exceed amount to \$91,300.

MOTION CARRIED.

At 10:05 a.m., President Lori Sanders announced that the Commission Meeting would recess for 15 minutes.

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

Governance of the Benton PUD Commission – Code of Conduct Acknowledgement

General Manager briefly reviewed the requirements of RCW 42.23, as well as the Code of Conduct section of the Governance of the Benton PUD Commission dated July 8, 2008, noting the Commission's duty to disclose conflict of interest issues. Each commissioner acknowledged their duty to disclose conflict of interest issues.

Resolution No. 2068, Revisions to Interlocal Cooperation Agreement of the CWPU Unified Insurance Program Trust and Declaration of Trust

Manager of Human Resources recommended the Commission adopt Resolution No. 2068 which authorizes revisions to the Interlocal Cooperation Agreement of the CWPU Unified Insurance Program Trust and Declaration of Trust, to be effective November 1, 2009. This resolution replaces Resolution No. 2060 adopted on November 10, 2009, and adds clarifying language on how meetings are conducted.

Motion by Jeff Hall, seconded by Robert Bertsch adopting Resolution No. 2068, authorizing revisions to the Interlocal Cooperation Agreement of the CWPU Unified Insurance Program Trust and Declaration of Trust.

MOTION CARRIED.

Telvent Miner & Miner, Small Utility Enterprise License Agreement – Contract Award Recommendation

Manager of Geographic Information Systems recommended the Commission approve a contract with Telvent Miner & Miner. The contract offers increased value and a fixed cost model over the current annual maintenance and support agreement, and will allow the District to further develop the use of GIS technology to aid enterprise operations.

Motion by Robert Bertsch, seconded by Jeff Hall to authorize the General Manager, on behalf of the District, to sign a three year Small Utility Enterprise License Agreement with Telvent Miner & Miner (TMM), Contract No. 10-15-02, in substantially the form presented, for a not-to-exceed amount of \$34,680 per year, for a total of \$104,040, plus Washington State sales tax, with an expiration date of January 11, 2013.

MOTION CARRIED.

The Energy Authority, 2010 Consulting Task Order

Director of Power Management recommended the Commission approve The Energy Authority 2010 Consulting Task Order, which provides resources from TEA to follow and address power management issues in 2010, many of which are included in the District's Strategic Plan. Mr. Felton briefly discussed the difference between a scheduling agent and resource management services.

Motion by Jeff Hall, seconded by Robert Bertsch approving The Energy Authority Activity 2, 2010 Consulting Task Order, BPUD Contract No. 09-51-16, in the amount of \$19,000/month with a true-up at the end of the year.

MOTION CARRIED.

Energy Northwest's Packwood Lake Hydroelectric Project Loan for Slide Repair

Director of Power Management distributed a new memo seeking concurrence from the Commission to support ENW's effort to refinance the landslide repair bank loan for the Packwood Lake Hydroelectric Project. A 60% Packwood Participant approval will authorize ENW to pay off the \$1,000,000 Packwood Project construction loan for landslide repair by refinancing it and retiring the new loan utilizing project revenues.

Director stated BPA has provided an extension of time to March 1, 2010 regarding notification of the District's need to take Packwood load into its load.

The Commission concurred with staff's recommendation to support ENW's effort to refinance the landslide repair bank loan for the Packwood Lake Hydroelectric Project and the retirement over time of the new loan using Project revenues.

Energy Northwest's Packwood Lake Hydroelectric Project Turbine Runner Upgrade

Director of Power Management distributed a new memo seeking concurrence from the Commission to support ENW's effort to install a new turbine runner for the Packwood Lake Hydroelectric Project. A 60% Participant approval will authorize ENW to proceed with the upgrade by accepting the Federal Stimulus Fund Grant of \$811,000 and matching the grant with another approximately \$824,000 provided by the Project Participants, each providing their share as calculated by their percent of ownership. It is anticipated the District's share will be provided for in the District's 2011 budget.

The Commission concurred with staff's recommendation to support ENW's effort to install a new turbine runner for the Packwood Lake Hydroelectric Project.

Central Washington Power Authority Solar Project

Director of Power Management reviewed the District's involvement with the Central Washington Power Authority (CWPA) as a participant in a request for proposals for energy resources, including renewables. A solar proposal received by CWPA was briefly reviewed, and it was discussed that the District needs to firm its commitment to move forward with the solar project. General Manager recommended, with Commission concurrence, to not move forward at this time until additional information can be provided for commission review.

November Financial Statements

Manager of Accounting review the November 2009 financial statements.

Other Business

General Manager distributed staff's proposed response to an Energy Northwest Survey. Manager of Products and Services reviewed in detail the staff responses, including recommended ranking of power supply options. The Commission concurred with staff's responses to the Survey as provided.

Future Planning

Manager of Communications and Governmental Relations discussed the Energy Fair scheduled in February in Olympia.


Meeting Reports

Commissioner Jeff Hall briefed the Commission on a meeting he attended the previous week with the Public Power Council.

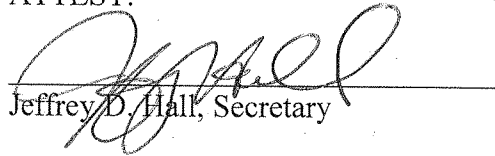
At 12:00 p.m., President Lori Sanders announced that the Commission Meeting would go into Executive Session for 40 minutes with legal counsel for three purposes: pending litigation, potential litigation, and performance of a public employee.

At 12:40 p.m., President Lori Sanders reconvened the Commission Meeting into regular open public session.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 12:41 p.m.


Lori Kays-Sanders, President

ATTEST:


Jeffrey D. Hall, Secretary