

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

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Date: March 23, 2010  
Time: 9:00 a.m.  
Place: 2721 West 10<sup>th</sup> Avenue, Kennewick, Washington

***Present:***

Commissioners Sanders, Bertsch and Hall  
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 Customer Service Ball  
Manager of Products and Services Johnson  
Manager of Communications and Governmental Relations Miller  
Manager of Broadband Nall  
Manager of Key Accounts McAloon  
Manager of Information Systems Swanson  
Financial Analyst Hawkey  
Supervisor of Executive Administration Cole

***Absent:*** Jim Sanders, General Manager

***Guests:*** Lisa Roundy and Tim Anderson, Washington State Auditor's Office

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Assistant General Manager led the pledge of allegiance.

**Entrance Conference for 2009 State Audit**

Assistant General Manager introduced Lisa Roundy, Assistant Audit Manager, and Tim Anderson, Auditor in Charge, for the District's 2009 State audit. Mr. Anderson reviewed the scope of the audit in the areas of accountability for public resources and compliance with laws and regulations, and financial statements. Mr. Anderson asked if the Commission had any additional areas they would like to have covered during the audit, and no additional requests were made by the Commission.

**Management Reports**

*Assistant General Manager:*

1. It was reported that the General Manager was in Washington, D.C. with the Public Power Council delegation.

*Director of Power Management:*

1. Information on the proposed modular nuclear proposal was distributed. Energy Northwest will be scheduling upcoming meetings in Richland and possibly Portland to share information and

discuss the project. Mr. Bickford distributed his responses to a questionnaire on the modular nuclear project, noting the responses did not encompass input not yet received from the Commission. President Lori Sanders requested the Commission re-discuss the responses to the questionnaire after attendance at a workshop on the modular nuclear issue.

2. The mark to market report was distributed and briefly reviewed.

*Director of Engineering:*

1. An update on the Northwest Open Access Network (NoaNet) BTOP grant was provided. Round 1 of the grant was accepted by the NoaNet board of directors. A copy of the NoaNet ProForma for the Round 1 grant will be provided to the Commissioners. Manager of Broadband briefed the Commission on the BTOP Round 2 grant application which is due by March 26, 2010. NoaNet held a special meeting on March 17, 2010 to determine whether to submit an application for Round 2 and is asking members for projects that could be proposed as part of the grant. Director noted that staff recommends submitting two project proposals, 1) for Paterson School at an approximate cost of \$2.8M and 2) for fiber to the West Richland Library for \$450,000. It was noted a 10% cash match to the grant would be required by the District. Director noted that submitting the proposal does not commit the District. The grant proposal must be submitted by March 26, 2010, with approval in the September/October timeframe. The Commission concurred with staff's recommendation to submit the two project proposals for the BTOP grant.

*Manager of Communications and Governmental Relations:*

1. Manager of Communications stated that the legislature continues in session and a brief discussion was held on bills still awaiting decisions. Additional information is forthcoming on the Commissioner compensation bill.

**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 March 9, 2010.
- b) Approving the Travel Report dated March 23, 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 4304-4361 in the total amount of \$1,023,284.51, Warrants (CHK) 43690-43766 and 43773-43844 in the total amount of \$218,452.20, Electronic Fund Transfer (EFT) Payments 2271-2273 in the total amount of \$173,122.67, Customer Refund (ERM) Payments 43767-43772 and 43845-43886 in the total amount of \$4,294.40; Payroll Direct Deposit Advice 03/04/2010 24452-24610 in the total amount of \$274,107.90 for a grand total of \$1,693,261.68. For March 2010, stopped warrants in the total amount of \$612.00, stopped ERM in the total amount of \$3,279.85 and voided ERM in the total amount of \$203.54 were included on the report.
- d) Approving Contract Completion and Acceptance for Small Works Miscellaneous Fiber Construction/Repair by Paramount Communications, Inc. for Contract No. 08-46-05, (CPO 18508), in the amount of \$287,217.66, including tax.
- e) Approving Contract Completion and Acceptance for installation of fiber (Jump Off Joe) by Paramount Communications, Inc. for Contract No. 09-46-05, (CPO 19724), in the amount of \$236,810.70, including tax.
- f) Reviewing the Annual Community Involvement 2009 Recap dated March 5, 2010.

- g) Approving Work Order No. 105767 for 2010 Annual Pole Maintenance Testing Program.
- h) Approving Work Order No. 102221 & 102413 for the Steptoe transmission and distribution line re-build from West Gage Boulevard to Center Parkway.

MOTION CARRIED.

**Oracle America, Inc., Contract Award Recommendation for Contract No. 10-15-06**

Manager of Information Services recommended the Commission approve a contract with Oracle America, Inc. to purchase the Customer Care and Billing software. It was noted that on March 9, 2010, the Commission adopted Resolution No. 2080, waiving competitive negotiation requirements and declaring Oracle's CC&B a single source customer information system replacement solution. Due to contractual negotiations relating to public records disclosure requirements, it was recommended the contract be approved in substantially the form presented today. Staff also recommended approving annual maintenance costs with an approved escalation cap.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign a contract, in substantially the form presented, with Oracle America, Inc., Contract No. 10-15-06, to purchase the Customer Care and Billing software for a not-to-exceed amount of \$236,680.00, plus Washington State sales tax, with an annual maintenance cost of \$52,069.60 for the first year, and an escalation of not more than 4% for the second and third years.

MOTION CARRIED.

**Fidelity Information Services, Contract Extension**

Assistant General Manager stated that the contract extension requested is for Fidelity Information Services, formerly Metavante, for electronic bill presentment and payment. Manager of Customer Service recommended the Commission approve a three year extension of the contract in order to continue the service currently provided, noting it was a highly successful contract for the District, as well as to take advantage of discounts for extending an additional three years.

Motion by Jeff Hall, seconded by Robert Bertsch authorizing the General Manager, on behalf of the District, to sign a contract change order with Fidelity Information Services (formerly Metavante), Contract No. 07-44-01, for a three year extension for electronic bill presentment and payment (EBPP) and bill print and mailing services for a not-to-exceed amount of \$280,000.00 per year for a total of \$840,000.00 with an expiration date of April 30, 2013.

MOTION CARRIED.

**Resolution No. 2083, Revising Risk Management and Trading Policies for Power, Environmental Attributes, Transmission, and Natural Gas**

Director of Power Management recommended the Commission adopt Resolution No. 2083. The resolution brings the Risk Management Policies up to date, including authorized policy changes, and continuing to minimize District risk, and directing staff to follow and implement the revised policies. The policy allows for internal review at 2 year intervals and outside independent auditor review at 4 year intervals. It is anticipated that an external audit will be scheduled in 2012, and an internal audit will be accomplished this year.

Motion by Robert Bertsch, seconded by Jeff Hall to adopt Resolution No. 2083, revising Risk Management and Trading Policies for Power, Environmental Attributes, Transmission and Natural Gas.

MOTION CARRIED.

### **Master Transmission Rights Assignment Agreement**

Director of Power Management recommended the Commission approve a Master Transmission Rights Assignment Agreement in substantially the form presented. Authorizing the agreement will enable the District to sell or purchase excess transmission with counterparties.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager or his designee, on behalf of the District, to execute Master Transmission Rights Assignment Agreements, in substantially the form presented, with counterparties to facilitate the sale or purchase of transmission service rights.

MOTION CARRIED.

### **Resolution No. 2084, Wholesale Customer Service Policy, Rates, Terms and Conditions of Service for Telecommunications**

Manager of Broadband reviewed proposed changes to the wholesale customer service policy, rates, terms and conditions of service for telecommunications as follows: 1) offer a 10% discount to Retail Service Providers for renewal of expired contracts for a new three-year term; 2) reduce Retail Service Providers' internet rates passed on from NoaNet. It was noted that if approved, NoaNet and the District would both prorate their respective cost of Internet services back to January 1, 2010.

Motion by Robert Bertsch, seconded by Jeff Hall adopting Resolution No. 2084, revising Wholesale Customer Service Policy, Rates, Terms and Conditions of Service for Telecommunications.

MOTION CARRIED.

### **Customer Survey**

Manager of Communications and Governmental Relations reviewed proposed changes for customer surveys in 2010, including a phone survey followed by three focus groups conducted by NewEdge staff. The new proposal will provide more in-depth information and reach out to broader demographics. Additional costs not anticipated in the 2010 budget will be covered through budget under runs in other areas.

### **February Financial Statements**

Manager of Accounting reviewed the February 2010 Financial Statements. Assistant General Manager noted that many utilities may be looking at the impact of water conditions on their 2010 financial and rate forecasts. The District is currently forecasting a net loss for 2010; however more information will be available in April.

### **Review Final Draft of 2009 Annual Financial Report**

Assistant General Manager reviewed the draft 2009 Annual Financial Report, reviewing the balance sheet, statement of revenues, expenses and changes in net assets and statement of cash flows. Assistant General Manager stated the draft Report is being submitted to the State Auditor as part of the annual audit of the District.

Manager of Accounting reviewed the CAFR letter of transmittal, Management Discussion and Analysis, certain Notes to the Financial Statements and the statistical section of the Report. It is anticipated that the State Auditor's exit conference with the Commission will be in late April or the first meeting in May 2010.

### **Future Planning**

President Lori Sanders briefed the Commission on a discussion held with Commissioner Bill Gordon of Franklin PUD regarding sharing of certain utility services – specifically the after-hours customer

call center. A general discussion was held. Director of Operations noted that the District participates in cost sharing of services through a safety and tree coordinator at this time. Assistant General Manager and Director of Operations stated that many factors were considered in the development of a recommendation to outsource after-hours call center operations; however, staff would discuss the possibility of a joint call center with Franklin PUD, and continue to consider cost sharing of other services as opportunities arise. Director of Operations stated the contract for services will be brought to an April 2010 commission meeting for consideration.

At 10:25 a.m., President Lori Sanders announced that the commission meeting would recess for 10 minutes.

At 10:35 a.m., President Lori Sanders announced that the commission meeting would reconvene into regular open public session.

At 10:35 a.m., President Lori Sanders announced that the commission meeting would go into Executive Session with District legal counsel for 30 minutes for the purpose of discussing potential litigation.

At 11:05 a.m., President Lori Sanders announced that the commission meeting would reconvene into regular open public session.

The Commission held a general discussion on District customer Ned El Hajj's request to receive additional monies for overpayments made related to city utility taxes.

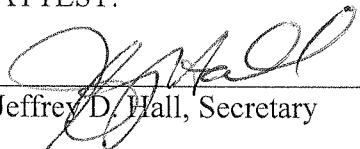
Motion by Robert Bertsch, seconded by Jeff Hall affirming the Commission's decision as adopted by Resolution No. 2076, limiting refunds to six years for customers who were residing at service points outside the city boundaries which were misclassified for purposes of the city utility tax, and to make no exceptions to that decision. Commissioner Lori Sanders voted against the motion.  
MOTION CARRIED.

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



Lori Kays-Sanders, President

ATTEST:

  
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Jeffrey D. Hall, Secretary