

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

Date: March 9, 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 Customer Service Ball
Manager of Products and Services Johnson
Manager of Communications and Governmental Relations Miller
Manager of Broadband Nall
Manager of Information Systems Swanson
Financial Analyst Hawkey
Supervisor of Executive Administration Cole

Guests: Jim Oakley, Energy Northwest; Larry Felton, Bonneville Power Administration

Director of Power Management led the pledge of allegiance.

Treasurer's Report

Treasurer reviewed the February 2010 Treasurer's Report. The Commission approved the February 2010 Treasurer's Report. The counterparty credit report and credit report by sector were distributed and briefly discussed. Treasurer reported on the defeasance transaction and bond closing schedule.

President Lori Sanders announced that public comments would now be accepted to allow for customer input regarding a tax refund. Mr. Ned El Hajj distributed a letter regarding a refund he received from the District relating to an error in billings that resulted in him paying city taxes when he was located within the county. Mr. El Hajj stated that he was not aware of this over-payment until the PUD brought it to his attention and issued a refund warrant. He stated he was on a fixed income and had lived at his same residence since 1986. Commissioner Jeff Hall asked if the dollar amount in the letter of \$1,500 was the difference of what was already refunded and what additional dollars he believed would be fair to refund or receive a credit on. President Lori Sanders asked if Mr. El Hajj knew that he had always lived in the county. Mr. El Hajj confirmed his knowledge of living in the county and Commissioner Hall's synopsis of the additional dollars being requested. Mr. El Hajj stated he was on a fixed income and stated the refund did not need to be 100% accurate, but fair. A

brief discussion was held on how the customer became aware of the over-payment tax issue. President Lori Sanders stated that the Commission would discuss the issue further in executive session due to potential litigation concerns, and Mr. El Hajj would be contacted. Mr. El Hajj thanked the Commission for their time.

Management Reports

General Manager:

1. A presentation and talking points from the Public Power Council (PPC) forum last week were distributed.
2. General Manager stated the Assistant General Manager was recommended by Sid Morrison to be a member of the Clean Energy Leadership Council convened by the Governor; however Mr. Bartram was not selected at this time. It was noted that his representation would be of great value as a representative of public power.
3. A brief summary of litigation that PPC is currently engaged in was distributed.
4. E-mail from the American Public Power Association (APPA) relating to clean air act green house gas reduction was distributed.

Director of Power Management:

1. The mark to market report was distributed and briefly discussed. It was noted that this year is anticipated to be a very poor water year that may have significant implications on power supply.
2. The Frederickson monthly report was distributed and briefly discussed.
3. Staff submitted a response to a request for proposals from Puget Sound Energy for output resources, offering Frederickson resources beginning January 1, 2012 or earlier if requested. Currently awaiting short list publication. The District's response to the RFP was non-binding at this point.
4. An update was provided on the CFL distribution, noting customer responses were generally positive. A brief discussion was held on concerns expressed by only a few customers. Challenges with the Post Office due to Post Office internal communication issues were briefed.
5. Energy Northwest held a modular nuclear team meeting last week. Benefits to the District getting in early on the project were discussed. President Lori Sanders asked for Commission interest in the project. The Commission concurred that additional information on the subject was needed and requested staff look into the possibility of a special meeting with Energy Northwest representatives and other entities with interest in the project.

Director of Engineering:

1. The AMI stand down is over due to shipments of meters being re-established. Staff anticipates start up of installation March 15, 2010, with total installation of residential class meters completed in the August/September timeframe.
2. A brochure from the Mid Columbia Energy Initiative was distributed, and it was noted the General Manager is serving as chair of the utility sub-committee.
3. Manager of Broadband discussed staff efforts related to the submittal of an application in response to Google's request for interest in collaborating with them on a gigabit speed internet pilot project. Also discussed was staff's consideration of collaborating with others in the Tri-Cities communities to submit a joint application and how the challenges appear to outweigh the benefits at this point.
4. The Northwest Open Access Network (NoaNet) was awarded a federal stimulus grant known as the Broadband Technology Opportunities Program (BTOP). A map was distributed showing the project area. If approved by the NoaNet board, Grant money along with cash contributions from NoaNet and sub-project participants would be utilized to fund the capital investments required to extend NoaNet's fiber-optic network to un-served and underserved areas of Washington State. A

brief discussion was held on the concern over sustaining the expanded fiber-optic network over the long term once the initial investment is made.

Manager of Communications and Governmental Relations:

1. The legislative session is coming to an end this week in Olympia. A brief discussion was held of bills related to I-937 as well as other bills that passed or did not pass through the session. The Commissioner compensation bill is currently awaiting Governor signature.
2. Meetings held during the American Public Power Association legislative rally in Washington D.C. were recapped, noting discussions with representatives, senators or staff members in the areas of cyber security, hydro, climate change and federal incentives. White papers distributed to the delegation in Washington D.C. were distributed.
3. A letter from Judge Redden to the United States District Court of Oregon was distributed, summarizing his preliminary view of the validity of the 2008 BiOp and requested a three month remand to adopt the Adaptive Management Implementation Plan.

Director of Operations:

1. An update on the phone system issue during an outage was discussed. It was noted that the issues were the result of equipment problems on the carrier's end of the system. Slight modifications have been made and the issue is resolved.
2. Responses to a request for proposals for a Cooperative Response Center, for after hours outage calls, were briefly discussed. It was noted that the current service costs approximately \$15,000 a year with limited service, and a new proposed service with extensive capabilities will cost approximately \$90,000 a year. President Lori Sanders asked about the option of cost sharing the services, and Director noted that would be looked into in the future. A contract for the Cooperative Response Center will be brought to the Commission in the near future.

Manager of Human Resources:

1. An update was provided on the Employee Insurance Advisory Committee, noting the committee is working jointly on ways to control escalating health care costs. A hand-out from the committee on possible health care plan changes was distributed. Additional information will be forthcoming.

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.

President Lori Sanders requested, with concurrence of the Commission, to place Business Agenda Items 6a, Campbell and Company, contract change order, and 6b, Perfection Glass, contract change order, on the consent agenda.

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 February 9, 2010.
- b) Approving the minutes of the Special Commission Meeting, bond issuance, of March 2, 2010.
- c) Approving Travel Report dated March 9, 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) Payment 4185-4303 in the total amount of \$957,130.93, Warrants 43040-43188, 43231-43382, 43403-43424, and 43689 for the total amount of \$700,136.20, Electronic Fund Transfer (EFT) Payments 2259-2270 in the total amount of \$7,762,878.67, customer refund (ERM) payments 43189-43230, 43383-43402 and 43425-43688 in the total amount of \$108,843.22; Payroll Direct Deposit Advice 02/04/2010 24129-24291 in the total amount of \$275,651.80, Direct Deposit Advice 02/18/2010 24292-24451 in the total amount of \$277,956.90 and Warrants 504164-504189 in the total amount of \$22,730.97 for a grand total of \$10,105,328.69.

e) Reviewing Jobs Report to Commission dated March 1, 2010.

f) Approving conveying to the owner of record, a portion of the easement located off West 4th Avenue and North Edison Street, recorded under Auditor's File Number 324047, records of Benton County, Washington, located in Section 4, Township 8 North, Range 29 East, W.M., lying south of the KID canal.

g) Approving Contract Completion and Acceptance for the fiber build from Kennewick to Prosser by Paramount Communications, Inc. for Contract No. 09-06 (CPS No. 19570), in the amount of \$2,087,275.31, including tax.

h) Approving Contract Completion and Acceptance for tree trimming by Asplundh Tree Expert Company for Contract No. 06-01, (CPO No. 17314), in the amount of \$587,896.45, including tax.

i) Adopting Resolution No. 2078, declaring certain transformers 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.

j) Adopting Resolution No. 2079, declaring certain equipment 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) Moved from Business Agenda 6a) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 2 of Contract No. 09-45-14 with Campbell and Company, to increase the not-to-exceed amount by \$100,000.00, bringing the new not-to-exceed amount to \$200,000.00

l) Moved from Business Agenda 6b) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 2 of Contract No. 09-45-16 with Perfection Glass, to increase the not-to-exceed amount by \$100,000.00, bringing the new not-to-exceed amount to \$200,000.00.

MOTION CARRIED.

Fiber Optic Cable Installation/Repair – Contract Award Recommendation

Manager of Broadband recommended the Commission declare Henkels & McCoy non-responsive due to omissions in bid schedules and inability to affirm pricing and to award the contract to Paramount Communications for fiber optic cable installation and repair work.

Motion by Robert Bertsch, seconded by Jeff Hall to declare Henkels & McCoy non-responsive and award Contract BP-10-02 for Off the Dock Fiber Cable Installation and Maintenance to Paramount Communications, Inc. of Kennewick, Washington, in an amount not-to-exceed \$300,000.00 including Washington State sales tax in accordance with RCW 54.04.080.

MOTION CARRIED.

Refrigerator Recycle Program – Contract Award Recommendation

Manager of Products and Services recommended the Commission award a contract with JACO Environmental to perform a refrigerator recycle program. A discussion was held on the qualifications and responses received by the other bidder, HVAC. HVAC is a local company whose owner had expressed previous interest in providing this service for the District, but their response did not have many of the required programs up and running. Although HVAC stated they would develop the

required programs, they were not currently available and their development would delay the recycling program an unknown period of time. Manager of Products and Services stressed the need to have a turnkey application in place with experience in performing the services. The recycling component of the requirements was stressed as critical and a brief discussion was held on liability issues with recycling and the environmental requirements. JAYCO was noted as more expensive per unit than HVAC, with both vendors including the \$30 rebate.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign a contract with JACO Environmental, Inc., Contract No. 10-45-01, to perform a refrigerator recycle program for a not-to-exceed amount of \$70,000.00 for the first year with the option to extend annually up to two additional years.
MOTION CARRIED.

Strategic Technology Plan Update

Manager of Information Systems reviewed an update to the Strategic Technology Plan Phases I and II. Phase III of the Plan included carry-overs of 1) meter data management, 2) customer portal, 3) outsourced call center, and 4) AMI to OMS interface. Next steps in the Plan are to revisit the key business processes and related visions, considering broadband, purchasing, document management and workflow and continued enterprise integration.

Resolution No. 2080, Replacement of Customer Information System, single source declaration

Assistant General Manager noted that vendor support of the current customer information system (CIS) will end in 2010. The current system has been in use since May 2001. CIS is a core business system that has a direct impact on customer service, billing and revenue management. Manager of Information System recommended Oracle's Customer Care & Billing System (CC&B) product be declared a single source replacement system as stated in the resolution and recommended its adoption.

Motion by Robert Bertsch, seconded by Jeff Hall adopting Resolution No. 2080, waiving competitive negotiation requirements and authorizing the General Manager to Negotiate with Oracle USA, Inc. for the Purchase, Ongoing Software License Fees and Other Associated Costs for the Customer Care and Billing (CC&B) System.
MOTION CARRIED.

January 2010 Financial Statements

Manager of Accounting reviewed the January 2010 Financial Statements. It was noted that the Washington State Entrance Audit is anticipated to be held at the next Commission Meeting.

Resolution No. 2081, amending the Merit-Based Salary Administration Plan

Manager of Human Resources recommended the Commission adopt Resolution No. 2081, amending the Salary Administration Plan. The 2010 Commission approved budget includes a 2.96% merit increase assumption, which staff will administer as determined during merit increases.

Motion by Robert Bertsch, seconded by Jeff Hall adopting Resolution No. 2081, amending the Salary Administration Plan.
MOTION CARRIED.

Future Planning

General Manager stated he will not be in attendance at the next commission meeting and the Assistant General Manager will act on his behalf.

Executive Session

At 11:35 a.m., President Lori Sanders announced that the Commission Meeting would go into Executive Session for 25 minutes with legal counsel for the purpose of discussing potential litigation, litigation to which the District is a party and the performance of a public employee.

At 12:00 p.m., President Lori Sanders reconvened the Commission Meeting into regular open public session.

President Lori Sanders briefly discussed an employment contract with the General Manager.

Motion by Jeff Hall, seconded by Robert Bertsch authorizing a General Manager employment agreement.

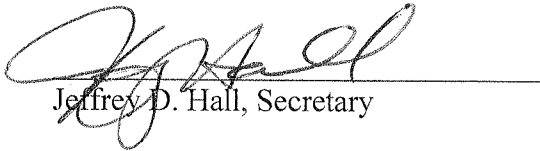
MOTION CARRIED.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 12:05 p.m.



Lori Kays-Sanders, President

ATTEST:



Jeffrey D. Hall, Secretary