

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

Date: April 27, 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
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 Information Systems Swanson
Manager of Contracts and Purchasing Ochweri
Energy Efficiency Advisor Philipp
Administrative Assistant – Power Management Bergum
Compliance/Power Settlements Administrator Bender
Supervisor of Executive Administration Cole

Guest: Larry Felton, Bonneville Power Administration; Linda Boomer, Franklin PUD; Rod Stuve, GDS Associates, Inc.

Director of Operations led the pledge of allegiance.

General Manager reviewed, and President Lori Sanders concurred, with the changes in agenda format for today's meeting due to the need for Commissioner Robert Bertsch to leave the meeting at 11:00 a.m.

Contract Award for Electrical Utility Contact Center Services

Director of Operations recommended the Commission approve a contract with Cooperative Response Center of Austin, Minnesota for electrical utility contact center services. The benefits of utilizing this service in lieu of the District's current local contract was noted as the company's electric distribution industry experience, dual locations to provide complete system redundancy, ability to manage an infrastructure that can handle significant call volume with no busy signals or extended hold times, as well as other benefits.

Motion by Robert Bertsch, seconded by Jeff Hall to award Contract No. 10-31-01 for Electrical Utility Contact Center Services to Cooperative Response Center (CRC) of Austin, Minnesota, for the total not-to-exceed amount of \$210,000.00, plus Washington State sales tax in accordance with RCW 54.04.080.

MOTION CARRIED.

Contract Award Authority – Optical Ground Wire Conductor

Director of Engineering recommended the Commission authorize the General Manager to award an upcoming request for bids for the purchase of optical ground wire conductor, Bid Package No. 10-08. Awarding the request for proposal ahead of the next commission meeting will allow the District to continue to meet deadlines up to the project completion goal of October 1, 2010. General Manager stated the results of the contract award will be brought to the next commission meeting.

Motion by Jeff Hall, seconded by Robert Bertsch authorizing the General Manager, on behalf of the District, to award the contract for purchase of optical ground wire conductor, Bid Package No. 10-08, required to improve the electrical distribution circuit to Rattlesnake Mountain and provision fiber-optic services for the Washington Military Department at the Combined Community Communications Facility.

MOTION CARRIED.

Review of Internal Reliability Compliance Program with GDS Associates

Director of Power Management introduced Rod Stuve, a consultant with GDS Associates, Inc., an engineering and consulting firm. Mr. Stuve gave a presentation on their assessment of the District's Internal Reliability Compliance Program relating to FERC, NERC and WECC. It was noted that 33 total reliability standards are applicable to the District, and each applicable standard was reviewed and results reported to the Commission. It was noted during the presentation that a possible compliance issue was identified, CIP-002 Critical Asset Identification was missing an approval signature. It was not known if an auditor for NERC would find the lack of signature as a non-compliance issue, but Mr. Stuve thought not. Mr. Stuve provided recommended process improvements, and concluded the presentation by stating the District was demonstrating a high level of commitment to NERC compliance requirements and that the involvement of upper level management was a very positive attribute in NERC's reviews. Director of Power Management thanked Ms. Gloria Bender, the Compliance/Power Settlements Administrator, for coordinating the assessment of the compliance program.

2009 Net Metering Update

Energy Efficiency Advisor gave a presentation on the District's 2009 Net Metering activity. It was noted there are eight District customers participating in Net Metering, not including the District's solar demonstration projects, consisting of two wind projects and six solar projects. Manager of Products and Services summarized by stating that there continues to be interest in both solar and wind generation, however due to our low electric rates and high installation costs in this area, participation in the program is low. Potential does exist for increases due to the recent drop in prices for solar installations and increases in federal and state incentives.

2009 Renewable Energy Credits Activity

Energy Efficiency Advisor gave a presentation on 2009 renewable energy credits (RECs) activity. RECs are tracked through the Western Renewable Electricity Generation Information System (WREGIS). District customers contributed \$14,578.49 to the Green Power Purchase Program. Currently 29,974 District RECs remain from 2009 and are being held in the WREGIS system for

possible future legislative changes or resale. The RECs can be sold on an "as available" basis and represent an additional potential revenue source for the District.

Five-Year Financial Forecast – Quarterly Update

Director of Power Management distributed and reviewed the mark to market report. Manager of Risk Management and Treasury briefly reviewed the last forecast provided to the Commission in January of 2010. A presentation on the update to the five-year financial plan reflected the following: actual 2009 operating results, the 2010 bond issue and 2001A bond defeasance, revised power supply forecast, capital carryovers from 2009, and updates to interest earnings and depreciation expenses. It was noted that the current forecast continues to show that annual rate actions will be necessary in the years 2011-2013 in order to meet the District's financial planning guidelines.

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

At 10:30 a.m., President Lori Sanders announced that the Commission Meeting would reconvene into regular open public session.

At 10:30 a.m., President Lori Sanders announced that the Commission Meeting would go into Executive Session with legal counsel for 20 minutes for the purpose of discussing litigation to which the District is a party.

At 10:50 a.m., President Lori Sanders announced that the Commission Meeting would reconvene into regular open public session.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to amend the complaint filed in Thurston County Superior Court, Case No. 09-2-00249-2, against the State of Washington, Department of Revenue, to include a claim for refund for privilege tax paid in 2009 for the 2008 tax year.

MOTION CARRIED.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to enter into a settlement agreement with the State of Washington, Department of Revenue, for privilege taxes paid on the customer base charge for tax years 2003 through 2008.

MOTION CARRIED.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to dismiss Case No. 09-2-00249-2 in Thurston County Superior Court, contingent upon entering into a settlement agreement with the State of Washington, Department of Revenue, for privilege taxes paid on the customer base charge for tax years 2003 through 2008.

MOTION CARRIED.

March Financial Statements

Manager of Accounting reviewed the March 2010 financial statements and the contingent liability report. Manager of Accounting stated that the State Auditor is planning to hold the state audit exit conference at the May 11, 2010 commission meeting.

Commissioner Robert Bertsch left the commission meeting at 11:00 a.m.

2010 Internal Audit Plan and Report on 2009 Internal Audits

Assistant General Manager stated that the District's governance policies require development of an annual internal audit plan to provide reasonable assurance as to the District's internal control systems. Routine audits are performed on a recurring basis, and special audits are determined on an annual basis. Routine and special audits and results for 2009 were reviewed. For 2010, special audits were identified as financial system security, clothing account allowances, non-capitalized items, and retail revenue audit.

Consent Agenda

Motion by Lori Sanders, seconded by Jeff Hall to approve the Consent Agenda as follows:

- a) Approving the minutes of the regular Commission Meeting of April 13, 2010.
- b) Approving the Travel Report dated April 27, 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 4469-4541 in the total amount of \$139,255.68, Warrants (CHK) 44152-44250 and 44314-44376 in the total amount of \$406,494.31, Electronic Fund Transfer (EFT) Payments 2285-2294 in the total amount of \$6,961,395.33, Customer Refund (ERM) Payments 44251-44313 in the total amount of \$3,991,69; Payroll Direct Deposit Advice 04/15/2010 24930-25093 in the total amount of \$299,942.54 for a grand total of \$7,811,079.55. Stopped ERM for April 2010 in the total amount of \$94.35 were included on the report.
- d) Review of Jobs Report to Commission dated April 19, 2010.
- e) Adopting Resolution No. 2087, declaring certain vehicles 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.
- f) Awarding a contract for 15kV Triplex URD Cable, Bid Package No. 10-07, to HD Supply Utilities/Kerite, of Portland, Oregon, for the total amount of \$98,760.00, plus Washington State sales tax, in accordance with RCW 54.04.080.
- g) Awarding a contract for deadfront padmount capacitor banks, Bid Package No. 09-11, to WESCO/Castle Power Solutions, LCC, for the total amount of \$188,149.00, plus Washington State sales tax, in accordance with RCW 54.04.080.
- h) Awarding a contract for a three-phase voltage regulator, Bid Package No. 10-04, to Siemens Energy of Bothell, Washington, for the total amount of \$145,650.00, plus Washington State sales tax, in accordance with RCW 54.04.080.

MOTION CARRIED.

REPORT FROM MANAGEMENT

General Manager:

1. The Commission was updated on discussions held with the Port of Benton on the Port's proposed gasification project, and the District's potential interest in purchasing output, and assisting with interconnection between systems. The Port is doing additional work on the project and more information will be brought to the Commission when it is available.

Assistant General Manager:

1. Assistant General Manager provided an update on the city occupation tax payments relating to District customers. Manager of Customer Service noted that due to certain discrepancies in geographical information provided by local governments, 6 customers in the Benton City area were incorrectly identified as living outside the city limits and prior year taxes were refunded in error.

Each customer affected is being allowed to make payment arrangements to pay the District back for the monies inadvertently refunded to them.

Manager of Risk Management and Treasury:

1. The Commission was updated on funds disbursed through the Benton-Franklin Council of Governments from the rural economic development revolving fund. The revolving fund has a balance of \$100,000 of which \$40,000 has been loaned to three businesses. The District funded the program with a 50% tax credit in each year a contribution was made – currently in effect through June 2011. Staff recommended bringing a recommendation to the May 11, 2010 Commission Meeting to again apply for the tax credit, noting the District would be notified in July 2010 if it still qualifies to participate in the program.
2. Credit rating changes were briefly discussed, noting Fitch and Moody's are recalibrating ratings in an effort to move publics to a global scale, allowing for better comparability of credit risk with all sectors. In general, public power ratings are being adjusted upward. The District's credit rating with Moody's was adjusted from "A2" to "Aa3."

Director of Operations:

1. Director updated the Commission on past discussions and potential future plans with the emergency management microwave system.

Director of Engineering:

1. The Commission was updated on two projects being developed near Prosser and Benton City by Energy Northwest. The District has been contacted regarding interest in the output of the projects and transmission interconnection.

Director of Power Management:

1. Director discussed the Energy Star Program and staff's requirements to upload certain data into the program's web site.

Future Planning

Assistant General Manager proposed three dates for a possible strategic planning workshop. Commissioners Lori Sanders and Jeff Hall concurred with August 3, 2010 as a date for the workshop. Commissioner Bertsch will be contacted to ensure his availability.

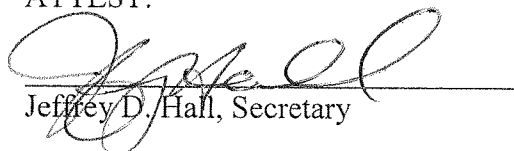
President Lori Sanders noted that she would be absent from the July 27, 2010 and August 10, 2010 commission meetings, and asked for one of the meetings to be rescheduled if possible.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 11:40 a.m.



Lori Kays-Sanders, President

ATTEST:



Jeffrey D. Hall, Secretary