

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

Date: February 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 Key Accounts McAloon
Manager of Engineering Gottschalk
Financial Analyst Hawkey
Supervisor of Support Services Splattstoesser
Supervisor of Executive Administration Cole

Guest: Consultant Brad Langdell

General Manager led the pledge of allegiance.

Commissioner Jeff Hall announced that Commissioners Lori Sanders and Robert Bertsch had each reached their five year anniversaries of service with Benton PUD, thanked them for their dedication and support of public power and provided each with a plaque and gift certificate.

Treasurer's Report

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

Management Reports

General Manager:

1. Commissioners Robert Bertsch and Jeff Hall signed a letter of support for President Lori Sanders' candidacy to the Energy Northwest Executive Board.

reviewed the irrigation rate mitigation product that BPA offered to customers, and stated that BPA is working on the issue.

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 January 26, 2010.
- b) Approving Travel Report dated February 9, 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 4142-4184 in the total amount of \$671,931.59, Warrants (CHK) 42832-42947, 42952-43011, 43037-43038 in the total amount of \$794,092.08, Electronic Fund Transfer (EFT) Payments 2250-2258 in the total amount of \$1,282,623.28, Customer Refund (ERM) Payments 42948-42951, 43012-43036 in the total amount of \$2,847.62; Payroll Direct Deposit Advice 01/21/2010 23963-24128 in the total amount of \$284,282.37 for a grand total of \$3,035,776.94. For January 2010, voided ACH in the total amount of \$4,865.00 and voided warrants in the total amount of \$8,108.19 were included on the report.
- d) Awarding the contract for a 40 foot Hydraulic Telescopic Aerial Device with Service Body, Bid Package No. 10-01 to Altec Industries of Portland, Oregon, for the total amount of \$74,666.00, plus Washington State sales tax in accordance with RCW 54.04.080.
- e) Authorizing the General Manager, on behalf of the District, to sign Change Order No. 2 of Contract No. 09-01 with Osmose Utilities Services, Inc., to extend the term of the contract to December 31, 2010, per Option 13 of the contract, and increase the not-to-exceed amount by \$180,000.00, bringing the new not-to-exceed amount to \$353,937.90.
- f) Authorizing the General Manager, on behalf of the District, to sign Contract No. 10-51-02 with IRZ Consulting of Hermiston, Oregon, for the total not-to-exceed amount of \$196,625.00, plus Washington State sales tax in accordance with RCW 54.04.080.
- g) Approving Work Order No. 105016 for the construction of an underground feeder tie between Feeders R1 and R3 from Reata Substation as outlined in Five Year Plan Project No. 23.
- h) Approving Work Order No. 105017 for the construction of an underground primary distribution system for the Cottonwood Development.
- i) Ratifying the approval of Work Order Nos. 102173 and 22142.

MOTION CARRIED.

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.

Resolution No. 2073, Line Extension and Facilities Construction Policy

Director of Engineering briefly reviewed a past presentation by Mark Beauchamp on line extension policy methodology. Consultant Langdell reviewed significant changes to the policy, and noted that the policy was being adopted separate from the now existing customer service rates and policies and would become a separate document from the customer service policies now and in the future. The customer service policies are anticipated to be re-written and brought for consideration in April.

2. General Manager noted he would be going to Washington D.C. with representatives from the Public Power Council (PPC) in mid-March.
3. Information on the Bonneville Power Administration (BPA) residential exchange was distributed. General Manager recommended the District join a coalition of publics to be represented in the proceedings, and enter into an agreement with Paul Murphy who is working for Cowlitz PUD, in order to help direct the activities and provide Benton PUD with representation. Franklin PUD would share the cost with Benton PUD, with a committed share of \$21,000.

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 2010 Low Water Volume Forecast was distributed and briefly discussed.
4. The annual letter offering excess power to any qualified recipients in the Northwest was distributed. It was noted that the District is required by March 1, 2010 to notify BPA of Packwood resources the District would be taking to load for the time period 2012-2014, stating that a two-year advance notice is now required by BPA.

Assistant General Manager:

1. An update was provided on the 2010 bond issuance, including a comparison of Build America Bonds and tax-exempt issues. A special meeting with the Commission is planned for March 2, 2010 and the closing is planned for March 16, 2010.

Manager of Human Resources:

1. The Commission was provided a brief update on Employee Insurance Advisory Committee (EIAC) activities.

Director of Operations:

1. Director and Manager of Key Accounts reported on a telephone system problem that occurred during an outage on Sunday due to a possible interface problem with the District's after hours answering service. Due to other technology in place, the District was able to ascertain outage locations, however some customer frustration was noted due to the phone system interface problem.

Director of Engineering:

1. Director updated the Commission on feasibility discussions being held with the Department of Energy and Hanford contractors on providing fiber optics to Rattlesnake ridge.
2. An update on the AMI project was provided. The District continues in stand-down on installation of meters awaiting additional shipments of residential-class meters that were delayed due to vendor quality control issues. In addition, due to poly phase meter functionality issues, the District will not be installing these types of units in mass until sometime this summer; likely July or August timeframe. This delay affects irrigation and commercial accounts.

Manager of Communications and Governmental Relations:

1. An update was provided on legislative activity regarding the I-937 related bill.
2. The Commission was informed that formal pictures of the Commission will be scheduled in the Auditorium for the first regular commission meeting in March.

Public Comments

Mr. Gest stated that he attended the Benton REA annual meeting on Saturday, and noted information was being provided to customers that BPA has overcharged irrigators. General Manager briefly

Motion by Jeff Hall, seconded by Robert Bertsch adopting Resolution No. 2073, Line Extension and Facilities Construction Policy, and removing and replacing certain policy elements adopted by Resolution No. 2043 on July 14, 2009.

MOTION CARRIED.

Cancellation of Regular Commission Meeting of February 23, 2010

General Manager recommended the Commission cancel the regularly scheduled commission meeting of February 23, 2010 due to conflicts with attendance at the American Public Power Association legislative rally in Washington, D.C.

Motion by Robert Bertsch, seconded by Jeff Hall cancelling the District's regular commission meeting scheduled for 9:00 a.m. on February 23, 2010, and directing the General Manager to provide notification to the public of such cancellation.

MOTION CARRIED.

Setting Special Meeting of the Commission for March 2, 2010, Bond Issuance

General Manager recommended the Commission set a special meeting for March 2, 2010 for the purpose of authorizing the issuance and sale of electric revenue bonds. The District is planning to issue and sell Electric Revenue Bonds, Series 2010, in the amount of approximately \$17 million. The bonds will be priced the morning of March 2, 2010 and the meeting is planned for 1:00 p.m. in the afternoon.

Motion by Jeff Hall, seconded by Robert Bertsch setting a special meeting of the Benton PUD Commission for March 2, 2010, at 1:00 p.m., at the Administration Office of Benton PUD located at 2721 West 10th Avenue, Kennewick, Washington, for the purpose of adopting a resolution authorizing the issuance and sale of electric revenue bonds.

MOTION CARRIED.

Broadband 2009 Sales Results

Broadband Account Representative reviewed year-end results for 2009, noting total revenue, minus aide to construction, at 2009 year-end was 97% of revenue goal, at \$928,207. Operating expenses at the end of 2009 came in at \$575,710, \$170,429 lower than projections. Year 2009 accomplishments included a partnership with Pacific Northwest National Laboratory, a partnership with Washington State Emergency Management, a contract with CenturyTel which allowed for the Kennewick School District to have 23 schools connected with an additional school soon to be connected, and a contract with City of Richland to provide for dark fiber connections. Manager of Broadband noted that capital projects anticipated for 2010 will be brought to a March 2010 commission meeting.

Performance Measurement – 4th Quarter 2009 Report

Assistant General Manager noted that 16 of 22 performance measures were green. The following measures were reviewed by staff: Service Order Process (green); O&M Costs per Customer (green), Training and Development (green), Broadband network reliability (yellow), and Average Unit Price (green).

December 2009 Financials

Manager of Accounting reviewed the December 2009 financial statements. It was noted that the January 2010 financial statements would be reviewed at the March 9, 2010 Commission Meeting. State Auditors are scheduled to begin their annual audit in the March timeframe, with the entrance meeting with the Commission tentatively scheduled for March 23, 2010. The financial statements

and statistical section of the upcoming annual report will also be brought to the Commission on March 23, 2010.

Strategic Plan 2009 – 4th Quarter Report and 2009 Summary

General Manager gave a presentation to the Commission on 2009 accomplishments, including the top six accomplishments as follows: AMI projects, broadband initiatives, conservation program, technology implementations, planning efforts and the electric system. Actions not yet completed or deferred were reviewed. In summary, the District has been successfully taking care of business by accomplishing the following: high customer satisfaction ratings – 83.9%, maintaining high level of system reliability, continuing to outperform industry safety benchmarks, maintaining financial viability, performing within budget and maintaining competitive rates. The District is positioned for the future through the following: launching AMI (20,000 + meters currently installed), building-out fiber to communities and substations, system implementations and upgrades, planning for new customer information and meter data management systems, and involvement in the Smart Grid Demonstration Project, plus developmental work to support implementation of a new BPA 20 year contract

Executive Session

At 11:50 a.m., President Lori Sanders announced that the Commission Meeting would go into Executive Session with legal counsel for 40 minutes for the purpose of discussing potential litigation and the performance of a public employee.

At 12:30 p.m., President Lori Sanders announced that the Commission Meeting would reconvene into regular open public session.

Motion by Robert Bertsch, seconded by Jeff Hall ratifying a refund payment to Valley Quality Homes in the amount of \$24,936, plus interest of \$2,450, for a total refund of \$27,386, representing six years of overcharges relating to a meter billing error.
MOTION CARRIED.

Motion by Jeff Hall, seconded by Robert Bertsch approving Resolution No. 2074, authorizing the General Manager, on behalf of the District, to approve a settlement agreement with the City of Kennewick for the payment of utility occupation tax.
MOTION CARRIED.


Motion by Jeff Hall, seconded by Robert Bertsch approving Resolution No. 2075, authorizing the General Manager, on behalf of the District, to approve a settlement agreement with the City of Prosser for the payment of utility occupation tax.
MOTION CARRIED.

Motion by Jeff Hall, seconded by Robert Bertsch approving Resolution No. 2076, authorizing the General Manager, on behalf of the District, to approve a settlement agreement with the City of Benton City for the payment of utility occupation tax.
MOTION CARRIED.

A brief discussion was held with Manager of Engineering and General Manager on Energy Northwest's efforts regarding a proposed settlement with Siemens Wind Power. After discussion, the Commission concurred with staff's recommendation to support Energy Northwest in the Nine

Canyon Phase I and II Main Bearings proposed settlement with Siemens Wind Power. The Commission requested that such funds be charged against the District's operations and maintenance expenses.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 12:40 p.m.


Lori Kays-Sanders, President

PATTEST:


Jeffrey D. Hall, Secretary