

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

Date: July 13, 2010

Time: 9:00 a.m.

Place: 2721 West 10th Avenue, Kennewick, Washington

Present:

Commissioners Sanders, Bertsch and Hall

General Manager Sanders

Legal Counsel Hultgren

Manager of Risk Management and Treasury White

Director of Engineering Dunn

Director of Operations Hunter

Manager of Accounting Meyer

Manager of Products and Services Johnson

Manager of Communications and Governmental Relations Miller

Manager of Information Services Swanson

Manager of Key Accounts McAloon

Manager of Contracts and Purchasing Ochweri

Financial Analyst II Hawkey

Supervisor of Executive Administration Cole

Manager of Products and Services led the pledge of allegiance.

Treasurer's Report

Treasurer reviewed the June 2010 Treasurer's Report. The Commission approved the June 2010 Treasurer's Report. The Cash and Investments Summary reported was distributed and briefly discussed. The counterparty and credit exposure by sector was distributed and briefly discussed. The Fitch rating press release announcing an upgrade in the District's credit rating was distributed.

Management Reports

General Manager:

1. The Commission was informed that Sue Dicile will be facilitating the District's upcoming strategic planning workshop, and she will be contacting each commissioner individually for a brief interview prior to the workshop.
2. Assistant General Manager and Director of Power Management are attending a Bonneville Power Administration (BPA) Integrated Program Review (IPR) meeting, and a letter from the Public Power Council (PPC) to Steve Wright on the IPR and debt service options was distributed.
3. President Lori Sanders confirmed that she would not be in attendance at the July 27, 2010 commission meeting, and Commissioners Robert Bertsch and Jeff Hall confirmed they would be available for the meeting.
4. The Commission was briefed on challenges surrounding the organizational structure changes being considered for the Washington PUD Association (WPUDA). President Jeff Hall and others on the Executive Committee of WPUDA unanimously signed a Consent in Lieu of Special Meeting document, moving the member declaration portion of the by-laws of WPUDA out to November for the year 2010 while discussions continue.

Treasurer:

1. Treasurer distributed a timeline with key dates for adopting the District's 2011 budget, and the rate setting process. Staff is reviewing the information at a high level in preparation for the August 10, 2010 Commission Meeting where a workshop will be held on the District's cost of service analysis (COSA) and tiered rates. Additionally, an updated financial forecast will be provided at the workshop.
2. General Manager and Treasurer reviewed the District's rate-making process and principles and guidelines for establishing retail rates adopted by the Commission in 2006. The principles set the District on a course looking forward, anticipating what rates will be, and when increases may be needed. The District may need to consider smaller and more consistent rate actions instead of large ones in the future. President Lori Sanders asked about plans for addressing large loads and the impact of other utilities operating within the District's service territory, and General Manager noted that discussion would be included in the August 10, 2010 workshop discussions.

Director of Operations:

1. The Commission was updated on the call center change transition that will take place on July 24, 2010.

Manager of Products and Services:

1. The mark to market and Frederickson reports were distributed and briefly discussed.

Public Comments

Mr. Robert Gretzinger requested information on the number of outages and problems associated with the Columbia Generating Station and President Lori Sanders explained outage rankings of nuclear plants.

Consent Agenda

Motion by Jeff Hall, seconded by Robert Bertsch to approve the Consent Agenda as amended:

- a) Approving the minutes of the regular Commission Meeting of July 13, 2010.
- b) Approving the Travel Report dated July 13, 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: Automated Clearing House (ACH) payments 4753-4928 in the total amount of \$1,826,787.37, Warrants (CHK) 45042-45120, 45197-45342, 45391-45536 in the total amount of \$1,005,615.26, Electronic Fund Transfer (EFT) payments 2319-2329 in the total amount of \$6,518,562.07, Customer Refund (ERM) payments 45121-45196, 45343-45390, 45537-45632 in the total amount of \$22,469.29, Payroll Direct Deposit Advice 06/10/2010 25587-25752 in the total amount of \$291,910.21 and Direct Deposit Advice 06/24/2010 25753-25915 in the total amount of \$296,224.66, for a grand total of \$9,981,568.86. Stopped warrants for June 2010 in the total amount of \$95.00 were included on the report.
- d) Approving Work Order Nos. 106286 and 106287, for the relocation of the overhead and underground distribution lines along the north side of West 10th Avenue, west of Columbia Center Boulevard.
- e) Approving Work Order No. 105266, for the overhead line upgrade along the north side of West 10th Avenue, east of Columbia Center Boulevard.
- f) Adopting Resolution No. 2095, declaring certain equipment surplus to District needs according to the laws of the State of Washington, Title 54, RCW 54.16.480, and authorizing the General Manager, on behalf of the District, to dispose of same.
- g) Reviewing Contracts Activity Report to Commission dated July 6, 2010.

h) Approving amending the Designation of Representatives to Various Organizations for 2010, authorizing the following individuals to act in the following capacity to the organization listed: Lori Kays-Sanders, Energy Northwest Executive Board effective June 17, 2010, and James W. Sanders to the board of Public Power, Inc. effective June 19, 2010.

MOTION CARRIED

General Manager updated the Commission on the board of Public Power Inc., a private entity affiliated with the American Public Power Association (APPA) Hometown Connections.

Setting Special Meeting of the Commission for August 3, 2010 – 2011 Strategic Planning Workshop

General Manager recommended the Commission set a workshop for August 3, 2010, to hold a strategic planning workshop in preparation for the District's 2011 Strategic Plan.

Motion by Jeff Hall, seconded by Robert Bertsch setting a Special Meeting of the Commission for August 3, 2010, at 10:00 a.m., at the Benton PUD Prosser Office located at 250 North Gap Road, Prosser, Washington, for the purpose of holding a Strategic Planning Workshop for the year 2011, and directing the General Manager to provide notification to the public in accordance with RCW 42.30.080.

MOTION CARRIED.

Remittance Processing System Contract – Technology Unlimited, Inc.

Manager of Risk Management and Treasury recommended the Commission approve a contract with Technology Unlimited, Inc. for the purchase, implementation and maintenance of a remittance processing system.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign a three-year contract with Technology Unlimited, Inc. (TUI), Contract No. 10-44-03, for the purchase, implementation and three years maintenance of a remittance processing system with a total not-to-exceed amount of \$67,414.60, plus Washington State sales tax, in accordance with RCW 54.04.080 with an expiration date of July 12, 2013.

MOTION CARRIED.

Oracle Customer Care & Billing Installation, Implementation and Support Contract

Manager of Information Systems recommended the Commission approve a contract with Blue Heron Consulting to provide installation, implementation support and knowledge transfer for the Oracle Customer Care and Billing system. It was noted the current customer information/revenue management system will not have vendor support after December 2010.

Motion by Robert Bertsch, seconded by Jeff Hall to award Contract No. 10-15-05 to provide installation, implementation support and knowledge transfer for the Oracle Customer Care and Billing (CC&B) system, to Blue Heron Consulting of Rochester, NY, for the total not-to-exceed amount of \$800,000, plus Washington State sales tax, in accordance with RCW 54.04.080.

MOTION CARRIED.

At 9:55 a.m., President Lori Sanders announced that the Commission Meeting would recess for 20 minutes.

At 10:15 a.m., President Lori Sanders reconvened the Commission Meeting into regular open public session.

White Creek Wind I, LLC, Payment and Consultation Agreement

Manager of Products and Services recommended the Commission approve a contract for payment and consultation with White Creek Wind I, LLC. The Agreement will allow the District to receive its share of the Latecomers Fee received from the Harvest Wind Project. Payment will be issued in the form of a credit to our monthly White Creek invoice over the next several months.

Motion by Robert Bertsch, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to sign Contract No. 10-51-15, Payment and Consultation Agreement, with White Creek Wind I, LLC.

MOTION CARRIED.

Revised Master Transmission Rights Assignment Agreement

Manager of Products and Services recommended the Commission approve a Master Transmission Rights Assignment Agreement in substantially the form provided. This Agreement replaces the current Master Transmission Rights Assignment Agreement in full that was approved on March 23, 2010. The new Agreement enables the District to sell or purchase excess transmission with counterparties.

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

MOTION CARRIED.

Revisions to Travel Policy

Manager of Accounting reviewed changes to the District's policy entitled, "Travel and Living Expense – Employee Business Trips", noting the amended policy was effective July 1, 2010. New requirements reviewed were: 1) the respective Director will be notified when a Travel Expense Report is not received by the 10th business day following completion of travel, 2) if no Travel Expense Report is received after the 15th calendar day, the District may charge the employee interest at the rate of 10% per annum (RCW 42.24.150), 3) where charges are made on a District credit card, the Travel Expense Report should be submitted no later than 10 business days following completion of travel – if report not received in this timeline, the respective Director shall be notified, 4) if no charges were made on a District credit card, the Travel Expense Report is due within 20 business days, but the employee will not lose the right to be reimbursed, 5) Tips of \$3 or less are acceptable regardless of the cost of the meal, and 6) the District will not reimburse a gratuity above 18% unless specifically approved by the Director with an explanatory statement.

May 2010 Financial Statements

Manager of Accounting reviewed the May 2010 financial statements.

PURMS Update

Manager of Risk Management and Treasury updated the Commission on PURMS board activity, and noted the PURMS Board will be asked to vote in November on a proposed change in the formula for assessments to property and liability.

Meeting Reports

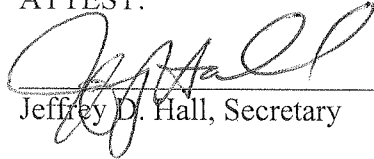
Commissioner Robert Bertsch stated he would be in Washington D.C. next week at a meeting of the American Public Power Association.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 10:45 a.m.



Robert E Bertsch, Vice-President

ATTEST:



Jeffrey D. Hall, Secretary