

**WORKSHOP NOTES
OF KITTTITAS COUNTY PUD #1
October 25, 2011**

A workshop was held at 10:00 AM of October 25, 2011.

Present at the Workshop were:

John Hanson, President
Paul Rogers, Vice President
Roger Sparks, Secretary
Chuck Ward, General Manager
Brian Vosburgh, Operations Manager
Matt Boast, Engineering Manager
Genine Pratt, Contract CPA

Purpose of Workshop:

Discussion was held on the following items:

Automated Meter Infrastructure (AMI):

Matt gave a presentation to the Board of Commissioners, which recommended that the PUD continue with the AMR implementation in 2012 on a limited basis and delay the move to AMI until after a COSA is completed.

Preliminary Budget Draft

Staff presented a preliminary budget to the Board of Commissioners for consideration in determining the Rate Increase needed in FY2012 for the PUD. Commissioner Rogers stated the effective BPA rate increase of 7.5% requires the PUD to pass through a minimum of 3.32% increase to cover the BPA rate increase. An additional 25% of the 3.32% would be needed to cover the months of October 2011 through December 2011 since the new rate increase would not be effective until January 1, 2012. Therefore, the minimum rate increase needed to cover the BPA rate increase is 4.15%. Commissioner Rogers also stated the PUD would need to have a Cost of Service Analysis (COSA) performed in the second quarter of 2012.

After reviewing the preliminary FY 2012 budget, the Board of Commissioners discussed adding another 4.0% increase to the 4.15% increase to cover the operations and maintenance expenses, and new capital projects to improve service reliability contained in the 2012 budget. This would be a total of 8.15% rate increase that would be across the board for all rate classes.

The General Manager stated that with the average age of the poles on the PUD being 65 years of age, there is a real need for system improvements to maintain and increase system reliability and operation.

Commissioner Sparks expressed concern the 4.0% rate increase would not be enough for the PUD to keep and the PUD might be digging a hole for itself if it does not keep up with the needed maintenance.

Commissioner Hanson stated the PUD needs to try to avoid some rate classes subsidizing other rate classes.

Commissioner Sparks stated a flat rate increase distorts the numbers for the commercial loads.


Commissioner Rogers stated commercial load is good for the PUD system as it increases the system load factor.

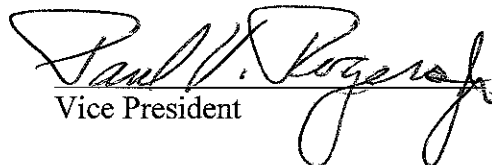
An Executive Session was called at 11:50 AM for 10 minutes per RCW 42.30.140 paragraph (4)(b) to discuss a collective bargaining strategy position. The Board came out of Executive Session at 12:00 noon and extended the Executive Session for another 10 minutes. The Board came out of Executive Session at 12:10 PM and the Workshop was adjourned at 12:10 PM.

The workshop ended at 12:10 PM.

ATTEST:


Secretary


President


Vice President

**MINUTES OF THE BOARD OF COMMISSIONER'S
MEETING
OF KITTITAS COUNTY PUD #1
October 25, 2011**

The meeting of the Board of Commissioners of Public Utility District #1 of Kittitas County was called to order by President John Hanson at 1:00 P.M.

ROLL CALL:

John Hanson, President
Paul Rogers, Vice President
Roger Sparks, Secretary

OTHERS PRESENT:

Charles E. Ward, General Manager
Brian Vosburgh, Operations Manager
Matt Boast, Engineering Manager
Genine Pratt, CPA, Bivens & Wilson, P.S.

Guests

Gerard Wanechek, customer
Del Holter, customer
Shan Rowbotham, customer
Steve Hendrickson, IBEW Union Local 77 Business Representative
Andy Valenzuela, Employee and IBEW Union Local 77 Shop Steward
John Cunningham, IBEW Union Local 77 Assistant Business Manager
Ken Hartman, customer
Beth Leader, customer
Andrew Lyons, Hope Source

PUBLIC COMMENTS:

Mr. Cunningham wanted to say hi to the Board and that the IBEW Union Local 77 was interested in maintaining a good relationship with the PUD. He also wanted the Board to know that Steve Hendrickson is a viable representative for all Collective Bargaining with the PUD.

Commissioner Hanson stated there cannot be any contract negotiation in the Board Meeting. The General Manager explained to the Board of Commissioners the comment from Mr. Cunningham concerning Mr. Hendrickson originated from language in the current contract that is ambiguous and was questioned by the General Manager. It was not necessary for Mr. Cunningham to make a point to the Board of Commissioners that Mr. Hendrickson is a viable representative for all Collective Bargaining with the PUD. That was cleared up earlier and completely understood.

Mr. Wanechek asked the following questions:

1. How much money is being spent on locates monthly?
2. What is the increased cost of High Speed Internet?
3. Is the PUD paying twice for mapping – Pole Contacts versus Matt?

The General Manager informed Mr. Wanechek the answers to his questions were not readily available, but they would be answered in the next Regular Board Meeting. Commissioner Hanson told Mr. Wanechek if he had any other questions, to contact the General Manager.

Mr. Holter stated he had given a request for public records to the PUD and had not received the information yet. He also asked the following questions:

1. During a recent outage in Liberty, why did it take the crew 2-1/2 hours to respond and restore the power?
2. What are the procedures for creating the Callout List for the Lineworkers?

The General Manager informed Mr. Holter his public records request was being worked on and that the PUD was still within the allowable timeframes. Mr. Holter agreed. The General Manager answered his questions by stating that responding and restoring the power in 2-1/2 hours was fairly good given the extensive area affected by the outage and that one of the two Lineworkers had to come from his home in Yakima. The General Manager read from the interruption report prepared by the two Lineworkers, the affected areas were all of Liberty, all of Harkness Road, all of Williams Creek, and all of Boulder Creek Road. It is customary to ride out and inspect all the lines affected by the outage to ensure it is safe to restore the power. In addition, a squirrel had damaged the transformer and it had to be restored. As for the Callout List, all available Lineworkers were listed on the Callout List given to KittCom. Rob Boddy was listed first, Jake Runkel was listed second, and Andrew Valenzuela was listed third. The other two Lineworkers, Tyler Mays and Walt Wines were out of town as the PUD was informed and not available. Jake apparently was not available when KittCom called and KittCom was able to reach Rob and Andrew which responded to the outage.

Mr. Rowbotham asked questions relating to the re-districting the PUD service area. He also asked about the Line-Extension Policy and who pays what.

The General Manager explained that the PUD cannot re-district until the County Commissioners have finalized the process of redrawing the precinct boundaries. Matt explained the customer pays all costs upfront except the cost for the transformer, the first 100 feet, and the meter. If the customer is an existing customer, but served by another utility, the Board can allow up to 1 year revenue credit for the customer to switch to the PUD. ACX received 1 year of wholesale revenue credit. The ACX project also involves benefits to the PUD and is designed to backup some of the load on the Jenkins substation in the future.

Mr. Andrew Lyons commented he was representing Hope Source and that Hope Source can provide up to \$1,000 energy assistance support for some customers based on certain criteria.

APPROVAL OF MINUTES OF PREVIOUS BOARD MEETINGS AND WORKSHOPS:

Commissioner Paul Rogers moved to accept the following:

- Workshop, September 27, 2011
- Regular Board Meeting, September 27, 2011
- Special Board Meeting, October 6, 2011
- Special Board Meeting, October 18

Commissioner Roger Sparks seconded the motion and it carried unanimously.

CLAIMS FOR APPROVAL:

Claims from 16656-16782 and 9900027 in the amount of \$522,933.91 were presented for approval. Commissioner Paul Rogers moved for approval of claims, Commissioner Roger Sparks seconded the motion, and it carried unanimously.

MANAGER’S REPORT:

Monthly Update:

Clallam PUD Packwood Agreement

The Packwood Lake Hydroelectric Project Power Sales Contract X-40540 between Energy Northwest and the Public Utility District #1 of Kittitas County has been received, signed, and returned to Energy Northwest for execution. The Clallam PUD Packwood Agreement is completed.

Residential Energy Consumption Chart

Sales for the month of September, 2011	MWh	Revenue	Actual % of Budget	
			MWh	Revenue
Budgeted 2011	3503.96	325,302	93%	96%
Actual 2011	3244.34	\$ 310,909	Actual % of 2010	
Actual 2010	3238.92	\$ 299,539	100%	104%
Year to Date sales			Actual % of Budget	
Cumulative Budget 2011	40749.65	\$ 3,596,254	103%	105%
Cumulative Actual 2011	42004.78	\$ 3,770,643	Actual % of 2010	
Cumulative Actual 2010	39549.47	\$ 3,514,383	106%	107%

Roza Point-of-Delivery

A letter was received from Mr. and Mrs. O'Tierney concerning the load capacity issue and the depth of the underground distribution system at Take Five cluster/short plat in the Burbank Creek of Roza Dam. The letter was written both as property owners and on behalf of the Take Five Homeowners Association. The letter stated they are willing to contact our State and Federal Representatives to support the PUD in regards to the contract with the Bureau of Reclamation. They also want to support the PUD with the issue of adding load. Lastly, they expressed concern for the shallow depth of the underground facilities in the area.

We are continuing to work with the Bureau of Reclamation to obtain a contract extension, as well, as the permission to add load.

As for the shallow underground facilities, money is currently in the FY2012 budget to correct this issue.

Meeting Information – Manager Ward presented information from the following meetings he had attended:

PPC

The General Manager did not attend the September PPC meeting due to a Special Board Meeting. The following documents were either e-mailed, faxed, or will be handed out at the Board meeting to the Commissioners.

- Minutes of the PPC September 1, 2011 Executive Committee Meeting
- PPC In the Loop Issue 49

WPUA

The following documents were either e-mailed, faxed, or will be handed out at the Board meeting to the Commissioners.

- Washington PUD Association's Comments to the 2012 Washington State Energy Strategy

WPAG

The following documents were either e-mailed, faxed, or will be handed out at the Board meeting to the Commissioners.

- Did not attend the meeting on October 20, 2011 due to other commitments.

Other Information

- None

OLD BUSINESS

Conservation: A discussion was held during the Board meeting considering the BPA Conservation Program. The General Manager sought guidance from the Board as to what Conservation programs the Board would like to District to offer. Administrative costs are insufficient for some programs, especially the residential programs. In order to participate in a residential program, funds for administering the program will need to come from other sources. The General Manager offered recommendations on which programs are better than others and possible sources of funds.

The General Manager reported that the PUD has approximately \$90,000 of Conservation Money from BPA for 2012. The Industrial Program is self-funding meaning that BPA pays for the administrative costs and industrial can use up all the Conservation Program money. Commercial Programs are limited some, but the PUD has some consumers interested in lighting incentives. Administrative cost issues are a concern. The residential Programs are the most limited and administrative cost issues are a concern. The ductless heat pump is the most desirable incentive to offer. Options for additions sources of funds for administration of the Conservation Program are as follows:

- Fund the administrative costs from the incentives for the program
- Fund the administrative costs from the 2012 budget
- Combination of funding the administrative costs from the incentives for the program and from the 2012 budget.

Commissioner Rogers wants options for a couple of small programs since we have to pay BPA anyway. The PUD needs to attempt to recoup some of the money and offer it to the consumers. Commissioner Rogers asked the staff to put together some specific options for the Board to consider. Mr. Andrew Lyons of Hope Source commented Hope Source may be able to assist the PUD with a weatherization program.

NEW BUSINESS

Revision and review of Policy #501 Drug and Alcohol Policy: With recent and continuing concerns from Commissioner Hanson and at his suggestion, the General Manager brought the Drug and Alcohol Policy #501 to the Board for review and possible revision. A copy of the Policy was included in the Board Packet for review. The Policy was marked with a possible revision to remove and exclude the Board Commissioners from the Policy.

The General Manager believes it is one of his responsibilities to recommend policies to the Board that are needed to comply with State and Federal laws and regulations. The General Manager does not have final approval or set policy. The Board has final approval and sets policy for the District. If the Board does not want to approve or set a recommended policy for some reason, that is their

right. Therefore, the Board may rescind the Drug and Alcohol Policy #501, or any other policy at any time.

The General Manager sought guidance from the Board concerning the Drug and Alcohol Policy #501 and any revisions the Board wishes to make to the policy up to and including rescinding the policy.

Action on Policy #501 Drug and Alcohol Policy was tabled to the next meeting by Commissioner Hanson.

BPA Exhibit H – Renewable Energy Certificates and Carbon Attributes: Pursuant to section 5.3 of REP Settlement Agreement, Contract No. 11PB-12322, BPA is offering the District as a “Non-Settling Entity” as defined in the REP Settlement Agreement, Revision No. 1 to Exhibit H of Kittitas Power Sales Agreement, Contract No. 09PB-13058 (Agreement). In the previous version that BPA offered to the District, the wrong Effective Date was mistakenly included, it should be July 26, 2011 (not July 29th), to align with the “Effective Date” of the REP Settlement Agreement. BPA is asking if the District finds the Revision No. 1 to Exhibit H acceptable, to sign the document and return it to BPA no later than October 31, 2011.

Terry Mundorf has reviewed the current Exhibit H, the amendment to it, and the Res Exchange Settlement Agreement. Based on this review, here are his thoughts.

Current Exhibit H

The current Exhibit H gives each preference customer the right to a pro rata share of any RECs associated with the output of the Tier 1 system. Currently, BPA has seven resources with RECs (wind and solar) and this allocation would also include any RECs associated with the Federal hydro system should Federal law be changed to grant such RECs. The Tier 1 RECs will become available on April 15, 2012, and for the remainder of the contract term. Each customer can elect to take the RECs into its own WREGIS account, have them placed in a BPA subaccount, or have BPA sell them and pocket the money.

If a preference customer elects to purchase a Tier 2 product, and the Tier 2 resources have RECs associated with them, BPA will pool those RECs and allocate them to the Tier 2 purchases on pro rata based on the relative Tier 2 purchases. The same management options are available for these Tier 2 RECs.

In essence, under the current Exhibit H 100% of the Tier 1 and Tier 2 RECs are transferred to preference customers.

Amendment to Exhibit H

As part of the Res Ex Settlement, the preference customers agreed to transfer to the IOUs 14% of the RECs associated with the Federal hydro system, but none of

the RECs associated with the seven renewable projects currently included in the FBS. See section 5.3 of the Res Ex Settlement. In simple English, this means that 14% of the RECs associated with any future renewable projects acquired by BPA to augment Tier 1, and 14% of any RECs granted to the Federal hydro projects will be transferred to the IOUs. None of the Tier 2 RECs will be made available to the IOUs. So the only thing that changes is the percentage of Tier 1 RECs available to preference customers, and it goes down to 86%.

For those who signed the Res Ex Settlement, they have as part of that execution signed this amendment, and of course those who did not sign the Res Ex Settlement have not signed this amendment. From a purely administrative and rate setting standpoint, BPA would like to get all of the preference customers on one page to ease the administration of the distribution of RECs.

What Happens If The District Does Or Does Not Sign

Signing will put the District on the same page with regard to the distribution of Tier 1 RECs as the settling parties, and will mean that you are agreeing to accept a reduction of 14% in the amount of future RECs that may be available through the Tier 1 resources. The RECs currently available from Tier 1 renewables is not reduced under the amendment.

What happens if the District does not sign is somewhat less clear. Since the District has a signed contract with BPA, BPA will be obligated to transfer to you your pro rata share of 100% the current and future Tier 1 RECs without reduction for the IOUs. BPA has stated as much. However, BPA has agreed in the Res Ex Settlement that if there are preference customers that do not sign the amendment, BPA will provide the IOUs the cash value of the RECs that it must transfer to the non-signing preference customers. In other words, they will give the IOUs money if they cannot transfer the RECs, with the money being based on the market value of the RECs not transferred as determined by BPA. Not surprisingly, BPA will attempt to collect from those that do not sign the amendment through its rates the cash it transfers to the IOUs in lieu of the Tier 1 RECs.

Impact on Litigation

The offered amendment is a step in the implementation of the Res Ex Settlement. At the present time, WPAG has decided to pursue the pending claims and to not challenge the legality of the Res Ex Settlement. If we continue on this path, in theory there is no legal inconsistency between signing the amendment and continued pursuit of our pending claims. Signing the amendment does not make the signing utility into a settling party as that term is defined in the Res Ex Settlement.

That said, it would be likely that BPA or others such as NRU would try to use the execution of the amendment to argue that by signing the amendment we are

implicitly agreeing to the Res Ex Settlement, becoming a settling party and abandoning our pursuit of the pending claims. I think such an argument could be rebutted, since there is in fact no real inconsistency between signing the amendment and continued pursuit of existing claims. However, it must be recognized that such an argument could muddy the waters. It could also prompt the other side to send a letter to the 9th Circuit advising them of this event, casting it as a capitulation on our part and attempting to influence the outcome of the pending motions to dismiss our claims. In other words, the pendency of the motions to dismiss our claims makes the timing of this amendment problematic.

In summary, the facts are these:

- 1) Signing the amendment changes nothing from a legal perspective regarding our litigation position.
- 2) Signing the amendment provides an opportunity for our opponents to argue that we have changed our position regarding our pursuit of pending claims and the motions to dismiss them.
- 3) The amendment deals solely with RECs associated with the Federal hydro system that will only exist (if at all) if federal law is changed, and RECs associated with renewable resources purchased in the future to augment Tier 1. As a consequence, there is really no immediate impact from signing or not signing this amendment.
- 4) If the District feels that signing is the right thing to do, WPAG will defend against any attempt to misconstrue this action and would expect to be successful in such defense.
- 5) As long as the motions to dismiss are pending, the prudent course from a litigation standpoint is to not sign the amendment
- 6) If we lose on the motions to dismiss, BPA will likely be willing to reoffer the amendment at a later date to eliminate the administrative inconvenience caused by two different treatments of Tier 1 RECs.

The General Manager recommended the District not sign the amendment based on Terry's review, but sought the Board's thoughts and recommendation.

Commissioner Rogers moved the PUD should not sign the amendment following the General Manager's and Terry Mundorf's recommendation. Commissioner Sparks seconded the motion, and it carried unanimously.

Energy Northwest Power Sales Contract X-40540: The Packwood Lake Hydroelectric Project Power Sales Contract X-40540 between Energy Northwest and the Public Utility District #1 of Kittitas County has been received, signed, and returned to Energy Northwest for execution.

On October 13, the Oregon Department of Energy notified the office of Energy Northwest that they is ineligible to participate in ODOE renewable energy credits program. Utility-owned Low Impact Hydropower Institute (LIHI) certified

projects are only eligible for Oregon's RPS if the owner is an Oregon utility. Non-utility-owned LIHI projects must be located in Oregon. That means that if the Packwood Lake Hydroelectric Project is LIHI certified, it is not eligible for Oregon RPS because Energy Northwest does not provide utility services in Oregon. The relevant definition is ORS 757.600(13).

With this news, the Project will not pursue the LIHI certification any further. If, at any time, other opportunities arise that the LIHI certification may be beneficial, the Project will resume the application process.

Resolution #724: Resolution #724 cancels Resolution #723 due to Kittitas County not having a Chief Deputy Treasurer and appoints the Kittitas County Treasurer and the Administrative Assistant to the Kittitas County Treasurer as co/investment officers for the District.

Commissioner Roger Sparks moved to pass Resolution #724, Commissioner Paul Rogers seconded the motion, and it carried unanimously.

Resolution #725: Resolution #725 was for Board approval to transfer funds as follows:

From General Fund 649010	\$171,656.68
To PUD Bond Fund 649030	\$171,656.68
From Construction Fund 649022	\$201,935.74
To General Fund 649010	\$201,935.74

Commissioner Rogers moved to pass Resolution #725, Commissioner Sparks seconded the motion, and it carried unanimously.

Rate Consideration for BPA Rate Increase and the FY2012 Budget: A letter was written to the editor of the Daily Record by Mr. Shan Rowbotham concerning the District's pending rate increase and suggested the District needs to have a Cost of Service Analysis (COSA) performed. Mr. Rowbotham quoted some numbers in the letter that were erroneous. The effective rate increase from BPA is 7.5%. A rate increase to just cover the BPA rate increase was projected to be approximately 4.74%. Preliminary Budget figures were presented for the Board's consideration in addition to the BPA rate increase. A discussion was held to discuss the proposed rate increase to recover the rate increase from BPA and meet the necessary improvements to the PUD's facilities. With an average pole age of 65 years on the PUD's system, there is a real need for system improvements to maintain and increase system reliability and operation. A COSA is planned for the District. A COSA is very time consuming and labor intensive, and is estimated to cost the PUD between \$34,000 and \$36,000. Therefore, planning the COSA and having it performed at the right time is vital to best utilize the funds.

In an earlier workshop to discuss the rate increase and the preliminary budget, it was determined the minimum rate increase needed to cover the BPA rate increase was 4.15%. After reviewing the preliminary FY 2012 budget, the Board of Commissioners discussed adding another 4.0% increase to the 4.15% increase to cover the operations and maintenance expenses, and new capital projects to improve service reliability contained in the 2012 budget. This would be a total of 8.15% rate increase that would be across the board for all rate classes. A Cost of Service Analysis (COSA) will be performed mid-year of 2012. The FY2012 budget is not completed. BPA rates are not fixed and that creates an unstable situation. Commissioner Sparks is concerned with the cash flow a year from now. He is not certain the 8.15% rate increase will cover the PUD.

Commissioner Rogers moved to increase the rates by 8.15% across the board for all rate classes which includes the BPA 7.5% rate increase and 15 months of cost recovery. The 8.15% retail rate increase will be reflected in the January 2012 billing and will appear on the bill received in February, 2012. Commissioner Sparks seconded the motion, and it carried unanimously.

Investment Policy #301: The Investment Policy adopted on June 2009 by the Board appointed the County Treasurer and the Chief Deputy Treasurer as co/investment officers for the District. Kittitas County does not have a Chief Deputy Treasurer, therefore, the policy was revised to reflect Resolution #724 which appoints the County Treasurer and the Administrative Assistant to the Kittitas County Treasurer as co/investment officers for the District. The format of the policy was also changed to reflect the new format.

Commissioner Sparks moved to adopt the Investment Policy #301, Commissioner Rogers seconded the motion, and it carried unanimously.

RESOLUTION #724

A Resolution of the Board of Commissioners of Kittitas County Public Utility District No. 1, Canceling Resolution #723 and Appointing Investment Officers.

WHEREAS, Resolution #723 appointed the Kittitas County Treasurer and the Chief Deputy Treasurer as co/investment officers per the District Investment Policy; and

WHEREAS, the District Investment Policy was adopted by the Board of Commissioners on June 2009; and

WHEREAS, the District Investment Policy is in error because Kittitas County does not have a Chief Deputy Treasurer; and

WHEREAS, The District Investment Policy will be corrected to reflect this Resolution #724;

NOW, THEREFORE BE IT RESOLVED that Resolution #723 is hereby rescinded; and

BE IT FURTHER RESOLVED THAT, the Board of Commissioners of the District hereby appoint the Kittitas County Treasurer and the Administrative Assistant to the Kittitas County Treasurer as co/investment officers with the following authority and duties:

1. To invest such available funds in those investments which will yield the best rate of interest for the District for such time periods as the investment officer may deem appropriate considering the needs of the District.

ADOPTED by the Board of Commissioners of Public Utility District No. 1 of Kittitas County this 25th day of October, 2011.

President

Attest:

Secretary

Vice President

RESOLUTION #725

A Resolution of the Board of Commissioners of Kittitas County Public Utility District No. 1 to transfer funds.

WHEREAS, the District needs to transfer funds as follows:

From General Fund 649010	\$171,656.68
To PUD Bond Fund 649030	\$171,656.68
From Construction Fund 649022	\$201,935.74
To General Fund 649010	\$201,935.74

NOW, THEREFORE BE IT RESOLVED THAT, the Board of Commissioners of the District hereby approve the transfer of funds as noted.

ADOPTED by the Board of Commissioners of Public Utility District No. 1 of Kittitas County this 25th day of October, 2011.

President

Attest:

Secretary

Vice President

Policy #301
Investment Policy
Adopted June, 2009
Revised October 25, 2011

INVESTMENT POLICY #301

PURPOSE/OBJECTIVE:

The basic purpose of this policy is to provide a guideline for the investment of the public funds in a manner to ensure the preservation of capital while providing the highest investment return with the maximum security, meeting daily cash flow demands of the District, and conforming to all state and local statues governing the investment of public funds. Funds of the District shall be invested in accordance with RCW 36.29.010 and with the procedures set forth in this policy.

The Investment Policy applies to the investable funds of the District. These investable funds are accounted for at the Kittitas County Treasurer's Office and are named as follows;

- PUD General Fund
- PUD Construction Fund
- PUD Bond Fund
- PUD Bond Reserve Fund
- PUD Refunding Bond Fund
- PUD Bond 1999 A/B
- Any new fund(s) created by the Board of Commissioners, unless specifically exempted.

1.0 POLICY

Safety of Capital

Safety of principal is the foremost objective of the investment program. Investments of the District will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

- Credit Risk – The District will minimize credit risk, the risk of loss due to the failure of the security, issuer or backer by:
 - Limiting investments to the safest types of securities
 - Diversifying the portfolio so that potential losses on individual securities would be minimized

- Interest rate Risk – The District will minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.

Liquidity

The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

Return on Investment

The investment portfolio of the District shall be designed in a manner to attain a market rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and cash flow characteristics of the portfolio.

Maintain the Public's Trust

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. In addition, the overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust. Investment officials shall also avoid any transaction that might knowingly impair confidence in the District's ability to operate effectively.

Delegation of Authority to Make Investments

Authority to manage the District's investment program is derived from Washington State RCW 36, 39, and 43. Per Resolution #724 (October 25, 2011), the Kittitas County Treasurer is designated as investment officer of the District and is responsible for investment decisions and activities. In the absence of the treasurer, the Administrative Assistant to the Kittitas County Treasurer shall be responsible for investment activities. The County Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and professional investment advisors.

Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Kittitas County PUD Board of Commissioners any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District's portfolio.

Reporting

Monthly reporting of interest earned will be provided to the Board of Commissioners, said report shall be a line item on the Statement of Operations (namely, line #21).

RESPONSIBILITY:

The General Manager shall ensure that the provisions of this policy are carried out.

Attested: _____
General Manager

President

Attest: _____
Secretary

Vice President

FINANCIAL REPORTS:

The following financial reports were presented:

- Delinquency Report (with Delinquent Accounts Graph)
- Comparison Year-to-Date, January 1 through September 30, 2011
- Profit and Loss Statement, September 30, 2011
- Balance Sheet, September 30, 2011
- Consumer Sales & Revenue Data, September 30, 2011
- Summary of Cash Activity, 2011
- Quarterly Employee Earnings through September 2011
- Quarterly Budget Analysis as of September 30, 2011
- Third Quarter Write-offs
- Third Quarter Analysis Cash Activity to Budget – 2011

Commissioner Rogers moved to write-off account #29891 in the amount of \$314.56, Commissioner Sparks seconded the motion, and it carried unanimously.

Resolution #726: Resolution #726 was for Board approval to invest funds as follows:

<i>Fund Name</i>	<i>Fund Number</i>	<i>Date Matured</i>	<i>Amount Matured</i>	<i>Date to Invest</i>	<i>Amount of New Investment</i>	<i>New Mature Date</i>
PUD General Fund	649010			10/26/2011	\$ 1,200,000.00	11/30/2011
PUD Bond Fund	649030					
PUD Bond Reserve	649031			10/26/2011	\$ 664,692.35	11/30/2011
PUD Construction Fund 2010-2012	649022			10/26/2011	\$ 1,000,000.00	11/30/2011
Electric Revenue Refunding Bond	649038					
PUD Refunding Bond 2005	649037			10/26/2011	\$ 491,509.13	11/30/2011
PUD Bond 1999 A/B	6490396					

Commissioner Rogers moved to adopt Resolution #726, Commissioner Sparks seconded the motion, and it carried unanimously.

RESOLUTION #726

A Resolution of the Board of Commissioners of Kittitas County Public Utility District No. 1 to invest funds.

WHEREAS, the District request the Kittitas County Treasurer to invest funds as follows:

<i>Fund Name</i>	<i>Fund Number</i>	<i>Date Matured</i>	<i>Amount Matured</i>	<i>Date to Invest</i>	<i>Amount of New Investment</i>	<i>New Mature Date</i>
PUD General Fund	649010			10/26/2011	\$ 1,200,000.00	11/30/2011
PUD Bond Fund	649030					
PUD Bond Reserve	649031			10/26/2011	\$ 664,692.35	11/30/2011
PUD Construction Fund 2010-2012	649022			10/26/2011	\$ 1,000,000.00	11/30/2011
Electric Revenue Refunding Bond	649038					
PUD Refunding Bond 2005	649037			10/26/2011	\$ 491,509.13	11/30/2011
PUD Bond 1999 A/B	6490396					

NOW, THEREFORE BE IT RESOLVED THAT, the Board of Commissioners of the District hereby approve the investment of funds by the Kittitas County Treasurer as noted.

ADOPTED by the Board of Commissioners of Public Utility District No. 1 of Kittitas County this 25th day of October, 2011.

President

Attest:

Secretary

Vice President

OPERATIONS REPORT:

Monthly Operations Report – The operations summary for September shows 5 new services, 3 altered services, 1 relocations/removal, 1 new plat, and 1 system improvement.

Contractor Project Update (Operations)

No Electrical Contractors are on the property at this time. However, we do have Innerpole doing a pole attachment audit on our entire system at this time.

Future Operations Work – Currently there are 39 service requests, of which 28 are for new services, 2 altered services, 7 new plats, and 2 pole replacements.

System Improvements – Nothing at this time.

Out to Bid – Nothing at this time.

Bids Awarded – Nothing at this time.

ENGINEERING REPORT:

GIS Mapping Project

The following is a list of the status of the mapping;

34kV Trans - Complete
E1 ----- Complete
E2 ----- Complete
S1 ----- Complete
S2 ----- Complete
P1 ----- Complete
P2 ----- Complete
P3 ----- Complete
J1 ----- Complete
T1 ----- Complete
T2 ----- GPS Complete, 50% Drafted
R1 ----- Complete
M1 ----- Complete
V1 ----- GPS Complete, 85% Drafted
A1 ----- GPS Complete, 65% Drafted
Work Orders 2007 to Present – 70% GPS, 25% Drafted

Dolarway Road

Conduit installation was in progress (east/west portion is complete, the road crossing at the Ellensburg Sub remains).

ACX Haypress Facility

ACX line extension to the primary meter was complete. The new hay press was being tested, but has not begun operation yet. Staff is coordinating with ACX to get the 600kVAR pad-mounted capacitor bank online.

Automated Meter Infrastructure (AMI) Business Case

Staff gave a recommendation to the board regarding the direction of the AMR/AMI program. Itron/Tantalus is working on providing a quote for a fixed network and 2-way solution (not available earlier in the year, because of the recent merger of the 2 companies).

Pole Joint-use Inventory

Innerpole Investigations started the field survey of pole contacts on PUD poles by foreign power, cable, telephone and communication companies. They expect to be completed with the survey by the end of the year.

Water Treatment Facility

Twin City Foods has requested three phase electrical service for a possible water treatment facility south of the City of Ellensburg near the old Schaake property. The request includes approximately 1100 hp of motor load.

Engineering (look ahead and projects in progress)

- 1) Plan for ACX cutovers (existing services)
- 2) 34kV regulators
- 3) GIS mapping (2011 completion goal – staking package prep)
- 4) System one-line map
- 5) Strategic Plan/ quarterly budget review/ 2012 budget
- 6) FuturaGIS staking and WO management demo
- 7) Substation transformer bi-annual oil testing

COMMISSIONER REPORTS:

Commissioner Rogers commented the WPUDA dues will not be increasing in 2012.

Commissioner Sparks commented that the Energy Northwest Nuclear Plant is up and running.

Commissioner Hanson commented that NuScale is back in the news.

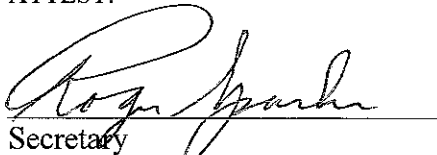
FUTURE MEETINGS

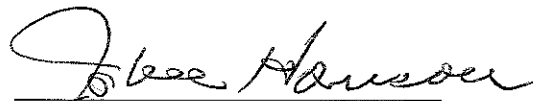
November 2, 2011	WPUDA Government Affairs & Communication Committee Meeting	Portland, OR
November 2, 2011	PPC Forum	Portland, OR
November 3, 2011	PPC	Portland, OR
November 16-18, 2011	WPUDA Meetings	Olympia, WA
November 29, 2011	Board Workshop	10:00 Building B
November 29, 2011	Regular Board Meeting	1:00 Building B
November 30, 2011 – December 2, 2011	WPUDA Annual Meeting	Pasco, WA
December 2, 2011	Christmas/Safety Meeting	Rodeo City BBQ

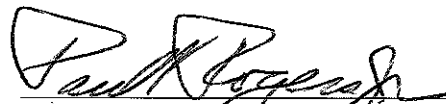
An Executive Session was called at 3:00 PM for 30 minutes per RCW 42.30.140 paragraph (4)(b) to discuss a collective bargaining position. The Board came out of the Executive Session at 3:30 PM and the Regular Board Meeting was adjourned at 3:30 PM.

The Regular Board Session adjourned at 3:30 PM.

ATTEST:


Secretary


President


Vice President