

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

Date: May 24, 2005
Time: 9:00 a.m.
Place: Kennewick Main Office

Present:

Commissioners Hall and Sanders
Commissioner Bertsch (via conference call, 11:15 a.m.–11:40 a.m.)
General Manager Sanders
Assistant General Manager/Director of Operations Long
General Counsel Hultgrenn
Manager of Risk Management and Treasury Operations Bickford
Auditor/Director of Finance and Administrative Services Bartram
Director of Power Management Gregg
Director of Engineering Hunter
Manager of Accounting White
Manager of Communications and Governmental Relations Miller
Manager of Development and Special Projects McCollum
Manager of Products and Services Johnson
Manager of Key Accounts McAloon
Senior Secretary – Retail Services Baur
Energy Engineer Philipp
Engineering Specialist Langdell
Human Resources Manager Walsh
Senior Broadband Support Specialist Nall
Administrative Assistant Hurst

President Hall announced that Commissioner Bertsch was attending the annual meeting of the Northwest Public Power Association (NWPPA) and would be joining the meeting via conference call for executive session discussion at 11:15 a.m.

Report from Management

General Manager:

1. Commissioner Bertsch will be accepting life membership awards for ex-commissioners John Goldsbury and Robert Graves during his attendance at the NWPPA annual meeting.
2. Jim Davis and Vic Parrish are both running for a regional position on the American Public Power Association (APPA) board of directors. No letters asking for support have been received for either party; however General Manager noted both individuals would represent the Pacific Northwest well. Commissioner Lori Sanders will be attending the APPA annual conference and voting on behalf of the District.
3. General Manager noted he would be traveling to Washington D.C. the week of June 14, 2005 in his role as Chair of the Public Power Council (PPC) executive board. Assistant General Manager Long will act on his behalf at the next commission meeting.

Assistant General Manager:

1. A report was given on a communication outage that occurred at the Umatilla Communications Tower Site. Damage to the site is estimated at \$35,000. Staff is reviewing to determine the potential cause of the outage.

Director of Engineering:

1. The District's new telephone system is due for installation between June 2-4, 2005, and the go-live date is expected to be June 13th.

Director of Power Management:

1. The mark to market report was distributed and discussed.
2. The power function review (PFR) comment period closed on May 20, 2005. A letter signed by the General Manager providing the District's comments was distributed. The letter models earlier discussions held with the Commission.
3. Director recommended the Commission schedule an expert session for June 23, 2005 to discuss regional power supply issues. A motion will be forthcoming setting the workshop.

Manager of Development and Special Projects:

1. Manager recommended the broadband business plan, originally planned for commission presentation on June 14, 2005, be rescheduled until the July 12, 2005 commission meeting due to scheduling conflicts with key staff members. A draft broadband business plan will be provided for individual commission review prior to the July 12th meeting. The Commission concurred.

Manager of Key Accounts:

1. The Housing Authority City of Kennewick requested the District consider removing the primary metering for Sunny Slope Homes and allow individual metering. Upon review and discussions with the Housing Authority it was determined that individual metering could not be achieved under the terms discussed. A letter to the Housing Authority was distributed.
2. Southridge High School marketing students are working on a project for marketing the District's high voltage safety demonstration trailer. Select staff is working with the students on the project which will provide a benefit to both the District and the students.
3. The District has received a grant through its involvement with the Prosser Economic Development Association grant writer for community education on the District's high voltage safety demonstration trailer.
4. All large customers required to sign the District's large customer credit policy have signed with the exception of one customer who will have the agreement completed by May 31, 2005.

Human Resources Manager:

1. The labor contract with IBEW Local 77 and the District passed on May 19, 2005, and implementation to meet the terms of the contract have begun. At future commission meetings, the Commission will be asked to consider adopting changes to the VEBA and RHS plans in order to comply with the terms of the contract. The final approved contract will be brought to a future commission meeting.
2. Open enrollment for benefit selection will be June 15-16, 2005. Additional information will be provided soon.

Consent Agenda

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

- a) Approving the minutes of the regular Commission Meeting of May 10, 2005.
- b) Approving the District Travel Report dated May 24, 2005.
- c) 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: Customer Refunds and Warrants 425075 through 425110 in the total amount of \$3,552.16, Customer Refunds and Warrants 425111 through 425143 in the total amount of \$2,418.71, Accounts Payable Electronic Fund Transfers 000956 through 000959 in the total amount of \$250,067.30, Accounts Payable Warrants 20253 through 20425 in the total amount of \$802,614.82, Payroll Direct Deposit Advice 6407 through 6534 in the total amount of \$185,357.81, Payroll Warrants 500367 through 500412 in the total amount of \$56,215.30, for a grand total of \$1,300,226.10. Voided Warrant Numbers 020274, 020279, 020328 and 020341 for a total amount of \$2,329.89 were included on the report.
- d) Adopting Resolution No. 1834, declaring certain transformers and capacitors 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.
- e) Approving Jobs Report to Commission dated May 16, 2005.

MOTION CARRIED.

Quit Claim Deed – Located Near Summit Avenue and Sagebrush Road

Engineering Specialist recommended the Commission approve a quit claim deed for property located near Summit Avenue and Sagebrush Road. The easement was acquired to cover a future distribution line, and the owner desires to subdivide the property. A new easement has been obtained.

Motion by Lori Sanders, seconded by Jeffrey Hall to approve conveying to the owner of record, an easement recorded under Auditor's File No. 826477, located in the East half of the East half of Section 9, Township 8 North, Range 28 East, W.M., records of Benton County, state of Washington.
MOTION CARRIED.

Resolution No. 1835, Louis Dreyfus Energy Canada LP – Contract for Sale and Purchase of Natural Gas

Director of Power Management recommended the Commission approve a base contract for sale and purchase of natural gas with Louis Dreyfus Energy Canada, LP. The agreement will provide staff with an additional choice of vendors for buying and selling natural gas for the Frederickson CT plant and allow the District to further diversify term gas purchases. A replacement page for page 1 of the Special Provisions portion of the contract was distributed and changes were noted.

Motion by Lori Sanders, seconded by Jeffrey Hall adopting Resolution No. 1835, authorizing the General Manager, on behalf of the District, to sign a Base Contract for Sale & Purchase of Natural Gas with Louis Dreyfus Energy Canada LP (BPUD Contract No. 05-51-07).
MOTION CARRIED.

Resolution No. 1836, Distribute Richland Tax Refund

Manager of Accounting recommended the Commission adopt Resolution No. 1836 allowing distribution of a refund of city utility occupation tax to Benton PUD ratepayers located within the City of Richland. In February 2004 staff became aware of a change in the City of Richland

municipal code allowing city occupation taxes to be assessed against rates in effect as of February 2003. This issue was recently readdressed with the City. City staff agreed with the District's analysis, and agreed to allow the District to take a credit against its May and June 2005 tax remittance for a value of \$10,029.

Motion by Jeffrey Hall, seconded by Lori Sanders to adopt Resolution No. 1836 to distribute a refund of city utility occupation tax in the amount of \$10,029 to Benton PUD ratepayers located within the City of Richland.

MOTION CARRIED.

Recommendation to Begin Negotiations with Architectural-Engineering Firms – Broadband General Technology Consulting Services

Commissioner Hall noted that he had received compliments from County Commissioner Max Benitz regarding the work of Rich Nall, District Senior Broadband Support Specialist.

Senior Broadband Support Specialist recommended the Commission declare Lockheed Martin Information Technology as the most qualified firm to provide general technology consulting services, and failing to reach a fair and reasonable price, to negotiate with Meier Enterprises. It was determined by District staff that an A&E contract for broadband was necessary for the implementation and maintenance of the broadband network, in accordance with RCW 39.80. The District's current contract expires on June 15, 2005.

Motion by Lori Sanders, seconded by Jeffrey Hall to declare Lockheed Martin Information Technology of Richland, Washington, as the most qualified firm to provide general technology consulting services and to direct staff to negotiate a fair and reasonable price on a professional services agreement for this work. Failing to reach a fair and reasonable agreement with Lockheed Martin, staff is directed to begin negotiations with the next most qualified firm, Meier Enterprises, Inc. of Kennewick, Washington.

MOTION CARRIED.

Retail Energy Sales Ten-Year Forecast 2005-2015 (Load Forecast)

Energy Engineer gave a presentation on the Retail Energy Sales Forecast 2005-2015. The forecast has been changed from a 20-year forecast to a 10-year forecast. It was noted a 20-year forecast was no longer required by outside entities and would not significantly impact internal planning. It was noted that the forecast does include certain meters reverting to the City of Richland pending approval of the service area agreement.

Motion by Jeffrey Hall, seconded by Lori Sanders to approve the Retail Energy Sales Ten-Year Forecast (Load Forecast) 2005-2015.

MOTION CARRIED.

Financial Planning Process – Notice to Set Commission Workshop for May 31, 2005

General Manager reviewed the requirements for setting a commission workshop in accordance with RCW 42.30.080. The District's financial planning process will be reviewed on May 31, 2005 in order to provide the Commission with information on financial policies, the 2006 budget schedule and review the updated five year financial forecast.

Motion by Jeffrey Hall, seconded by Lori Sanders setting a special meeting on May 31, 2005, beginning at 9:00 a.m., at the District's Administration Office located at 2721 West 10th Avenue, Kennewick, Washington, for the purpose of holding a commission workshop on the District's financial planning process, and directing the General Manager to provide notification to the public of such meeting in accordance with RCW 42.30.080.

MOTION CARRIED.

2006 Strategic Planning – Notice to Set Commission Workshop for June 9, 2005

General Manager recommended setting a commission workshop for June 9, 2005 in order to provide for discussion and lay preliminary groundwork as staff prepares the District's draft strategic plan for 2006.

Motion by Lori Sanders, seconded by Jeffrey Hall setting a special meeting on June 9, 2005, beginning at 9:00 a.m. at the offices of NewEdge, Inc., 2000 Logston Blvd., Suite 128, Richland, Washington, for the purpose of holding a commission workshop on the District's 2006 Strategic Plan, and directing the General Manager to provide notification to the public of such meeting in accordance with RCW 42.30.080.

MOTION CARRIED.

Performance Measurement Report – First Quarter 2005

Director of Finance and Administrative Services presented the Quarterly Performance Measurement Report. Four measures were highlighted during the presentation -- collections (new measure), customer survey, reliability indices (new measure) and safety. Assistant General Manager/Director of Operations reviewed the safety awareness program and noted the 6-month safety award objective was recently achieved.

Future Planning

Commissioner Sanders discussed a call she received from an individual supporting Grid West. She provided him with the telephone number of the Washington PUD Association (WPUDA).

At 10:40 a.m., President Hall announced that the Commission would go into Executive Session for 10 minutes with the District's General Counsel for the purpose of discussing potential litigation.

At 10:50 a.m., President Hall reconvened the Commission Meeting into regular open public session. President Hall announced that Commissioner Bertsch was scheduled to attend the Commission Meeting at 11:15 a.m. in order to participate in an additional Executive Session, and the remaining items listed on the agenda would be considered after the next Executive Session was held.

At 10:52 a.m., President Hall announced that the Commission Meeting would recess until 11:15 a.m.

At 11:15 a.m., President Hall reconvened the Commission Meeting into regular open public session. Commissioner Bertsch joined the Commission Meeting via conference call.

At 11:16 a.m., President Hall announced that the Commission would go into Executive Session for 15 minutes with the District's General Counsel for the purpose of discussing potential litigation. Commissioner Lori Sanders recused herself from attendance at the Executive Session due to the potential perception of a conflict of interest.

At 11:30 a.m., President Hall reconvened the Commission Meeting into regular open public session.

Resolution No. 1837, Electrical Service Area and Facilities Purchase Agreement

Motion by Robert Bertsch, seconded by Jeffrey Hall to adopt Resolution No. 1837, authorizing the General Manager to enter into an Electrical Service Area and Facilities Purchase Agreement with the City of Richland.

MOTION CARRIED.

General Manager briefly reviewed the requirements defined in RCW 54.04.039 which provides a method of adjusting commissioner district boundaries.

Commissioner Lori Sanders rejoined the Commission Meeting, already in regular open public session, at 11:34 a.m.

Resolution No. 1838, Defeasance of Bonds Due to Property Disposition

Treasurer recommended the Commission approve Resolution No. 1838, providing for defeasance of a portion of the District’s outstanding electric system revenue bonds. The District has covenanted in all its parity bond resolutions that it will not sell or dispose of any part of the electric system unless provision is made for the payment, redemption or other retirement of a principal amount of bonds as defined in the implementing resolutions. The agreement to transfer part of the electric system to the City of Richland activates the District’s bond covenants. Options to meet the covenants of the bonds were reviewed. A brief discussion was held on debt service coverage ratio.

Motion by Robert Bertsch, seconded by Lori Sanders adopting Resolution No. 1838, providing for the defeasance of a portion of the Outstanding Electric System Revenue Bonds, Series 1997, as required for the disposal of District property.

MOTION CARRIED.

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

/s/
Jeffrey D. Hall, President

ATTEST:

/s/
Lori Kays-Sanders, Secretary