

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

Date: July 25, 2006
Time: 9:00 a.m.
Place: Kennewick Main Office

Present:

Commissioners Bertsch, Hall and Sanders
General Manager Sanders
Legal Counsel Ellerd
Director of Finance and Business Services Bartram
Manager of Risk Management and Treasury Bickford
Manager of Communications and Government Relations Miller
Manager of Human Resources Walsh
Director of Engineering Hunter
Director of Power Management Gregg
Manager of Accounting White
Manager of Products and Services Johnson
Engineering Specialist Langdell
Manager of Geographic Information Systems Folta
Financial Analyst II Hawkey
Manager of Key Accounts and Marketing McAloon
Manager of Broadband McCollum
Administrative Assistant - Executive Administration Scrimsher
Commission Relations Specialist/Executive Assistant Hurst

Report from Management

Manager of Human Resources:

1. Central Washington Public Utilities labor attorney Bob Sebris was introduced to the Commission. Mr. Sebris will be CWPU's primary spokesperson on labor issues. Ed Taylor, who was unable to attend today's meeting, will also be representing CWPU in employment matters. Mr. Sebris, thanked the Commission for the opportunity to meet with them and looked forward to building a solid relationship with Benton PUD. The Commission thanked Mr. Sebris for his attendance.

Director of Finance and Business Services:

1. Manager of Accounting provided highlights of the June 2006 financial statements.

Director of Engineering:

1. Manager of Geographic Information Systems briefed the Commission the Geographic Information System implementation. A meeting with the District's General Counsel is scheduled to discuss staff concerns regarding Powel-MiniMax . Staff will bring a recommendation before the Commission at the August 8, 2006 meeting regarding contract continuance.

Manager of Communications and Governmental Relations:

1. Initiative 937 on Renewable Portfolio Standards was discussed. The irrigators are opposing the initiative while the Washington PUD Association (WPUDA) is currently advocating neutrality. Customer surveys indicate that while Benton PUD customers support renewable power they are not willing to pay extra for it. Dave Warren, WPUDA will be giving an in depth presentation at the Energy Northwest Board Meeting this week on the Initiative. Commissioner Lori Sanders commented on the need to provide more education to our customers on the issues surrounding renewable power. A resolution will be brought for commission consideration at the August 8, 2006 meeting.
2. The House Resources Committee approved H.R. 4857, the Endangered Species Compliance and Transparency Act. The bill, sponsored by Rep. Cathy McMorris, would require the Bonneville Power Administration (BPA) to estimate and report to their wholesale customers what portion of their energy bills are directly and indirectly related to Endangered Species Act compliance.
3. Letters thanking Senator Maria Cantwell, Representative Doc Hastings, and BPA Administrator Steve Wright, for their support on the \$27 in '07 campaign, were signed by the Commission.

Director of Power Management:

1. The mark to market report was distributed and discussed. The format was expanded to capture the increase in activity.
2. A printout of the Intercontinental Exchange was distributed and current power market prices were reviewed.
3. Public Utilities Regulatory Policy Act's (PURPA) upcoming deadlines were discussed. Resolution(s) will be brought for commission consideration at the August 8, 2006 meeting.
4. Bonneville Power Administration (BPA) will be holding public meetings to discuss its Regional Dialogue Policy proposal. A schedule was distributed, along with the proposal, noting the August 7, 2006 meeting to be held at the Franklin PUD auditorium at 1:30pm. Commission Bertsch has agreed to speak at the August 7, 2006 public meeting.
5. A notification was shared with the commission outlining the Northwest Public Power Association's (NWPPA) BPA Allocation Conference being held in Portland on September 18 and 19.
6. Ed Brost, BPA Account Executive, was welcomed by the Commission. Mr. Brost provided highlights of the FY-07-09 power rates and discussed in detail the changes. The base wholesale power rate is \$27.33. Mr. Brost thanked the Commission for their support in the collaborative effort in reaching the \$27.33 rate. Director of Power Management discussed the specific BPA rate impacts on Benton PUD.
7. Manager of Risk Management and Treasury discussed the details surrounding the issuance of a Letter of Credit with Bank of America, and the Reimbursement Agreement with BPA. Documents are being prepared by Nancy Neraas, Preston Gates and Ellis, and will be brought before the Commission for consideration at the August 8, 2006 meeting.

General Manager:

1. The District's pending rate action was discussed with the Commission. The information presented in June is being revised, and a new analysis, and recommendation is being developed and will be brought for Commission consideration at the August 8, 2006 meeting.
2. Recent irrigator concerns regarding the District's revenue surplus were discussed.

Public Comment

1. Customer Pat Tucker stated the voting in Benton County is now by mail-in ballot.
2. Mr. Tucker discussed briefly a conversation he had with John Saven. Discussion ensued regarding clarification of the District's relationship with Northwest Requirement Utilities (NRU), and Northwest Irrigator Utilities (NIU).

At 10:20 a.m., President Robert Bertsch announced the Commission Meeting would recess for 10 minutes.

At 10:30 a.m., President Robert Bertsch reconvened the Commission Meeting into regular open public session.

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 July 11, 2006.
- b) Approving the District Travel Report dated July 25, 2006.
- 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: Accounts Payable Warrants 24853 through 24962 in the total amount of \$582,652.11, Accounts Payable Electronic Fund Transfers 1320 through 1323 in the total amount of \$3,487,066.26, Payroll Direct Deposit Advice for July 13, 2006, 10528 through 10661 in the total amount of \$213,273.69 Payroll Warrants for July 13, 2006, 501840 through 501880 in the total amount of \$53,582.49, for a grand total of \$4,336,574.55. Void/cancelled warrants for July 2006 in the total amount of \$325.55 were included in the report.

MOTION CARRIED.

Bonneville Power Administration Slice/Block Exhibit C

Director of Power Management recommended the Commission approve various adjustments to Exhibit C of the BPA power contract.

Motion by Lori Sanders, seconded by Jeff Hall authorizing the General Manager, on behalf of the District, to submit to BPA, Benton PUD's 2007 medium case monthly load forecast and request that BPA include transmission losses in its determination of total retail load, that BPA be given notice that power from the Klickitat PUD Landfill Gas Project and the Nine Canyon Wind Project remain in Section 2(d) of Exhibit C, and that 57% of the Packwood Hydro Project be included in Section 2(d) of Exhibit C.

MOTION CARRIED.

Resolution 1898, Approving International Swaps and Derivatives Association Agreement with UBS AG

Director of Power Management recommended the Commission approve an ISDA Agreement with UBS AG. The Agreement will assist the District in its goal of managing risks associated with the buying and selling of power and natural gas on the wholesale market.

Motion by Jeff Hall, seconded by Lori Sanders adopting Resolution No. 1898 authorizing the General Manager, on behalf of the District, to sign an ISDA Agreement with UBS AG (BPUD Contract 06-51-09) for the financial hedging of physical power and gas positions.

MOTION CARRIED.

Resolution No. 1899, Eliminating the Expiration of Temporary Retail Electric Rate Schedules

Manager of Products & Services recommended the Commission eliminate the requirement set forth in Resolution No. 1854, that Temporary Retail Electric Rate Schedules expire on October 31, 2006. The District's strong financial position, growing reserves, favorable sales for resale, and budget decreases, allow for continuation of the reduced rates.

Motion by Lori Sanders, seconded by Jeff Hall approving Resolution No. 1899, amending Resolution No. 1854 by eliminating the expiration of temporary retail electric rate schedules.

MOTION CARRIED.

Noanet Internet Access Contract

Manager of Broadband recommended the Commission authorize the General Manager, on behalf of the District, to sign Contract #06-46-13 with NoaNet. The ability for Benton PUD to combine the Network Operating Center (NOC) services with regional Sales and Marketing support and include the Internet bandwidth that is contracted through NoaNet, reduces the District's Internet costs and provides expanded NOC services. Combining these services under one annual contract allows for more control of costs and provides opportunities to leverage the District's position in the market place as a regional provider of bandwidth on the State Department of Information Systems (DIS) system and other large regional accounts

Motion by Jeff Hall, seconded by Lori Sanders authorizing the General Manager, on behalf of the District, to sign Contract #06-46-13 with NoaNet for NoaNet Network Coordinated Services (NCS) and Internet services for a not-to-exceed amount of \$211,860.00 through December 31, 2008.

MOTION CARRIED

Multi-Tenant Building Temporary Broadband Rate Adjustment

Manager of Broadband and Broadband Accounts Specialist recommend the Commission authorize a temporary rate adjustment for fiber connections for end users in qualifying multi-tenant buildings. The favorable cost for fiber access and connection in multi-tenant buildings should allow the District to realize an increase in customer connections and revenue. The results from this offering will be tracked and analyzed to determine the effectiveness of the temporary rate and assist in the decision of making it a standard part of the Broadband development strategy.

Motion by Lori Sanders, seconded by Jeff Hall to authorize a temporary rate adjustment for 2Mbps and 3Mbps fiber connections of end users in qualifying multi-tenant buildings, by offering the temporary rate adjustments to Retail Service Providers making connections within the qualifying buildings of a period not-to-exceed six (6) months beginning August 1, 2006, with such connections made within the promotional period for a minimum one (1) year term.

MOTION APPROVED

Broadband Sales Update

Manager of Broadband and Broadband Accounts Specialist reviewed the second quarter 2006 broadband sales results, including broadband promotion results. Staff stated they were observing

encouraging growth and interest in broadband and remain confident that the District will meet and possibly exceed its annual revenue projections by year end 2006.

Northwest Open Access Network (NoaNet) presentation by Greg Marney

Manager of Broadband introduced Greg Marney, CEO of NoaNet. Mr. Marney was invited to the meeting by the Commission to discuss NoaNet's current and future issues. Mr. Marney updated the Commission on NoaNet's budget, distributed the current Marketing Strategy which outlined operational activities, sales updates, and net cash flow forecast. Mr. Marney thanked the Commission and staff for the support given to NoaNet and gave special thanks to Chad Bartram and Gary McCollum for all their efforts. A financial policy is being revised and is anticipated being complete in 2007.

Commissioner Lori Sanders expressed her desire for more comprehensive financial policies to be developed prior to the anticipated 2007 target date.


The Commission thanked Mr. Marney for coming.

Other Business


At 11:40 p.m., President Robert Bertsch announced that the Commission would go into Executive Session for 35 minutes for the purpose of discussing litigation the District reasonably believes may be commenced against the agency.

At 12:15 p.m., President Robert Bertsch announced that the Commission Meeting would reconvene into regular open public session.

Hearing no objection, President Robert Bertsch adjourned the Commission Meeting at 12:17 p.m.


Robert E. Bertsch, President

ATTEST:


Lori Kays-Sanders, Secretary

