

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

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Date: July 11, 2006  
Time: 9:00 a.m.  
Place: Kennewick Main Office

***Present:***

Commissioner Bertsch, Hall and Sanders  
Assistant General Manager/Director of Operations Long  
Legal Counsel Ellerd  
Auditor/Director of Finance and Business Services Bartram  
Director of Power Management Gregg  
Manager of Risk Management & Treasury Bickford  
Manager of Accounting White  
Manager of Broadband McCollum  
Manager of Communications and Governmental Relations Miller  
Manager of Human Resources Walsh  
Manager of Products and Services Johnson  
Manager of Key Accounts and Marketing McAloon  
Engineering Specialist Langdell  
Electrical Engineer II Scherer  
Broadband Accounts Specialist Tier  
Commission Relations Specialist/Executive Assistant Hurst

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Assistant General Manager introduced legal counsel, Heidi Ellerd, attending on behalf of the District's general counsel, Dan Hultgrenn, who is on vacation.

**Treasurer's Report**

Treasurer reviewed the June 2006 Treasurer's Report. The Commission approved the June 2006 Treasurer's Report. The investment list and counterparty credit information was reviewed.

**Report from Management**

*Assistant General Manager:*

1. General Manager attended a Slice mediation meeting on Monday, and is on vacation for two weeks.
2. The draft Strategic Plan for 2007 was distributed to Commission for review.
3. The sale of Power Resource Managers' assets to The Energy Authority is complete. A thank you letter from Franklin PUD was received recognizing Benton PUD staff that assisted in the process.
4. The Commission was briefed on an e-mail received from Mr. Poe which defines future access to PUD equipment located on his property, and conversations with Mr. Poe and staff members. Concern was expressed by staff and the Commission because of Mr. Poe's allegations and demeanor.

*Director of Power Management:*

1. The mark to market report has not significantly changed from the last commission meeting.
2. The Commission was updated on concerns expressed by large irrigation customers on the District's proposed rate setting options discussed at the last Commission meeting. The two concerns expressed were, setting aside funds for undefined capital and a desire to make the rate decrease immediate. Staff discussed the concerns and had the following observations:
  - a. Staff will not be recommending funds for undefined capital. Decisions on capital expenditures are determined in a process that is underway. Managers will be discussing capital plans with the General Manager shortly, with the Commission and interested customers in September/October, and final capital budgets will be for identified capital needs. Preliminary information indicates the capital request will be above the present plan.
  - b. Staff is just beginning the process for revising retail rates. Capital and expense plans for next year are critical components. As discussed at the last meeting, there are a number of uncertainties that need to be determined before COSA and rate studies can be completed and recommendations made on revised rates.

The concerns pointed out that additional discussion may be needed on principles/philosophies for setting retail rates. Staff suggested this take place at the August 8, 2006 Commission Meeting.

Director asked if the Commission desired an afternoon workshop on August 8, 2006 to review the District's cost of service study and process. The Commission directed the Assistant General Manager to bring Case No. 4, discussed at the June 27, 2006 Commission Meeting, and a review and discussion of the District's rate setting philosophy, to the August 8, 2006 Commission Meeting

*Manager of Broadband:*

1. A brief discussion was held on Northwest Open Access Network (NoaNet) current and future issues. Commissioners concurred with Manager of Broadband's recommendation to invite Mr. Marney and members of the NoaNet staff to attend an upcoming commission meeting, or as soon as reasonably possible.
2. The District's broadband staff is considering working with a facilitator to assist in the development of a strategic direction for broadband, similar to the work being facilitated by KEMA for the Strategic Technology Integration Team.

*Director of Finance and Business Services:*

1. Director distributed a report from the American Public Power Association (APPA) showing comparisons between public power systems and investor-owned utilities for payments and tax requirements to state and local governments.
2. Manager of Key Accounts and Marketing discussed the District's response to a request from County Commissioner Leo Bowman for PUD funding for lighting at an intersection located near Red Mountain.
3. Manager of Key Accounts and Marketing reported on a brief meeting with the new owner of the Welch's facility.
4. Manager of Key Accounts and Marketing invited the Commissioners to attend an event being organized by the Columbia Snake River Irrigator's Association (CSRIA) and the Eastern Washington Water Alliance, scheduled for July 20, 2006. President Robert Bertsch will be attending the event with designated District staff.

*Manager of Communications and Governmental Relations:*

1. Terry Flores' testimony for the congressional hearing before the Subcommittee on Water and Power held last Friday was distributed. A joint letter to the editor is being prepared for consideration by the Commissions of Benton and Franklin PUDs that will discuss Terry Flores' testimony and support of the Endangered Species Compliance and Transparency Cost Act.
2. Letter's to Congressman Blumenauer from the Northwest RiverPartners and Pacific Northwest Waterways Association were distributed. The letters were in response to a letter signed by Congressman Blumenauer and 102 house members to NOAA regarding concerns on salmon recovery processes and suggest dam breaching as an option. Both letters outline reasons why dam breaching should not be considered.
3. A letter was distributed, signed by Congressman Hastings and other members of congress, regarding BPA supporting slice customers and encouraging more discussion.
4. Supporters of Initiative 937 have gathered the required signatures. Implications and future considerations will be discussed at a future commission meeting.
5. The \$27 in '07 campaign is concluding and final news releases and letters will be distributed.

President Robert Bertsch recommended, and the Commission concurred, to add the Travel Report dated July 11, 2006 to the Consent Agenda for consideration.

**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 June 27, 2006.
- b) Approving the District Travel Report dated July 11, 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 Customer Refunds 24601-24606, 24682-24764 in the total amount of \$9,924.49, Accounts Payable Warrants 24607-24681, 24765-24852 in the total amount of \$507,509.71, Accounts Payable Electronic Fund Transfers 1313-1319 in the total amount of \$2,187,555.88, Payroll Voided Warrant 501798, Payroll Direct Deposit Advice for June 29, 2006, 10395 through 10527 in the total amount of \$223,647.63, Payroll Warrants for June 29, 2006, 501799 through 501839 in the total amount of \$57,308.04 for a grand total of \$2,985,945.75..
- d) Approving Write Off Report for June 2006 in the total amount of \$23,576.45.
- e) Review of Quarterly Jobs Report to Commission dated June 28, 2006.
- f) Review of Quarterly Contract Activity Report dated June 30, 2006.
- g) Approving Contract Completion and Acceptance for pole inspection and treatment by Osmose, Inc. for Contract No. 03-07, (CPO 11693), in the amount of \$431,518.12, including tax.

MOTION CARRIED.

**Temporary Broadband Rate Adjustment**

Manager of Broadband and Broadband Accounts Specialist recommended the Commission authorize waiving the \$100 non-recurring charge on all Prosser residential and business fixed wireless connections for 90 days. Fixed wireless promotions that were run in Kennewick have shown great success.

Motion by Jeff Hall, seconded by Lori Sanders authorizing the waiver of the \$100 non-recurring charge on all Prosser residential and business fixed wireless connections for a period not-to-exceed 90 days as part of a temporary adjustment to broadband rates for the period of August 1, 2006 through October 31, 2006.

MOTION CARRIED.

### **Transformers – Contract Award Recommendation**

Assistant General Manager congratulated Mr. Scherer for passing the professional engineer exam. Electrical Engineer II recommended the Commission award a contract for transformers. Each recommendation corresponds to the bidder with the lowest evaluated total owning cost for the item. The Commission was briefed on significant cost increases since the last transformer award.

Motion by Lori Sanders, seconded by Jeff Hall to award the contract for transformers, Bid Package No. 06-08, to Howard/Carlson Sales of Vancouver, Washington, in the amount of \$212,975.00, and to WESCO of Portland, Oregon, in the amount of \$22,630.00, for a total amount of \$235,605.00, plus Washington State sales tax in accordance with RCW 54.04.080.

MOTION CARRIED.

### **2006 Internal Audit Plan – Semi Annual Update**

Director of Finance and Business Services reviewed the results of the 2006 internal audit program for the first six months of the year. Director discussed the results of the cash overage/shortage audit conducted in February 2006 for the last six months of 2005 and noted the very low error rates by customer service representatives during 2005. A brief review of planned audits was discussed.

At 10:10 a.m., President Robert Bertsch announced the Commission would go into Executive Session with the District's legal counsel for one hour for the purpose of discussing litigation the District reasonably believes may be commenced against the agency.

At 11:10 a.m., President Robert Bertsch reconvened the Commission Meeting into regular open public session.

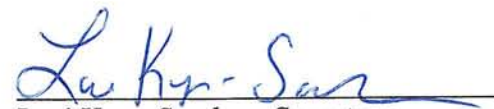
The Commission expressed concern with Mr. Poe's verbal and written communications to staff, and directed the Assistant General Manager to develop a security plan for District employees. The Commission directed the Assistant General Manager to respond to Mr. Poe's e-mail restricting the District's access to its equipment, and inform Mr. Poe of the District's policy regarding right of access to equipment, and to keep the Commission apprised of the situation.

The Commission held brief discussion on irrigator concerns regarding revenue reduction.

Hearing no objection, President Robert Bertsch adjourned the Commission Meeting at 11:20 a.m.

  
Robert E. Bertsch, President

ATTEST:

  
Lori Kays-Sanders, Secretary