

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

Date: March 27, 2007
Time: 9:00 a.m.
Place: Kennewick Main Office

Present:

Commissioners Hall, Sanders and Bertsch
General Manager Sanders
Assistant General Manager/Director of Operations Long
General Counsel Hultgrenn
Auditor/Director of Finance and Business Services Bartram
Director of Power Management Gregg
Director of Engineering Hunter
Manager of Risk Management & Treasury Bickford
Manager of Accounting White
Manager of Broadband McCollum
Manager of Human Resources Walsh
Manager of Key Accounts and Marketing McAloon
Manager of Customer Service Ball
Manager of Communications and Governmental Relations Miller
Manager of Geographic Information Systems Folta
Manager of Products and Services Johnson
Financial Analyst II Hawkey
Financial Analyst II Meyer
Electrical Engineer II Scherer
Senior Engineer II Gottschalk
Power Management Analyst I Bender
Commission Relations Specialist/Executive Assistant Hurst

Commission President Jeff Hall led the Pledge of Allegiance.

Treasurer's Report

Treasurer reviewed the February 2007 Treasurer's Report. The Commission approved the February 2007 Treasurer's Report. The investment list and counterparty credit report was reviewed.

Management Report

General Manager:

1. The General Manager noted that he would be speaking on board/CEO relationships at the upcoming American Public Power Association (APPA) Annual Meeting in June.
2. An article was distributed on CEO's who move out of the private sector and into the non-profit world.
3. The statutory requirements of allowable "per diem" for public officials were reviewed.

Director of Power Management:

1. The mark to market report was distributed and reviewed.
2. The February Frederickson dispatch report was reviewed.

Manager of Customer Service/Financial Analyst II:

1. An update was provided on negotiations for electronic bill presentment and bill printing. Focus areas being negotiated with Metavante were briefed. It is anticipated that a contract will be brought for Commission consideration at the April 10, 2007 Commission Meeting.

Assistant General Manager:

1. The new Prosser Branch Office opened for business on Monday, March 26, 2007. Pat Sullivan, Steve Mantle's replacement, is currently working at the new facility. The Commission Meeting of April 24, 2007 will be held at the Prosser facility in conjunction with the scheduled ribbon-cutting ceremony.
2. Manager of Communications noted the enthusiasm from the Prosser citizens and community organizations at the opening of the new facility.

Manager of Key Accounts and Marketing:

1. Information was distributed on proposals to draw down the John Day pool from its established minimum operating levels, and a brief discussion was held on BPA involvement and possible steps going forward.

Public Comments

Mr. Pat Tucker, Sandpiper Farms, discussed his concerns with the proposals to draw down the John Day pool and its impact on the irrigators. Mr. Tucker noted that smart meters would allow for time of day pricing.

Mr. Tucker presented the Commission with a canvas picture of the Prosser area and river reflections for the Prosser Branch Office. The Commission and General Manager thanked Mr. Tucker for the picture and noted their appreciation.

A discussion was held with Commission and General Manager on next steps if the John Day pool drawdown proposal was approved, noting a concern of Commissioner Lori Sanders that conservation benefits provided to the irrigators could be taken away by the proposal.

Consent Agenda

Motion by Lori Sanders, seconded by Robert Bertsch to approve the Consent Agenda as follows:

- a) Approving the minutes of the regular Commission Meeting of February 27, 2007.
- b) Approving the minutes of the Special Commission Meeting of March 5, 2007.
- c) Approving the District Travel Report dated March 27, 2007.
- d) 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 28444-28714 in the total amount of \$1,379,851.20, Customer Refunds 28715 in the total amount of \$645.00, Automated Clearing House Payments 33-61 in the total amount of \$568,985.38, Electronic Fund Transfer Payments 1524-1551 in the total amount of \$9,033,628.20; Payroll Direct Deposit Advice 02/22/07 12663-12795 in the total amount of \$204,990.63, Warrants 02/22/07 502501-502540 in the total amount of \$50,399.26, Direct Deposit Advice 03/08/07

12796-12927 in the total amount of \$202,465.30, Warrants 03/08/07 502541-502581 in the total amount of \$50,043.52, for a grand total of \$11,491,008.49. Void Warrants – stopped payments for February/March in the total amount of \$14,757.04, Void Warrants for February 2007 in the total amount of \$43.32, and Customer Refunds Void/Cancelled Warrants for March 2007 in the total amount of \$589.72 were included on the report.

- e) Reviewing Jobs Report to the Commission dated March 19, 2007.
- f) Approving Project Completion and Acceptance for tree trimming by Asplundh Tree Expert Company for Contract No. 06-01, (CPO #13527) in the amount of \$438,100.55.
- g) Adopting Resolution No. 1937, declaring certain transformers 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.

MOTION CARRIED.

Resolution No. 1936, Extending Maturity of and Amending Interest Rate of the District's Electric System Revenue Note, 2004

Manager of Risk Management and Treasury recommended the Commission adopt Resolution No. 1936, extending the maturity of and amending the interest rate of the District's line of credit with Bank of America. Usage of the line of credit is not currently anticipated, however the LOC calls for annual renewal. Closing is anticipated for March 29, 2007.

Motion by Robert Bertsch, seconded by Lori Sanders adopting Resolution No. 1936, to extend the maturity of and amend the interest rate of the District's Electric System Revenue Note 2004.

MOTION CARRIED.

Waukesha Electric Systems, Medium Voltage Power Transformer – Change Order

Senior Engineer II Gottschalk recommended the Commission approve a change order to BPUD Contract No. 06-07 with Waukesha Electric Systems due to changes requested by the wind farm developer. Energy Northwest is reimbursing the District for costs associated with the change order.

Motion by Lori Sanders, seconded by Robert Bertsch to authorize the General Manager, on behalf of the District, to sign Change Order No. 1 to BPUD Contract No. 06-07 with Waukesha Electric Systems, for the modification of the no load tap changer, addition of three current transformers and addition of eight line terminals, in the amount of \$29,410.00, bringing the new not-to-exceed amount of the contract to \$816,665.00.

MOTION CARRIED.

38 kV Outdoor Circuit Breakers, Contract Award Recommendation

Senior Engineer II Gottschalk recommended the Commission declare Hees Enterprises/Square D non-responsive because their proposed breaker design does not comply with the District's bid specifications. It was further recommended the Commission award the contract for two circuit breakers and three spare bushings to WESCO/ABB of Portland, Oregon. Energy Northwest is reimbursing the District for costs associated with the Nine Canyon expansion. Costs are exempt from Washington State sales tax.

Motion by Robert Bertsch, seconded by Lori Sanders to declare Hees Enterprises, Inc./Square D non-responsive and award a contract for two 38 kV Outdoor Circuit Breakers and three spare bushings to WESCO/ABB of Portland, Oregon, Bid Package No. 07-06, for a total amount of \$77,664.00, excluding Washington State sales tax.

MOTION CARRIED.

35 kV URD Cable, Contract Award Recommendation

Senior Engineer II Scherer recommended the Commission award a contract for 35 kV URD cable, per Pricing Option "A", to WESCO Distributing, Inc. /Okonite of Portland, Oregon. Energy Northwest is reimbursing the District for costs associated with the Nine Canyon expansion. Costs are exempt from Washington State sales tax.

Motion by Lori Sanders, seconded by Robert Bertsch to award Contract No. 07-07 for 35 kV URD Cable, per Pricing Option "A", to WESCO Distributing, Inc. /Okonite of Portland, Oregon, for a total amount of \$859,190.00, excluding Washington State sales tax.

MOTION CARRIED.

Nine Canyon Wind Project Update

Senior Engineer II Gottschalk and Director of Power Management provided a presentation on equipment failures, REPI under funding, and updated pricing for the 9 Canyon Wind Project, Phases I and III.

Revision to Bonneville Power Administration Point-to-Point Transmission Agreement

Power Management Analyst I recommended the Commission approve a revision to Exhibit C of the Bonneville Power Administration point-to-point transmission service agreement. The revision redirects various points of transmission to integrate renewable energy resources from White Creek and Nine Canyon Phase III wind projects.

Motion by Robert Bertsch, seconded by Lori Sanders authorizing the General Manager, on behalf of the District, to sign Revision 5 to Exhibit C of the Bonneville Power Administration Point-to-Point Transmission Service Agreement No. 97TX-10041, redirecting various points of receipt in preparation for integrating renewable energy from the new White Creek Wind Project and Nine Canyon Wind Project Phase III beginning in 2008.

MOTION CARRIED.

At 10:15 a.m., President Jeff Hall announced that the Commission Meeting would recess for 10 minutes.

At 10:25 a.m., President Jeff Hall announced that the Commission Meeting would reconvene into regular open public session.

Resolution No. 1938, Amendment to International Swaps and Derivatives Association Agreement with Coral Energy Holding

Director of Power Management recommended the Commission adopt Resolution No. 1938, authorizing an amendment to the ISDA Agreement with Coral Energy Holding, recognizing The Energy Authority as agency authority.

Motion by Robert Bertsch, seconded by Lori Sanders to adopt Resolution No. 1938, authorizing the General Manager, on behalf of the District, to sign an amendment to the ISDA Agreement with Coral Energy Holding, L.P. (BPUD Contract No. 03-51-12) recognizing The Energy Authority (TEA) as agency authority.

MOTION CARRIED.

Irrigation Water Management Program – IRZ Consulting

Manager of Key Accounts and Marketing recommended the Commission approve entering into a contract with IRZ Consulting for the District's Irrigation Water Management Program. The Program will enable the District to achieve a large portion of the energy savings required for the Conservation Rate Credit.

Motion by Lori Sanders, seconded by Robert Bertsch authorizing the General Manager, on behalf of the District, to sign Contract No. 07-43-01, with IRZ Consulting, LLC, for the District's Irrigation Water Management Program, in an amount not-to-exceed \$200,000.

MOTION CARRIED.

Resolution No. 1939, Authorizing the Sale of Certain Property Located at 1640 Wine Country Road in Prosser, Washington

Assistant General Manager recommended the Commission adopt a resolution authorizing the sale of property known as the pole yard in Prosser, Washington. The property was previously declared surplus after public hearing on January 9, 2007. The resolution provides for a full purchase offer by the Benton Rural Electric Association of the appraised value of the pole yard.

Motion by Robert Bertsch, seconded by Lori Sanders to adopt Resolution No. 1939, authorizing the sale of certain property located at 1640 Wine Country Road in Prosser, Washington.

MOTION CARRIED.

Resolution No. 1940, Adopting the Amended Policy, Governance of the Benton PUD Commission

General Manager recommended adoption of the resolution amending the Governance of the Benton PUD Commission.

Motion by Lori Sanders, seconded by Robert Bertsch adopting Resolution No. 1940, adopting the amended "Governance of the Benton PUD Commission".

MOTION CARRIED.

Resolution No. 1941, Regarding Northwest Federal Dams and Hydro-system and Supporting Northwest RiverPartners' Campaign "Green Dams, Blue Skies"

Manager of Communications and Governmental Relations recommended the Commission adopt a resolution supporting the Northwest RiverPartners' campaign, "Green Dams, Blue Skies". The campaign will be launched in May and Benton PUD will be listed as a supporter of the campaign.

Motion by Robert Bertsch, seconded by Lori Sanders adopting Resolution No. 1941, relating to the Northwest Federal Dams and Hydro-system and supporting the Northwest RiverPartners' campaign, "Green Dams, Blue Skies".

MOTION CARRIED.

Resolution No. 1942, Amending the 401(a) Deferred Compensation Plan

Manager of Human Resources recommended the Commission adopt Resolution Nos. 1942, 1943 and 1944. The recommended changes to each resolution were reviewed in detail. The three resolutions authorize the Manager of Human Resources to complete deferred compensation plan changes as the Plan Administrator, including changes to the 401(a) plans resulting in increased options for employees to contribute employee money, ending the salary contribution portion of RHS earlier than

would likely be imposed by the Internal Revenue Service, and allowing employee 457 plan loans administered by ICMA.

Motion by Lori Sanders, seconded by Robert Bertsch adopting Resolution No. 1942 authorizing the District to amend the 401(a) Deferred Compensation Plans.

MOTION CARRIED.

Resolution No. 1943, Amending the 457 Deferred Compensation Plan

Motion by Robert Bertsch, seconded by Lori Sanders adopting Resolution No. 1943 authorizing the District to amend the 457 Deferred Compensation Plan.

MOTION CARRIED.

Resolution No. 1944, Amending the Retirement Health Savings Deferred Compensation Plan

Motion by Robert Bertsch, seconded by Lori Sanders adopting Resolution No. 1944 authorizing the District to amend the Retirement Health Savings Plan.

MOTION CARRIED.

Geographical Information System Update Presentation

Manager of Geographic Information Systems gave a presentation on a proposed GIS system and new project efforts being conducted, including evaluations/demonstrations with identified top vendors responsive to a request for proposal. It is anticipated that a contract will be brought to the Commission for consideration on April 24, 2007.

Administration Office Remodel

Assistant General Manager gave a presentation on a remodel concept for certain areas of the District's Administration Office. A remodel will avoid the necessity of adding an addition to the facility. The District's 2007 budget takes this recommendation into consideration; however, additional funds may be requested at a later time after final costs are determined to accomplish the proposed remodel.

Review Final Draft of 2006 Annual Financial Report

Financial Analyst II Meyer reviewed the final draft of the District's year-end financial statements and note disclosures, Management Discussion and Analysis (MD&A), statistical section, and letter of transmittal with the Commission. It was noted the presentation was provided prior to finalizing and publishing the District's Comprehensive Annual Financial Report.

General Manager discussed the upcoming rating agency visit to be held in San Francisco and asked for Commissioner interest in attending. Commission concurred that Commissioner Lori Sanders attend the trip with designated District staff.

February Financial Statements

Manager of Accounting reviewed the February 2007 financial statements.

Quarterly Financial Review

Manager of Risk Management and Treasury gave a presentation on the District's first quarter financial forecast for 2007. The presentation provided a brief review of 2006 performance and FY 2007 latest revised estimates. The presentation also provided an update of the District's five-year financial forecast. Anticipated proceeds from the sale of the Finley CT were included in the forecast, and options for usage of the proceeds of the sale were discussed, including debt retirement or funding of capital improvements.

At 12:00 p.m., President Jeff Hall announced the Commission Meeting would recess for 25 minutes.

At 12:25 p.m., President Jeff Hall announced the Commission Meeting would reconvene into regular open public session.

Financial Policy Review and Update

Director of Finance and Business Services gave a presentation on proposed changes to the District's Financial Policies. Two proposed changes to the policies were reviewed.

General Manager asked for Commission direction on how to proceed. After discussion, the Commission concurred with changing the District's financial policies to require that financial plans be developed to achieve both a 2.0 debt service coverage, including capital contributions, as well as the 1.75 debt service coverage, excluding capital contributions. This allows the District's reporting to be consistent with most other utilities, and also retains the ability to look at debt service coverage without capital contributions included in the analysis. Accordingly, the first recommended change to the financial policy concerning debt service coverage will be brought to the April 10th Commission Meeting for consideration. A second recommended change to the financial policies concerning a reclassification of the Rate Stabilization Account will be further discussed and brought for Commission review concurrent with the receipt of the Finley CT sale proceeds.

Meeting Reports

Commissioner Lori Sanders reported on an Energy Northwest board meeting.

Commissioner Jeff Hall reported on a residential exchange presentation he attended at a Washington PUD Association meeting.

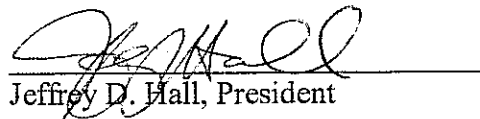
Commissioner Robert Bertsch reported on attendance at an Energy Northwest Participants Review Board Meeting and the Columbia Generating Station regimenting process.

General Manager reported on his attendance at the American Public Power Association CEO meeting and a presentation on global climate changes.

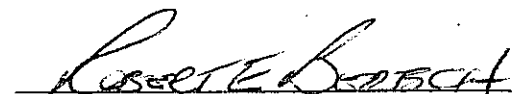
At 1:25 p.m., President Jeff Hall announced that the Commission would go into Executive Session for 10 minutes to review the performance of a public employee and to consider the selection of a site and acquisition of property for substation property.

At 1:35 p.m., President Jeff Hall reconvened the Commission Meeting into regular open public session.

Hearing no objection, President Jeff Hall adjourned the Commission Meeting at 1:35 p.m.


Jeffrey D. Hall, President

ATTEST:


Robert E. Bertsch, Secretary

