

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

**SPECIAL MEETING – RATES WORKSHOP**

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Date: November 10, 2009  
Time: 6:00 p.m.  
Place: 2721 West 10<sup>th</sup> Avenue, Kennewick, Washington

***Present:***

Commissioners Sanders, Bertsch and Hall  
General Manager Sanders  
Assistant General Manager Bartram  
Director of Operations Hunter  
Director of Engineering Dunn  
Director of Power Management Bickford  
Manager of Risk Management and Treasury White  
Manager of Accounting Meyer  
Manager of Key Accounts McAloon  
Products and Services Analyst II Schumacher  
Administrative Assistant – Power Management Bergum  
Supervisor of Executive Administration Cole

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President Lori Sanders stated the purpose of the special meeting was to hold a public rates workshop to allow for public review and comment on the District's proposed rate changes, to provide background analysis leading to the recommendations, and to explain how each customer class will be affected.

General Manager stated that the presentation today proposes a revenue increase of 6% and that rate increases will vary by customer class. He further stated that costs and rates are expected to continue to rise in the future; however, the District has initiatives underway to increase efficiency and lower District costs. Programs are also available to help customers save energy and assist them on their bills. The District has had solid financial performance for the last five years, but a deep concern was expressed for rising power costs in the future due to BPA costs increasing, sales for resale decreasing to lower prices and reduced surplus energy, and renewable power being more expensive.

Assistant General Manager reviewed the District's recent history of rate changes and provided comparisons of the District's rates to other comparable utilities for certain rate classes. It was noted that the key driver for revenue increase requirements was net power costs. The District's financial forecasts include four financial policy goals that must be balanced: adequate liquidity, solid debt coverage, rates below the median and reasonable debt levels.

Director of Power Management reviewed the gross power cost by source for the 2010 budget, net power costs looking to the future and noted the key reasons for the increase in power costs were BPA costs (which were further defined), District reduced sales for resale, conservation and renewable energy. Director summarized that the District is doing the following to control power costs:

executed a "slice" contract with BPA, hedging power supply risk, optimizing the Frederickson resource, enhancing the conservation program and looking at tiered rates. Costs associated with compliance of the Energy Independent Act for new resources into the future were broken down and briefly reviewed.

The Cost of Service Analysis (COSA) results for 2009-2010 were reviewed and associated impacts of customer classes. Three options were discussed, with a staff recommendation of Option 2, showing an 8% cap on all customer classes, with varying impacts in each customer class. Programs to help customers were reviewed.

General Manager summarized the presentation by stating staff is proposing a rate increase of 4.6% for residential, 7-8% for commercial and 8% for irrigation/industrial. The Commission will be asked to take final action on the rate action at its regular meeting of November 24, 2009, with the rate changes effective January 1, 2010. Forecasts show rate increases for the next two to three years, primarily driven by power costs. General Manager stressed that the District is taking measures to promote energy efficiency to avoid more costly alternatives and is maximizing efficiency and lower costs in internal operations.


President Lori Sanders asked for questions and comments from the Commission and no additional discussion was held.

President Lori Sanders opened the meeting for public comment and/or questions.

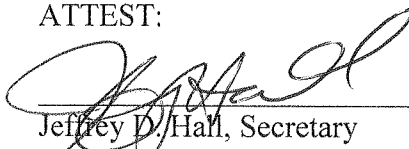
The following comments were submitted from members of the public:

- 1) Carl Holder. Mr. Holder expressed concern with the Northwest Public Power Council's (NWPPC) 6<sup>th</sup> Power Plan draft and the future availability of power in the northwest. He urged the Commission to look at conservation as a resource to supply what the area needs in the future. Mr. Homer asked the Commission to accept a report from Michael R. Fox, PhD, from the Hawaii Reporter entitled, "Windmill Fantasies".
- 2) Wayne Daly. Mr. Daly acknowledged the need for future rate increases, and asked what else was seen in the future on power issues besides conservation.
- 3) Lewis Towne. Mr. Towne discussed solar power as an option to be looked into further, and stated that hydro power should be recognized on the District's analysis of resources.
- 4) Claude Oliver. Mr. Oliver stated that cheap power is gone and I-937 is here. He urged the Commission to tell customers what their rates will look like in the 2015-2020 timeframe, and asked if projections could go out further than what has been shown so the public is aware of what the future holds for power issues. Mr. Oliver asked if the District's monthly bill could breakdown actual costs, including BPA costs. In conclusion, Mr. Oliver stated that he would send a list of questions to President Lori Sanders, and also asked if Mike Fox could discuss these issues at a later time. President Lori Sanders asked Mr. Oliver to have Mr. Fox contact her.
- 5) Gary Troyer. Mr. Troyer asked for a breakdown of costs on the District's customer bills so the public can see where the dollars are being spent as well as where tax dollars are going.

Hearing no objection, President Lori Sanders adjourned the Commission Meeting at 7:15 p.m.

  
Lori Kays-Sanders, President

ATTEST:

  
Jeffrey D. Hall, Secretary