

**PUBLIC UTILITY DISTRICT NO. 1 OF BENTON COUNTY
PUBLIC HEARING - 2010 PROPOSED BUDGET**

Date: October 5, 2009

Time: 6:00 p.m.

Place: Kennewick Administration Office, Auditorium

Present:

Commissioners Hall, Sanders, and Bertsch

General Manager Sanders

Legal Counsel Hultgrenn

Assistant General Manager Bartram

Director of Power Management Bickford

Director of Engineering Dunn

Director of Operations Hunter

Manager of Treasury and Risk Management White

Manager of Accounting Meyer

Manager of Human Resources Walsh

Manager of Communications and Governmental Relations Miller

Manager of Products and Services Johnson

Manager of Information Systems Swanson

Financial Analyst Smith

Financial Analyst Pryor

Executive Assistant Scrimsher

President Lori Sanders welcomed those in attendance and stated the purpose of the Public Hearing.

General Manager reviewed the agenda for the Public Hearing and the upcoming budget development schedule. It was noted the draft budget is largely driven by assumptions that are dynamic and are expected to change.

Assistant General Manager reviewed historical financial performance, and current forecasts. Core financial ratios and ratings criteria were reviewed, including comparisons showing days cash on hand, debt service coverage, debt ratio, bonded debt per customer, retail revenue adjustments, and average bill comparisons for residential, small general service, medium general service, and large general service.

General Manager reviewed 2009 highlights and key performance metrics. Key accomplishments for 2008-2009 in the areas of power supply, technology, financial and retail rates were noted. General Manager further briefed the Commission on the District's 2009 and beyond focus areas of electric system reliability, maintaining fiscal strength, broadband integration with electric system, conservation program, maximizing the value of Frederickson CCCT, succession planning, and technology. Strategic anchors as identified during 2010 strategic planning sessions were briefly discussed.

An overview of the 2010 proposed budget was reviewed by the General Manager. Budget challenges were noted as increased power costs, regulatory requirements and software license costs. Assistant General Manager reviewed assumptions that provided the basis for budget development as customer growth, load growth, hydroelectric output, market price for power and natural gas, regulatory requirements, and strategic and tactical considerations. Changes in net assets from 2009 versus 2010 were reviewed, and 2010 budget revenues and anticipated major expenditures were discussed.

Director of Power Management reviewed net power costs, volatile energy markets, and key assumptions in the power supply portion of the proposed budget. Power supply scenarios, including power expenses and costs, were reviewed.

Assistant General Manager reviewed operating and capital expenditures for 2010. It was noted the District continues to participate in "best practices" benchmarking with other PUDs to help identify efficiencies. Benchmarking areas include distribution system and capital costs, District cost per customer, and customers per District employee. Authorized staffing, salaries and wages, employee benefits and tax expenditures were reviewed.

Director of Engineering reviewed capital planning for the District's distribution system improvements, reviewing planning criteria and other factors influencing that planning. Capital costs by category were reviewed and capital projects and broadband were discussed.

Manager of Treasury and Risk Management reviewed forecast assumptions, including minimum reserves as adopted by the Commission on July 28, 2009. Unrestricted reserves and debt service coverage ratio and capital plan comparisons and debt service schedule were discussed.

General Manager summarized the review, noting the District's favorable position for average residential bill comparison when benchmarked against other northwest utilities. It was noted that net power costs are anticipated to increase, and industry/District concerns were stressed in the areas of renewable portfolio standards, increased carbon regulation, recessionary pressures, stressed credit markets and retail rate pressures. General Manager stated the proposed 2010 budget meets the District's financial policy requirements, power supply expenditures are based on the risk model reviewed, and the proposed budget provides the necessary resources to achieve strategic objectives. Staff will continue to search for efficiencies and cost reductions through benchmarking and incorporation of best practices. The final budget will incorporate updated assumptions.

General Manager stated that public comments will be accepted until November 10, 2009, at which time the public comment period will be closed. Staff will review any comments reviewed and present an updated budget at the November 24, 2009 commission meeting, and the final budget will be brought for Commission consideration on December 8, 2009.

Commission Question and Answer Period

General Manager asked the Commission for any questions or concerns regarding the presentation of the proposed 2010 budget. A general discussion was held on BPA rates. Commissioner Lori Sanders noted she would review tonight's presentation and further discuss any questions at the next commission meeting.

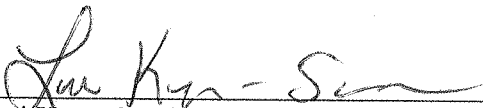
Hearing no further comments from the Commission, President Lori Sanders announced at 7:35 p.m. that the Public Hearing was now open for public comments.

Public Hearing/Public Comment

A general question was received from the public on BPA transmission costs and renewable requirements.

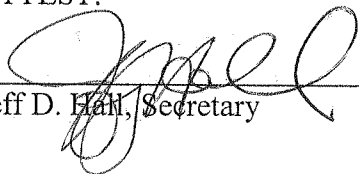
General Manager noted that the public comment period for comments on the proposed 2010 budget will remain open until November 10, 2009, and the public can submit comments through the District's web site, by mail, or by contacting the Supervisor of Executive Administration. A document showing contact information is provided for use in the foyer area of the Auditorium.

Hearing no objection, President Lori Sanders adjourned the Public Hearing at 7:50 p.m.



Lori Kays-Sanders, President

ATTEST:



Jeff D. Hall, Secretary