

**PUBLIC UTILITY DISTRICT NO. 1 OF BENTON COUNTY
PUBLIC HEARING - 2011 PROPOSED BUDGET**

Date: October 4, 2010
Time: 6:00 p.m.
Place: Kennewick Administration Office, Auditorium

Present:

Commissioners Hall, Sanders, and Bertsch
General Manager Sanders
Assistant General Manager Bartram
Legal Counsel Hultgrenn
Director of Power Management Bickford
Director of Engineering Dunn
Manager of Treasury and Risk Management White
Manager of Accounting Meyer
Manager of Human Resources Walsh
Manager of Customer Service Ball
Manager of Communications and Governmental Relations Miller
Manager of Products and Services Johnson
Manager of Information Systems Swanson
Supervisor of Information Systems Mills
Financial Analyst Pryor
Administrative Assistant – Finance and Business Services Henderson
Supervisor of Executive Administration Cole

President Lori Sanders welcomed those in attendance and stated the purpose of the Public Hearing was to give a presentation on the proposed 2011 Budget and open the public comment period.

General Manager reviewed the agenda for the Public Hearing and the upcoming budget development schedule, and briefly reviewed performance areas for 2009 and 2010. It was noted that the District had solid financial performance in the last six years, reducing customer rates five consecutive times from 2004-2008, with one revenue increase of 6% that was effective January 1, 2010. The District has attained the highest bond ratings in its history with two upgrades to A+ in 2010, and customer average bills are below the median of comparable utilities. General Manager informed the Commission that there is concern among Northwest utilities for anticipated rising power costs and its subsequent impacts on utility rates.

Assistant General Manager reviewed historical financial performance and current forecasts. Net power costs and retail revenue adjustments for this decade were reviewed, and average bill comparisons by customer class were shown. Budget challenges for 2011 were noted as increased power costs and regulatory requirements. Financial policies for budget assumptions for debt and coverage were discussed and general budget assumptions were reviewed. Changes in net assets and revenues were shown, and expenditures by major budget category, net power and gross power, were discussed.

Director of Power Management reviewed a key driver in the proposed budget, net power costs, and stated that challenges in 2010 included a poor water year and low wholesale prices. Challenges with power costs in 2011-2014 were stated as new BPA contracts with less available power, increased BPA costs, and more expensive renewable power. Key assumptions in the power supply portion of the proposed budget were discussed, and power supply scenarios, including power expenses and costs by source, were reviewed.

Assistant General Manager reviewed proposed operating and capital expenditures for 2011. Authorized staffing, customers per employee, salaries and wages, employee benefits and tax expenditures were reviewed. Manager of Human Resources briefly reviewed work being accomplished by the Employee Insurance Advisory Committee (EIAC), to help curb increases by looking at plan design and cost structure changes.

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. Capital project risk areas, rated high to low, were briefly reviewed, and it was noted that staff recognizes some risk associated with deferring identified capital projects.

Manager of Treasury and Risk Management reviewed forecast assumptions, stating the forecast was the same as presented in September to the Commission, including minimum reserves as adopted by the Commission on July 28, 2009. Unrestricted reserves and debt service coverage ratios and capital plan comparisons and debt service schedules were discussed.

General Manager summarized the presentations, noting the District's favorable position for average residential bill comparison being below the median against other comparable northwest utilities. It was noted that net power costs are identified as the key driver for the 2011 budget. Industry concerns were noted in the areas of renewable portfolio standards, increased carbon regulation, recessionary pressures, stressed credit markets and retail rate pressures.

General Manager stated the proposed 2011 budget meets the District's financial policy requirements, and the proposed budget provides the necessary resources to achieve strategic objectives. Staff will continue to search for efficiencies and cost reductions in the ensuing months. Staff acknowledges that there are marginal risks associated with deferrals of capital project and will be continually reviewing these areas.

General Manager stated that public comments will be accepted until October 26, 2010, at which time the public comment period will be closed. Staff will review any comments received and present an updated budget at the November 23, 2010 commission meeting. The final budget will be brought for Commission consideration on December 14, 2010.

Commission Question and Answer Period

General Manager asked the Commission for any questions or concerns regarding the presentation of the proposed 2011 budget. No questions were received.

At 7:30 p.m., President Lori Sanders announced that the Public Hearing was now open for public comments.


Public Hearing/Public Comment

Mr. Robert Gretzinger acknowledged the costs of employee benefits and stated the District should look at what costs are paid by the employee.

No other comments were received by the public.

President Lori Sanders stated that the public comment period for comments on the proposed 2011 budget will remain open until October 26, 2010, 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 7:35 p.m.



Lori Kays-Sanders, President

ATTEST:



Jeff D. Hall, Secretary