

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

Date: November 28, 2006
Time: 9:00 a.m.
Place: Kennewick Main Office

Present:

Commissioner Bertsch, Hall and Sanders
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
Manager of Risk Management & Treasury Bickford
Manager of Accounting White
Manager of Broadband McCollum
Manager of Communications and Governmental Relations Miller
Manager of Products and Services Johnson
Manager of Key Accounts and Marketing McAloon
Manager of Customer Service Ball
Manager of Human Resources Walsh
Human Resources Coordinator Layne
Financial Analyst II Hawkey
Broadband Accounts Specialist Tier
Engineering Specialist Langdell
Department Specialist – Engineering Englert
Commission Relations Specialist/Executive Assistant Hurst

Report from Management

General Manager:

1. The District is in receipt of public records requests from Mr. Poe of Prosser. If necessary and as requested, the Commission will be kept apprised of Mr. Poe's communications and requests.
2. Franklin PUD Commissioner Bill Gordon is interested in being nominated to the American Public Power Association's (APPA) Policymakers Committee. The Commission directed the General Manager to prepare a letter in support of Commissioner Gordon.
3. Douglas PUD Commissioner Jim Davis is interested in serving another term on the APPA Board of Directors. The Commission directed the General Manager to prepare a letter in support of Commissioner Davis.

4. A discussion was held on the need to hold the December 26, 2006 Commission Meeting. The Commission requested this matter be placed on the December 12, 2006 Commission Meeting to consider cancellation of the 26th meeting.

Manager of Communications and Governmental Relations:

1. The Commission was updated on the Northwest RiverPartners.

Director of Power Management:

1. The 2006 and 2007 mark to market report was distributed and briefly discussed.
2. The Commission was briefed on an article in the Wenatchee World regarding a Chelan PUD surcharge that could be triggered.
3. A report was provided on water year forecasts.
4. The Commission was updated on options being reviewed by Energy Northwest and its members for the Nine Canyon Wind Project, Phase 3.

General Manager:

1. The Energy Authority is planning a presentation at Franklin PUD's December 12, 2006 Commission Meeting. The Commission expressed interest in attending the presentation.

Director of Finance and Business Services:

1. The 2006 October financial statements were reviewed.
2. In order to allow for Commission review, the financial statements will now be added to the Commission's agenda and will be provided in advance of commission meetings. Staff presentation during commission meetings will continue.
3. Manager of Accounting and the Accounting Department staff were congratulated for receiving a *Certificate of Achievement for Excellence in Financial Reporting* for the fourth consecutive year.
4. Proposed changes to the District's resolution on civic and service organizations were reviewed, including staff's recommendation to specify authority for certain charitable organizations that have a broad community impact and benefit to the District. After a brief discussion on how to manage appropriate time approved for involvement in charitable organizations, staff noted that an annual report on approvals for involvement in charitable organizations could be provided in conjunction with the civic and service organizations reporting process. A resolution will be brought to the December 12, 2006 Commission Meeting for consideration.

Manager of Human Resources:

1. A draft resolution on authority for nonstandard compensation was reviewed and briefly discussed. After discussion, staff noted that an annual recap of nonstandard compensation could be provided to the Commission. A resolution will be brought to the Commission on December 12, 2006 for consideration.

Consent Agenda

Commissioner Lori Sanders discussed the purpose of and information provided on the District's Travel Report. A discussion was held on the District's internal process for approving travel and auditing of travel expenses.

Commission questions concerning specific payments on the voucher report were answered by staff.

Motion by Sanders, seconded by Hall to approve the Consent Agenda as follows:

- a) Approving the minutes of the regular Commission Meeting of November 14, 2006.
- b) Approving the District Travel Report dated November 28, 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 Warrants 26780-26843 and 26846-26972 in the total amount of \$1,332,804.46, Accounts Payable Customer Refunds 26844-26845 in the total amount of \$545.32, Accounts Payable Automated Clearing House Payments 3-4 in the total amount of \$1,849.75, Accounts Payable Electronic Fund Transfer Payments 1426-1445 in the total amount of \$1,828,562.76, Payroll Direct Deposit Advice 11/16/06 11728-11861 in the total amount of \$214,896.81, Payroll Warrants 11/16/06 502200-502237 in the total amount of \$49,375.25. Void/cancelled warrants for November 2006 in the total amount of \$734.25 and AS400 void/cancelled warrants for November 2006 in the total amount of \$1,759.84 were included on the report.

MOTION CARRIED.

At 10:10 a.m., President Robert Bertsch announced the Commission Meeting would recess for 10 minutes.

At 10:20 a.m., President Robert Bertsch announced the Commission Meeting would reconvene into regular open public session.

Quit Claim Deed – Golf Universe

Engineering Specialist recommended the Commission approve conveying to the owner of record an easement located near Golf Universe to allow for expansion of a building. The District has no need for the easement.

Motion by Jeff Hall, seconded by Lori Sanders to approve conveying to the owner of record, an easement lying in Section 5, Township 8 North, Range 29 East, W.M., as acquired under Auditor's File No. 92-9116, records of Benton County, State of Washington.

MOTION CARRIED.

Discontinue Auto Pay Discount

Manager of Customer Service recommended the Commission authorize the District to discontinue the \$2.50 monthly auto pay incentive currently offered to customers who select ACH.

Motion by Lori Sanders, seconded by Jeff Hall to discontinue the \$2.50 monthly Auto Pay incentive currently offered to customers who select an automated monthly electric payment withdrawal from a checking/savings account through Automated Clearing House (ACH), effective January 1, 2007.

MOTION CARRIED.

Resolution No. 1917, Amending Retail Electric Rate Schedules and Customer Service Policies

General Manager reviewed staff's recommendation from the November 14, 2006 Commission Meeting to proceed with a revenue reduction of 5% effective January 1, 2007. Upon further staff review and due to a miscalculation, staff recommended proceeding with a 6% revenue reduction effective January 1, 2007. General Manager and Manager of Products and Services provided a detailed review of the recommended change. Customer class allocation recommendations from November 14, 2006 changed only slightly.

Engineering Specialist discussed recommended changes in various fees in the District's customer service policies. After discussion on the history of changes and how fees are determined, the Commission asked for a comparison of fees, if possible, from other utilities at a later date.

Director of Power Management informed the Commission that staff is providing a presentation on the District's budget and rates to the Columbia Snake River Irrigators Association. Commissioner Lori Sanders noted CSRIA members would also appreciate information on the District's financial policies and contributions in aid.

Motion by Jeff Hall, seconded by Lori Sanders to adopt Resolution No. 1917, amending retail rate schedules and customer service policies effective January 1, 2007.

MOTION CARRIED.

BPA Block/Slice Power Sales Agreement, Revision No. 5, Exhibit J

Manager of Risk Management and Treasury recommended the Commission approve Revision 5 to Exhibit J of the Bonneville Power Administration Block/Slice Power Sales Agreement. Significant changes to Exhibit J were reviewed in detail.

Motion by Lori Sanders, seconded by Jeff Hall to approve Revision 5, Exhibit J, Technical Operating Procedures (TOP) of the Bonneville Power Administration Block/Slice Power Sales Agreement, Contract No. 00PB-12180.

MOTION CARRIED.

Resolution No. 1918, Defeasance of a Portion of the Outstanding Electric Revenue Capital Asset Acquisition and Refunding Bonds, Series 1997

Manager of Risk Management and Treasury recommended the Commission adopt Resolution No. 1918. Adoption of the resolution will establish a defeasance escrow for the purpose of calling the 1997 Series Bonds maturing after November 1, 2007.

Motion by Jeff Hall, seconded by Lori Sanders to adopt Resolution No. 1918, providing for the defeasance of a portion of the outstanding Electric Revenue Capital Asset Acquisition and Refunding Bonds, Series 1997.

MOTION CARRIED.

Kuffel, Hultgrenn, Klashke & Shea – Contract Change Order

General Manager recommended the Commission approve a change order to the contract for legal services with Kuffel, Hultgrenn, Klashke & Shea. The increase is required due to extensive legal review and assistance in certain areas of the District's business, and dollars to support local litigation representation in certain legal matters.

Motion by Lori Sanders, seconded by Jeff Hall authorizing the General Manager to sign, on behalf of the Commission, Contract Change No. 1 with Kuffel, Hultgrenn, Klashke & Shea, increasing the annual not-to-exceed amount of the contract by \$27,000 for a new annual not-to-exceed amount of \$92,000, and a new three year total not-to-exceed amount of \$276,000.

MOTION CARRIED.

Summary of 2007 Proposed Budget

Manager of Risk Management and Treasury provided the Commission a high level summary of the proposed 2007 budget and discussed significant changes since the October public hearing presentation. After discussion, the Commission directed the General Manager to schedule an agenda item for the December 12, 2006 Commission Meeting to review the broadband budget, including capital and operating expenses, prior to approval of the District's 2007 Budget.

Commission Officer Elections and Designation of Representatives

General Manager asked for any changes to the Designation of Representatives. No changes were recommended at the meeting. General Manager discussed past preference of the District's Commission in the annual election of officers. Both items will be brought to the December 12, 2006 Commission Meeting for consideration.

Quarterly Performance Measurement Report

Director of Finance and Business Services and designated staff reviewed the Quarterly 2006 Performance Measures. President Robert Bertsch complimented staff on the report and stated Benton PUD's process has been discussed by other utilities. The five measures reported were: Customer Satisfaction with positive survey results; Telephone Service Level, this is a more recently added measure and is being reviewed to ensure appropriate goals are in place; Service Order Process, this measure has been changed from tracking percentage of service order time to number of days to accomplish three defined levels of service; Broadband Network Reliability, an outage on the NoaNet system was briefed; and Rates, showing positive results.

Introduction of Credit Dashboard

Manager of Customer Service introduced a Credit Dashboard report that monitors various credit activities, and proposed this report be provided to the Commission on a quarterly basis in lieu of the monthly Write-Offs Report. Commission concurred with staff's recommendation.

Broadband Customer Security Update

Broadband Accounts Specialist and Manager of Broadband reviewed retail service provider compliance with the District's security requirements of the Master Services Agreement.

Prosser Fixed Wireless Promotion

Broadband Accounts Specialist and Manager of Broadband reported on the fixed wireless promotion in the Prosser area.

Meeting Reports

Commissioner Lori Sanders reported on issues discussed at the last Washington PUD Association (WPUDA) meeting.


President Robert Bertsch provided an update on the WPUDA Olympia Building budget.

President Bertsch recommended and the Commission concurred to hold the Pledge of Allegiance at the beginning of each Commission Meeting for those who wish to participate.

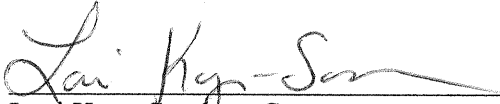
A brief discussion was held with staff on line extension charges and the history of public line extension costs and public need.

The Commission concurred with the General Manager's recommendation to continue allowing a 2-hour early release of employees on the business day preceding Christmas. This practice is also followed at Thanksgiving.

Hearing no objection, President Robert Bertsch adjourned the Commission Meeting at 12:14 p.m.


Robert E. Bertsch, President

ATTEST:


Lori Kays-Sanders, Secretary