

**PUBLIC UTILITY DISTRICT NO. 1 OF BENTON COUNTY
COMMISSION WORKSHOP AND PUBLIC HEARING**

2007 PROPOSED BUDGET

Date: October 2, 2006

Time: 6:00 p.m.

Place: Kennewick Administration Office, Auditorium

Present:

Commissioners Bertsch, Hall, and Sanders

General Manager Sanders

General Counsel Hultgrenn

Assistant General Manager/Director of Operations Long

Director of Finance and Administrative Services/Auditor Bartram

Director of Power Management Gregg

Director of Engineering Hunter

Manager of Risk Management and Treasury Operations Bickford

Manager of Information Systems Swanson

Manager of Broadband McCollum

Manager of Accounting White

Manager of Human Resources Walsh

Manager of Communications and Governmental Relations Miller

Manager of Geographic Information Systems Folta

Financial Analyst II Pryor

Financial Analyst II Meyer

Commission Relations Specialist/Executive Assistant Hurst

President Robert Bertsch welcomed those in attendance, stated the purpose of the public hearing, and introduced the members of the Commission and the General Manager. It was noted that this Public Hearing is required by law, and the Commission plans to adopt the final 2007 budget at the December 12, 2006 Commission Meeting.

General Manager reviewed the agenda for the workshop and public hearing. The Commission was provided highlights of the following 2006 accomplishments: 1) a 4% average rate reduction in September of 2006, setting aside of \$7.9 million to retire debt prior to scheduled maturity, 17 of 20 measures on the balanced scorecard are green, 2006 cost projections are below the original budget, the District has implemented an early start of the Conservation Rate Credit Program, and the Slice settlement was approved by the District pending final acceptance by others. The District's 2007 strategic focus was reviewed.

Staff Presentation

Director of Finance and Business Services reviewed the schedule for adoption of the District's proposed 2007 budget, and stated that final budget questions would be accepted from the public

until November 14, 2006 at which time the public comment period would close. Director gave a presentation on changes in net assets, budget assumptions, 2007 revenues, and expenditures by major budget category.

Director of Power Management provided a presentation on the District's power supply, reviewing power supply expenses, possible scenarios, market prices, runoff variability, and gross power cost by source.

Director of Finance and Business Services discussed budget assumptions of labor costs, salaries and wages, authorized staffing, employee benefits, and operating and net capital expenditures. A summary of the operating and capital budget expenses, including broadband expenses, were reviewed in detail. The Commission was briefed on certain capital projects in various categories, and debt services and taxes were discussed.

Commissioner Lori Sanders left the Public Hearing at 7:00 p.m. due to scheduling conflicts.

Manager of Risk Management and Treasury Operations reviewed the District's long-term financial forecast and key assumptions, including sales for resale, Five-Year Capital Requirements Plan, annual full triggering of the BPA contract, Exhibit N clause, and the medium retail load forecast. Special assessments of the Northwest Open Access Network (NoaNet) and the Washington PUD Association building were included in the forecast, as well as no debt issuance or short term borrowing. Special topic discussions included credit ratings, utility bill comparisons, benchmarking, broadband, and risks and mitigation.

General Manager summarized that the 2007 proposed budget meets financial policy requirements, stated that power supply expenditures within the budget are based on conservative assumptions, and the proposal provides the necessary resources to achieve strategic objectives.

Commission Question and Answer Period

General Manager asked for Commission questions or concerns regarding the staff presentations. The Commission expressed their gratitude, and stated they were pleased with the information presented at the Public Hearing. Commissioner Jeff Hall stated he was confident in the staff's work and what has consistently been presented since he became a commissioner.

Public Hearing/Public Comment

At 7:20 p.m., President Robert Bertsch announced that the Public Hearing was now open for public comments.

Mr. Robert Gretzinger thanked the staff for the informative presentation and expressed his thanks to the Commission for the decrease in electrical rates. Mr. Gretzinger asked the following questions regarding the 2007 proposed budget: 1) What is the total cost of employee benefits per employee? General Manager confirmed this information would be provided after staff review. 2) Residential rates – how much have we saved over the years through conservation measures? Irrigators – how much have they saved utilizing conservation measures, and have the Kennewick Irrigation District and Columbia Irrigation District participated? General Manager stated this information would be provided after staff review. Mr. Gretzinger urged the Commission to support automated meter reading.

President Robert Bertsch thanked Mr. Gretzinger for his questions and comments.

Next Steps


General Manager reviewed next steps in the budget adoption process, stating that the public comment period will remain open until 9:00 a.m., November 14, 2006. At the November 28th Commission Meeting, the Commission will be provided with all public comments received and a high level review of the updated proposed 2007 budget will be presented. At the December 12, 2006 Commission Meeting, the Commission will be asked to adopt the District's 2007 Budget, and a resolution to reduce retail rates in 2007 will be presented.

President Robert Bertsch adjourned the Commission Workshop and Public Hearing at 7:35 p.m., and announced the public comment period on the proposed 2007 Budget would remain open until 9:00 a.m. on November 14, 2006.



Jeffrey D. Hall, Vice-President

ATTEST:



Lori Kays-Sanders, Secretary