

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

Date: July 12, 2005
Time: 9:00 a.m.
Place: Kennewick Main Office

Present:

Commissioners Hall, Bertsch and Sanders
General Manager Sanders
Assistant General Manager/Director of Operations Long
General Counsel Hultgrenn
Manager of Risk Management and Treasury Operations Bickford
Auditor/Director of Finance and Administrative Services Bartram
Director of Power Management Gregg
Director of Retail Services Revell
Director of Engineering Hunter
Manager of Accounting White
Manager of Customer Service Ball
Manager of Development and Special Projects McCollum
Manager of Communications and Governmental Relations Miller
Engineering Specialist Langdell
Human Resources Manager Walsh
Manager of Information Systems Swanson
Manager of Key Accounts McAloon
Marketing Specialist Sparks
Project Engineer Scherer
Senior Broadband Support Specialist Nall
Broadband Support Specialist Tier
Executive Secretary Schlekewey
Senior Secretary - Retail Services Baur
Administrative Assistant Hurst

Guests: Ed Brost, Bonneville Power Administration; Pam Henderson, New Edge; Dave Stockton, Uptown Services; Dave Shpigler, Shpigler Group

Treasurer's Report

Treasurer reviewed the June 2005 Treasurer's Report. The Commission approved the June 2005 Treasurer's Report. The counterparty listing was reviewed. Credit Concentration limits were discussed.

Report from Management

Director of Power Management:

1. The mark to market report was distributed and briefly discussed. The Columbia Generating Station is back on line at 100% and the Grand Coulee reservoir is full.

2. The Commission was updated on a meeting last week with Senators Cantwell and Smith concerning the future of Bonneville dialogue. General Manager noted both Grid West and the Transmission Issues Group will have their proposals done by the end of July.

Director of Retail Services:

1. The transfer of certain customers to the City of Richland is going well. General Manager distributed a letter from the City of Richland that discusses their concern with the impact of two customers in two separate precincts and the impact on the District's commissioner districts. The City is asking for review of their interpretation of changes to RCW 54.04 providing for a special procedure for addition or withdrawal of territory from public utility districts and its affect on the recent service area agreement reached with the District.

Human Resources Manager:

1. The Commission was provided a copy of a memo that will be issued to employees this week concerning upcoming changes in benefit withholdings.

Manager of Development and Special Projects:

1. A second quarter sales report for 2005 was distributed and reviewed on work associated with the Jay Sperrl contract.

Consent Agenda

Motion by Lori Sanders, seconded by Robert Bertsch to approve the Consent Agenda as follows:

- a) Approving the minutes of the regular Commission Meeting of June 28, 2005.
- b) Approving the District Travel Report dated July 12, 2005.
- 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: Customer Refunds and Warrants 425272 through 425309 in the total amount of \$3,248.74, Customer Refunds and Warrants 425310 through 325325 in the total amount of \$1,172.43, Accounts Payable Electronic Fund Transfers 001003 through 001014 in the total amount of \$10,568,601.81, Accounts Payable Warrants 20782 through 20929 in the total amount of \$682,923.94, Payroll Direct Deposit Advice 6925 through 7058 in the total amount of \$236,822.63 and Payroll Warrants 500654 through 500695 in the total amount of \$69,044.50, for a grand total of \$11,561,814.05. Voided Warrant Nos. 020874 and 020925 in the total amount of \$14,434.97 were reported.
- d) Approving July 2005 Write-Offs in the total amount of \$68,036.60.
- e) Review of Quarterly Contracts Activity Report to Commission dated July 5, 2005.

MOTION CARRIED.

Transformers – Contract Award Recommendation, Bid Package No. 05-03

Project Engineer recommended the Commission award contracts for distribution transformers, and briefly discussed the evaluation results as presented.

Motion by Lori Sanders, seconded by Robert Bertsch to award a contract for transformers, Bid Package No. 05-03, to Carlson Sales/Howard of Vancouver, Washington, in the amount of \$52,703; Western States Electric/Cooper of Portland, Oregon, in the amount of \$72,802; General Pacific/ERMCO of Portland, Oregon, in the amount of \$4,014, plus Washington State sales tax in accordance with RCW 54.04.080.

MOTION CARRIED.

New Edge – Contract Award Recommendation

Manager of Communications and Governmental Relations recommended the Commission approve a contract with New Edge to provide services for a quarterly customer survey for a three year period. This contract is being brought before the Commission due to the requirements of the District's new procurement policies.

Motion by Robert Bertsch, seconded by Lori Sanders approving total contract value of \$81,000 for Contract No. 04-12-02, to provide services for the quarterly customer survey for three years, 2004, 2005 and 2006.

MOTION CARRIED.

Resolution No. 1842, Supporting Columbia Snake River Irrigators Association (CSRIA) Irrigation Best Management Practices

Manager of Key Accounts recommended the Commission adopt Resolution No. 1842 in support of CSRIA's Irrigation Best Management Practices Program. The program is part of an overall water management approach for the mainstem Snake-Columbia River system.

Motion by Lori Sanders, seconded by Robert Bertsch to adopt Resolution No. 1842, supporting the Columbia Snake River Association (CSRIA) Irrigation Best Management Practices Program.

MOTION CARRIED.

Lockheed Martin Information Technology Architectural-Engineering Contract

Senior Broadband Support Specialist recommended the Commission approve a contract with Lockheed Martin Information Technology (LMIT) for District broadband support. LMIT will provide engineering, design, consulting services, implementation and maintenance support, technical integration, project task management, procurement and planning for the broadband network and team.

Motion by Robert Bertsch, seconded by Lori Sanders authorizing the General Manager, on behalf of the District, to sign Contract No. 05-46-05 with Lockheed Martin Information Technology (LMIT), for broadband support for the remainder of contract year 2005, for a not-to-exceed amount of \$111,888.

MOTION CARRIED.

Discussion of Washington PUD Association's Olympia Office Building Construction

President Hall noted that the Washington PUD Association (WPUDA) will be voting on support of the Olympia building proposal this Friday. Commissioners held a discussion on funding alternatives, noting ownership versus participation and funding will be determined at a later date. The Commission concurred with President Hall's recommendation to vote in support of the building.

Core Purpose – Notice to Set Commission Workshop for July 20, 2005

Motion by Robert Bertsch, seconded by Lori Sanders setting a special meeting on July 20, 2005, beginning at 9:00 a.m. at the District's Administration Office located at 2721 West 10th Avenue, Kennewick, Washington, for the purpose of holding a workshop on the District's Core Purpose, and directing the General Manager to provide notification to the public of such meeting in accordance with RCW 42.30.080.

MOTION CARRIED.

Discussion of Energy Northwest's undertaking of the Integrated Gasification Combined Cycle Project

Director of Power Management informed the Commission that review of the District's obligations in conjunction with this project were on-going.

At 10:10 a.m., President Hall recessed the Commission Meeting to go into Executive Session for 10 minutes with the District's General Counsel for the purpose of discussing potential litigation and litigation to which the District is a party.

At 10:20 a.m., President Hall reconvened the Commission Meeting into regular open public session and announced that the Executive Session would continue for one additional hour for the same purpose previously announced.

At 11:20 a.m., President Hall reconvened the Commission Meeting into regular open public session.

President Hall recused himself from considering the claim for damages brought by Emmanuel Enterprises, Inc. due to a conflict of interest.

Motion by Lori Sanders, seconded by Robert Bertsch to deny the claim by Emmanuel Enterprises, Inc. in the amount of \$161,000 for alleged property damage in an area located north of Christy Road, Plymouth, Washington, that occurred on or about September 11, 2003.

MOTION CARRIED.

Update on 2006 Power Supply Assumptions

Director of Power Management provided the Commission with a presentation on the assumptions for the District's draft 2006 Power Supply Plan. Areas reviewed in the draft Plan were issues on regional dialogue, integrated resource plans and the District's annual power supply plan. A discussion was held concerning the value over time of using the Finley Combustion Turbine as a hedge. Director of Power Management noted the need to look at usage over the long term as part of the integrated resource plan.

At 12:10 p.m., President Hall announced that the Commission Meeting would recess for 20 minutes.

At 12:30 p.m., President Hall reconvened the Commission Meeting into regular open public session.

Broadband Plan and Recommendation

General Manager stated that today's presentation is a continuation of previous broadband presentations. Today's presentation continues to look at future broadband capabilities and a possible demonstration project. Staff was commended for their work and thorough review in exploring broadband possibilities.

Manager of Development and Special Projects briefed the Commission on past broadband presentations and noted that today's presentation was intended to respond to commission requests for information and provide specific information on broadband over power lines (BPL). At the conclusion of today's presentation, staff will be recommending Commission approval of a preferred option.

Mr. Shpigler, Shpigler Group, presented a feasibility study, reviewing business model results, pilot implementation issues and next steps for consideration. He noted utility applications with broadband included automated meter reading, remote meter management, transformer monitoring, power quality, and remote connect/disconnect.

Mr. Stockton, Uptown Services, reviewed a market survey to quantify customer interest and purchase intent for high speed internet access, and other telecommunications products. A discussion was held on BPL market survey availability with the focus on second or third generation equipment.

Director of Retail Services gave a presentation on evaluating the broadband business case measuring cost versus benefit, including a discussion on due diligence review and business case values and benefits, taking into consideration utility applications, commercial applications and public purpose. He noted the broadband team reviewed over twenty business models in preparation of the draft broadband business plan, with involvement from both internal and external sources.

Director of Finance and Administrative Services discussed staff's review of comparative gross initial investment and comparative net financial impact in preparation for today's recommendation of business options.

Manager of Development and Special Projects reviewed four business case alternatives. They included: Option A, exit broadband; Option B, manage existing fiber and wireless, and Option D, full BPL deployment, and noted these options were considered but not recommended to pursue at this time. However, Option C, manage existing fiber and wireless with a BPL demonstration, was reviewed and recommended to the Commission as the preferred business option for going forward.

Commissioner Lori Sanders noted concern with funding broadband projects through electric revenues and cash reserves, and further discussed allocation methods to customer classes. After a discussion on budget allocations for 2005 and 2006 and implications of partnering with other entities, staff recommended the Commission authorize Business Option C.

Ms. Henderson, New Edge noted that the financial business model presented today appeared to be conservative and discussed the value and impact she believed BPL could have on the community.


President Hall stated that staff had done a good job of providing the Commission with information concerning BPL in order to allow the Commission to make an informed decision. Commissioner Bertsch agreed with the value of the information presented and stressed the need for valuable data to come out of the demonstration model.

Commissioners concurred that the BPL demonstration process is the appropriate method for verification and proof of assumptions of a full BPL build-out.

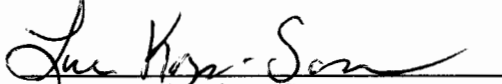
Motion by Robert Bertsch, seconded by Lori Sanders approving staff's recommendation for Business Plan Option C, manage existing fiber and wireless with a BPL demonstration and authorizing the General Manager, on behalf of the District, to proceed with determination of BPL technology for District use, vendor selection and identification of neighborhoods to be used in the demonstration during 2005, with the accomplishment of the demonstration model within the 2006 budget.
MOTION CARRIED.

Motion by Robert Bertsch, seconded by Lori Sanders directing the General Manager to provide final budget numbers not-to-exceed \$1 million for the demonstration process and final details of how the model will be implemented in 2006, including budget impacts and implications, and directing the General Manager to provide regular feedback to the Commission during phases of the project.
MOTION CARRIED.

Hearing no objection, President Hall adjourned the Commission Meeting at 5:06 p.m.


Jeffrey D. Hall, President

ATTEST:


Lori Kays-Sanders, Secretary