

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

Date: August 9, 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
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 Key Accounts McAloon
Manager of Products and Services Johnson
Supervisor of Support Services Splattstoesser
Systems Engineer Nall
Senior Secretary – Administration Scrimsher

Guests: Theresa Long, New Edge

Treasurer's Report

Treasurer reviewed the July 2005 Treasurer's Report. The Commission approved the July 2005 Treasurer's Report. The counterparty listing was discussed, noting recent credit violations with Avista and Northwestern.

Report from Management

General Manager:

1. The Columbia Snake River Irrigators Association (CSRIA) may be seeking legislation for their Best Management Practices. The Washington PUD Association (WPUDA) may assist in promoting this effort.
2. Public Power Council's (PPC) summarization paper was distributed that discusses the recently signed Energy Policy Act of 2005 and its impacts on the Pacific Northwest.
3. Bonneville Power Administration (BPA) will be issuing a "concept paper" proposing how BPA will operate post 2011. The post 2011 issues addressed in the paper are: IOU Benefits; DSI Benefits; service to new publics; and the participation of publics in the residential exchange.

Manager of Communications and Governmental Relations:

1. The Commission was updated on the Transmission Improvements Group (TIG) activities, noting that BPA will make its determination by the end of September. The Advocates for TIG are working closely with PPC and WPUA developing communication plans and informational materials in an effort to build a list of TIG supporters. The group will be traveling to Washington, D.C. to meet with the congressional delegation mid-August.
2. An update was given on the newly named Northwest River Partners, formerly known as Coalition for Smart Salmon Recovery. A paper addressing key messages and supporting points was distributed. The new name and the newly appointed director will be announced in September.
3. For the seventh year, the District will be hosting a booth at the Benton Franklin County Fair. The District's presence gives customers the opportunity to put a community face on Benton PUD. At this year's fair, the *Plug-in with Benton PUD* campaign will be promoted, educating our customers on renewables and green power, and encouraging customers to become involved in the People Power advocacy grassroots movement. The District will have a line truck in the Fair Parade on August 20, and will also have Safety Trailer and Pole-Top rescue demonstrations at the fair.
4. The Commission was updated on the District's United Way campaign.
5. A discussion was held on the need to encourage BPA to set a reasonable rate target for October 1, 2006.

Auditor/Director of Finance and Administrative Services:

1. The Commission was updated on a tax claim filed by the District for potential refunds due to overpayment of state privilege taxes. The State denied the original claim, but offered a secondary review within a separate division of the Department of Revenue (DOR). Upon the secondary review, the decision was not reversed. No further action is required by the District.
2. The DOR is expected to have discussions in the next few weeks regarding the recent interpretation by the DOR staff attorney on the definition of gross revenues under State statute. The Commission will be updated as further details become available.

Manager of Customer Service:

1. Modification of the Write-Off Report was discussed with the Commission. The report has been modified to reflect write-off totals categorically, rather than individually by city and customer, as previously formatted. Using this new method allows the reports to be system generated rather than manually calculated.

Commissioner Sanders complimented staff on the new format and efficiencies of the modified report, and inquired about the possibility of setting a write-off limit that would trigger an account to show up on the report as a separate line item. Staff will research system capabilities.

Manager of Products and Services:

1. The Commission was updated on the *Energy Settlement Fund* distribution for commercial and industrial customers. The District will distribute \$158,499 back to commercial and industrial customers within the next 60 days. Final Commission consideration for disbursement of the funds will be brought before the Commission at an upcoming commission meeting.

Human Resources Manager:

1. The Commission was briefed on the Building Industry Association of Washington's (BIAW) "Return on Industrial Insurance" program. The program offers financial incentives of premium refunds in years when the group premiums exceed losses for the plan year. The District received its first premium refund of \$12,426 for the 2003-04 plan year.

General Manager:

1. A memo from the Northwest Open Access Network (NoaNet) discussing membership issues was distributed.

Director of Power Management:

1. The mark to market report was distributed and discussed.
2. A BPA report outlining assumptions used to calculate the Financial Based (FB) and Safety Net (SN) Cost Recovery Adjustment Clause (CRAC) for FY 2006 was distributed to the Commission.
3. The Commission was given an update on slice true-up numbers.
4. An amendment to the current Packwood agreement will be brought for Commission consideration at a future Commission Meeting. The proposed amendment will allow the District to join a group of slice customers in aggregating the self-supply of operating reserves.

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 July 26, 2005.
- b) Approving the District Travel Report dated August 9, 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 425392 through 425483 in the total amount of \$7,974.04, Customer Refunds and Warrants 425484 through 425518 in the total amount of \$2,352.56, Accounts Payable Electronic Fund Transfers 001019 through 001042 in the total amount of \$5,687,001.56, Accounts Payable Warrants 21055 through 21173 in the total amount of \$1,086,243.13, Payroll Direct Deposit Advice 7192 through 7322 in the total amount of \$203,765.87 and Payroll Warrants 500737 through 500779 in the total amount of \$61,095.83, for a grand total of \$7,048,432.99.
- d) Approving August 2005 Write-Offs in the total amount of \$41,257.41.

MOTION CARRIED.

Refined Petroleum Products – Fuel, Contract Award Recommendation

Supervisor - Support Services recommended the Commission award a contract for Refined Petroleum Products-Fuel to the lowest bidder, Sun Pacific Energy.

Motion by Robert Bertsch, seconded by Lori Sanders to award a contract for Refined Petroleum Products-Fuel, Bid Package No. 05-04, to Sun Pacific Energy of Kennewick, Washington, for the total amount of .022 profit margin per gallon, with a not-to-exceed total amount of \$120,000.

MOTION CARRIED.

Resolution No. 1845, Transportation Assignment Transaction with Third-Party to Assign Natural Gas Transportation Capacity on the Westcoast Energy Pipeline System.

Director of Power Manager recommended Commission adopt Resolution No. 1845, authorizing the General Manager, or his designee, to enter into a fixed-price Transportation Assignment Transaction with a credit-worthy third-party for assignment of the District's natural gas transportation capacity on the Westcoast Energy Pipeline for a period of 24 months, from November 1, 2005 to October 31, 2007, provided a value of \$.18/MMBtu can be realized for the term; value sharing mechanisms must be considered as well. The capacity is used to serve the District's share of the Frederickson power generating facility.

Motion by Robert Bertsch, seconded by Lori Sanders to adopt Resolution No. 1845 authorizing the General Manager or his designee, on behalf of the District, to enter into a Transportation Assignment Transaction with a credit-worthy third-party for assignment of the District's natural gas transportation capacity on the Westcoast Energy Pipeline for a period of 24 months, from November 1, 2005 through October 31, 2007.

MOTION CARRIED.

Strategic Workforce Issues – Presentation on Human Capital

Human Resources Manager gave the first of a two part presentation on human capital management for the District. The presentation focused on external factors in multiple areas that are or will create workforce management risks for the District. The extent to which those risks are managed and mitigated will influence the success of the District in achieving its business objectives. Part two of the presentation will take place at the September 13, 2005 Commission Meeting.

Meeting Report

Commissioner Lori Sanders reported on the Energy Northwest Board Meeting. Energy Northwest's Board of Directors passed a resolution to pursue permitting and possible construction of an Integrated Gasification Combined Cycle power plant in western Washington.

Hearing no objection, President Hall adjourned the Commission Meeting at 11:45 a.m.

/s/
Jeffrey D. Hall, President

ATTEST:

/s/
Lori Kays-Sanders, Secretary