

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

RATES DEVELOPMENT PROCESS

Date: June 23, 2005

Time: 1:00 p.m.

Place: Benton PUD, 2721 West 10th Avenue, Kennewick, Washington

Present: Commissioners Hall, Bertsch, and Sanders, General Manager Sanders, General Counsel Hultgren, Assistant General Manager/Director of Operations Long, Director of Finance and Administrative Services Bartram, Director of Power Management Gregg, Director of Engineering Hunter, Manager of Risk Management and Treasury Operations Bickford, Manager of Communications and Governmental Relations Miller, Director of Retail Services Revell, Lead Energy Analyst Schumacher, Manager of Accounting White, Human Resources Manager Walsh, Manager of Products and Services Johnson, and Administrative Assistant Hurst

The Special Commission Workshop was called to order at 1:00 p.m. on June 23, 2005, by Commission President Jeff Hall. The meeting was called in accordance with RCW 42.30.080.

General Manager introduced today's presentation and noted that the rate setting process involves first determining revenue requirements, then using the cost of service analysis (COSA) to determine customer class allocations of the revenue requirements. Finally, rates are established using the COSA results as a guide.

General Manager distributed copies of state laws that authorize the Commission to determine and set rates, and state laws that reference rate setting in conjunction with issuing bonds. Excerpts from Resolution No. 1829, showing covenants that require the Commission to establish and provide rates in accordance with certain covenants, were distributed and briefly discussed.

Manager of Products and Services gave a presentation on the rate setting process and reviewed the history of developing the District's computer model for cost of service analysis. He summarized by noting there are external and internal factors that influence rate setting. Power costs account for approximately 64% of the District's total budget costs.

Director of Power Management reviewed the District's 2005 anticipated revenue requirements and customer power costs allocation summary spreadsheets. Manager of Products and Services held a discussion on the District's non-power cost allocations.

General Manager explained that the District's integrated planning process provides staff with a high level understanding of what rates should be, and noted staff reviews reserve levels, borrowing possibilities, internal costs and many other variables as future allocations and costs are considered.

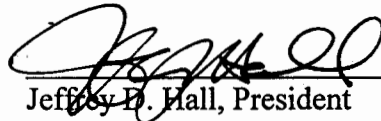
A discussion was held on the District's future resource decisions that will be needed when the current BPA slice/block power sales contract expires in 2011. Director of Power Management

recommended the District update its integrated resource plan to guide long-term resource decisions. He added the District's power supply plan will be developed in July to address 2006 issues.

BPA's upcoming rate case for the FY 07 to 09 period was discussed. General Manager noted that a draft recommendation will be provided to the Commission in the near future on what actions should be taken after BPA files its draft record of decision this fall, depending on its impact in the region.

Commission concurred with the process used by the District to determine revenue requirements and the usage of the COSA model in allocating costs for the development of rates. Commission further commented that the allocation methodologies and COSA were impressive and valuable tools.

Hearing no objection, President Hall adjourned the Commission Meeting at 3:50 p.m.



Jeffrey D. Hall, President

Attest:



Lori Kays-Sanders, Secretary