

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

Date: June 28, 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
Director of Engineering Hunter
Manager of Accounting White
Manager of Development and Special Projects McCollum
Manager of Key Accounts McAloon
Engineering Specialist Langdell
Human Resources Manager Walsh
Manager of Customer Service Ball
Administrative Assistant Hurst

Guests: Dan Porter and Rich Trimble, Energy Northwest; Ed Brost, Bonneville Power Administration

Report from Management

General Manager:

1. Director of Finance and Administrative Services/Auditor was absent due to attendance at a Government Finance Officer's Association Meeting. Manager of Accounting White, who is also an authorized deputy auditor for the District, is acting on his behalf at today's meeting.

Manager of Accounting:

1. The May 2005 Financial Statements were reviewed in detail.

General Manager:

1. Benton PUD's Annual Report was distributed.
2. The Washington PUD Association's (WPUDA) new building in Olympia was briefly discussed. President Hall will inform General Manager if agenda item needed for the July 12, 2005 Commission Meeting.
3. A letter to Steve Wright, BPA, from PNUCC was distributed. Slice customers are continuing to provide input to BPA that will hopefully influence BPA's draft record of decision scheduled to be issued at the end of the year. BPA is providing a new "concept paper" in July that will be reviewed by staff.
4. General Manager reported on his trip to Washington D.C. last week, noting that he and representatives from four northwest states were able to meet with staff or delegation members from the four states. Discussions were held on the Administration's proposed energy bill,

impact of Judge Redden's decision on the biological opinion and the significant cost to consumers, efforts to reduce BPA rates to \$27 Mwh in FY 2007, issues on Grid West and the Transmission Improvements Group (TIG), and third-party financing.

President Hall announced that Agenda Item No. 4, scheduled for 9:30 a.m., would be the next item of discussion.

Presentation by Energy Northwest – Proposed Integrated Gasification Combined Cycle Project

Mr. Rich Trimble introduced himself and Dan Porter to the Commission. Mr. Porter stated the purpose of today's presentation was to provide information to the Commission on the proposed project. Energy Northwest representatives are meeting with their public power members to determine if the members want Energy Northwest (ENW) to pursue the project. Approval of the project is required by a majority of ENW members before it can proceed.

A presentation on the proposed project was provided by Mr. Porter. It was noted ENW would be asking for a vote of the ENW board on July 27, 2005. General Manager informed the Commission that Don Cohen, counsel at Gordon, Thomas, Honeywell, would be providing the District with legal review regarding the District's liability as a member of Energy Northwest versus a participant in the project.

Report from Management (continued):

Human Resources Manager:

1. A letter to employees was distributed, providing notification of changes in PERS rates, in accordance with Section 5.3 of the Collective Bargaining Agreement.

Manager of Customer Service:

1. The Commission was updated on the success of the phone system in allowing for supervisory software for customer service purposes. The software provides the District with new reporting capabilities, and can measure calls both quantitatively and by quality. The software is allowing the District to set new performance standards in customer service, a portion of which have already been met in the first week.

Manager of Key Accounts:

1. Manager of Key Accounts distributed information from the Columbia Snake River Irrigators' Association (CSRIA) documenting their Best Management Practices Program. A resolution will be brought to the next Commission Meeting for Commission consideration in support of the CSRIA document.
2. Agrium, the District's large industrial customer in Finley, has informed the District that they will be reducing production at their facility, operating only 5 to 6 months out of the year due to a decrease in processing needs. It was noted national security issues have impacted the granular market and they will no longer be producing that product.

Manager of Development and Special Projects:

1. A new mailer on the District's broadband services was distributed.
2. The Commission was provided with a copy of the draft 2006 Broadband Plan for Commission review prior to the full broadband presentation on July 12, 2005.

Assistant General Manager/Director of Operations:

1. A listing was distributed on the upcoming strategic planning process for 2006.

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 14, 2005.
- b) Approving the minutes of the Special Commission Meeting of June 23, 2005.
- c) Approving the District Travel Report dated June 28, 2005.
- d) 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 425177 through 425242 in the total amount of \$5,539.31, Customer Refunds and Warrants 425243 through 425271 in the total amount of \$2,313.92, Accounts Payable Electronic Fund Transfers 000986 through 001002 in the total amount of \$419,397.01, Accounts Payable Warrants 20657 through 20781 in the total amount of \$757,072.13, Payroll Direct Deposit Advice 6794 through 6924 in the total amount of \$189,624.24, and Payroll Warrants 500609 through 500653 in the total amount of \$58,764.91, for a grand total of \$1,432,711.52. Voided Warrant Nos. 020779 in the total amount of \$62,002.00 was included on the report.
- e) Jobs Report to Commission dated June 20, 2005.

MOTION CARRIED.

Public Utility Risk Management Services (PURMS) Joint Self-Insurance Interlocal Fund Assessments

Manager of Risk Management and Treasury Operations recommended the Commission approve assessments for insured losses and insurance policy premiums to Public Utility Risk Management Services Joint Self-Insurance Fund. The payments are included in the approved 2005 budget and represent normal annual insurance costs. This action does not include employee insurance benefits which are provided from sources other than PURMS.

Motion by Robert Bertsch, seconded by Lori Sanders authorizing payment for calendar year 2005 of assessments for insured losses and insurance policy premiums to Public Utility Risk Management Services Joint Self-Insurance Fund in amounts not-to-exceed \$550,900.

MOTION CARRIED.

A brief discussion was held concerning the review of employee health insurance providers by the Central Washington Public Utilities (CWPU).

Resolution No. 1840, Deferred Compensation Employer Match Savings Program Plans

Manager of Human Resources distributed new documents, showing minor changes in the language of the plan amendments, for replacement in the Commission packets, and recommended adoption of Resolution No. 1840. The resolution allows for a change in the calculation of the defined employer match in accordance with the Collective Bargaining Agreement adopted by Resolution No. 1839.

Motion by Lori Sanders, seconded by Robert Bertsch adopting Resolution No. 1840, authorizing the District to amend the plan documents of the Deferred Compensation Employer Match Savings Program Plans.

MOTION CARRIED.

Resolution No. 1841, Establishment of a Health Reimbursement Arrangement/Voluntary Employees' Beneficiary Association Plan

Manager of Human Resources distributed new documents, showing minor changes in the language of the plan amendments, for replacement in the Commission packets, and recommended adoption of Resolution No. 1841. The resolution establishes a health reimbursement arrangement/voluntary employees' beneficiary association plan, in accordance with the terms of the Collective Bargaining Agreement, and requires depositing up to one and one half percent of an employees regular straight time wages into a tax-free health care savings vehicle.

Motion by Robert Bertsch, seconded by Lori Sanders authorizing the establishment of a health reimbursement arrangement/voluntary employees' beneficiary association ("HRA VEBA") plan.
MOTION CARRIED.

Regional Power Supply – Notice to set Commission Workshop for July 13, 2005

Motion by Sanders, seconded by Bertsch setting a special meeting on July 13, 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 Regional Power Supply, and directing the General Manager to provide notification to the public of such meeting in accordance with RCW 42.30.080.

MOTION CARRIED.

Swift Funding

Manager of Development and Special Projects updated the Commission on SWIFT funding granted to the District. The funding will allow completion of the Kennewick School District project linking all schools to the administration building, allows connection to Prosser which allows the Benton County courthouse to be linked to the Justice Center in the Tri-Cities, and provides an opportunity for the Prosser School District to design a project similar to the Kennewick School District. Other connections between the Tri-Cities and Prosser would include the Prosser Memorial Hospital and the City of Prosser.

Meeting Reports

Commissioner Lori Sanders reported on her attendance at the American Public Power Association conference, and noted that regional transmission organizations (RTOs) were a hot topic at a seminar she attended.

At 11:40 a.m., President Hall recessed the Commission Meeting to go into Executive Session for 10 minutes with the District General Counsel for the purpose of discussing litigation to which the District is a party.

At 11:50 a.m., President Hall reconvened the Commission Meeting into regular open public session.

Hearing no objection, President Hall adjourned the Commission Meeting at 11:50 a.m.

/s/
Jeffrey D. Hall, President

ATTEST:

/s/
Lori Kays-Sanders, Secretary