

PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY

REGULAR COMMISSION MEETING

June 20, 2016

AGENDA

STUDY SESSION

10:00 A.M.

1. Pledge of Allegiance and Safety Minute – Keith Truscott
2. Approval of the Agenda - Any item on the Regular Agenda shall be subject to transfer to the Consent Agenda upon request of any Commission member
3. Substation Siting Community Engagement Update
4. Rock Island Powerhouse 1 B1 – B4 Modernization
5. Long Term Debt Philosophy 2016 – 2027

BUSINESS SESSION

1:00 P.M.

6. Public Hearing – Integrated Resource Plan & Resolution

A RESOLUTION APPROVING THE DISTRICT’S 2016 INTEGRATED RESOURCE PLAN

7. Public Hearing (continued from June 6, 2016) - High Density Load

Consent Agenda

8. Minutes:

June 6, 2016

9. Vouchers:

Accounts Payable Summary Report dated June 14, 2016:

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- a) Vouchers totaling \$9,603,498.57;
- b) Approval of Customer Deposit Returns and Conservation Incentive payments dated June 14, 2016 in the amount of \$35,750.82;
- c) Approval of the net Payrolls, Warrant Nos. 234381 through 234412 and Advice Nos. 615418 through 616141 for the pay period ending 05/29/2016 in the amount of \$1,701,243.78; and
- d) Approval of Warrant Nos. 22413 through 22446 totaling \$5,713.92 for claim payments from the workers' compensation self-insurance fund for the period ending June 13, 2016.

Regular Agenda

Resolutions/Motions

10. Proposed Motion to Approve District Insurance Policy Renewal:

It is recommended to complete the annual negotiation process with a "not to exceed" amount of __*__ for premium renewals with the Commission's approval of the following motion: Commission authorizes expenditures by the District not to exceed _____ plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2016-2017 policies upon terms and conditions approved by the General Manager.

- 11. A RESOLUTION RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 1 AND 2, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 15-04 WITH HALME BUILDERS, INC. OF DAVENPORT, WA AND AUTHORIZING RELEASE OF THE BOND IN LIEU OF RETAINAGE
- 12. A RESOLUTION RATIFYING FIELD WORK ORDER/CHANGE ORDER NO. 1, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 15-69 WITH NEPPEL ELECTRICAL & CONTROLS, LLC OF MOSES LAKE, WA AND AUTHORIZING PAYMENT OF RETAINAGE
- 13. A RESOLUTION SELECTING AND AUTHORIZING IMPLEMENTATION OF THE 2016 AND 2017 PUBLIC POWER BENEFIT PROGRAM OPTIONS AND RELATED BUDGET ITEM
- 14. A RESOLUTION A RESOLUTION ESTABLISHING A NEW CAPITAL PROJECT FOR 2016 FOR ROCK ISLAND POWERHOUSE 1 B4 MODERNIZATION, APPROVING DEVELOPMENT OF PROJECT SPECIFICATIONS AND PROPOSED BID DOCUMENTS, AND APPROVING PROPOSED WORK FORCE CHANGES
- 15. Manager Items

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16. Commission Items

17. Follow-up on Delegation of Action Items From Previous Board Meeting

18. Delegation of Action Items

19. Additional Public Comment*

20. Matters of general business as may necessarily come before the Commission

21. Executive Session: To discuss with legal counsel agency enforcement actions, litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i).

* Members of the public are encouraged to ask specific questions after each item presented. This agenda item is for additional comments/questions related to matters not on the agenda.

This agenda and resolutions (if any) may be revised by the Commission as appropriate.

RESOLUTION NO. _____

A RESOLUTION APPROVING THE DISTRICT'S 2016
INTEGRATED RESOURCE PLAN**FACTUAL BACKGROUND AND REASONS FOR ACTION**

RCW 19.280 requires the District as a consumer-owned utility to develop electric utility resource plans and progress reports as defined in the statute. According to the statute,

“It is the intent of the legislature to encourage the development of new safe, clean and reliable energy resources to meet demand in Washington for affordable and reliable electricity. To achieve this end, the legislature finds it essential that electric utilities in Washington develop comprehensive resource plans that explain the mix of generation and demand-side resources they plan to use to meet their customers’ electricity needs in both the short-term and the long-term. The legislature intends that information obtained from integrated resource planning under this chapter will be used to assist in identifying and developing new energy generation, conservation and efficiency resources, and related infrastructure to meet the state’s electricity needs.”

RCW 19.280 requires investor-owned and consumer-owned utilities with more than 25,000 retail customers to produce a progress report every two years and a fully updated 10-year plan every four years. Consumer-owned utilities must encourage participation of their consumers in development of their plans and progress reports after providing public notice and hearing. The District is a consumer-owned utility with more than 25,000 retail customers.

District staff has developed a 2016 integrated resource plan (IRP) in compliance with RCW 19.280. The IRP reflects changing conditions since the 2014 IRP progress report and a new short-term plan.

To encourage participation of its customer-owners in the development of this progress report, District staff made a presentation to the Board of Commissioners on May 16, 2016 that was published in a display advertisement in the Wenatchee World on May 1, 2016 as well as in the Cashmere Valley Record, Lake Chelan Mirror and Leavenworth Echo on April 27, 2016. The presentation described RCW 19.280, gave an overview of the IRP content and set forth a public meeting schedule for further public comment and hearing. Additionally, a website (<http://www.chelanpud.org/environment/operating-responsibly/integrated-resource-plan>) was identified as being available to the public to review and make comments. On May 22, 2016, another display advertisement appeared in the Wenatchee World inviting public participation in the next scheduled Board meeting on June 6, 2016 for presentation of the final draft IRP for review. The same advertisement also invited public participation in the hearing to be held at the Board meeting on June 20, 2016 and indicated that District staff would be requesting commission approval of the IRP. That same display advertisement also appeared in the Cashmere Valley Record, Lake Chelan Mirror and Leavenworth Echo on May 4, 2016. Additionally, a legal advertisement appeared in the Wenatchee World on June 5, 2016 notifying

customers of this final hearing on June 20, 2016 at 1:00 p.m. The same legal advertisement also appeared in the Cashmere Valley Record, Lake Chelan Mirror, Leavenworth Echo and Quad City Herald on June 1, 2016. The legal notices have been submitted for the hearing record.

On June 20th, 2016, the properly noticed public hearing was held. District staff recommended adoption of the proposed 2016 IRP that was presented at the hearing which has been updated from the proposed 2016 IRP that was presented at the June 6, 2016 public meeting. The proposed 2016 IRP is a thorough analysis and a fair representation of the District’s resource planning situation throughout the planning period of the IRP (2016-2026). Further, staff recommended that the 2016 IRP be approved, made available to the public and submitted to the Washington State Department of Commerce by September 1, 2016. No public comment was received.

The development of an IRP and related progress reports is exempt from the State Environmental Policy Act (SEPA) pursuant to RCW 43.21C and WAC 197-11-800(17).

The General Manager of the District has reviewed District staff’s recommendation and concurs in the same.

ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, as follows:

Section 1. The District’s 2016 IRP is hereby approved and the General Manager of the District is hereby authorized to make it available to the public and submit the IRP, in its entirety, to the Washington State Department of Commerce by September 1, 2016 and take other steps necessary to comply with RCW 19.280.

Section 2. Adoption of the 2016 IRP is exempt from the requirements of SEPA.

DATED this 20th day of June 2016.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

RESOLUTION NO. _____

A RESOLUTION RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 1 AND 2, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 15-04 WITH HALME BUILDERS, INC. OF DAVENPORT, WA AND AUTHORIZING RELEASE OF THE BOND IN LIEU OF RETAINAGE

FACTUAL BACKGROUND AND REASONS FOR ACTION

The District Commission by Resolution No. 08-13325 delegated authority to the General Manager to advertise, award and execute contracts when the total contract price is \$3,000,000 or less. Authority was also granted to the General Manager and the staff to execute field work order/change orders under certain circumstances.

On August 4, 2015, the District entered into a contract (Bid No. 15-04) with Halme Builders, Inc. (Contractor) of Davenport, WA for Daroga State Park Group Camp Improvements, in the amount of \$740,000. This contract was advertised for public bid and was awarded as required by RCW 54.04.070 and .080.

The work in Field Work Order/Change Order (FWO/CO) Nos. 1 and 2 consists of conditions and work not anticipated or included in the original contract but within the scope of the contract. The District's staff has executed FWO/CO Nos. 1 and 2, which are on file in the offices of the District and summarized as follows:

FWO/CO No. and Description	Amount
1. Duplex pump, utility work, and pipe chase attic access.	\$9,086.40
2. Reduction in comfort station work and addition of RV bollards.	\$1,733.51
Total	\$10,819.91

FWO/CO Nos. 1 and 2 result in a net increase in the contract price for a new revised total contract price of \$750,819.91 (excluding sales tax), which the District's Engineers recommend be ratified. Resolution No. 08-13325 provides that this type of FWO/CO shall be presented to the Commission for approval as part of the final acceptance resolution.

District staff has determined that the completion of all contract work occurred on June 6, 2016. In accordance with the terms of the contract, the Contractor has provided a bond in lieu of retainage equal to 5% of the contract price.

The General Manager of the District concurs with staff's recommendations that the District accept the work performed by the Contractor, ratify FWO/CO Nos.

1 and 2 and authorize the release of the related bond in lieu of retainage, subject to the requirements of the contract and state law.

ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. Field Work Order/Change Order Nos. 1 and 2 to Bid No. 15-04 with Halme Builders, Inc. for the work specified above, which will result in a net increase in the contract price of \$10,819.91, for a total revised contract price of \$750,819.91, plus Washington State sales tax, is hereby ratified.

Section 2. All the contract work required under Bid No. 15-04 was completed on June 6, 2016 and the same is hereby accepted, subject to Section 3 hereof. Release of the Contractor's bond in lieu of retainage is authorized subject to Section 3 and Section 4 hereof, and subject to the provisions and limitations of Chapter 39.12 RCW (Prevailing Wages on Public Works) and 60.28 (Liens for Labor, Materials and Taxes on Public Works).

Section 3. This resolution shall not constitute an acceptance by the District of any work performed or goods supplied pursuant to the aforementioned contract, which are not in strict compliance with the contract terms and conditions.

Section 4. After the expiration of the forty-five (45) day period for giving the District notice of lien and after receipt of the Department of Revenue's certification of the Contractor's payment of taxes, the Employment Security Department's Certificate of Payment of Contributions, Penalties and Interest on Public Works Contracts, and the Department of Labor & Industries' Certificate of Release of the State's Lien on Public Works Contracts and the District being satisfied that taxes certified as due or to become due are discharged and the filed claims of materialmen and laborers, if any, together with a sum sufficient to pay costs of foreclosing the liens and attorney's fees, have been paid, the District's General Manager is authorized and directed to release the bond in lieu of retainage. In the event said taxes, claims, expenses and fees have not been paid, the General Manager is authorized and directed to file a claim against the bond in lieu of retainage in an amount equal to unpaid taxes and unpaid claims, together with a sum sufficient to defray the costs and attorney fees incurred in foreclosing the lien of such claims, and following payment of such claim, release the bond in lieu of retainage.

DATED this 20th day of June 2016.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

Seal

RESOLUTION NO. _____

A RESOLUTION RATIFYING FIELD WORK ORDER/CHANGE ORDER NO. 1, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 15-69 WITH NEPPEL ELECTRICAL & CONTROLS, LLC OF MOSES LAKE, WA AND AUTHORIZING PAYMENT OF RETAINAGE

FACTUAL BACKGROUND AND REASONS FOR ACTION

The District Commission by Resolution No. 08-13325 delegated authority to the General Manager to advertise, award and execute contracts when the total contract price is \$3,000,000 or less. Authority was also granted to the General Manager and the staff to execute field work order/change orders under certain circumstances.

On January 14, 2016, the District entered into a contract (Bid No. 15-69) with Neppel Electrical & Controls, LLC (Contractor) of Moses Lake, WA for Beebe Bridge Park - 50 Amp Upgrades, in the amount of \$398,800. This contract was advertised for public bid and was awarded as required by RCW 54.04.070 and .080.

The work in Field Work Order/Change Order (FWO/CO) No. 1 consists of conditions and work not anticipated or included in the original contract but within the scope of the contract. The District's staff has executed FWO/CO No. 1, which is on file in the offices of the District and summarized as follows:

FWO/CO No. and Description	Total Amount
1. Replace CT enclosure and delete sidewalk work	\$2,260.73

FWO/CO No. 1 results in a net increase in the contract price for a new revised total price of \$401,060.73 (excluding sales tax), which the District's Engineers recommend be ratified. Resolution No. 08-13325 provides that this type of FWO/CO shall be presented to the Commission for approval as part of the final acceptance resolution.

District staff has determined that the completion of all contract work occurred on May 13, 2016. In accordance with the terms of the contract, retainage in an amount not exceeding 5% of the contract price has been withheld from the Contractor.

The General Manager of the District concurs with staff's recommendations that the District accept the work performed by the Contractor, ratify FWO/CO No. 1 and authorize the payment of retainage due the Contractor, subject to the requirements of the contract and state law.

ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. Field Work Order/Change Order No. 1 to Bid No. 15-69 with Neppel Electrical & Controls, LLC for the work specified above, which will result in a net increase in the contract price of \$2,260.73, for a total revised contract price of \$401,060.73, plus Washington State sales tax, is hereby ratified.

Section 2. All the contract work required under Bid No. 15-69 was completed on May 13, 2016 and the same is hereby accepted, subject to Section 3 hereof. Payment of retainage to the Contractor in the amount determined by the District's auditor to be due is authorized to be paid to the Contractor subject to Section 3 and Section 4 hereof, and subject to the provisions and limitations of Chapter 39.12 RCW (Prevailing Wages on Public Works) and 60.28 (Liens for Labor, Materials and Taxes on Public Works).

Section 3. This resolution shall not constitute an acceptance by the District of any work performed or goods supplied pursuant to the aforementioned contract, which are not in strict compliance with the contract terms and conditions.

Section 4. After the expiration of the forty-five (45) day period for giving the District notice of lien and after receipt of the Department of Revenue's certification of the Contractor's payment of taxes, the Employment Security Department's Certificate of Payment of Contributions, Penalties and Interest on Public works Contracts and the Department of Labor & Industries' Certificate of Release of the State's Lien on Public Works contracts and the District being satisfied that taxes certified as due or to become due are discharged and the filed claims of materialmen and laborers, if any, together with a sum sufficient to pay costs of foreclosing the liens and attorney's fees, have been paid, the District's General Manager is authorized and directed to withhold from the remaining retained amounts for claims the District may have against the Contractor, and the balance shall be paid to the Contractor. In the event said taxes, claims, expenses and fees have not been paid, the General Manager is authorized and directed to withhold an amount equal to unpaid taxes and unpaid claims, together with a sum sufficient to defray the costs and attorney fees incurred in foreclosing the lien of such claims, and the balance shall be paid to the Contractor.

DATED this 20th day of June 2016.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

Seal

RESOLUTION NO. _____

**A RESOLUTION SELECTING AND AUTHORIZING
IMPLEMENTATION OF THE 2016 AND 2017 PUBLIC POWER
BENEFIT PROGRAM OPTIONS AND RELATED BUDGET ITEM****FACTUAL BACKGROUND AND REASONS FOR ACTION**

Chelan County PUD's "Public Power Benefit Program" was established in 2015 by the Board of Commissioners to provide a formal, consistent approach and criteria for distributing public power benefits designed to further enhance the quality of life in Chelan County. The program is driven by the District's guiding principle "to deliver the best value, for the most people, for the longest period of time." The projects must be consistent with Chelan PUD's existing authority as codified in RCW Title 54, not violate the anti-gifting provisions of the Washington State Constitution, provide direct benefit to a significant portion of PUD customer-owners and support the long-term sustainability of the District.

The selection of projects to be funded during 2017 began during the 4th quarter of 2015 with an application solicitation period. A total of 43 applications were received. About a dozen were deemed by legal counsel to fall outside PUD statutory authority and therefore were not considered further. Another half-dozen were assigned to the appropriate business unit to be considered as part of normal business operations. Finance staff also reviewed the applications to determine the financial implications. The applications were assigned to the appropriate strategic planning disciplines. The customer-owner advisory committees for each discipline combined the new applications with top priority proposals that went unfunded during the 2015 process and used evaluation criteria to generate 3-5 top proposals. In addition, the customer-owner Public Power Review Committee considered all of the eligible applications and proposed seven for the Commission's consideration. Supplemental input was also solicited from customer-owner members of the Diverse Leaders Initiative (Latino and low-income) and other interested customer-owners. The Board was provided with the process background materials and further information for 16 proposals to consider. In addition, the remainder of the 2015-2016 funding that was available pending study results was also considered as part of this process.

Pursuant to its adopted Governance Policies, the Board is responsible for identifying and defining the strategic direction of the District. The General Manager is responsible for implementing that plan and reporting to the Board the District's progress in its implementation.

The Board received a status update on the 2015-2016 Public Power Benefit program at the March 21, 2016 public Board meeting and discussed each of the 16 proposals for 2016 and 2017 during a Board workshop on April 21, 2016. Additional discussion and consideration was also conducted during the study session of the May 2 and May 16, 2016 Board meetings. After extensive public consideration, the Board confirmed six existing projects and selected six additional proposals for 2016 funding. Two proposals were selected for 2017 program funding. The 2016 and 2017 selections are detailed in Exhibit A. It

is also recognized that some of the projects selected for 2016 funding will result in work being completed in 2017.

Accordingly, a budget revision is needed to allocate existing funds in the 2016 adopted budget to the selected public power benefit actions in the amount of \$1,161,000 for operation and maintenance actions and \$200,000 for capital projects (included in Exhibit B attached) The 2016 budget already included allocations for fiber expansion and installing vehicle chargers. During October 2016, the Board will consider allocating the remainder of 2016 funding, depending on study results. Staff presented drafts of allocated funding for consideration and discussion at the May 16, 2016 regular Commission meeting.

An additional \$4 million is noted for the 2017 program, of which \$2,171,000 is allocated for the initially selected options with the remaining funding pending study results. These selections will be included in the 2017 budget.

ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. The Board of Commissioners selects 2016 and 2017 Public Power Benefit Program options as detailed in Exhibit A.

Section 2. The Commission hereby establishes the amount of \$4 million for the 2017 Public Power Benefit Program to be included in the 2017 Budget with an initial amount of \$2,171,000 allocated to the options detailed in Exhibit A.

Section 3. The Commission hereby approves the 2016 budget revisions to allocate a portion of the existing 2016 public power benefit budget for the selected actions in the amount of \$1,161,000 for operation and maintenance actions and \$200,000 for capital projects as detailed in Exhibit B.

DATED this 20th day of June 2016.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

Seal

Exhibit A:

Public Power Benefit – 2016 Funding

Initial strategic planning and 2016 Budget Process

- **Fiber Expansion -2015 remaining and new 2016** (\$2,686,000)
- **Waive park fees pilot study** (\$30,000)
- **Install vehicle chargers** (\$59,600)
- **Electric economic analysis tool** (\$30,000)
- **Study electric infrastructure** (\$100,000)
- **Utility-focused education programs** (\$41,000)

May 2 Board Direction

- **Horan Area rehabilitation work** (\$100,000)
- **Study to increase visitor counts at Rocky Reach** (\$200,000)
- **Study of water/wastewater services** (\$150,000)
- **Plain substation site improvements** (\$200,000)
- **Splash pad technical feasibility study** (\$140,000 - remaining 2016 budget for further feasibility of splash pad. Need information related to site, size, potential users, short/long term license impacts, etc.)
- **Combined hydro/energy research and electrification research/collaboration study** (\$370,000)

Public Power Benefit – 2017 Funded

- **Fiber expansion program** (\$2.1 million)
- **Continued State Parks parking pass** (\$71,000)

Exhibit B:

**2016
BUDGET REVISION**



Operating Budget

<i>Project</i>	<i>Current 2016 Budget</i>	<i>Change To</i>
DSOM0038 - Electric Econ Analysis Tool	250,000	30,000
ISOM0002 - Econ Devel Infrastructure Stdy	200,000	100,000
ISOM0001 - Education Programs	-	41,000
PKOM0111 - Waive Park Fees Residnts Study	30,000	30,000
PKOM0112 - Horan Natural Area Feas Study	25,000	100,000
PKOM0113 - Splash Pad Feasibility Study	140,000	140,000
GNOM0111 - Study to increase visitors at RR Visitor Ctr	-	200,000
WRWW0004 - Study of Wtr/WW services	-	150,000
DSOM0040 - Energy institute/electrification studies	-	370,000
<i>Subtotal</i>	<i>645,000</i>	<i>1,161,000</i>

Capital Budget

<i>Project</i>	<i>Total Project Budget</i>	<i>Change To</i>
DS160004 - Plain substation site improvements	-	200,000

Narrative (attach additional pages if necessary):

The efforts listed above are Public Power Benefit program changes per Board Resolution.

APPROVALS:

Managing Director *Date*

General Manager *Date*

Budget Entry *Date*

RESOLUTION NO. _____

A RESOLUTION ESTABLISHING A NEW CAPITAL PROJECT FOR 2016 FOR ROCK ISLAND POWERHOUSE 1 B4 MODERNIZATION, APPROVING DEVELOPMENT OF PROJECT SPECIFICATIONS AND PROPOSED BID DOCUMENTS, AND APPROVING PROPOSED WORK FORCE CHANGES

FACTUAL BACKGROUND AND REASONS FOR ACTION

In 2015 numerous cracks were found on the runner blades of unit B2 at Rock Island powerhouse 1 during the ongoing stator replacement project. Welding procedures were developed and weld repairs were initiated in June 2015. During weld repairs it was observed that new cracks were forming adjacent to the new repairs. Welding and metallurgy experts were consulted. Revised welding procedures were developed. A thorough mapping of cracks was performed and the cracks were monitored as the revised weld procedures were executed. Additional cracks formed. Repair work was halted in February 2016 after about 3 1/2 months of continuous work. Inspections were performed for several weeks after repair welding had stopped and additional cracks were found.

In February and March of 2016 inspections were performed on the runner blades of units B1, B3 and B4. Numerous blade cracks were found on every unit. Metal samples were taken from each unit. Analysis of the samples identified the same metallurgy for all unit runner blades and that the cracks were typically forming from a process called corrosion fatigue. Because the blades of B1, B3 and B4 are of the same metallurgy as B2, and the cracks are occurring from the same cause, it was concluded the runners for B1, B3 and B4 could not be repaired for long term operation.

Therefore, District staff recommends that a Capital project be established with a 2016 budget of \$350,000 to prepare specifications, bid documents and solicit bids for the modernization of Unit B4 which would also be used to modernize all of the B1-B4 generating units.

Since early 2015, the District has experienced forced outages on multiple generating units and other essential plant equipment such as cranes. This situation has caused a major disruption in planned District and contractor performed work. Once it was determined that B1-B4 modernization was feasible, a comprehensive study was performed that considered impacts to all affected District departments to determine the best sequence, schedule and labor force to perform all of the major work at both Rocky Reach and Rock Island. Factors such as lost revenue as a result of unit unavailability, infrastructure constraints, housing and supervision of District staff, Habitat Conservation Plan check-in dates, regulatory agency requirements and expectations, future rehabilitation of B5, B8 and the eight units at powerhouse 2 were

all considered to arrive at a proposed schedule to complete the major hydro project work by 2021. The major hydro work would include C8, C9, C10 and C11 turbine repairs and winding replacements; installation of new digital governor controls on units C8 through C11; installation of a new Rocky Reach Intake Gantry Crane; rehabilitation of the two Rocky Reach Bridge Cranes; modernization of generating units B1, B2, B3, B4, B6 and B7 including excitation and governor controls; completion of the four remaining generating unit overhauls at Rock Island Powerhouse 2 that include new digital governor controls, new excitation, new machine condition monitoring and draft tube gate refurbishment. The conclusion of the study was that a combination of adding specific District staff and contracting will provide the best opportunity for success at the most reasonable cost.

Therefore, in addition to developing the appropriate contracting documents, District staff recommends implementing the following work-force changes: hire 4 full time wiremen in 2016; hire two full time technicians in 2016; hire two full time control systems engineers in 2016 (instead of 2017); hire 1 full time project manager in 2016; and hire 1 full time construction manager in 2016.

The District's General Manager has reviewed the staff recommendations and concurs with the same.

ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. A new capital project is hereby established with a 2016 budget of \$350,000 for Rock Island Powerhouse 1 Unit B4 modernization.

Section 2. The District's General Manager and staff are hereby authorized, consistent with the delegated authority in Resolution No. 08-13325, to take the necessary steps to prepare specifications and bid documents in preparation of soliciting bids for Rock Island Powerhouse 1 Unit B4 modernization. All procedures, including necessary approvals from Resolution No. 08-13325 will be followed.

Section 3. The Commission hereby approves and authorizes the District's General Manager to implement the recommended work force changes necessary to achieve the current planned generation work in addition to the recommended Rock Island Powerhouse 1 Units B1-B4 modernization work. Ongoing work force and staffing issues will continue to be addressed as part of the annual budgeting process.

DATED this 20th day of June 2016.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

Seal