

**PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY
327 N. WENATCHEE AVENUE
WENATCHEE, WA 98801**

REGULAR COMMISSION MEETING

November 21, 2016

AGENDA

STUDY SESSION

10:00 A.M.

1. Pledge of Allegiance and Safety Minute – Ron Franklin
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. B5 – B8 Update
4. Fees & Charges / Proposed Service Regulations
5. Early Action Credit Proposal
6. Public Power Benefit Project Updates
7. Fiber Build Update

BUSINESS SESSION

1:00 P.M.

8. PUBLIC HEARING – 2017 Preliminary Budget Presentation – 2nd Hearing

Consent Agenda

9. Minutes:

November 2, 2016 Leavenworth Substation
November 7, 2016

10. Vouchers:

Accounts Payable Summary Report dated November 15, 2016:

- a) Vouchers totaling \$11,449,125.40;

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- b) Approval of Customer Deposit Returns and Conservation Incentive payments dated November 15, 2016 in the amount of \$16,903.46;
- c) Approval of the net Payrolls, Warrant Nos. 234790 through 234819 and Advice Nos. 623532 through 624259 for the pay period ending 10/30/2016 in the amount of \$1,746,622.93;
- d) Approval of Warrant Nos. 22956 through 22990 totaling \$27,619.65 for claim payments from the workers' compensation self-insurance fund for the period ending November 14, 2016.

Regular Agenda

Resolutions

- 11. A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO ENTER INTO AN AGREEMENT TO PURCHASE A 26.45 ACRE PARCEL OF LAND ALONG THE COLUMBIA RIVER IN DOUGLAS COUNTY FROM THE WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
- 12. A RESOLUTION RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 1 THROUGH 9, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 13-01 WITH HURST CONSTRUCTION, LLC OF WENATCHEE, WA AND AUTHORIZING PAYMENT OF RETAINAGE
- 13. A RESOLUTION AUTHORIZING CONTINUATION OF SERVICES UNDER THE ENABLING AGREEMENT (06-073) WITH PEER TECHNICAL, INC. OF FOND DU LAC, WISCONSIN
- 14. A RESOLUTION DECLARING BAUER COMPRESSORS INC. OF NORFOLK, VA AS THE SOLE SOURCE SUPPLIER OF A REDUNDANT GOVERNOR AIR COMPRESSOR FOR ROCK ISLAND POWERHOUSE 2
- 15. A RESOLUTION AUTHORIZING THE EXECUTION OF FIELD WORK ORDER/CHANGE ORDER NO. 5-01 AND 6-01 FOR PROCUREMENT OF ADDITIONAL TURBINE AND GENERATOR COMPONENTS FOR THE 5TH AND 6TH UNITS UNDER CONTRACT NO. 04-01 PART B FOR THE ROCK ISLAND B5-B10 REHABILITATION PROJECT WITH ANDRITZ HYDRO CORP
- 16. A RESOLUTION REPLACING AND RESCINDING RESOLUTION NO. 15-13969 TO UPDATE THE DISTRICT'S INVESTMENT AND BANKING POLICY
- 17. A RESOLUTION AMENDING RESOLUTION NO. 11-13682 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A SERVICES AGREEMENT (SA NO. 11-157) WITH OKANAGAN NATION AQUATIC ENTERPRISES LTD. AND PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY FOR SOCKEYE HATCHERY COMPENSATION RELATED TO THE ROCKY REACH AND ROCK ISLAND HYDROELECTRIC PROJECTS AND RATIFYING OPERATIONS, MAINTENANCE, MONITORING AND EVALUATION EXPENDITURES TO DATE

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18. Manager Items

19. Commission Items

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

21. Delegation of Action Items

22. Additional Public Comment*

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

24. 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 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO AN AGREEMENT TO PURCHASE A 26.45 ACRE PARCEL OF LAND ALONG THE COLUMBIA RIVER IN DOUGLAS COUNTY FROM THE WASHINGTON STATE DEPARTMENT OF TRANSPORTATION

FACTUAL BACKGROUND AND REASONS FOR ACTION

Public Utility District No. 1 of Chelan County, Washington (“District”), is authorized under Chapter 1, Laws of Washington 1931 (RCW 54.16.020 and 54.16.040) as amended, to purchase land, structures and other property rights and privileges, within and without its limits, necessary for the purpose of furnishing the District and its inhabitants and any other persons, including public and private corporations, with electric service.

The District owns and operates the Rock Island Hydroelectric Project No. 943 (“Rock Island”) as licensed by the Federal Energy Regulatory Commission (“FERC”). Rock Island’s project boundary includes land needed for hydroelectric operations and lands designated for current and future Rock Island license requirements for recreation. The Washington State Department of Transportation (“WSDOT”) owns one of the areas designated as a potential future recreation site in the Rock Island Exhibit R Recreation Plan near the Odabashian Bridge in Douglas County.

WSDOT has declared certain property within this future recreation site surplus. In preparation for sale, WSDOT had the property appraised. Based on this appraisal, WSDOT has offered the property to the District for the market value of \$458,000. The location of the property is generally described as southerly of the Odabashian Bridge, westerly of the Apple Capital Loop Trail, and northerly of the WSDOT future stormwater retention area, in Douglas County (“Property”). The legal description for the Property is on file in the District’s offices. The District has until November 25, 2016, to enter into an Agreement to purchase the Property with the standard WSDOT sale terms and submit a ten-percent (10%) non-refundable deposit to WSDOT.

The Property is unique to the area with natural vegetation, rock outcroppings, and sand dunes; and its proximity to the urban area makes it a valued community asset. The Chelan Douglas Land Trust (“CDLT”) also values preserving the Property and its natural features for the community. CDLT has offered a donation of \$250,000 to the District for the acquisition of the Property contingent on the District granting CDLT a conservation easement and making a one time payment to the CDLT Stewardship Fund for perpetually monitoring compliance with the conservation easement. CDLT is aware that the District will need FERC approval prior to granting

CDLT a conservation easement. After acquisition of the property, District staff will seek FERC approval to grant CDLT a conservation easement. Should FERC approve the conservation easement the District will receive the donation for the acquisition from CDLT.

Staff recommends the District approve the purchase of the Property. The General Manager has reviewed staff’s recommendation and concurs in the same.

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 hereby authorizes the District’s General Manager to enter into an agreement with WSDOT for the purchase of the Property for \$458,000, plus estimated closing costs up to \$5,000, to grant a conservation easement to CDLT contingent on approval from FERC and on CDLT agreeing to donate \$250,000; and to make a one-time payment of \$17,000 to \$22,000 to CDLT’s Stewardship Fund for perpetually monitoring compliance with the conservation easement.

Section 2. The General Manager of the District or his designee is hereby authorized to take such further steps as may be required to complete the purchase of the Property from WSDOT and to grant the conservation easement to CDLT.

Dated this 21st day of November 2016.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

S E A L

RESOLUTION NO. _____

A RESOLUTION RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 1 THROUGH 9, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 13-01 WITH HURST CONSTRUCTION, LLC OF WENATCHEE, WA AND AUTHORIZING PAYMENT OF RETAINAGE

FACTUAL BACKGROUND AND REASONS FOR ACTION

Public Utility District No. 1 of Chelan County (District) adopted Resolution No. 13-13804 on July 1, 2013 which authorized the District to enter into a contract (Bid No. 13-01) with Hurst Construction, LLC (Contractor) of Wenatchee, WA for Entiat Park Revitalization, in the amount of \$6,057,921.33.

The District Commission by Resolution No. 08-13325 delegated limited authority to the General Manager and the staff to execute field work order/change orders under certain circumstances.

The work in Field Work Order (FWO/CO) Nos. 1 through 9 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 through 9, which are on file in the offices of the District and summarized as follows:

FWO/CO No. and Description	Amount
1. Bypass pump; repair damage to wall; increase sewer main size; saw cut retaining wall steps; furnish and install ball valve.	\$20,789.92
2. Entiatqua Trail culvert modification.	\$2,649.90
3. Addition of irrigation valves; removal and modification of guardrails; shrub steppe seed modification; rock excavation for pile; removal of trees damaged by beavers; additional pile driving; reduce pile drilling.	\$24,654.26
4. Lower water line; additional grading; sign graphic modifications; deletion of irrigation control wire; modify entry and kiosks; removal of boat launch floats; removal of poplar trees; toilet hanger and toilet credit; install sculpture anchors; NEMA enclosures; irrigation modifications.	\$11,228.54
5. Picnic shelter grill; irrigation filters; additional paving; repair water line; deletion of picnic pads; additional parking stalls; modify tree bubbler; reconcile pile drilling costs.	\$76,120.61

FWO/CO No. and Description	Amount
6. Plant removal; top soil; replace fixture lenses; irrigation heads protection sleeves; rock retaining walls; additional fill material; remove existing fireplace; seat wall finish; additional paving; additional concrete; credit for fence deletion; additional breakers.	\$41,829.69
7. Bathroom bench modifications; concrete traffic rated valve boxes; replace trees damaged by beavers; vinyl-coated fencing for tree protection; install tent sand and boulders around statue; install GFCI breakers.	\$9,261.09
8. Furnish and install shoulder rock, new concrete dumpster pads, and pea gravel.	\$25,619.60
9. Add cobble mulch and curbing; pile drilling not performed; decrease coir log erosion and foundation removal allowance.	<\$57,675.27>
Total	\$154,478.34

FWO/CO Nos. 1 through 9 result in a net increase in the contract price of \$154,478.34 for a new revised total contract price of \$6,212,399.67 (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 November 11, 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 Nos. 1 through 9 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 Nos. 1 through 9 to Bid No. 13-01 with Hurst Construction, LLC for the work specified above, which will result in a net increase in the contract price of \$154,478.34, for a total revised contract price of \$6,212,399.67, plus Washington State sales tax, is hereby ratified.

Section 2. All the contract work required under Bid No. 13-01 was completed on November 11, 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 21st day of November 2016.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

Seal

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING CONTINUATION
OF SERVICES UNDER THE ENABLING
AGREEMENT (06-073) WITH PEER TECHNICAL,
INC. OF FOND DU LAC, WISCONSIN

FACTUAL BACKGROUND AND REASONS FOR ACTION

In March 2006, the District entered into a perpetual Enabling Agreement with Peer Technical, Inc. to provide temporary employee services for performing specific tasks (i.e. construction coordination and inspection) by executing Project Confirmation Agreements pursuant to the Enabling Agreement.

Peer Technical, Inc. employees will be needed for current and future projects where specific expertise is required but there is no long-term staffing need and District resources are not available. Budgeted projects contemplated in 2017 include, but are not limited to: inspections for construction projects such as Rocky Reach large unit turbine repairs and generator rewinds; Rock Island Powerhouse 2 draft tube gate refurbishments; Rock Island Unit B6 and B7 modernization; Rock Island and Rocky Reach crane refurbishments; parks boat launch improvements, paving and erosion repairs; CCTV camera replacements; and distribution system maintenance and repairs. In addition to inspection services, the District anticipates utilizing this agreement to acquire fisheries biologist support, general administration, operational training development, and contract advisory services.

The services provided by Peer Technical, Inc. have been satisfactory, and District staff actively test the market annually to ensure the District receives quality services for a reasonable price. It is the District's staff recommendation that it is in the best interest of the District to continue with Peer Technical, Inc. and authorize additional expenditures in 2017. District staff estimates \$1,300,000 will be required for the year 2017.

Actual amounts paid to Peer Technical, Inc. (inclusive of all fees and costs incurred by Peer Technical, Inc. in the performance of the Project Confirmation Agreements) will be based upon invoices and verification by District staff.

Funds previously authorized and expended under Enabling Agreement No. 06-073 total \$3,720,196.29.

District staff recommends continuation of obtaining services under the Enabling Agreement No. 06-073 with corresponding Project Confirmation Agreements executed as authorized in Resolution No. 08-13325. For 2017, expenditures will not exceed \$1,300,000 without further Board approval.

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

ACTION

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

Section 1. District staff is hereby authorized to expend up to \$1,300,000 in the year 2017 under the Enabling Agreement 06-073 with Peer Technical, Inc. Expenditures for 2017 shall not exceed \$1,300,000 without further Board approval. Copies of the agreement and project confirmation agreements are on file in the offices of the District.

DATED this 21st day of November 2016.

ATTEST:

President

Vice President

Secretary

Commissioner

Commissioner

Seal

RESOLUTION NO. _____

A RESOLUTION DECLARING BAUER
COMPRESSORS INC. OF NORFOLK, VA AS THE
SOLE SOURCE SUPPLIER OF A REDUNDANT
GOVERNOR AIR COMPRESSOR FOR ROCK ISLAND
POWERHOUSE 2

FACTUAL BACKGROUND AND REASONS FOR ACTION

District staff procured a Bauer Model B28.2 governor air compressor in 2008 via Bid No. 08-48 for use at Rock Island Powerhouse 2. District staff has determined through operational experience that this compressor is reliable and District wiremen and mechanics have the tools and training required to maintain the compressor. District staff has also determined that an additional compressor operating in tandem with the existing compressor is necessary for overall reliability of the Rock Island Powerhouse 2 governor air system. Therefore, a sole source procurement of a Bauer Model B28.2 governor air compressor is being requested so that the new compressor matches the existing compressor.

Pursuant to RCW 54.04.070 and 39.04.280, the District may, when there is clearly and legitimately a sole source of supply, waive the statutory competitive bidding requirements otherwise applicable to the purchase of equipment. Resolution No. 08-13325 requires that a declaration for sole source purchases over the statutory limits (\$60,000 per month) must come before the Commission for action.

District staff has determined that it would be in the best interest of the District to designate Bauer Compressors Inc. as the sole source supplier for a redundant governor air compressor for Rock Island Powerhouse 2 in an amount not to exceed \$112,484.00. Staff also recommends that the competitive bidding requirements of RCW 54.04.070 be waived.

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

ACTION

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

Section 1. The Commission declares Bauer Compressors Inc. to be the sole source supplier for a redundant governor air compressor for Rock Island Powerhouse 2.

Section 2. The competitive bidding requirements of RCW 54.04.070 are hereby waived due to the designation of Bauer Compressors Inc. as the sole source supplier for a redundant governor air compressor for Rock Island Powerhouse 2.

Section 3. The General Manager or his designee is authorized to enter into Contract No. 16-84 with Bauer Compressors Inc. for the purchase of a redundant governor air compressor for Rock Island Powerhouse 2 at a cost not to exceed \$112,484.00 without prior Commission approval. A copy of the contract will be on file in the offices of the District.

Dated this 21st day of November 2016.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

Seal
Contact: John Sagerser, Ext. 4984

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING THE EXECUTION OF FIELD WORK ORDER/CHANGE ORDER NOS. 5-01 AND 6-01 FOR SCHEDULE CHANGES AND PROCUREMENT OF ADDITIONAL TURBINE AND GENERATOR COMPONENTS FOR THE 5TH AND 6TH UNITS UNDER CONTRACT NO. 04-01 PART B FOR THE ROCK ISLAND B5-B10 REHABILITATION PROJECT WITH ANDRITZ HYDRO CORP

FACTUAL BACKGROUND AND REASONS FOR ACTION

The District adopted Resolution No. 05-12754 on August 15, 2005 which authorized the award of Bid No. 04-01 Rock Island Powerhouse 1 Units B5 through B10 Rehabilitation, Part B, to VA Tech Hydro USA, now Andritz Hydro Corp. (Contractor) of Charlotte, North Carolina. The contract originally provided that the six units be modernized between 2004 and 2012, including replacement of the generators, turbines, governor controls and exciters. The contract allows the District to order the work on each individual unit by issuing an Order to Proceed.

Resolution No. 05-12754 also authorized and directed the General Manager or his designee to issue the Order to Proceed and execute Field Work Order/Change Order (FWO/CO) No. 1 for one unit (B10) under the contract for unit rehabilitation.

The District adopted Resolution No. 09-13474 on June 15, 2009 which authorized and directed the General Manager or his designee to issue the Order to Proceed and execute Field Work Order/Change Order (FWO/CO) No. 2-01 for the second unit (B9) under the contract for unit rehabilitation.

In 2010, in response to economic conditions, the District decided to defer the rehabilitation of units B5 through B8 until the units began to experience failure or were declared unavailable due to operational concerns.

In May 2014, B6 was declared unavailable due to insufficient stator airgap.

In 2014, an in-depth economic analysis was performed, which resulted in staff recommending the District proceed with rehabilitation of units B5 through B8 using the existing 04-01 Part B contract with Andritz Hydro with a revised scope of work that included rehabilitation of the existing turbines instead of purchasing new turbines on three units and use of the new runner and wicket gates previously purchased to achieve a new turbine installation for the final unit.

On December 1, 2014, the District adopted Resolution No. 14-13922 which authorized and directed the General Manager or his designee to issue the Order to

Proceed and execute Field Work Order/Change Order (FWO/CO) No. 3-01 for the third unit (B6) under the contract for unit rehabilitation.

In fall of 2015, a review of the benefits of the B5-B8 rehabilitation was completed and it was identified there was additional value in installing new turbines not included in the 2014 analysis. The additional value was evaluated using the District values and strategic objectives and it was determined to be in the District's best interest to install new turbines instead of rehabilitating the existing turbines. This resulted in adoption of Resolution 15-14001 which authorized the General Manager or his designee to issue FWO/CO No. 4-01 for the Order to Proceed for the 4th Unit and procurement of turbine runners and wicket gates for the 5th and 6th Units.

The District adopted Resolution No. 16-16054 on June 20, 2016 which authorized and directed the General Manager or his designee to advertise Bid 16-60 for modernization of Units B1 to B4. Bid 16-60 includes a scheduled for B1 to B4 that causes a deferment of the installation of 5th and 6th Units of the 04-01B contract by up to 30 months.

Staff has analyzed the impacts of deferring the 5th and 6th Units and recommends the release of additional turbine and generator components in an amount not to exceed \$12.4 million even though the installation schedule may be deferred for up to 30 months. The benefits of this early procurement include: 1) maintaining contract rights for future installations, 2) a reduced cost for escalation of materials and equipment, 3) consistency and quality of supplied equipment, and 4) schedule flexibility.

The General Manager of the District concurs with staff's recommendation to execute FWO/CO 5-01 and 6-01 for a total price not to exceed \$12.4 million for Contractor to provide additional turbine and generator equipment for the 5th and 6th units.

ACTION

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

Section 1. The General Manager is hereby authorized to execute Field Work Order/Change Order Nos. 5-01 and 6-01 to Contract No. 04-01, Part B for a total price not to exceed \$12,400,000.

DATED this 21st day of November 2016.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

Seal

RESOLUTION NO. _____

A RESOLUTION REPLACING AND RESCINDING RESOLUTION NO. 15-13969 TO UPDATE THE DISTRICT'S INVESTMENT AND BANKING POLICY.

FACTUAL BACKGROUND AND REASONS FOR ACTION

The Commission of Public Utility District No. 1 of Chelan County, Washington (the "District"), adopted the District's Investment and Banking Policy (the "Policy") under Resolution No. 15-13969 on July 6, 2015.

From time to time, updates and changes must be made to the resolution, Policy and schedules to reflect updates in best practice, changes in business conditions, staffing and banking institutions.

District staff has reviewed the current resolution and recommends the noted Schedules be updated as follows;

Schedule No. 1 - Banking and Investment Policy. This schedule has been updated to modify authorized investments and reflect recent changes to RCW's and Washington State Investment Board policies concerning authorized investments.

Schedule No. 3 – Authorized Signators for Disbursement of Funds. This schedule has been update to reflect changes in staffing.

Schedule No. 4 - Authorized Signators for Issuance of Warrants. This schedule has been updated to reflect changes in responsibilities of District staff.

Schedule No. 6 - Authorized Initiators for Electronic Funds Transfers. This schedule has been updated to reflect changes in District staff and authorized transactions.

District staff recommends that it is in the best interest of the District to adopt the proposed changes to the Policy. The General Manager concurs with this recommendation.

ACTION

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

Section 1. Investment Policies. The Investment and Banking Policy (the “Policy”) set forth in attached Schedule No. 1 to this resolution is hereby approved, ratified and confirmed. The Policy is in support of the Financial Management section of the District’s Strategic Plan to develop policies to assure financial stability for the long term.

Section 2. Surety Bonds and Insurance. To the extent available at a reasonable cost, the official bond of the Treasurer of the District authorized to manage and disburse the funds of the District shall be \$250,000. The District will pay the costs and/or premiums for all official bonds, surety bonds or insurance policies required hereunder. In addition to the Treasurer, all other District employees shall be covered by a crime coverage insurance policy protecting the District against loss from employee theft, forgery and miscellaneous coverage with insurance limits, to the extent available at a reasonable cost, of not less than two million dollars.

Section 3. Designation of Banks. The District’s Treasurer recommends to the Commission, through this resolution, banks authorized to do business in the State of Washington and to act as depositories for District funds. Those banks identified in Schedule No. 2 attached hereto are hereby designated as authorized depositories of District funds. The Treasurer is authorized to establish and maintain the necessary accounts in said designated banks into which shall be deposited all District funds as provided in RCW 54.24.010. District monies shall be disbursed by banks only upon the order of the District Treasurer in the manner provided in Sections 4 and 7 hereof. All designated banks for District deposits on Schedule No. 2 are on the current Washington Public Deposit Protection Commission list of approved banks.

Section 4. Disbursement of Funds. The District employees designated in attached Schedule No. 3, under the direction of the Treasurer, shall jointly have withdrawal authority, on behalf of the District, by check, note, draft, bill of exchange, acceptance, wire transfer or other order for the payment of money when such instrument is signed on behalf of the District by the employees designated herein. The payment of money or the withdrawal of funds from District accounts shall be for the purchase of District warrants, for investments pursuant to District policy and for the payment of principal, interest and other related charges, if required, on District bonds, or for the transferring of funds between approved banks or for such other purposes as the Commission shall order.

Section 5. Issuance of Warrants. Any of the District employees designated in attached Schedule No. 4, under the direction of the Auditor, are authorized to issue and jointly sign District warrants for the payment of monies.

Section 6. Issuance of Workers’ Compensation Warrants. In addition to District personnel authorized in attached Schedule No. 4 to issue and jointly sign District warrants, the Third Party Administrator for the Self Insurance Program for Workers’ Compensation authorized by Resolution 96-10621, as may be amended, as

designated in attached Schedule No. 5, are authorized to issue and sign District warrants, drawn on a specified Workers' Compensation account, to pay authorized Workers' Compensation claims. The contract with the Third Party Administrator will be on file with the District's Workers' Compensation Administrator.

Section 7. Initiation of Electronic Funds Transfers. Any individual authorized in attached Schedule No. 6, in addition to those individuals authorized in attached Schedule No. 3, can initiate Electronic Fund Transfers (EFT) through the District's main banking institution to vendors approved by the Treasurer or designee.

Section 8. Authorizing Investment in the Local Government Investment Pool. Contributions and withdrawals of funds to the Local Government Investment Pool (LGIP) are authorized in attached Schedule No. 7. The Treasurer will provide transaction instructions and may designate other individuals to make contributions and withdrawals on behalf of the District until the LGIP is provided written notice that the Treasurer's delegation has been revoked. The Treasurer will provide the Board and any person authorized to make transactions with the LGIP's prospectus as provided by the Office of the State Treasurer.

Section 9. Suspension of Payment Authority. The Treasurer or Chief Financial Officer with approval of the General Manager of the District, or in the absence of the General Manager the acting General Manager, shall have the authority to withdraw or suspend the authority to issue warrants, checks or vouchers or otherwise control District funds by any District employee authorized under this resolution or any other District resolutions to issue warrants or withdraw monies from any bank account of the District or any other financial institution or invest monies or transfer of monies or pay any notes, bonds or interest, or pay any claims if such action is deemed to be in the best interest of the District. The Treasurer, Chief Financial Officer, or General Manager shall provide the Commission a report of any such action at the next regularly scheduled Commission meeting.

Section 10. Banking Changes. The Treasurer or Chief Financial Officer with approval of the General Manager, or in the absence of the General Manager the acting General Manager, upon determining after appropriate investigation, that District funds are at risk may remove all District funds and property from any designated bank and may transfer such funds, securities and monies to other designated banks approved by this Resolution as depositories for the District's monies. The Treasurer, Chief Financial Officer, or General Manager shall provide the Commission a report of any such action at the next regularly scheduled Commission meeting.

Section 11. Conflicts. To the extent this resolution, including the Schedules attached hereto, may now or hereafter contradict or conflict with the provisions of any existing or future bond resolution of the District regarding the investment or disposition of funds governed by said bond resolution, such bond resolution shall in

all respects control. Otherwise, this resolution shall control and supersede all other resolutions or motions heretofore adopted pertaining to the Policy.

Section 12. Schedule Amendments. Revisions and amendments to the Schedules attached hereto may be amended and/or supplemented by motion adopted by the Commission.

Section 13. Captions. The captions used in the sections of this resolution are solely for the purpose of ease of identification of subject matter.

Section 14. Resolution No. 15-13969, as amended, is hereby replaced and rescinded by this resolution.

Dated this 21st day of November 2016.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

S E A L

SCHEDULE NO. 1

PUBLIC UTILITY DISTRICT NO. 1
OF CHELAN COUNTY

INVESTMENT & BANKING POLICY

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Revised November 2016

PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY
INVESTMENT AND BANKING POLICY

1.0 Policy:

It is the policy of Public Utility District No. 1 of Chelan County, “the District”, to invest public funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow demands on the District and conforming to all Washington statutes governing the investment of public funds.

2.0 Scope:

This Policy applies to all cash and financial securities of the District. These funds are accounted for in the District's Annual Report and include:

Revenue Funds
Bond Funds
Construction Funds
Reserve Funds
Other Special Funds

Money in various funds may be combined for investment purposes. Specific records shall be maintained identifying the ownership of the original funds and any resultant interest earnings.

3.0 Standards of Care:

The Treasurer and employees designated under Section 5 hereof shall perform their investment duties in a manner consistent with this Policy and the standard of a prudent investor dealing with public funds, in light of the purposes, terms, requirements and other circumstances then prevailing as to the assets entrusted to them.

The authorized employees shall act with undivided loyalty and impartiality; incur only costs which are reasonable in amount and which are appropriate to their investment responsibilities; and shall seek to minimize costs whenever they deem it prudent to do so. The authorized employees shall be relieved of personal responsibility for credit and market risks encountered in the performance of their investment duties, provided they are acting in accordance with this Policy and exercising due diligence. Due diligence requires timely reporting of material deviation from expectations and such other actions necessary to control adverse

developments as may be possible, taking into consideration both the circumstance then prevailing and the other provisions of this Policy.

Given the legal list of authorized investments and other restrictions contained in the Policy, all authorized employees shall be deemed to have met any requirement for diversification so long as they are in compliance with this Policy.

4.0 Investment Objectives:

The primary objectives, in priority order, of the District's investment activities shall be:

- 4.1 Safety: Safety of principal is the foremost objective of the District. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- 4.2 Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.
- 4.3 Maturity: To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. And, as a general rule, the District's investments are purchased with the objective of holding the security until maturity. However, the District may sell investments early to meet unexpected cash flow needs, mitigate risk associated with a security type or issuer, or to capture increased yield when appropriate.
- 4.4 Return on Investment: The District's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the District's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 Delegation of Authority:

The District Treasurer is an officer of the District as appointed by the Commission. The Treasurer is responsible for the efficient management of the District's funds and investments. Written procedures for the operation of the investment program shall be maintained and periodically reviewed. Such procedures shall include explicit

delegation of authority to persons responsible for investment transactions, including all Treasury staff designated in Schedule 3 of this Policy or a special designee. No person may engage in an investment transaction except as provided for under the terms of this Policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. All oral directions concerning the purchase or sale of securities shall be confirmed in writing.

6.0 Ethics and Conflicts of Interest:

Authorized employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such employees shall disclose to the Board of Commissioners any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District's portfolio.

7.0 Authorized Financial Dealers and Institutions:

The Treasurer or designee will maintain a list of financial institutions and brokers/dealers authorized to provide investment services to the District. Financial institutions must be approved by the Washington Public Deposit Protection Commission (RCW 39.58). Broker/dealers include primary dealers recognized by the Federal Reserve Bank or non-primary dealers qualified under U.S. Securities & Exchange Commission Rule 15C3-1, the Uniform Net Capital rule, and a member of the Financial Industry Regulatory Authority (FINRA).

All District funds shall be deposited in a qualified public depository in the State of Washington, in accordance with RCW 39.58, except for such funds which have been authorized by District resolutions to be deposited in other such authorized and designated depositories. The Commission, by resolution, shall designate or delegate such designation of such qualified public depository banks.

Prior to the acceptance of any firm seeking to conduct business with the District, the Treasurer or designee shall review the credit-worthiness and financial strength of the firm. This shall be accomplished by using credit rating agencies when available and by reviewing the financial statements. For qualified public depositories, the capital assets, earnings, and liquidity shall be evaluated to determine financial strength. For broker/dealers, a review of the broker report from FINRA and a review of the broker's net capital position shall fulfill this requirement. A copy of the District's investment policies shall be reviewed by any broker/dealer seeking to conduct business with the District, and verification of such review shall be evidenced by the

execution of an initial affidavit filed with the District before transactions can be initiated. An affidavit shall also be executed when a new representative of the broker/dealer is permanently assigned to the District.

An annual review of all firms actively conducting business with the District within the scope of this Policy shall be documented, including a review of the current annual financial statement or other equivalent information, and an updated FINRA broker report shall be kept on file and reviewed for each active broker/dealer.

8.0 Authorized Investments:

The following types of securities are authorized under this Policy, all of which are consistent with the District's conservative risk approach and in which municipal corporations in Washington State, including the District, are authorized by statute RCW 39.58, 39.59, 43.84.080 and 43.250, as amended, to invest.

- 8.1 Savings or time deposits, including insured or collateralized certificates of deposit, with qualified public depositories in the State of Washington as defined in RCW 39.58. Confirmation of a Certificate of Deposit in the District's name, and a confirmation of funds transfer, will be held by the Treasurer's office.
- 8.2 Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States (i.e., Government National Mortgage Association).
- 8.3 Federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system. (These include but are not limited to Federal Home Loan Bank notes and bonds, Federal Land Bank bonds, Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.)
- 8.4 Bankers' Acceptances (BA's) purchased on the secondary market with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the bankers' acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations. Maturities of BA's shall be limited to 180 days or less. Bankers' Acceptances cannot be executed with the District's Custodial Bank(s).

- 8.5 Commercial Paper purchased on the secondary market and having received the highest short-term credit rating of any two Nationally Recognized Statistical Ratings Organizations, at the time of purchase. If the commercial paper is rated by more than two NRSROs, it must have the highest rating from all of the organizations. Maturities of Commercial Paper shall not exceed 270 days. Commercial Paper cannot be purchased with the District's Custodial Bank(s). Any commercial paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase in one of the two highest rating categories of an NRSRO. The percentage of commercial paper that may be purchased from any single issuer is 3% of the assets of the total portfolio.
- 8.6 Repurchase Agreements that comply with statutory requirements are documented by a Public Securities Association (PSA) or a similar Master Repurchase Agreement signed by the financial institution, are fully collateralized at a 102% margin with United States Treasury and Federal Agency Securities only, and are delivered to an independent third party custodian designated by the District. Repurchase agreements cannot be executed with the District's Custodial Bank(s). Only credit-worthy financial institutions shall be qualified to enter into a Repurchase Agreement with the District. No more than \$10,000,000 shall be invested in repurchase agreements with any one financial institution without prior Commission approval with the exception of investing reserve and construction fund bond proceeds. The seller shall only be entitled to substitute securities as provided in the Repurchase Agreement and shall value the collateral to market on a weekly basis. Should the weekly evaluation of the collateral reveal that the margin has dropped below 1%, the Treasurer or designee shall immediately contact the seller to request additional collateral in order to return the margin to 2%. Normal repurchase agreements shall be for periods of 30 days or less. Flexible repurchase agreements used to invest bond funds may be for longer periods as specified in the bid agreement. Any variations to the repurchase document shall be discussed in an annex and shall be signed by all parties to the agreement.
- 8.7 The State Investment Pool, governed by RCW 43.250, is a Local Government Investment Pool in the Washington State Treasury created for the deposit of money of a political subdivision for purposes of investment by the State Treasurer. The District Treasurer is authorized to execute forms required to enter into and maintain an agreement with the Local Government Investment Pool. Further, pursuant to Section 5, the District employees designated in Schedule No. 3 shall be authorized to

order the deposit or withdrawal of monies in the Local Government Investment Pool.

- 8.8 Bonds of the State of Washington and any local government in the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency. If only a short-term rating is given on a particular bond, then the rating at the time of investment must be the highest short-term credit rating of a nationally recognized rating agency in addition to the underlying issuer having a long-term rating of one of the three highest credit ratings of a nationally recognized rating agency.
- 8.9 General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency. If only a short-term rating is given on a particular bond, then the rating at the time of investment must be the highest short-term credit rating of a nationally recognized rating agency in addition to the underlying issuer having a long-term rating of one of the three highest credit ratings of a nationally recognized rating agency.
- 8.10 Any other investment permitted under the laws of the State of Washington as amended from time to time, reviewed and presented for Board approval.

As a standard practice, the District shall use a competitive bid or market-based comparison process. In competitive bid processes, broker/dealers will compete for investment transactions. However, it is recognized that this may not be reasonable or practicable for every investment decision. In market-based comparison processes, offered securities will be evaluated based on their comparative value to similar duration US Treasury securities. The District Treasurer, or authorized employees performing the investment duty, shall have discretion when choosing an investment to purchase, subject to the requirements of this Policy. All investment purchases will be documented. All securities must be delivered in accordance with Section 10.0 of this Policy, with confirmation of purchase provided by the financial institution or broker/dealer in a timely manner.

9.0 Credit Review:

Credit ratings set forth in this Policy are minimum ratings required at the time of initial investment activity. Ratings will be monitored regularly by the District's Credit Risk Manager, and a downgrade below the minimum initial rating level shall not require an automatic sale of that security. When such a downgrade does occur,

the Treasurer will evaluate the situation to determine the proper course of action. The Treasurer will notify the Chief Financial Officer of the downgrade and resulting recommended action.

10.0 Safekeeping and Custody:

All security transactions, including collateral for repurchase agreements, entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Treasurer, except for locally purchased Certificates of Deposit which confirmation of such shall be held by the Treasurer's office. Any such custodian shall be either a qualified public depository in the State of Washington, with the exception of certain third party custodians holding collateral for repurchase agreements from bond proceed investments or for any such non-qualified public depository, they shall be a reputable, nationally recognized, financial institution with substantial experience providing custody services. All safekeeping and custody financial institutions shall be designated by the Board of Commissioners by resolution.

11.0 Diversification:

The District will diversify its investments by security type and institution. Investments should not exceed the following limits of the total daily portfolio balance at amortized cost at the time of purchase:

<u>Investment Type</u>	<u>Limits</u>	
	<u>Portfolio</u>	<u>Issuer</u>
U.S. Treasury Securities	100%	100%
State LGIP	25%	N/A
Government Sponsored Agencies	75%	25%
Bankers Acceptances	30%	\$5 MM
Commercial Paper	25%	3%
Certificates of Deposit	40%	15%
Municipal Bonds	30%	5%
Bank Accounts	75%	20%

The aggregate amount for Commercial Paper and Bankers' Acceptances will not exceed 35% of the portfolio. Funds held in Banks listed on Schedule 2 will not, at the time of deposit, exceed the total net worth of the specific depository as reported in

the most recent copy of the Washington Public Deposit Protection Commission Quarterly Report. The aggregate amount of Bank Accounts and Certificates of Deposit will not exceed 75% of portfolio or 20% per issuer.

Should the Portfolio limit or the Issuer limit be exceeded, the Treasurer shall promptly notify the CFO of such deviation. Deviations above Issuer limits due to securities delivered under the terms of Forward Purchase and Sale Agreements shall only require monitoring. For all other deviations, the CFO shall determine what action, if any, may be required that is in the best interest of the District. Any Portfolio limit deviation that exists at the end of any calendar quarter shall be reported to the Board in accordance with Section 17.0. Such reporting shall include the cause(s) of the deviation and actions taken to mitigate or monitor the deviation.

12.0 Maturities:

To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District generally will not directly invest in securities maturing more than five years from the date of purchase or as designated in specific bond resolutions. However, the District may collateralize its repurchase agreements using longer dated investments. Reserve funds may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. District funds may be invested in variable rate securities with a final maturity of longer than five years, so long as the time period between rate changes is less than five years.

13.0 Risk, Risk Profile and Mitigation:

The basic objectives of this Policy as outlined in Section 4 are:

1. Safety of invested funds
2. Liquidity sufficient to meet cash flow needs on an ongoing basis
3. Choosing maturities that coincide with cash flow needs and generally holding securities to maturity.
4. Earning a market rate of return while meeting safety, liquidity, and maturity requirements.

Interest Rate Risk is defined as the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial Credit Risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Concentration of

Credit Risk is the risk of loss attributed to the magnitude of investment held by a single issuer. Foreign Currency Risk is the risk of decrease in an investment's value based on fluctuations in exchange rates between the US Dollar and investments held in foreign denominations.

As part of risk evaluation, the District will analyze and mitigate the portfolio's exposure to the following five risk factors: Credit Risk, Custodial Credit Risk, Credit Concentration Risk, Interest Rate Risk and Foreign Currency Risk as follows:

Credit Risk will be mitigated by:

- 1) Limiting investments with those issuers or counterparties authorized by Statute.
- 2) Prequalifying financial institutions and brokers authorized to transact with the District as described in Section 7.
- 3) Diversifying the portfolio so failure of any one issue or backer will not place undue financial burden on the District.

Custodial Credit Risk will be mitigated by:

- 1) Requiring that securities purchased are held by a master custodian or other entity legally allowed to act as an independent third party on behalf of the District within that entity's trust department.
- 2) Requiring that securities utilized in repurchase agreements are subject to additional restrictions for collateralization as described in Section 8.6.
- 3) Providing, as requested, for independent confirmation of these investments and compliance with custodial agreements as part of the District's annual audit process.

Credit Concentration Risk will be mitigated by:

- 1) Monitoring the portfolio to assure that the District limits investments by type and issuer as prescribed in Section 11, Diversification.
- 2) Disclosing, by amount and issuer, investments that represent 5% or more of the total investment portfolio.

Interest Rate Risk will be mitigated by:

- 1) Maintaining sufficient balances in cash and other short term investments as changing interest rates have limited impact on these securities' prices.
- 2) Maintaining an asset/liability management process that is consistent with the cash flows of the District.

Foreign Currency Risk will be mitigated by:

- 1) Monitoring transactions to make sure that exchange risks associated with foreign currency fluctuations are minimized, both

from the number and aggregate dollar amount standpoint in relationship to the total portfolio value.

- 2) Establishing and maintaining policies that address reimbursement of fees or other expenses associated with any foreign currency transactions that may occur.

Foreign Currency Risk is not currently a risk factor for the District.

In addition, as required under Governmental Accounting Standards Board Statement #40, the District will monitor and disclose, as necessary, the credit impact of participation in the State's Local Government Investment Pool or other such funds. It will also calculate and disclose any deposits or investments that are not insured and not collateralized, or that are collateralized with securities that are not in the District's name, if necessary. Interest rate risk will be disclosed utilizing one of the five prescribed methods. Such information will be provided for inclusion into the footnote disclosure for each Annual Report.

14.0 Internal Control:

The Treasurer shall maintain and periodically review a system of internal controls, documented in writing and provided for review by the independent auditors. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the District.

15.0 Performance Standards:

The District's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the District's investment risk constraints and cash flow needs.

15.1 Market Yield: The basis used by the Treasurer to determine whether market yields are being achieved shall be the three-month U.S. Treasury Bill yield. It is reasonable to expect that average earnings above or below this yield may occur during times of rapidly changing interest rates, depending on cash flow needs and the average maturity of the District's entire portfolio compared to the three-month Treasury Bill.

16.0 Written Contracts:

Written contracts are required for banking services, custodial services, investment agreements, and repurchase agreements.

17.0 Reporting:

The Treasurer's Office shall prepare and submit to the Commission a Quarterly Investment Report within 60 days of the end of each of the four quarters of the fiscal year.

18.0 Investment Policy Adoption:

The District's Investment & Banking Policy shall be adopted by resolution of the Board of Commissioners. The Policy shall be reviewed on an annual basis by the Treasurer's Office and any modifications made thereto must be approved by the Commission by resolution or motion. The provisions of these Investment & Banking Policies and any amendments hereto shall take effect prospectively, and shall not invalidate the prior selection of any qualified public depository or prior investment.

19. Definitions

ACCRUED INTEREST: The interest accumulated on a bond since issue date or the last coupon payment. The buyer of the bond pays the market price and accrued interest, which is payable to the seller.

AGENCIES: See Federal Agency Securities.

AMORTIZATION: In portfolio accounting, periodic charges made against interest income on premium bonds in anticipation of receipt of par value at maturity.

ASKED: The price at which securities are offered.

AVERAGE MATURITY: A weighted average of the expiration dates for a portfolio of debt securities.

BANK ACCOUNTS: A savings account, checking account or similar account at qualified public depositories. Demand deposit accounts, negotiable order of withdrawal (NOW) accounts, and automatic transfer service (ATS) accounts are examples of bank accounts.

BANKERS' ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution Guarantees payment of the bill, as well as the issuer.

BASIS POINT: A measure of an interest rate, i.e., 1/100 of 1 percent, or 0.0001.

BID: The price at which securities are sold. (When you are selling securities, you ask for a bid.) See Asked and Offer.

BOND: Any agreement which may or may not be represented by a physical instrument, including but not limited to bonds, notes, warrants, or certificates of indebtedness, that evidences an obligation under which the issuer agrees to pay a specified amount of money, with or without interest, at a designated time or times either to registered owners or bearers.

BOOK VALUE: The amount at which an asset is carried on the books of the owner. The book value of an asset does not necessarily have a significant relationship to market value.

BROKER: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; the broker does not position.

CALL PROVISION: A provision in a bond contract that gives the issuer the right to pay off the bonds under specified terms prior to the stated maturity date.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure payment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER: An unsecured promissory note, generally issued by corporations and foreign governments, with a fixed maturity of no more than 270 days. Commercial paper is normally sold at a discount from face value.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

CREDIT-WORTHY: A level of status achieved by being financially sound enough to justify the extension of credit. Determined by credit rating agencies and by examination of financial statements.

CUSTODIAN: An independent third party (usually bank or trust company) that holds securities in safekeeping as an agent for the investor. See Safekeeping.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for the dealer's own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt (also called free). Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to or derived from the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DEBENTURE: A bond secured only by the general credit of the issuer.

DISCOUNT: The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

ELECTRONIC FUNDS TRANSFER (EFT): Any transfer of funds that is initiated through an electronic terminal, telephone, computer, or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit a customer's account. This includes Automated Clearing House (ACH) EFTs.

FEDERAL AGENCY SECURITIES: Interest bearing debt securities of U.S. departments and agencies that lend directly to qualified borrowers or guarantee loans made by private lenders. Some agency securities are backed by the full faith and credit of the U.S. government, while others are backed only by the issuer.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve Board through open-market operations.

FEDERAL OPEN MARKET COMMITTEE (FOMC): The FOMC is a committee within the Federal Reserve System that makes key decisions about interest rates and the growth of the United States money supply.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington,

D.C., 12 Regional Banks and nearly 40% of commercial banks that are members of the system.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing & Urban Development, H.U.D. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FORWARD PURCHASE AND SALE AGREEMENT (FPSA): A contract that provides for the delivery of specific types of securities on specified future dates at fixed yields.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. The security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by Farmers Home Administration, Veterans Association, or FMHM mortgages. The term pass-through is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between parties to repurchase-reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often

specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MUNICIPAL BONDS: Debt issued by a state or local government or municipality as authorized by RCW 39.59.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

PAR VALUE: The nominal or face value of a debt security; that is, the value at maturity.

PORTFOLIO: Collection of securities held by an investor.

PREMIUM: The amount by which a bond sells above its par value.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks, and a few unregulated firms.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for

protection, or in the case of book entry securities, are held and recorded in the customer's name and are inaccessible to anyone else.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SEC RULE 15C3-1: See uniform net capital rule.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt and backed by the full faith and credit of the federal government. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon bearing U.S. Treasury securities having initial maturities of more than ten years.

TREASURY NOTES: Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years.

TREASURY SECURITIES: Securities sold to finance the federal government, which include treasury bills, bonds and notes. They are a large, actively traded, and liquid market, which is considered to be free of credit risk.

VARIABLE RATE BONDS: Securities which have a coupon interest rate that changes at a set interval of time, generally tied to a financial index such as LIBOR or SIFMA.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

UNIFORM NET CAPITAL RULE: Securities & Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

SCHEDULE NO. 2

DESIGNATED BANKS FOR DISTRICT DEPOSITS

Bank of America, N.A.

Banner Bank

Cashmere Valley Bank

KeyBank National Association

Umpqua Bank

U.S. Bank National Association

Washington Trust Bank

Wells Fargo Bank, N.A.

Any institution on the current Washington Public Deposit Protection Commission list of approved banks.

DESIGNATED BANKS FOR CUSTODY AND SAFEKEEPING

The Bank of New York Mellon Trust Company, N.A.

MUFG Union Bank, N.A.

U.S. Bank National Association

Wells Fargo Bank, N.A.

November 2016

SCHEDULE NO. 3

AUTHORIZED SIGNATORS FOR DISBURSEMENT OF FUNDS

Sarah Hale

Heather Irelan

Maria Kieninger

Debra Litchfield

November 2016

SCHEDULE NO. 4

AUTHORIZED SIGNATORS FOR ISSUANCE OF WARRANTS

Matt Boles

Gene Cenotto

Loretta Coonfield

Stacey Jagla

Katie Marshall

November 2016

SCHEDULE NO. 5

**AUTHORIZED SIGNATORS FOR ISSUANCE OF WORKERS'
COMPENSATION CLAIM WARRANTS**

The following persons, so long as they are current employees of CorVel Corporation, the Third Party Administrator for the District's Self Insurance Program:

Monica Medalia

Richard Schweppe

November 2016

SCHEDULE NO. 6

AUTHORIZED INITIATORS FOR ELECTRONIC FUNDS TRANSFERS

All individuals listed under Schedule No. 3 of this Policy.

The following are only authorized to initiate transfers that are payroll related:

Kathy Cowin

Jennifer Dixon

Beverly Freeman

Tracey Pettit

The following are only authorized to initiate transfers that are for state and federal payments:

Gene Cenotto

Loretta Coonfield

Jodi Martin

Melia Mayer

Amy Smith

November 2016

SCHEDULE NO. 7

**AUTHORIZING INVESTMENT OF PUBLIC UTILITY DISTRICT NO. 1 OF
CHELAN COUNTY, WASHINGTON MONIES IN THE LOCAL
GOVERNMENT INVESTMENT POOL**

WHEREAS, pursuant to Chapter 294, Laws of 1986, the Legislature created a trust fund to be known as the public funds investment account (commonly referred to as the Local Government Investment Pool (LGIP)) for the contribution and withdrawal of money by an authorized governmental entity for purposes of investment by the Office of the State Treasurer; and

WHEREAS, from time to time it may be advantageous to the authorized governmental entity, Public Utility District No. 1 of Chelan County, Washington, the “governmental entity”, to contribute funds available for investment in the LGIP; and

WHEREAS, the investment strategy for the LGIP is set forth in its policies and procedures; and

WHEREAS, any contributions or withdrawals to or from the LGIP made on behalf of the governmental entity shall be first duly authorized by the Board of Commissioners, the “governing body” or any designee of the governing body pursuant to this resolution, or a subsequent resolution; and

WHEREAS the governmental entity will cause to be filed a certified copy of said resolution with the Office of the State Treasurer; and

WHEREAS the governing body and any designee appointed by the governing body with authority to contribute or withdraw funds of the governmental entity has received and read a copy of the prospectus and understands the risks and limitations of investing in the LGIP; and

WHEREAS, the governing body attests by the signature of its members that it is duly authorized and empowered to enter into this agreement, to direct the contribution or withdrawal of governmental entity monies, and to delegate certain authority to make adjustments to the incorporated transactional forms, to the individuals designated herein.

NOW THEREFORE, BE IT RESOLVED that the governing body does hereby authorize the contribution and withdrawal of governmental entity monies in the LGIP in the manner prescribed by law, rule, and prospectus.

BE IT FURTHER RESOLVED that the governing body has approved the Local Government Investment Pool Transaction Authorization Form (Form) as

completed by its Treasurer and incorporates said form into this resolution by reference and does hereby attest to its accuracy.

BE IT FURTHER RESOLVED that the governmental entity designates its Treasurer, the “authorized individual” to authorize all amendments, changes, or alterations to the Form or any other documentation including the designation of other individuals to make contributions and withdrawals on behalf of the governmental entity.

BE IT FURTHER RESOLVED that this delegation ends upon the written notice, by any method set forth in the prospectus, of the governing body that the authorized individual has been terminated or that his or her delegation has been revoked. The Office of the State Treasurer will rely solely on the governing body to provide notice of such revocation and is entitled to rely on the authorized individual’s instructions until such time as said notice has been provided.

BE IT FURTHER RESOLVED that the Form as incorporated into this resolution or hereafter amended by delegated authority, or any other documentation signed or otherwise approved by the authorized individual shall remain in effect after revocation of the authorized individual’s delegated authority, except to the extent that the authorized individual whose delegation has been terminated shall not be permitted to make further withdrawals or contributions to the LGIP on behalf of the governmental entity. No amendments, changes, or alterations shall be made to the Form or any other documentation until the entity passes a new resolution naming a new authorized individual; and

BE IT FURTHER RESOLVED that the governing body acknowledges that it has received, read, and understood the prospectus as provided by the Office of the State Treasurer. In addition, the governing body agrees that a copy of the prospectus will be provided to any person delegated or otherwise authorized to make contributions or withdrawals into or out of the LGIP and that said individuals will be required to read the prospectus prior to making any withdrawals or contributions or any further withdrawals or contributions if authorizations are already in place.

RESOLUTION NO. _____

A RESOLUTION AMENDING RESOLUTION NO. 11-13682 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A SERVICES AGREEMENT (SA NO. 11-157) WITH OKANAGAN NATION AQUATIC ENTERPRISES LTD. AND PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY FOR SOCKEYE HATCHERY COMPENSATION RELATED TO THE ROCKY REACH AND ROCK ISLAND HYDROELECTRIC PROJECTS AND RATIFYING OPERATIONS, MAINTENANCE, MONITORING AND EVALUATION EXPENDITURES TO DATE

FACTUAL BACKGROUND AND REASONS FOR ACTION

Public Utility District No. 1 of Chelan County, Washington (“District”) is obligated to provide hatchery compensation for unavoidable project mortality related to the Rocky Reach and Rock Island hydroelectric projects under the Habitat Conservation Plans (“HCPs”) associated with each project.

The Commission approved Resolution No. 11-13682 on October 17, 2011, the effect of which was to authorize the General Manager of the District to enter into a Services Agreement with Okanagan Nation Aquatic Enterprises Ltd. and Public Utility District No. 2 of Grant County to fund and implement the ONAE Program through October 31, 2060 subject to termination language within the Agreement (e.g., the District can terminate at will with prior notice).

Specifically, Agreement provides (1) funding for the continuation of monitoring and evaluation services provided by ONAE and first authorized by the Board on August 15, 2005 (Resolution 05-12749), and (2) funding for the design, construction, operation and maintenance of a new hatchery facility by ONAE as contemplated in, and subject to the terms and conditions of, the Agreement. The hatchery facility was completed September 2014 and the ONAE has been operating the facility as contemplated by the Agreement since completion of construction. Pursuant to the Agreement, the District and Grant PUD co-fund the ONAE Program with Grant PUD and the District cost-sharing the design and construction of the hatchery infrastructure and equipment at 55% and 45%, respectively; and cost sharing the annual operation, maintenance and monitoring and evaluation (“Annual Operations and Maintenance”) of the program at 66% by Grant PUD and 34% by the District.

A recent internal review of the program identified a potential ambiguity in the language and intent of Resolution No. 11-13682 related to the approval of Annual

Operations and Maintenance budgets. Staff seeks to clarify and confirm the appropriate process for approval of the Annual Operations and Maintenance budgets.

Staff's intention as reflected in the Action section of Resolution No. 11-13682 was that future expenditures made pursuant to the approved Agreement, including Annual Operations and Maintenance costs would be included in and approved by the Board as a part of the District's annual budget. This is how the District's other hatchery annual operations and maintenance budgets are set. During review, staff noted the following language in the Factual Background and Reasons for Action section of Resolution No. 11-13682 "Future annual operations, maintenance, monitoring and evaluation budgets would require Commission approval." Although this language does not appear in the Action section of Resolution No. 11-13682, this language could imply that a level of Board approval above and beyond the annual budget approval process was contemplated.

To remove the potential ambiguity, staff seeks confirmation that Annual Operations and Maintenance budgets under the Agreement should be approved as part of the District's annual budget process and not by separate Board action annually. Staff also seeks ratification of the amounts spent pursuant to the Agreement. All expenditures under the Agreement have been approved as part of the District's budget.

The Agreement outlines a robust development, review and approval process for each Annual Operations and Maintenance budget which is completed annually by ONAE, Grant PUD and the District. Staff intends to follow that process.

District staff's recommendation is that the District's interests are appropriately protected by following the process for approval outlined in the Agreement and approving expenditures consistent with the Agreement as part of the Commission's approval and adoption of the District's annual budget. Staff seeks Commission confirmation of this approach and ratification of amounts spent pursuant to the Agreement.

The General Manager of the District has reviewed 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. All future expenditures pursuant to this Agreement will be included in the District's annual budgets and approved by the Commission as part of the annual budget approval and adoption. Staff shall adhere to the Annual Operations and Maintenance approval processes outlined in the Agreement. All Annual Operations and Maintenance expenditures approved in the District's budget and made pursuant to the

Agreement to date are hereby ratified and approved by the Commission. A copy of the Agreement is on file in the offices of the District.

DATED this 21st day of November 2017.

President

ATTEST:

Vice President

Secretary

Commissioner

Commissioner

Seal