

MINUTES OF REGULAR MEETING OF THE COMMISSION  
OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON

May 1, 2017

The regular meeting of the Commission of Public Utility District No. 1 of Chelan County, Washington, was held in the office of the District, 327 North Wenatchee Avenue, Wenatchee, Washington, on May 1, 2017, at the hour of 10:00 a.m., pursuant to proper notice thereof.

Commissioners present were Randy Smith, Garry Arseneault, Ann Congdon and Steve McKenna. Dennis Bolz was excused. In attendance were General Manager Steve Wright, General Counsel Erik Wahlquist and Clerk of the Board Sheila Salmon.

Various Staff were also in attendance.

Others in attendance: Carl and Carolyn Glosinger, Don and Noreen Summers, Robin Vogel, Corky Thoresen, N. McDaniels, Wendy Isenhardt, and John Dryer.

Pam Wilson, Business Analyst, led the Pledge of Allegiance and provided a safety minute.

President Randy Smith presented the Agenda for approval. Resolutions 14 and 15 were moved to the consent agenda. The agenda was approved as revised.

Continuation of Alcoa Discussions –Kelly Boyd, Chief Financial and Risk Officer and Michael Padgett, Alcoa Vice President of Energy and Carbon Strategy presented the update. (See [www.chelanpud.org](http://www.chelanpud.org) for the update presentation.)

CFO/CRO Boyd read into the record the frequently asked questions:

Why not just hold Alcoa to the terms of the agreement it signed? Alcoa has advised us that paying the \$67 million due in June of this year would likely lead to a decision to shut the plant permanently.

Does the contract restrict Alcoa to using PUD power only for their operations? The power is restricted only to smelting operations at the Wenatchee Works.

If Alcoa decides to close the Wenatchee Works Plant permanently, what happens to the contract and the power that is allocated to the plant? The Alcoa contract continues in force until 2028 even if the deferred payments are made in full and the plant is idle. While idle, the power is sold on Alcoa's behalf and the proceeds are used to offset their monthly power costs.

Michael Padgett, Alcoa senior vice president for energy, updated the board on the company's positive earnings for the first quarter of 2017. Kelley Woodard, Wenatchee Aluminum Trades Council president, thanked PUD commissioners for the District's support over the years of continued plant operations. His goal is to get the plant restarted and get members back to work.

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Staff recommended to renegotiate the Alcoa contract for a one-year deferral of contract payment terms for a \$7,325,000 payment from Alcoa which represents one-year increment of Shutdown Settlement amount of \$4,538,552 and \$2.8 million additional for value of delay. Commissioners considered a resolution in the afternoon session.

Underground vs. Overhead Transmission – Steve Wickel, Transmission Engineering Manager, presented the update. (see [www.chelanpud.org](http://www.chelanpud.org) for the presentation) Commissioners heard a related report on putting transmission lines underground. Analysis found that putting high-voltage lines underground protects views and can protect lines from weather and fire, but that installation costs can be double the cost of overhead (depending on terrain), maintenance costs more and expected life is about half the 80 years of overhead lines.

North Shore Chelan Substation Property Planning Update – Chad Rissman, Director of District Asset Management presented the update. (See [www.chelanpud.org](http://www.chelanpud.org) for the presentation) PUD staff and the community group are going back to assess earlier areas closer to the “load center” to determine if there is a suitable location. Staff is talking with property owners in the area. A community meeting is being planned for late May to report on preliminary findings and gather comments on a preferred alternative.

The meeting recessed at 12:30 p.m., and reconvened at 1:30 p.m. following a 15-minute executive session to consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price, as authorized by RCW 42.30.110(1)(b). No votes were taken and no decisions were made.

President Smith removed the Legislative Update and Strategy Partners Update from the agenda and added the following resolution to the Regular Agenda:

A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO PURCHASE A  
3.01 ACRE OF LAND LOCATED ADJACENT TO THE CHUMSTICK HIGHWAY  
FROM JOHN AND WENDY FISHBURNE

President Smith presented the consent agenda which consisted of the minutes of the March 30, 2017 special meeting (board workshop) and regular meeting April 17, 2017.

The Auditor’s memorandum dated April 25, 2017 supporting documentation and District’s Computer Report, which certify, pursuant to RCW 42.24.080, that the District received certain goods, services and other considerations specified therein and describes as follows were presented for approval:

Accounts Payable Summary Report dated April 25, 2017:

1. Vouchers totaling \$12,646,949.17;

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2. Approval of Customer Deposit Returns and Conservation Incentive payments for the period April 12, 2017 through April 25, 2017 in the amount of \$8,197.96;
3. Approval of the net Payrolls, Warrant Nos. 235160 through 235186 and Advice Nos. 632166 through 632925 for the pay period ending 4/16/2017 in the amount of \$1,824,206.98; and
4. Approval of Warrant Nos. 23340 through 23389 totaling \$14,366.68 for claim payments from the workers' compensation self-insurance fund for the period ending April 24, 2017.

RESOLUTION NO. 17-14131 REJECTING THE BID OF ANIXTER INC, AND WESCO DISTRIBUTION, INC. AND ACCEPTING THE BID OF ELECTRIC RESEARCH & MANUFACTURING COOPERATIVE OF DYERSBURG, TENNESSEE (BID 16-93) FOR THE SUPPLY OF OVERHEAD AND UNDERGROUND TRANSFORMERS

RESOLUTION NO. 17-14132 RATIFYING FIELD WORK ORDER/CHANGE ORDER NO. 1, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER SOLE SOURCE CONTRACT NO. 16-61 WITH ADS, LLC OF BEDFORD, MA AND AUTHORIZING PAYMENT OF RETAINAGE

A motion was made by Commissioner McKenna, seconded by Commissioner Arseneault and passed adopting the Consent Agenda, consisting of the minutes of the March 30, 2017 special meeting (board workshop) and regular meeting April 17, 2017, the above listed vouchers and Resolution Nos. 17-14131 and 17-14132, which are on file in the offices of the District.

Commissioners considered the following resolutions:

RESOLUTION NO. 17-14130 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO EXECUTE AMENDMENT FOUR TO THE POWER SALES AGREEMENT; AND AMENDMENT THREE TO THE COLLATERAL DEPOSIT AGREEMENT WITH ALCOA CORPORATION AND ALCOA POWER GENERATING INC.

A motion was made by Commissioner McKenna, seconded by Commissioner Arseneault and carried approving Resolution No. 17-14130, which is on file in the offices of the District.

RESOLUTION NO. 17-14133 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A SERVICES AGREEMENT (SA NO. 16-169) WITH SEARCH TECHNOLOGIES CORPORATION OF HERNDON, VA FOR ENTERPRISE SEARCH DEVELOPMENT SERVICE

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RESOLUTION NO. 17-14134 RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 1-01 THROUGH 1-04, 2-01, 3-01, 3-02, 4-01 AND 4-02, AND APPROVING FIELD WORK ORDER/CHANGE ORDER NO. 3-03 TO CONTRACT NO. 15-23 WITH ALSTOM POWER INC. FOR ROCKY REACH UNITS C-8 THROUGH C-11 STATOR WINDING REPLACEMENT

RESOLUTION NO. 17-14135 AUTHORIZING THE GENERAL MANAGER TO PURCHASE A 3.01 ACRE OF LAND LOCATED ADJACENT TO THE CHUMSTICK HIGHWAY FROM JOHN AND WENDY FISHBURNE

A motion was made by Commissioner McKenna, seconded by Commissioner Congdon and carried approving Resolution Nos. 17-14133, 17-14134 and 17-14135, which are on file in the offices of the District.

AMI Update – Moved to the May 15, 2017 regular meeting. General Manager Steve Wright read into the record a statement by Robin Castle. She says I believe and hope that PUD, a publicly owned energy company, first responsibility is the health and safety of its people and environment. Research that is not compromised by bias of energy customers that have proven that adversely affected by microwave frequency. (the entire statement can be heard at [www.chelanpud.org](http://www.chelanpud.org) meeting audio at 2 hours 47 minutes) Manager Wright staff is collecting comments.

1<sup>st</sup> Quarter 2017 District Performance Plan Status Update – Staff reported on items that are yellow and red. (See [www.chelanpud.org](http://www.chelanpud.org) for the presentation)

Lisa Sanders, Administrative Assistant, confirmed with Commissioners future travel plans.

General Manager Steve Wright followed-up on Delegation of Action Items from Previous Board Meeting.

President Smith convened an executive session at 2:30 p.m. following a 5-minute break 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) and to consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price, as authorized by RCW 42.30.110(1)(b). for approximately 1 hour.

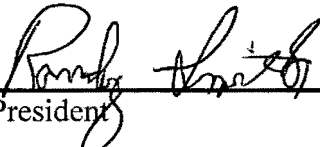
Reconvening the meeting into regular session at 3:15 p.m., President Smith stated no actions and no votes were taken.

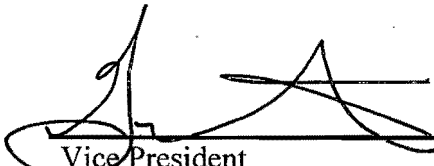
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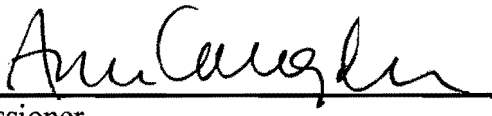
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There being no other business, the meeting adjourned at 3:15 p.m.

  
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President

  
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Vice President

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Secretary

  
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Commissioner

  
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Commissioner