

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

May 15, 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 15, 2017, at the hour of 10:00 a.m., pursuant to proper notice thereof.

Commissioners present were Randy Smith, Garry Arseneault, Dennis Bolz and Steve McKenna. Ann Congdon attended via phone. 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: Dave Bernstein, Mike McComas, Christine Pratt, Robin Vogel, Corky Thoresen, Don & Noreen Summers, Michael Gibb and Mike Cooney.

Justin Fletcher, Civil Engineer, led the Pledge of Allegiance and provided a safety minute.

Commissioners welcomed Commissioner Bolz back after an extended absence.

President Randy Smith presented the Agenda for approval. Resolutions 13, 17, 19, and 20 were moved to the consent agenda. The agenda was approved as revised.

Advanced Two-way Metering – Commissioners reviewed the conversations held so far with customer-owners and the community on advanced two-way digital metering. (See www.chelanpud.org for the presentation) Andrew Wendell, Customer Service Director, said PUD staff has talked with more than 400 people at 18 meetings countywide to provide information and answer questions about potential use of the meters. Information also was mailed to more than 33,000 customer-owners and emailed to more than 32,000 customers. Response has been mostly supportive of the new technology. Wendell said. Customers see value in the ability to monitor their power use, faster response to power outages and reduce PUD operating costs and cutting its carbon footprint. During the community meetings, staff also heard from customers opposed to the technology citing health, data and network security and fire risk concerns. Director Wendell responded to the concerns, noting those customers strongly support an opt-out policy. Commissioners will be asked for a decision on proceeding with plans for the new meters at the June 5, 2017 regular meeting.

Pole Attachments – Katie Marshal, Pole Attachment Program Manager presented the Pole Attachment Program Update. (See www.chelanpud.org for the presentation) The District has over 26,000 pole attachments from eight attaching entities and regulates pole attachments through license agreements. Rescind two outdated pole attachments resolution, update pole attachments standards, establish new pole attachment license agreement that incorporates the standards, hold

MINUTES OF REGULAR MEETING OF THE COMMISSION

May 15, 2017

Page 2

workshops to explain and introduce update standards. Targeted implementation date is June 1, 2018.

1st Quarter 2017 Energy Resources Update - Heard that net wholesale revenue from power sales is about \$2 million ahead of budget. (See www.chelanpud.org for the presentation) Janet Jaspers, Energy Planning and Trading manager, reported the forecast for Columbia River flow through July is 128 percent of average.

1st Quarter 2017 Financial Review and Investment Report - Higher electric revenue due to colder weather combined with lower costs than expected resulted in positive bottom line results that are \$6.5 million better than budget for the first quarter of 2017, Chelan PUD commissioners heard Monday. (See www.chelanpud.org for the presentation) Based on first-quarter results, Kelly Boyd, chief financial/risk officer said the District is forecasting to finish the year with positive bottom line results of \$93.5 million, about \$8 million better than budget. That's while it continues to invest in valuable assets such as modernizing hydro units and to reduce debt by an additional \$52 million this year. Looking ahead, the district is on track to achieve the debt ratio target of less than 35 percent by 2019, as well as all other financial objectives, Boyd reported. She noted, however, that long-term, bottom line results are forecast to decline to about \$44 million a year by 2021 as market prices for power are moving lower. Reserves are forecasted to be lower, but still strong, as cash is used to reduce debt and to pay for major projects, she said. Boyd recommended staying the course on the District's strategic priorities of: Reinvesting in core assets and people; Reducing debt; and Continuing the Public Power Benefit program as funds allow.

1st Quarter 2017 Major Projects, Contracts and Projects Revisions Update (See www.chelanpud.org for the presentation) David Nelson, Generation and Transmission Business Advisor, presented the update.

The meeting recessed at 12:05 p.m., and reconvened at 1:00 p.m.

Chelan and Leavenworth Substations Update - Heard that staff continues to narrow the search for a new substation site on the north shore of Lake Chelan to areas near the load center and north of the Chelan-Wapato transmission line. (See www.chelanpud.org for the presentation) For the Leavenworth location, endorsed making the preferred alternative a recently acquired property along Chumstick Highway.

Public Power Benefit – Felicity Saberhagen, Business Advisor and Micah Lenderman Management analyst presented the Public Power Benefit Update. PUD commissioners also reviewed the Public Power Benefit program that uses revenue that is already earned and available after all District financial metrics have been met for projects to enhance the quality of life in Chelan County. (See www.chelanpud.org for the presentation) Based on 2016's strong financial results, staff recommends continuing the program with \$4 million for 2018 projects, but not expanding it

MINUTES OF REGULAR MEETING OF THE COMMISSION

May 15, 2017

Page 3

given forecasts for the long-term decline in the bottom line. Commissioners will be asked for a funding decision and direction on projects at the June 5, 2017 board meeting.

President Smith presented the consent agenda which consisted of the minutes of the May 1, 2017 and May 2, 2017 Strategy Partners special meeting.

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 \$15,602,809.03;
2. Approval of Customer Deposit Returns and Conservation Incentive payments for the period April 26, 2017 through May 9, 2017 in the amount of \$28,132.03.
3. Approval of the net Payrolls, Warrant Nos. 235187 through 235214 and Advice Nos. 632926 through 633678 for the pay period ending 4/30/2017 in the amount of \$1,818,567.82; and
4. Approval of Warrant Nos. 23390 through 23437 totaling \$15,790.94 for claim payments from the workers' compensation self-insurance fund for the period ending May 8, 2017.
5. Charge-Offs to Uncollectible Accounts over \$1,000.00 for March 2017 - \$1,099.41

RESOLUTION NO. 17-14136 RESCINDING RESOLUTION NOS. 99-11331 AND 01-11854 RELATING TO POLE ATTACHMENT RATES AND CONDITIONS

RESOLUTION NO. 17-14140 AUTHORIZING AMENDMENT NO. 2 TO SERVICES AGREEMENT (SA NO. 16-099) WITH ANCHOR QEA, LLC TO PROVIDE PERMITTING ASSISTANCE

RESOLUTION NO. 17-14142 AUTHORIZING AMENDMENT NO. 4 TO SERVICES AGREEMENT (SA NO. 13-082) WITH PYTHIAN GROUP, INC TO PROVIDE SQL SERVER SUPPORT

RESOLUTION NO. 17-14143 APPROVING A NEW INTERLOCAL COOPERATIVE PURCHASING AGREEMENT (SA NO. 17-082) BETWEEN THE DISTRICT AND NATIONAL COOPERATIVE PURCHASING ALLIANCE

MINUTES OF REGULAR MEETING OF THE COMMISSION

May 15, 2017

Page 4

(NCPA) FOR THE PURCHASE OF GOODS

A motion was made by Commissioner Arseneault, seconded by Commissioner McKenna and passed adopting the Consent Agenda, consisting of the minutes of the regular May 1, 2017 and the May 2, 2017 special meeting (Strategy Partners), the above listed vouchers and Resolution Nos. 17-14136, 17-14140, 17-17142 and 17-14143, which are on file in the offices of the District.

Commissioners considered the following resolutions:

RESOLUTION NO. 17-14136 RESCINDING RESOLUTION NOS. 99-11331 AND 01-11854 RELATING TO POLE ATTACHMENT RATES AND CONDITIONS

RESOLUTION NO. 17-14137 AUTHORIZING THE GENERAL MANAGER OR DESIGNEE TO PURCHASE OR SELL NON-POWER ATTRIBUTES THAT ARE TRACKED IN AN INDEPENDENT ENERGY TRACKING SYSTEM AND EXECUTE ALL NECESSARY DOCUMENTS

RESOLUTION NO. 17-14138 AUTHORIZING EXECUTION OF FIELD WORK ORDER/CHANGE ORDER NO. 1 TO CONTRACT NO. 16-60 WITH ANDRITZ HYDRO CORP. OF CHARLOTTE, NC TO SUPPLY ONE ADDITIONAL SET OF HEAD GATES

RESOLUTION NO. 17-14139 RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 1-01 THROUGH 1-18 AND 2-01 THROUGH 2-03, AND APPROVING FIELD WORK ORDER/CHANGE ORDER NO. 2-04 TO CONTRACT NO. 14-22 WITH VOITH HYDRO, INC. FOR ROCK REACH UNITS C-8 THROUGH C-11 TURBINE REPAIRS

RESOLUTION NO. 17-14141 AUTHORIZING AMENDMENT NO. 2 TO SERVICES AGREEMENT TASK AUTHORIZATION (SA-TA NO. 15-151) WITH TCF ARCHITECTURE, PLLC, TO PROVIDE PROFESSIONAL ARCHITECTURAL AND ENGINEERING SERVICES RELATED TO STRATEGIC FACILITY PLANNING

A motion was made by Commissioner Bolz, seconded by Commissioner McKenna and carried approving Resolution Nos. 17-14136 through 17-14139, and Resolution No. 17-14141 which are on file in the offices of the District.

A motion was made by Commissioner Arseneault, seconded by Commissioner Bolz and carried to Appoint the Facility and Lands Manager to serve as Chelan County PUD's representative on the Confluence Technology Center (CTC) Condominium Association Board and authorize said individual to be a signatory on the CTC operating accounts in accordance

MINUTES OF REGULAR MEETING OF THE COMMISSION

May 15, 2017

Page 5


with the CTC Condominium Declaration, as amended. In the absence of the Facility and Lands Manager, the Director of Shared Services or the District Services Business Advisory will serve as alternate representation for the District and be authorized signatories for CTC operating accounts.

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

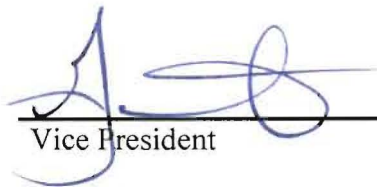
President Smith convened an executive session at 2:30 p.m. following a 5-minute break to discuss with legal counsel agency enforcement actions, litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i) 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). and to review performance of a public employee, as authorized by RCW 42.30.110(1)(g), for approximately 1.5 hours.

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

There being no other business, the meeting adjourned at 3:55 p.m.



President



Vice President



Secretary



Commissioner



Commissioner