

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

October 16, 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 October 16, 2017, at the hour of 10:00 a.m., pursuant to proper notice thereof.

Commissioners present were Randy Smith, Garry Arseneault, Dennis Bolz, Ann Congdon (by phone) and Steve McKenna. In attendance were General Manager Steve Wright, General Counsel Erik Wahlquist and Acting Clerk of the Board Teresa Boushay.

Various Staff were in attendance.

Others in attendance: Mike Irwin, Wenatchee World, and Susan Albert.

Doug Lewis, Customer Relations Coordinator, led the Pledge of Allegiance and provided a safety minute on Teen Driving Safety Week.

President Smith presented the Agenda for approval. Resolutions 11, 12, 13 and 15 were moved to the consent agenda. The agenda was approved as revised.

Quarterly Board Balanced Scorecard Update – Commissioners gave updates on their balanced scorecard items.

2018 Budget Targets and Major Assumptions – (See www.chelanpud.org for the presentation). Craig Kunz, Strategic Financial Planning Senior Analyst, and Debra Vaughn, Strategic Planning Financial Analyst, gave Board members an overview including key assumptions for the spending plan as well as the timeline for public discussion of the 2018 budget proposal. The District expects to end 2017 with strong positive results and to achieve financial targets through 2022. Priorities for 2018 include investing in:

- Hydro project repairs and upgrades
- Systems to provide customers better information
- Electric system improvements to meet growth in existing and new loads

Water and Wastewater Update – (See www.chelanpud.org for the presentation).

Ron Slabaugh, Water/Waste Water Manager, gave an update on PUD plans to replace the aging Upper Skyline Reservoir, continue study of a second regional water source, and improvements finished at the Lake Wenatchee wastewater treatment plant.

Energy Sales Diversification – (See www.chelanpud.org for the presentation).

Andrew Grassell, Development/Conservation Manager, reviewed benefits and risks of large load diversification. The PUD will assist in developing an inventory of properties and their attributes for interested companies. This will leverage work already being done by the Port of Chelan County.

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Orondo River Park – (See www.chelanpud.org for the presentation).

Received a request from Lisa Parks, Port of Douglas County Executive Director, for the PUD to take full ownership, along with operating and maintenance responsibility for Orondo River Park in Douglas County on the Columbia River just north of the community of Orondo. The park, built by the Port in 1972, has been a PUD recreation site since 1976 under terms of its license to operate Rocky Reach Dam and encompasses both Port and PUD property. Jeff Smith, Managing Director of District Services, clarified that the PUD's obligation in relation to the Rocky Reach Dam license continues through 2058. Michelle Smith, Hydro Licensing and Compliance Director, indicated the PUD is evaluating alternatives for the park's future.

Long Range Facilities Plan – (See www.chelanpud.org for the presentation).

Dan Frazier, Director of Shared Services Division, and Randy Cook, Architect at TCF Architecture, presented refinements to the strategic facilities plan and staff recommendations to move ahead with the detailed design plans at Rock Island and Rocky Reach dams; and begin a comprehensive outreach effort to engage the community about the planned development of a consolidated administrative and operations facility in the North Wenatchee area – replacing the current downtown headquarters and Hawley Street facilities. Dan Frazier went on to report that further analysis shows a status quo approach of reactive maintenance, including remodeling existing buildings and leasing space for growth, offers less value at more cost over 50 years than building new facilities at one time or phasing the projects.

Steve Wright, General Manager, informed the Board that Pacific Northwest National Lab has offered to give a presentation in Chelan County on development of electric vehicles. That will occur on November 1 at 5:00 and the PUD will cosponsor that event at the CTC.

The meeting recessed at 11:59 a.m. and reconvened at 1:02 p.m.

President Smith presented the revised consent agenda, which consisted of the minutes of October 2, 2017 Regular Meeting.

The Auditor's memorandum dated October 11, 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 October 11, 2017:

1. Vouchers totaling \$5,894,360.84;
2. Approval of Customer Deposit Returns and Conservation Incentive payments for the period September 27, 2017 through October 10, 2017 in the amount of \$21,087.07.
3. Approval of the net Payrolls, Warrant Nos. 235561 through 235588 and Advice Nos.

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641350 through 642112 for the pay period ending 10/01/2017 in the amount of \$1,890,960.69; and

4. Approval of Warrant Nos. 23789 through 23791 totaling \$2,514.40 for claim payments from the workers' compensation self-insurance fund for the period ending October 9, 2017.

RESOLUTION 17-14180 APPROVING BIDDING DOCUMENTS FOR 2018-2019 DISTRICT TREE TRIMMING AND AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT

RESOLUTION 17-14181 AUTHORIZING FINAL ACCEPTANCE OF PERFORMANCE UNDER BID NO. 16-23 WITH OSMOSE UTILITIES SERVICES, INC. OF PEACHTREE CITY, GEORGIA AND AUTHORIZING RELEASE OF THE BOND IN LIEU OF RETAINAGE

RESOLUTION 17-14182 REJECTING ALL BIDS AND DECLARING THAT NO BIDS WERE RECEIVED FOR CHELAN HYDRO 11KV BREAKER REPLACEMENT (BID NO. 17-56) AND AUTHORIZING THE CHELAN HYDRO 11KV BREAKER REPLACEMENT BE OBTAINED BY NEGOTIATION

RESOLUTION 17-14184 APPROVING AN EXCHANGE AGREEMENT AND AUTHORIZING THE GENERAL MANAGER AND/OR HIS DESIGNEE TO EXECUTE A BOUNDARY LINE ADJUSTMENT AND RELATED QUIT CLAIM DEED TO RESOLVE A MINOR BUILDING ENCROACHMENT ON THE SOUTH WENATCHEE RESERVOIR SITE

A motion was made by Commissioner McKenna, seconded by Commissioner Bolz and passed adopting the Consent Agenda, consisting of the minutes of the October 2, 2017 meeting and the above listed vouchers and resolutions.

Commissioners considered the following resolution, following a verbal report by David Lodge, District's project manager, and Bob Shane, director – networks operations. Based on the 10-year length of the service agreement, staff was able to secure a 30% pricing discount.

RESOLUTION 17-14183 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A SERVICES AGREEMENT (SA NO. 17-157) WITH ALCATEL-LUCENT USA, INC. OF NEW JERSEY FOR MICROWAVE SUPPORT SERVICES

A motion was made by Commissioner Arseneault, seconded by Commissioner Bolz and passed to adopt Resolution No. 17-14183, which is on file in the office of the District.

John Goodwill, District Project Manager, and Tim Pettitt, Line Operations Manager, showed pictures of work recently completed at Slide Ridge on the Lake Chelan south shore, to supply

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power to communications sites. The transmission lines previously in place were lost in the 2015 First Creek wildfire.

Heather Irelan, Treasury Analyst Lead, updated the Board on settlements received through settlement of a class action lawsuit around municipal bond derivatives. The District received over \$500k as a result of this settlement and does not expect any further payments from this settlement.

Gary Rice, Project Manager, and Teka Sellers, Customer Outreach Specialist, provided an update on the Bavarian Substation. Staff has recommended option #3, which was overwhelmingly supported through public feedback. Staff will proceed with a conditional use permit process to secure this option.

Under Commissioner's items, Commissioners Arseneault and Smith will be in Olympia on October 18, 2017 for the WPUDA Budget Committee Meeting. Steve Wright has been nominated by the Commissioners to serve on the American Public Power Association Board, with elections being held early next year.

Special Meetings

A motion was made by Commissioner McKenna, seconded by Commissioner Bolz and passed setting a special meeting on October 24, 2017 from 6-8 p.m. at the Chelan Fire Hall, 232 Wapato, Chelan, WA for the purpose of Chelan Substation public meeting.

A motion was made by Commissioner Arseneault, seconded by Commissioner Bolz and passed setting a special meeting for November 7, 2017 at 1:00 p.m. at the Chelan County PUD HQ Board Room, 327 N Wenatchee Ave, Wenatchee, WA for the purpose of holding a Tri-Commission meeting.

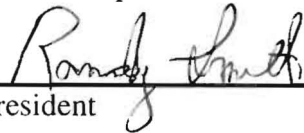
General Manager Steve Wright followed-up on Delegation of Action Items from Previous Board Meetings.

President Smith convened an executive session at approximately 1:45 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), to conduct collective bargaining sessions with employee organizations, including contract negotiations, grievance meetings and discussions relating to the interpretation or application of a labor agreement, as authorized by RCW 42.30.140(4)(a) and to consider matters affecting national security; and To consider, if in compliance with any required data security breach disclosure under RCW 19.255.010 and 42.56.590, and with legal counsel available, information regarding the infrastructure and security of computer and telecommunications networks, security and service recovery plans, security risk assessments and security test results to the extent that they identify specific system vulnerabilities, and other information that if made public may increase the risk to the confidentiality, integrity, or

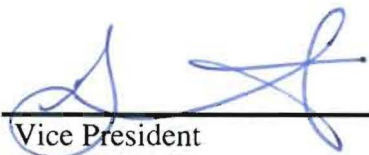
availability of agency security or to information technology infrastructure or assets, as authorized by RCW 42.30.110(1)(a)(i) and (ii).

Reconvening the meeting into regular session at approximately 3:45 p.m., President Smith stated no actions and no votes were taken.

There being no other business, the meeting adjourned at 3:45 p.m.



President



Vice President



Secretary



Commissioner



Commissioner