

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

June 20, 2016

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 June 20, 2016, at the hour of 10:00 a.m., pursuant to proper notice thereof.

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

Others in attendance: Jacob Bickford, Steve McKenna, Daryn Klinginsmith, Lauren Mietiehash, S. Cooper, Christine Pratt (Wenatchee World).

Keith Truscott, Director of Natural Resources, led the Pledge of Allegiance and provided a safety minute.

President Smith presented the Agenda for approval. The agenda was approved as written.

Substation Siting Community Engagement Update - Teka Parks, Customer Services Administrator, provided an update on Substation Siting – Community Engagement. (See www.chelanpud.org for the presentation). A community meeting was held in Chelan on May 24, 2016 to gather customer feedback on proposed substation sites. The Leavenworth community meeting is planned to be held on June 28, 2016 to gather customer feedback on three proposed sites in each area. Staff plans to present site proposals for Board consideration by the end of 2016.

Rock Island Powerhouse 1 B1 – B4 Modernization –Hydro Director Dan Garrison, Engineering Project Manager Brett Bickford and Enterprise Risk Manager Mark Mullins presented the Rock Island Powerhouse 1, B1-B4 Unit Modernization Hydro Work Schedule Analysis. (See www.chelanpud.org for the presentation.) Staff reported numerous attempts to repair turbine blade cracks found in B2 were unsuccessful. Early in 2016 staff took an extensive look into repair alternatives after cracks were discovered on B1, B3 and B4. All four units are currently out of service until they can be rehabilitated. This prompted a review of hydro project outages and works schedules. Current planned work in addition to B1-B4 work will require additional workforce. Commissioners will consider a resolution during the 1:00 p.m. business session to set up a \$60 million capital project with \$350,000 in work to be done this year, put the hiring for the 10 positions in motion and to approve the schedule changes.

Long Term Debt Philosophy 2016 - 2027 – Heather Ireland, lead Treasury Analyst, presented long term planning strategies. (See www.chelanpud.org for the presentation) The long term planning strategies presented were to: Maintain liquidity balance > \$175M or policy minimum; Target debt leverage < 35% by 2019 and remain below 35% thereafter; Manage to lowest net interest (interest expense less interest income), refinancing opportunities continually monitored; Execute planned accelerated reductions through 2019 as long as liquidity allows; Plan “pay-as-you-go” renewal/replacement capital as long as liquidity allows; Consider debt financing for

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modernization/expansion capital, when needed; Borrow for long-term sustainability, not temporary challenges; Plan debt financings in 2 to 3-year intervals for cost-efficiency; and Tool box includes slowing cost growth, delaying discretionary capital, modest electric rate increases over time, etc. Commissioners affirmed the philosophy and strategies.

The meeting recessed at 11:58 a.m. to reconvene at 1:00 p.m.

Public Hearing - 2016 Integrated Resource Plan & Resolution – General Counsel Erik Wahlquist convened the public hearing. Becky Keating, Energy Trading Senior Analyst, presented the 2016 Integrated Resource Plan for Board approval. The 2016 Integrated Resource Plan (IRP) outlines the sources of power needed to supply PUD customers through 2026. It describes the mix of resources from generation, conservation and efficiency and new renewable energy that will meet current and projected needs at the lowest reasonable cost and risk to the utility and its customer-owners. (See www.chelnpu.org for the final draft load growth forecast charts presented.)

RESOLUTION NO. 16-14050 APPROVING THE DISTRICT'S 2016 INTEGRATED RESOURCE PLAN

A motion was made by Commissioner Bolz, seconded by Commissioner Congdon and passed approving Resolution No. 16-14050, which is on file in the offices of the District.

Public Hearing – High Density Load – General Counsel Erik Wahlquist reconvened the public hearing. President Smith asked Commissioners if they had any follow-up questions from the presentation given at the public hearing held on June 6, 2016. Commissioners did not have questions. President Smith asked for public comment. No public comment was given. Attorney Wahlquist reported a staff report will be provided to the Commission in advance of the next public hearing. President Smith recessed the hearing to reconvene on July 5, 2016 at 1:00 p.m.

President Smith presented the consent agenda for approval.

The Auditor's memorandum dated June 14, 2016 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:

1. Vouchers totaling \$9,603,498.57;
2. Approval of Customer Deposit Returns and Conservation Incentive payments dated June 14, 2016 in the amount of \$35,750.82;
3. Approval of the net Payrolls, Warrant Nos. 234381 through 234412 and Advice Nos. 615418 through 616141 for the pay period ending 05/29/2016 in the amount of \$1,701,243.78; and

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4. Approval of Warrant Nos. 22413 through 22446 totaling \$5,713.92 for claim payments from the workers' compensation self-insurance fund for the period ending June 13, 2016.

A motion was made by Commissioner Congdon, seconded by Commissioner Arseneault and passed adopting the Consent Agenda, minutes of the June 6, 2016 and the above listed vouchers, which are on file in the offices of the District.

Ron Gibbs, Insurance and Claims Manager, presented the District Policy Renewal for 2016 – 2017 for Board approval. (See www.chelanpud.org for the presentation.) Manager Gibbs presented the following motion for consideration:

Commission authorizes expenditures by the District not to exceed \$2,245,000 plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2016-2017 policies upon terms and conditions approved by the General Manager.

A motion was made by Commissioner Congdon, seconded by Commissioner Bolz and passed to approve expenditures by the District not to exceed \$2,245,000 plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2016-2017 policies upon terms and conditions approved by the General Manager.

General Manager Steve Wright presented the following resolutions for consideration:

RESOLUTION NO. 16-14051 RATIFYING FIELD WORK ORDER/CHANGE ORDER NOS. 1 AND 2, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 15-04 WITH HALME BUILDERS, INC. OF DAVENPORT, WA AND AUTHORIZING RELEASE OF THE BOND IN LIEU OF RETAINAGE

RESOLUTION NO. 16-14052 RATIFYING FIELD WORK ORDER/CHANGE ORDER NO. 1, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 15-69 WITH NEPEL ELECTRICAL & CONTROLS, LLC OF MOSES LAKE, WA AND AUTHORIZING PAYMENT OF RETAINAGE

RESOLUTION NO. 16-14053 SELECTING AND AUTHORIZING IMPLEMENTATION OF THE 2016 AND 2017 PUBLIC POWER BENEFIT PROGRAM OPTIONS AND RELATED BUDGET ITEM

RESOLUTION NO. 16-14054 RESOLUTION ESTABLISHING A NEW CAPITAL PROJECT FOR 2016 FOR ROCK ISLAND POWERHOUSE 1 B4 MODERNIZATION, APPROVING DEVELOPMENT OF PROJECT SPECIFICATIONS AND PROPOSED BID DOCUMENTS, AND APPROVING PROPOSED WORK FORCE CHANGES

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A motion was made by Commissioner Congdon, seconded by Commissioner Bergren and passed to adopt Resolution Nos.16-14051 through 16-14054, which are on file in the office of the District.

Commissioners reported on various meetings each attended the weeks of June 6, 2016 and June 13, 2016.

A motion was made by Commissioner Bergren, seconded by Commission Arseneault and passed to set a special meeting June 28, 2016, at 6:00 p.m. at Leavenworth City Hall located at 700 US-2, Leavenworth, WA for the purpose of discussing the proposed Leavenworth substation sites.

A motion was made by Commissioner Arseneault, seconded by Commissioner Bergren and passed on a spilt vote to move forward with a camping pass pilot study to use five sites at Beebe Bridge Park in 2017 as a Public Power Benefit. Commissioners Congdon and Smith voted no.

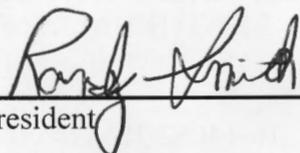
President Smith convened an Executive Session at 2:00 p.m. to discuss with legal counsel agency enforcement actions, litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i). He said he anticipated reconvening into regular session at 2:45 p.m.

Reconvening at 2:44 p.m., President Smith stated that no action was taken.

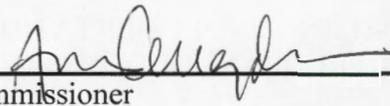
There being no other business, the meeting adjourned at 2:45 p.m.



Vice President

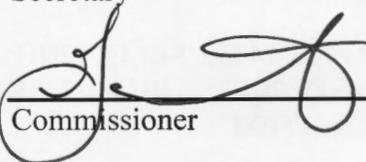


President



Commissioner

Secretary



Commissioner