

RESOLUTION NO. 08-13410

A RESOLUTION ESTABLISHING PROCEDURES
FOR THE FORMATION OF LOCAL UTILITY
DISTRICTS AND RESCINDING AND
SUPERSEDING RESOLUTION NO. 05-12815

FACTUAL BACKGROUND AND REASONS FOR ACTION

The District is authorized by statute to establish local utility districts for distribution of water for domestic use, irrigation, and electric energy, and for providing sewer systems and street lighting, all in accordance with law.

The Commission is authorized by RCW 54.16.130 to establish the method of procedure in all matters relating to local utility districts. The Commission desires to provide and set forth a procedure to be followed in the formation of local utility districts.

On June 19, 1995, the Commission adopted Resolution No. 95-10198 which established the method of procedure for the formation of local utility districts. On December 19, 2005, the Commission adopted Resolution No. 05-12815 which rescinded and superseded Resolution No. 95-10198.

The District's staff has suggested changes to the local utility district procedure to modify the current procedures. All changes are contained in this Resolution.

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. Resolution No. 05-12815 is hereby rescinded and superseded.

Section 2. Local Utility Districts Initiated by Resolution. The Commission, whether or not it has received a petition, may initiate a local improvement to be paid for in whole or in part by levy and collection of assessments as follows:

- (a) The Commission may by resolution declare its intention to order an improvement and form a local utility district. The resolution shall (1) set forth the nature and territorial extent of the improvement, (2) state that actual assessments may vary from assessment estimates so long as they do not exceed a figure equal to the increased true and fair value

the improvement adds to the property, and (3) set a time and place of hearing at which all persons who object thereto may appear and present their objections.

- (b) Notice of the hearing on the formation of the local utility district shall be published in a legal newspaper of general circulation in Chelan County, Washington, approved pursuant to the provisions of Chapter 65.16 RCW, giving not less than two weeks' notice prior to date of hearing.
- (c) Notice of the hearing shall be given by mail, at least fifteen (15) calendar days before the hearing to the owners or reputed owners of all property specially benefited by the proposed improvement, as shown on the rolls of the County Assessor, directed to the address shown thereon.
- (d) Notice of any special meeting at which a hearing related to the formation of a local utility district is to be held shall be given pursuant to the applicable statutes.
- (e) If any land within the boundaries of the proposed improvement is owned by the State of Washington, notice shall be provided pursuant to RCW 79.44.040.
- (f) All notices shall contain a statement that actual assessments may vary from assessment estimates so long as they do not exceed a figure equal to the increased true and fair value the improvement adds to the property. In the event that it is proposed that a local utility district finance sanitary sewers or potable water facilities, additional notice of the public hearing shall be given pursuant to RCW 54.16.145.
- (g) If the area to be included within the boundaries of the local utility district includes designated forest land or agricultural land designated for current use classification, notice of the creation of the local utility district shall be filed with the County Assessor and the legislative authority of the county in which such land is located, pursuant to RCW 84.33.210 and RCW 84.34.320. Such land shall be exempt from special benefit assessments or charges in lieu of assessment for such purposes as long as that land remains in such classification. Provided, however, that if the land is withdrawn or removed from such classification or if such land is actually connected to the domestic water system or sewerage facilities, such land may be subject to assessment pursuant to the provisions of RCW 84.33 et seq. and 84.34 et seq.

- (h) The Commission may set such further hearings and proceedings as the Commission, in its sole discretion, deems necessary or appropriate.
- (i) The Commission may thereafter adopt a resolution creating such local utility district and order such improvement.
- (j) In proposing and forming a local utility district under this Section the Commission shall consider the following in addition to any other factor that the Commission deems appropriate:
 - 1. Whether there is an expression of support for a feasibility study from a number of landowners in the proposed local utility district,
 - 2. Whether monetary support is available for a feasibility study,
 - 3. Whether the project is financially and economically feasible,
 - 4. Whether there are reasonable assurances that a large number of landowners will support the project after a determination of feasibility has been made.
- (k) In the event a local utility district is ordered, the special assessment provisions set forth in Section 3(n) through (x) shall be followed.
- (l) In proposing and forming a local utility district, the Commission may, at its option, follow the additional procedures set forth in Chapter 35.51 RCW for the purposes permitted in the Chapter.

Section 3. Local Utility District Initiated by Petition of Majority of Landowners. The following steps shall be taken when a petition in the form prescribed by law and signed by a majority of the landowners in a proposed local improvements district is filed with the Commission asking for the formation of a local utility district. No person shall withdraw his or her name from the petition after the same has been filed with the Commission.

- (a) It shall be determined to the satisfaction of the Commission that the petition has been signed by a majority of the landowners in the proposed local utility district.
- (b) The Commission shall set the time and place for a hearing on said petition.
- (c) Notice of the hearing shall be published in a legal newspaper of general circulation in Chelan County, Washington, approved pursuant to the provisions of Chapter 65.16 RCW, giving not less than two (2) weeks' notice prior to date of hearing.
- (d) Notice of the hearing shall be given by mail, at least fifteen (15) days before the hearing to the owners or reputed owners of all property

specially benefited by the proposed improvement, as shown on the rolls of the County Assessor, directed to the address shown thereon. Notices shall be substantially in the form set forth in Exhibit A attached hereto, and shall comply with the provisions of Chapter 54.16 RCW. For purposes of said notice, the legal description of the properties and the separate tracts, lots and parcels thereof may be described in the same or substantially similar manner as they are described on the rolls of the County Assessor.

- (e) Notice of any special meeting at which a hearing related to the formation of a local utility district is to be held shall be given pursuant to the applicable statutes.
- (f) If any land within the boundaries of the proposed improvement is owned by the State of Washington, notice shall be provided pursuant to RCW 79.44.040.
- (g) All notices shall contain a statement that actual assessments may vary from assessment estimates so long as they do not exceed a figure equal to the increased true and fair value the improvement adds to the property. In the event that it is proposed that a local utility district finance sanitary sewers or potable water facilities, additional notice of the public hearing shall be given pursuant to RCW 54.16.145.
- (h) If the area to be included within the boundaries of the local utility district includes designated forest land or agricultural land designated for current use classification, notice of the creation of the local utility district shall be filed with the County Assessor and the legislative authority of the county in which such land is located, pursuant to RCW 84.33.210 and RCW 84.34.320. Such land shall be exempt from special benefit assessments or charges in lieu of assessment for such purposes as long as that land remains in such classification. Provided, however, that if the land is withdrawn or removed from such classification or if such land is actually connected to the domestic water system or sewerage facilities, such land may be subject to assessment pursuant to the provisions of RCW 84.33 et seq. And 84.34 et seq.
- (i) The Commission may set such further hearings and proceedings as the Commission, in its sole discretion, deems necessary or appropriate
- (j) The Commission may thereafter take such action as it deems appropriate, including having estimates made of the cost and expense of the proposed improvement and studies as to its financial and economic feasibility; provided, however, that the Commission may require as a condition to ordering the improvement or to making its

determination as to financial and economic feasibility that all or a portion of such engineering, legal or other costs incurred or to be incurred by the Commission in determining financial and economic feasibility shall be borne or guaranteed by the petitioners of the proposed local utility district under such rules as the Commission may adopt.

- (k) Petitions protesting the formation of a local utility district must be in writing signed by the protesting petitioners and filed with the Clerk of the Board prior to twelve o'clock noon of the day set for the hearing; no late filing shall be considered.
- (l) The Commission shall make a determination as to the financial and economic feasibility of the proposed improvement prior to ordering the proposed improvement. In determining whether the proposed improvement is financially and economically feasible, the Commission may require, as a condition for approval of a local utility district, that a substantial number of landowners connect with the new system when established. In the event the Commission finds that the proposed improvement does not appear to the satisfaction of the Commission to be financially and economically feasible, then the petition shall be denied and all further proceedings shall be terminated.

In the event the Commission finds that the proposed improvement is financially and economically feasible, and there is no lawful restraint upon the ordering of the improvement, then the Commission shall by resolution order the improvement, and may alter the boundaries of the proposed district, prepare and adopt detail plans, declare the estimated cost thereof and what proportion of such cost shall be borne by the local utility district and what proportion, if any, shall be borne by the entire public utility district and provide the general funds to be applied thereto, if any, acquire all lands and other properties therefore, pay all damages caused thereby, and commence in the name of the public utility district such eminent domain proceedings and supplemental assessment or reassessment proceedings to pay all eminent domain awards necessary to entitle the District to proceed with the work. The Commission shall determine whether the proposed improvement is categorically exempt under the State Environmental Policy Act, and if such improvement is not exempt the procedure set forth in RCW 43.21C and regulations promulgated thereunder shall be followed. The Commissioners shall also determine, pursuant to RCW 54.16.230, whether the proposed improvement is in compliance with the County's and City's Comprehensive Land Use Plan.

- (m) The Commission shall order the District to proceed with the work either with its own crews or by contract, in compliance with applicable law.
- (n) The title and number of the local utility district, a diagram of such local utility district showing its boundaries and a preliminary special assessment roll showing the estimated special assessment to be borne by each lot, tract or parcel of land shall be filed with the District's Treasurer within fifteen (15) days of the commencement of work by the District crews or award of contract. The District's Treasurer shall file a copy of the preliminary assessment roll in the offices of the County Auditor. Provided, however, that the failure to file such a copy in the offices of the County Auditor shall not affect the validity of the formation of the local utility district.
- (o) A proposed final assessment roll shall be prepared which shall levy special assessments against all property within the local utility district in proportion to the special benefits conferred thereon, all as provided by law, sufficient to pay that portion of the cost and expense of the improvement which is to be borne by the local utility district.
- (p) The Commission shall fix a time and place of hearing on protests to the assessment roll before approving said proposed final assessment roll. The time for hearing shall not be less than 15 days nor more than 30 days from the date of first publication of the notices therefore.
- (q) The Commission shall give notice of the hearing on the assessment roll by publication in a legal newspaper of general circulation in Chelan County, Washington, approved pursuant to the provisions of Chapter 65.16 RCW, once a week for two (2) successive weeks stating that the roll is on file and open to inspection in the office of the Secretary of the Commission and that any protests must be filed within the time set forth in the notice.
- (r) At least 15 days before the date of hearing, notice shall be given to the owner or reputed owner of the property whose name appeared on the preliminary assessment roll at the address shown on the roll of the District's Treasurer for each item of property described on the list, as follows: the amount of assessment and the time and place of hearing, that all persons who may desire to object thereto must file their objections in writing with the Secretary of the Commission at or prior to such hearing, that at the time and place fixed and at all times to which the hearing may be adjourned the Commission will sit as a board of equalization for the purpose of considering the proposed final roll, that all protests should state clearly the grounds for objection and should be filed within the time prescribed, and that protests not filed

within the time and in the manner prescribed shall be conclusively presumed to have been waived.

- (s) Notice of any special meeting at which a hearing related to the assessment roll is to be held shall be given pursuant to applicable statutes.
- (t) At the hearing, the Commission will consider the objections made and may correct, revise, raise, lower, change, or modify the roll or any part thereof, or set aside the roll in order that the assessments be made de novo. At the conclusion of the hearing, the Commission may by resolution approve the roll; provided, however, that if an assessment is raised, a new notice, similar to the first, shall be given, and a hearing had thereon, after which final approval of the roll may be made.
- (u) After final approval of the roll, the Commission shall by resolution certify and file the final assessment roll with the District's Treasurer. When the Commission approves and confirms the final assessment roll, from which farm and agricultural land or forest land is exempted pursuant to RCW 84.33.210 and RCW 84.34.320, notice of such action shall be filed with the County Assessor and the legislative authority of the county in which the exempted land is located and with the District's Treasurer, which notice shall describe the action taken, the type of improvement involved, the land exempted, and the amount of the special assessment which would have been levied against the land if it had not been exempted, pursuant to RCW 84.33.210 and RCW 84.34.320.
- (v) After the final assessment roll has been approved by the Commission, the District's Treasurer shall file a Notice of Lien in the offices of the County Auditor with respect to each owner or reputed owner of the property to be specially benefited by the proposed improvement, as shown on the rolls of the District's Treasurer. The District's Treasurer shall thereafter exercise the duties of collecting the assessments levied for such local utility district.
- (w) As provided in RCW 35.50 et seq. upon failure to pay any installment due the entire assessment shall become due and payable and the collection thereof enforced by foreclosure. At least thirty (30) days prior to the commencement of the foreclosure proceedings, the District's Treasurer will notify by certified mail the persons whose names appear on the current assessment roll as owners of the property charged with the assessments or installments which are delinquent, at the address last known to the Treasurer. The notice shall state the amount due, including foreclosure costs such as title searches. In addition, the District may recover reasonable attorney's fees including

reimbursable expenses incurred on behalf of the District as required to duly process said foreclosure. If payment of all delinquent installments together with interest, penalty, and administrative costs is made at any time before an entry of judgment in foreclosure, the time of payment on the remainder of the assessments shall be extended as if there had been no delinquency or foreclosure. The District's Treasurer will initiate foreclosure proceedings by the date specified in the governing resolution of such local utility district. However, foreclosure may occur up to ten years from the date the assessment became delinquent.

- (x) In proposing and forming a local utility district, the Commission may, at its option, follow the additional procedures set forth in Chapter 35.51 RCW for the purposes permitted in the Chapter.

Section 4. Local Utility District Initiated by Ten Percent of Landowners. The following steps shall be taken when a petition in the form prescribed by law and signed by ten percent (10%), but less than a majority, of the landowners of land within a proposed local utility district is filed with the Commission asking for the formation of a local utility district. No person shall withdraw his or her name from the petition after the petition has been filed with the Commission.

- (a) The Commission shall determine to its satisfaction that the petition was signed by at least ten percent (10%) of the landowners in the proposed local utility district, but less than a majority of them.
- (b) The Commission may determine whether the petitioners, or some of them, agree to bear or guarantee, under such rules as the Commission may adopt, all costs and expenses incurred by the District related to the petition that do not become an obligation of a local utility district.
- (c) The Commission shall set the time and place for a hearing on the petition.
- (d) Notice of the hearing on the formation of the local utility district shall be published in a legal newspaper of general circulation in Chelan County, Washington, approved pursuant to the provisions of Chapter 65.16 RCW, giving not less than two (2) weeks' notice prior to date of hearing.
- (e) Notice of the hearing shall be given by mail, at least fifteen (15) days before the hearing to the owners or reputed owners of all property specially benefited by the proposed improvement, as shown on the rolls of the County Assessor, directed to the address shown thereon.

- (f) Notice of any special meeting at which a hearing related to the formation of a local utility district is to be held shall be given pursuant to applicable statutes.
- (g) If any land within the boundaries of the proposed improvement is owned by the State of Washington, notice shall be provided pursuant to RCW 79.44.040.
- (h) All notices shall contain a statement that actual assessments may vary from assessment estimates so long as they do not exceed a figure equal to the increased true and fair value the improvement adds to the property. In the event that it is proposed that a local utility district finance sanitary sewers or potable water facilities, additional notice of the public hearing shall be given pursuant to RCW 54.16.145.
- (i) If the area to be included within the boundaries of the local utility district includes designated forest land or agricultural land designated for current use classification, notice of the creation of the local utility district shall be filed with the County Assessor and the legislative authority of the county in which such land is located, pursuant to RCW 84.33.210 and RCW 84.34.320. Such land shall be exempt from special benefit assessments or charges in lieu of assessment for such purposes as long as that land remains in such classification. Provided, however, that if the land is withdrawn or removed from such classification or if such land is actually connected to the domestic water system or sewerage facilities, such land may be subject to assessment pursuant to the provisions of RCW 84.33 et seq. And 84.34 et seq.
- (j) Petitions protesting the formation of a local utility district must be in writing signed by the protesting petitioners and filed with the Clerk of the Board prior to twelve o'clock noon of the day set for the hearing; no late filing shall be considered. In the event it is determined to the satisfaction of the Commission that such protests represent a majority of the landowners in the proposed local utility district the Commission shall deny said petition and take such action necessary to dispense with all further proceedings on said petition
- (k) The Commission may set such further hearings and proceedings as the Commission, in its sole discretion, deems necessary or appropriate.
- (l) The Commission may thereafter take such action as it deems appropriate, including having estimates made of the cost and expense of the proposed improvement and studies as to its financial and economic feasibility; provided, however, that the Commission may require as a condition to ordering the improvement or to making its

determination as to financial and economic feasibility that all or a portion of such engineering, legal or other costs incurred or to be incurred by the Commission in determining financial and economic feasibility shall be borne or guaranteed by the petitioners of the proposed local utility district under such rules as the Commission may adopt.

- (m) The Commission may thereafter adopt a resolution creating such local utility district and order such improvement.
- (n) In the event a local utility district is ordered, the special assessment provisions set forth in Section 3(n) through 3(x) shall be followed.

Section 5. Apportionment of Cost of Improvement. When an improvement is ordered hereunder, payment for which shall be made in part from assessments against property specially benefited, not more than fifty percent (50%) of the cost thereof shall ever be borne by the entire public utility district, and only if approved by the Board, nor shall any sum be contributed by it to any improvement acquired or constructed with or by any other body, exceed such amount, unless a majority of the electors of the District consent to or ratify the making of such expenditure. When an improvement is ordered hereunder, the Commission shall establish and adopt a method of assessment as it deems appropriate to be used within the local utility district.

Section 6. Outside Properties. After any improvement is constructed in accordance with the provisions of this Resolution, the Commission may establish and adopt a method of charging in lieu of assessment as it deems appropriate for the properties outside of the local utility district that request connection to the improvements.

Section 7. Property Appraisals. When forming a local utility district the Commission shall retain appropriately qualified appraisers to assist in determining the amount of special benefits for property within the local utility district.

Section 8. Assessment Reimbursement Option. The Commission may, in its discretion, authorize by resolution, that the appraisers of special benefits assign two appraisals. The first would give due consideration to the fact that certain properties are undeveloped or underdeveloped (such as agricultural lands) and assign a special benefit based on current use. The second appraisal would evaluate the special benefit attaching to the property in the event that the property were developed to its highest and best use within the lifetime of the local utility district.

The resolution adopting the assessment reimbursement option shall also provide that the owners of undeveloped or underdeveloped properties shall have the option to enter into a contract acknowledging that their properties are likely to be developed within the reasonably foreseeable future and that they would therefore

accept the higher “highest and best use” assessment at the time the final assessment roll is filed. This option would allow the landowner the ability to make installment payments over time in the same manner as other landowners within the local utility district. The Commission would then provide that to the extent landowners of undeveloped or underdeveloped properties have chosen to take the lower assessment amount, the other landowners electing the reimbursement option within the local utility district would pay their proportionate share of the difference between the lower and higher special benefit assessment levied on the undeveloped or underdeveloped properties. The other landowners would sign an agreement electing to be reimbursed in the event that the undeveloped or underdeveloped properties were developed or redeveloped within the lifetime of the LUD.

The landowners of the undeveloped or underdeveloped properties who have chosen the lower assessment would be required to reimburse the District the difference between the lower and higher special benefit assessment in the event that they developed or redeveloped their property within the lifetime of the local utility district, in one lump sum, plus interest at a rate specified in the resolution from the date interest began to accrue under the original resolution confirming the final assessment roll and at the same rate as originally provided therein. The terms “develop or redeveloped” shall mean the date on which the property is subdivided. The District shall distribute to each landowner electing to be reimbursed that landowner’s proportionate share of the reimbursement amount. In the event that the undeveloped or underdeveloped properties were not developed or redeveloped within the lifetime of the local utility district, then the landowners of those properties would not be required to make a reimbursement.

For the landowners of undeveloped or underdeveloped properties who have chosen the lower assessment amount, the original assessment lien filed with the District’s Treasurer and with the County Auditor pertaining to these properties shall list the lower assessment lien and the higher assessment lien which operates only when, and if, the property is developed. Pursuant to RCW 35.43.188, the reimbursement amounts due are liens upon the undeveloped or underdeveloped properties in the same manner and with like effect as assessments made under RCW 35.43 et seq. The landowners of the undeveloped or underdeveloped properties shall be required to make payments on the lower assessment amount in the same manner and within the same time frame as the other landowners assessed.

For purposes of this section, the term “lifetime of the local utility district” shall mean the period of years allowed for landowners to make annual installment payments under assessments. (If the resolution allows landowners to make installments over a period of twenty years, for example, then the “lifetime” of the local utility district shall end at the end of that twenty year period.)

For purposes of the section, the term “undeveloped or underdeveloped properties” may include those properties that, in the discretion of the District, (1) are

undeveloped or are not developed to their highest and best use, and (2) are likely to be developed or redeveloped before the dissolution of the local utility district.

Section 9. Factors for Consideration. When considering the formation of an LUD under any of the methods described herein or permitted by applicable statutes, as may be hereinafter amended, the Commission shall make a determination as to the financial and economic feasibility of the proposed improvement prior to ordering the proposed improvement. The Commission may adopt, and amend from time to time in its discretion, a list of relevant factors that the Commission may consider when making a determination about the financial and economic feasibility of a proposed improvement. Any such list shall be non-exhaustive and, upon adoption, shall become an attachment to this Resolution and shall be incorporated herein by this reference. The Board adopts Exhibit "B" as the initial list of Factors.

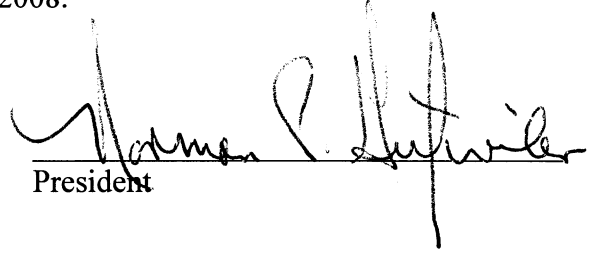
Section 10. Changes in Procedures. This resolution, the policies stated herein and the forms and exhibits attached hereto shall be subject to change without notice to any person or persons by action of the Commission as provided by law.

Section 11. Matters Not Prescribed by this Resolution. In accordance with RCW 54.16.130, all matters and proceedings relating to local utility districts, including but not limited to, the levying and collection of assessments, the issuance and redemption of local improvement warrants and bonds and the enforcement of local assessments, to the extent not provided in this resolution or Chapter 54.16 RCW, shall be governed as nearly as may be by the laws relating to local improvement districts for cities and towns, Chapter 35.43 RCW et seq.

Section 12. Waiver of Modification of Procedures. The policy, procedure, or steps herein enumerated shall in no manner be deemed jurisdictional or an absolute requisite to the formation of a local utility district, except as may be provided by law, and the same or any portion thereof may be at any time waived or modified or changed as may be determined by the Commission, pursuant to law, and that such change, waiver or modification may operate retroactively.

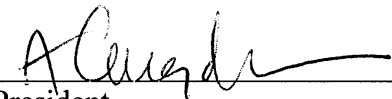
Section 13. Repealer. To the extent inconsistent herewith all resolutions of the District hereby are repealed.

DATED this 1st day of December 2008.

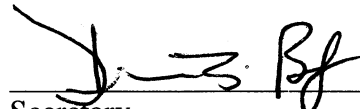


President

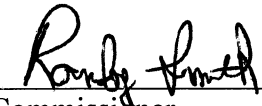
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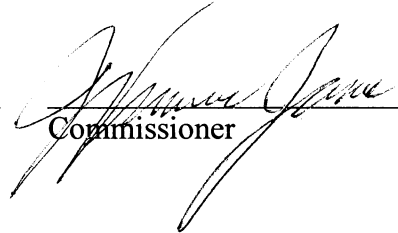
Vice President



Secretary



Commissioner



Commissioner

Seal

Exhibit A

NOTICE OF HEARING UPON THE FORMATION OF A LOCAL UTILITY DISTRICT (NO. __) IN PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON

NOTICE IS HEREBY GIVEN: That a petition for the creation of a local utility district embracing and including the following described real property, to-wit:

(LEGAL DESCRIPTION)

has been filed with the Commissioners of Public Utility District No. 1 of Chelan County, Washington, a municipal corporation, signed by more than 10% of the owners of land within the aforesaid boundaries, petitioning the said Commissioners to adopt and order a plan or improvement for the construction of such facilities necessary to (improve and) extend (electric) (water) (sanitary sewer) service for domestic and other purposes from the present (water distribution) (electric system) (sewer system) of the Public Utility District to (general designation of area) and to acquire, construct, repair, modify, operate and maintain (electric) (water distribution) (sewer collection) lines and all necessary appurtenances within the boundaries of the proposed local utility district as abovementioned, and further requesting the said Commissioners to create a local utility district within the boundaries of the territory abovementioned, or as the same may be altered by the Commissioners in accordance with law, and that said local utility district and the land located therein be assessed in lawful manner to pay in full the cost of carrying out the plan or scheme abovementioned.

NOTICE IS HEREBY GIVEN: That the hearing on said petition will be held in the Commissioners' Room, Wenatchee, Washington, at _____ o'clock P.M. on the _____ day of _____, _____.

NOTICE IS HEREBY GIVEN: That petitions protesting the formation of this local utility must be in writing signed by the protesting petitioners and filed with the Secretary of the Commission prior to 12:00 o'clock noon of the day set for the hearing; no late filing shall be considered. The Commission shall cause to be checked the validity of all protests timely received objecting to the formation of the local utility district.

NOTICE IS HEREBY GIVEN: That in the event it is determined to the satisfaction of the Commission that such protests represent a majority of the landowners in the proposed local utility district then the Commission shall deny the petition for the formation of the local utility district and take such action necessary to dispense with all further proceeding on said petition.

NOTICE IS HEREBY GIVEN: That in the event it is determined to the satisfaction of the Commission that such protests do not represent a majority of the

landowners in the proposed local utility district, and it is determined to the satisfaction of the Commission that the proposed improvement appears to be financially and economically feasible, the Commission shall then order the improvement and may alter the boundaries of the local utility district and prepare and adopt detailed plans of the local utility district, declare the estimated cost thereof, and what proportion of the cost shall be borne by the local district, and what proportion, if any, shall be borne by the entire Public Utility District, and provide the general funds thereof to be applied thereto, if any.

NOTICE IS HEREBY GIVEN: That actual assessments may vary from assessment estimates so long as the assessments do not exceed a figure equal to the increased true and fair value the improvement adds to the property.

NOTICE IS HEREBY GIVEN: That the costs and expenses of such improvement shall be paid by special assessment against the property of the local utility district in proportion to the benefits derived by the property in the local utility district from the improvements, payable under the mode of payment by bonds, or by such other modes or methods or combinations thereof as may be allowed by law.

NOTICE IS HEREBY GIVEN: Pursuant to RCW 54.16.140, for purposes of tallying the number of protests submitted, each landowner will be entitled to one vote. In the case of a married couple, the marital community will receive one vote, which may be cast by either the husband or the wife. Other legal entities, such as corporations, will be entitled to one vote per entity.

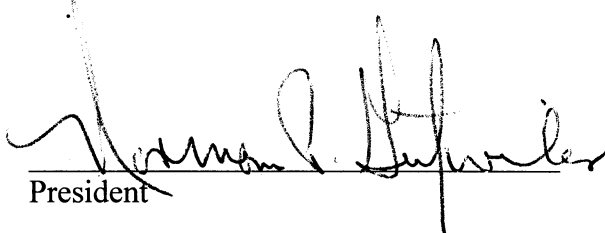
For purposes of calculating the protests, only those protests filed prior to twelve noon on the day of the hearing will be counted, although landowners will be allowed to give oral comments at the hearing, regardless of whether a written protest has been filed. The oral comments will not be counted for purposes of determining whether a majority of the owners of lands in the district have filed protest.

NOTICE IS HEREBY GIVEN: Some landowners may be entitled to exemption from local utility district assessments under statutes pertaining to agricultural, farm land and open space exemptions, pursuant through Revised Code of Washington, RCW 84.34 et seq., because the application process may take up to six months to complete.

NOTICE IS HEREBY GIVEN: Landowners who have attained the age of sixty one or who have retired may also be eligible for partial deferral of local utility district special assessments under the Revised Code of Washington, RCW 84.36 et seq. and RCW 84.38 et seq. Landowners in this category may wish to request forms from the County Assessor and/or seek independent legal advice regarding this issue.

NOTICE IS FURTHER GIVEN that such Hearing will be held pursuant to the laws of the State of Washington and Resolution No. _____ and other applicable resolutions of said Public Utility District.

DATED this day of



President

Exhibit B

Public Utility District No. 1 of Chelan County, Washington (“District”) factors regarding the formation of Local Utility Districts (LUDs).

The District is expressly authorized by Washington statute to establish local utility districts (“LUD”) for the extension of water for domestic and irrigation uses, electric energy, and for providing sewer systems and street lighting. LUDs serve to provide property owners one means to obtain utility services affordably by financing the improvements over a period of time.

Historically, District LUDs have been limited to unique opportunities to provide water and wastewater systems and service to properties in order to mitigate or respond to a public health and safety concern or to provide service where previously no service existed.

LUDs may be initiated by District action or in response to a petition (request) from property owners. Without regard to how a proposed LUD is initiated, the “financial and economic feasibility” of the proposed LUD is a critical determination and a condition to approval of a proposed LUD.

Pursuant to Resolution No. ~~08-13410~~, the Board of Commissioners has adopted the following non-exhaustive list of factors the Board may consider in addition to any other factor the Board, in its sole discretion, deems relevant when considering the financial and economic feasibility of a proposed LUD. The importance and relative weight of these factors may also be determined by the Commission. Each proposed LUD shall be evaluated on a case by case basis.

1. The purpose of the proposed LUD and whether the proposed LUD mitigates or responds to a public health and safety concern or provides service where no service exists and other reasonable alternatives to an LUD are not available.
2. Whether the District has historically used the LUD process to extend the type of service requested.
3. Whether the District has alternative policies or processes in place to provide requested service or to satisfy the purpose of the proposed LUD.
4. The level of support for the LUD by the property owners within the proposed LUD boundary.
5. How the proposed LUD impacts the overall financial health of the District ongoing operations and maintenance expenses and the impact on rates and surcharges
6. The availability of outside funding sources to support the proposed LUD.
7. Whether the proposed LUD is consistent with the Board’s guiding principles and other policies.