

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

February 8, 2010

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 February 8, 2010, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Dennis Bolz, Randy Smith, Norm Gutzwiler and Ann Congdon. Commissioner Carnan Bergren was excused. In attendance were General Manager Rich Riazzi, General Counsel Carol Wardell and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Christine Pratt (Wenatchee World).

Security Access Manager Bill Kamenski led the Pledge of Allegiance and provided a safety minute.

President Bolz presented the Consent Agenda Items for adoption. He asked if any item on the Consent Agenda should be transferred to the Regular Agenda for further review. No items were requested to be transferred to the regular Agenda. President Bolz presented the Consent Agenda items for adoption as follows:

The minutes of the meetings held on January 25, 2010 regular meeting, January 26, 2010 special meeting and February 1, 2010 study session were presented for approval.

The Auditor's memorandum, dated February 2, 2010, supporting documentation and the 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 described as follows were presented for approval:

1. Claims certified by the Auditor for payment and authorization for the Auditor to issue warrants payable by the Treasurer for services, goods and other considerations received by the District in the total amount of \$4,305,124.74;
2. Approval of Customer Deposit Returns payment dated February 2, 2010 in the amount of \$1,875.07; and
3. Approval of the net Payrolls, Warrant Nos. 223843 through 223918 and Advice Nos. 504498 through 505108 for the period ending 1/17/2010 in the amount of \$1,352,034.86.

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RESOLUTION NO. 10-13523 APPROVING FIELD WORK ORDER NOS. 1 THROUGH 5, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 09-25 WITH EVANS DEVELOPMENT LLC OF WENATCHEE, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE CHIWAWA STEELHEAD REARING POND INSTALLATION

RESOLUTION NO. 10-13524 APPROVING FIELD WORK ORDER NOS. 1 AND 2, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 09-26 WITH WATER MANAGEMENT TECHNOLOGIES, INC. OF BATON ROUGE, LOUISIANA AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE EQUIPMENT FOR THE CHIWAWA STEELHEAD REARING POND

Motion was made by Commissioner Smith, seconded by Commissioner Congdon and carried adopting the Consent Agenda consisting of the minutes of the meetings held on January 25, 2010 regular meeting, January 26, 2010 special meeting and February 1, 2010 study session, the above listed vouchers and Resolution Nos. 10-13523 and 10-13524, which are on file in the offices of the District.

Next, the Commission considered the matters listed in the Regular Agenda.

RESOLUTION NO. 10-13525 APPROVING AN AGREEMENT REGARDING USE OF DOUGLAS PUD'S WELLS PROJECT AND HATCHERY FACILITIES FOR THE DISTRICT'S CHINOOK AND STEELHEAD PROGRAMS

A motion was made by Commissioner Congdon, seconded by Commissioner Smith and carried adopting Resolution No. 10-13525, which is on file in the offices of the District.

External Affairs Director Jeff Smith, Policy Analyst Marty Whiteman and Governmental Affairs Manager Suzanne Grassell reported on specific legislation important to the District in the 2010 Legislative Session. (For a list of proposed bills that are of interest to the District, see www.chelanpud.org.)

Commissioner Norm Gutzwiler was present for the remainder of the meeting.

Business Advisor Dave Nelson distributed the list of Contract Activity dated January 1, 2009 through December 31, 2009 for Board review. The Contract Activity list can be found at www.chelanpud.org.

Business Manager Jennifer Pickel, Business Advisor Dave Nelson and Business Advisor Felicity Saberhagen presented Commissioners the Capital Item List summary of 2009 actuals by program for the year ending 2009. Overall, the 2009 budget for Utility Services, Hydros and Shared Services programs combined was \$80,425,754 of which \$65,655,779 was been spent. The

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Capital Item List Summary can be found at www.chelanpud.org.

Upon a request made by the Board, the business advisors distributed a list of the top 20 District projects which included project schedules and a budget update of each project. The Top 20 list can be found at www.chelanpud.org.

Next, staff presented the Quarterly Board Operating and Financial Review. The review can be found at www.chelanpud.org.

As part of the review, Managing Director of Energy Resources Gregg Carrington reported that the 2009 net wholesale revenue was \$25,500,000; down from the budgeted amount of \$51,000,000. He attributed the budget shortfall to low prices of \$19/MWH below adopted budget and low runoff of 21% below adopted budget.

Next, Chief Financial/Risk Officer John Janney provided 2009 preliminary financial results. CFO Janney stated that the combined utility services net assets showed a net loss of \$15,053,000 instead of the \$18,727,000 budgeted. Operation and maintenance costs were \$9,000,000 under contingency plan levels which helped to offset lower revenues. Cost containment efforts beyond the contingency cuts were half in labor and benefits and half were non-labor items like materials, contracts and vehicle costs.

Looking forward, Energy Planning and Trading Manager Janet Jaspers stated that the 2010 runoff is forecasted at 70-81% of average. CFO Janney said that the Utility Services change in net assets under normal conditions for 2010 was projected to be a loss of \$14,000,000 but at current conditions is forecasted to be a loss of \$25,000,000. He said staff is committed to maintaining rates consistent with a financially healthy utility and will continue to monitor 2010 forecasts to determine if further cost cutting and surcharge actions are necessary.

Commissioners reported on the various meetings each attended during the weeks of January 25, 2010 and February 1, 2010.

A motion was made by Commissioner Smith to change the start time of the Board Retreat schedule for March 17, 2010 to begin at 8:30 a.m. at the North Central Regional Library Distribution Center located at 16 N. Columbia Street, Wenatchee, Washington. The motion was seconded by Commissioner Congdon and passed.

A motion was made by Commissioner Smith to convene a special meeting on March 23, 2010 for the purpose of the Tri-commission meeting to be held at the Confluence Technology Center, 285 Technology Center Way, Wenatchee, WA, to begin at 1:30 p.m. and to last no longer than 3:30 p.m. The motion was seconded by Commissioner Congdon and passed.

A motion was made by Commissioner Congdon to excuse Commissioner Smith from the March

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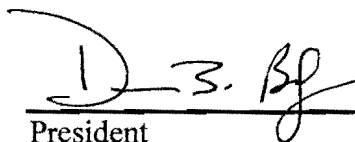
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15, 2010 regular meeting. The motion was seconded by Commissioner Gutzwiler and passed.

A motion was made by Commissioner Gutzwiler to excuse Commissioner Congdon from the February 22, 2010 regular meeting to attend the American Public Power Association 2010 Legislative Rally in Washington DC. The motion was seconded by Commissioner Smith and passed.

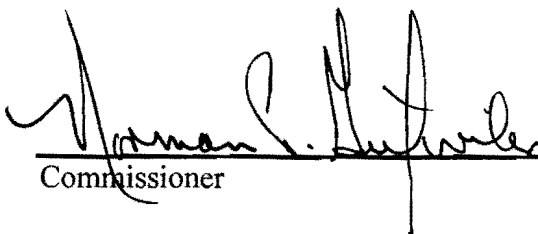
There being no further business, the meeting adjourned at 3:24 p.m.



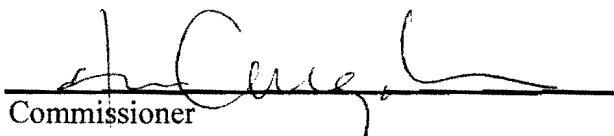
President

Vice President

Secretary



Commissioner



Commissioner