

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

March 15, 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 March 15, 2010, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Dennis Bolz, Carnan Bergren, Norm Gutzwiler and Ann Congdon. Commissioner Randy Smith 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: George Wilson, Elaine Kinney, Jim and Julie Rutley, Jerry and Samoi Barotch, JoAnn Fountain, Rachel and Kevin Imper, Bruce and Barbara Harris, Rich Colson, Bob Huber, Marla Sander, Christine Pratt (Wenatchee World).

Customer Accounts Specialist Pat O'Hara led the Pledge of Allegiance and provided a safety minute.

Residents of Whispering Pines subdivision at Lake Wenatchee requested that the District address their request for the installation of fiber-optics network into the Whispering Pines area. General Manager Rich Riazzi stated that low snow pack and wholesale revenues required reprioritization of expenditures in 2009 which included slow down of the fiber built out. He stated that early projections for 2010 indicate that it may be necessary to continue the scale back of expenditures. Distribution Engineering Manager Chad Rissman told residents that Whispering Pines is in the top 20 of the District's work plan and installation will depend on the amount of budget and crew availability.

Chief Financial and Risk Officer (CFO/CRO) John Janney and Energy Resources Managing Director Gregg Carrington gave a presentation on the Risk Management Phase 2. (See www.chelanpud.org for presentation)

CFO/CRO Janney introduce two hedging concepts intended to stabilize revenues: 1) selling market-based slice of the system; and 2) extending the current hedging program from the current 35 month limit to 60 months to layer out forward sales to smooth out volatility. Managing Director Gregg Carrington stated that wholesale revenue has been affected by large swings in price and water variability. Energy Planning & Trading Manager Janet Jaspers added that the swings are directly related to the volume of water that comes down the river. Staff noted that a hedging strategy can mitigate these events and result in a more stable and predictable revenue stream. A resolution for formal approval of the hedging strategy and delegation of authority to the General Manager to execute the transactions will be presented to the Board on Monday, March 22, 2010. Action will be requested on that resolution on April 5, 2010.

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District Services Executive Manager Wayne Wright provided an update on the Sustainability program. (See www.chelanpud.org for presentation) In 2009, District staff implemented practices to promote sustainability by increasing efficiency, improving use of renewable resources and decreasing waste. Practices implemented resulted in: \$250,000 savings on the Xerox printer contract; reduction in the amount of paper used for a savings of \$585 per month; installation of batteries in diesel trucks to reduced idling time which saved on fuel and maintenance costs as well as a reduction in greenhouse gas emissions; and modification to the water conservation program at fish hatcheries to save more than 80 percent of water previously used.

Director of External Affairs Jeff Smith, Policy Analyst Marty Whiteman and Governmental Affairs Manager Suzanne Grassell reported that the state 2010 Legislative regular session ended on March 11, 2010 and a special session began March 15, 2010. Staff summarized action taken during the regular session on bills which were of interest to the District:

1. Amendments to the Energy Independence Act

Chelan PUD was actively engaged in months of intensive debate and negotiations prior to the legislative session, protecting the interests of hydro power. The complexity of a package deal resulted in no action this session, but set the stage for vigorous debate leading up to the 2011 session.

2. Recreational Use Statute amendment

Chelan PUD's proposal to add liability protections for whitewater boating in the Chelan River Gorge died in the Senate for the second consecutive session. A new strategy for gaining approval during the 2011 session is already taking shape.

3. Standard Offer Contract

Chelan PUD formally opposed Representative John McCoy's proposal to require utilities to provide contracts for purchasing electricity produced from certain renewable energy systems. It died in the House.

4. Net metering of electricity

A bill that would require utilities to provide owners of renewable energy facilities a retail credit for at least a portion of the electricity they generate was opposed by Chelan PUD. It made it out of the House, but was voted down in the Senate.

5. PUD commissioner compensation

Chelan PUD promoted Senate action on the bill to eliminate ambiguity in how PUD commissioner compensation is established. It was approved and sent to the Governor.

6. Prohibiting condemnation of state trust lands

The bill that would have prohibited public entities from condemning property held in trust by the state was opposed by Chelan PUD. The bill died in the the Senate Ways and Means Committee. Senator Parlette was very helpful in this process.

7. Hydro project impact payments

A bill requiring municipal-owned utilities in cities of more than 500,000 in population that own and/or operate hydro facilities outside their home counties to negotiate annual impact payments

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was opposed by Chelan PUD because of the precedent it could set for a broader application. However, both houses of the Legislature approved the bill and it was sent to the Governor.

8. Retail telecom authority

Chelan PUD remained neutral on the bill to authorize retail telecommunications services by PUDs and rural port districts. It failed to move out of its committee of origin and died.

For more detail on bills of interest to the District see www.chelanpud.org.

General Manager Rich Riazzi discussed with Commissioners that the electric rate surcharge which expires on April 30, 2010. Pursuant to Resolution No. 07-13164, Commissioner Gutzwiler made a motion to set Monday, April 5, 2010 at 1:00 p.m. in the boardroom at Chelan County Public Utility District, 327 N. Wenatchee Avenue, Wenatchee, Washington, to discuss the possibility of adopting an electric rate surcharge to replace the surcharge expiring on April 30, 2010. The motion was seconded by Commissioner Bergren and carried.

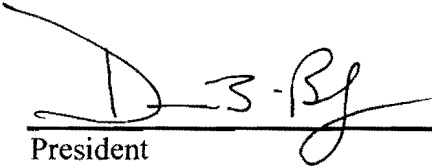
Commissioner Congdon requested revisiting the District's Dock Policy. She stated that she would like to consider creating two dock policies: one specific to Lake Chelan and another specific to the Rocky Reach Pool. Discussion of the Dock Policy is scheduled for March 22, 2010.

A motion was made by Commissioner Congdon to suspend the provisions contained in Resolution 08-13329 and to direct staff not to accept any new requests or make any commitments regarding the issuance of dock permits on Lake Chelan. The motion was seconded by Commissioner Gutzwiler, with Commissioner Bergren abstaining from the vote, and carried with President Bolz voting in favor of the motion. The motion does not affect the permit request made by Robert Ledenko on February 24, 2010.

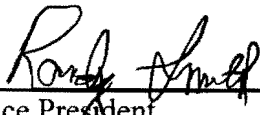
A motion was made by Commissioner Congdon to cancel the Board Retreat scheduled for March 17, 2010 and to set an executive session for March 22, 2010 at 8:30 a.m. in the boardroom at Chelan County PUD, 327 N. Wenatchee Avenue, Wenatchee, Washington, to evaluate the qualifications of an applicant for public employment or to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g). The motion was seconded by Commissioner Gutzwiler and carried. The Board Retreat will be scheduled for a later date.

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There being no further business, the meeting adjourned at 4:00 p.m.



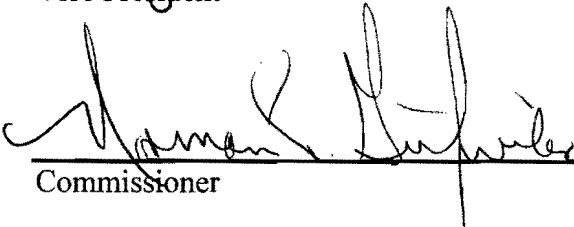
President



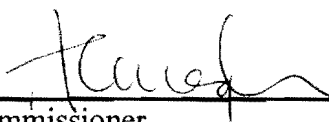
Vice President



Secretary



Commissioner



Commissioner