

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

June 14, 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 June 14, 2010, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Dennis Bolz, Randy Smith, Carnan Bergren, Norm Gutzwiler and Ann Congdon. In attendance were General Manager Rich Riazzi, Attorney Karen Wiggum and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Bob Huber, Bill Stokes, Stan Morse and Christine Pratt (Wenatchee World).

Apprentice Lineman Derek Williams 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 regular meeting held on June 7, 2010 were presented for approval.

The Auditor's memorandum, dated June 8, 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 \$3,765,856.39;
2. Approval of Customer Deposit Returns payment dated June 8, 2010 in the amount of \$9,939.71; and
3. Approval of the net Payrolls, Warrant Nos. 224568 through 224656 and Advice Nos. 510334 through 511015 for the period ending 5/23/2010 in the amount of \$1,488,216.73.

A motion was made by Commissioner Smith, seconded by Commissioner Gutzwiler to adopt the Consent Agenda consisting of the minutes of the regular meeting held on June 7, 2010 and the above listed vouchers, which are on file in the offices of the District.

MINUTES OF REGULAR MEETING OF THE COMMISSION

June 14, 2010

Page 2

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

RESOLUTION NO. 10-13551 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO ENTER INTO A TASK AUTHORIZATION SERVICES AGREEMENT (SA NO. 10-125) WITH PACIFIC ENGINEERING & DESIGN, P.L.L.C. OF WENATCHEE, WASHINGTON FOR GENERAL CIVIL AND STRUCTURAL ENGINEERING

RESOLUTION NO. 10-13552 AMENDING AND RESTATING THE DISTRICT'S UTILITY SERVICE REGULATIONS

RESOLUTION NO. 10-13553 REJECTING THE BID OF COLUMBIA VALLEY EXCAVATION OF ENTIAT, WASHINGTON AND ACCEPTING THE BID OF HURST CONSTRUCTION OF WENATCHEE, WASHINGTON (BID 10-17)

RESOLUTION NO. 10-13554 AUTHORIZING AMENDMENT NO. 1 TO INTERAGENCY AGREEMENT (SA NO. 06-001) WITH WASHINGTON DEPARTMENT OF FISH AND WILDLIFE TO OPERATE THE DISTRICT'S FISH HATCHERY PROGRAMS AND PERFORM HATCHERY MONITORING AND EVALUATION ACTIVITIES

A motion was made by Commissioner Congdon, seconded by Commissioner Gutzwiler and carried adopting Resolution Nos. 10-13551 through 10-13554, which are on file in the offices of the District.

General Manager Rich Riazzi discussed the District's Strategic Planning process. He stated that a critical component of the process is the development, recommendation and approval of a comprehensive set of Financial Policies. The process began in 2009 by means of expanding outreach to customers and to stakeholders for their input. Input received has included a request for stable rates; if increases are necessary that they are incremental and over time; to manage debt; pay down debt and save for the future. Early in 2010 a financial subcommittee was established to discuss and make financial policy recommendations. Those recommendations were presented to the Board on June 7, 2010.

Chief Risk Officer/Chief Financial Officer John Janney presented a summary of the proposed the Financial Policy Recommendations. (See www.chelanpud.org for presentation) He proposed four target metrics: a reasonable rate of return so assets can be replaced over time and there will be sufficient revenue to absorb instances of low water/low wholesale electric prices; lower the debt ratio from approximately 80 percent to about 60 percent over time (total debt compared to total debt plus net assets); improve and maintain the debt-coverage ratio to demonstrate that the District clearly has the resources to meet debt obligations; and improve financial liquidity (cash reserves and other sources) to meet normal operating needs, cover exposure to known risks and

MINUTES OF REGULAR MEETING OF THE COMMISSION

June 14, 2010

Page 3

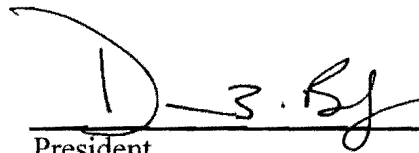
provide additional financial stability. He stated that the targets and policies are designed to put the District on a reliable, sustainable path for the future. He added that these policies address customer concerns regarding managing debt, saving for the future and avoiding large rate increases. Commissioners will consider a resolution adopting the policies at the Monday, June 21, 2010 regular meeting.

A motion was made by Commissioner Congdon to allow Commissioner Smith to attend the June 21, 2010 regular meeting via telephone and to vote on the resolution to adopt the Financial Policy. The motion was seconded by Commissioner Bergren and passed.

Commissioners reported on the various meetings each attended during the weeks of May 24, 2010 and June 7, 2010.

Upon mention by Commissioner Smith, General Manager Rich Riazzi told the Board that the District sold wholesale power at a loss recently. He explained that generation could not be reduced as the spilling of water would have created a dissolved gas problem which is detrimental to the fish.

There being no further business, the meeting was adjourned at 2:22 p.m.

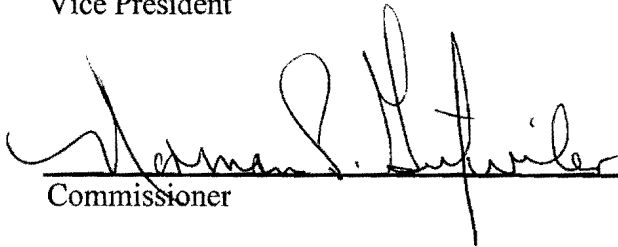


President



Secretary

Vice President



Commissioner



Commissioner