

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

August 25, 2010

The special 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 August 25, 2010, at the hour of 8:35 a.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 John Janney, Attorney Erik Wahlquist and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Mark Sullivan, Steve Hair (Koho Radio) and Christine Pratt (Wenatchee World).

Managing Director of Engineering and Technology John Smith led the Pledge of Allegiance.

President Bolz announced the purpose of the special meeting was to discuss and decide whether to accept the Federal Utilities Service (FUS) Fiber Grant.

General Manager John Janney suggested that Commissioners consider two alternatives that would stay in compliance with the District Financial Policies: 1) reject the grant and discontinue building the rest of the fiber system so expenses would be reduced; 2) accept the grant and set in motion the steps for an electric rate increase that would cover the financial shortfall.

Commissioners asked numerous questions about conditions in the grant and the build-out.

Commissioners considered the following resolution.

RESOLUTION NO. 10-13566 ACCEPTING THE RURAL UTILITIES SERVICE GRANT UNDER THE BROADBAND INITIATIVES PROGRAM AND AUTHORIZING THE DISTRICT'S GENERAL MANAGER TO EXECUTE THE GRANT AGREEMENT AND RELATED DOCUMENTS

After thorough discussion, a motion was made by Commissioner Bergren and seconded by Commissioner Smith to approve Resolution No. 10-13566. President Bolz asked if there was any more discussion.

Each Commissioner explained their reason for voting to accept the grant. Following further discussion, the vote was called for by Commissioner Gutzwiler. The motion was carried unanimously with all five Commissioners voting in favor of accepting the grant.

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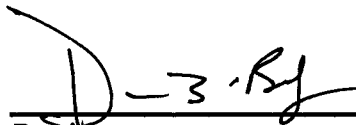
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Next, General Manger John Janney recommended in keeping with his prior statement of accepting the grant and to stay in compliance with the Financial Policies that the Commission by way of motion move to immediately take the appropriate steps to implement rate hearings to consider the adoption of appropriate rate measures from 2 to 4 percent to cover incremental financial gaps created by accepting the grant and completing the build-out.

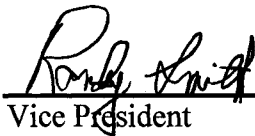
A motion was made by Commissioner Smith to immediately take the appropriate steps to implement rate hearings to consider the adoption of appropriate rate measures from 2 to 4 percent to cover incremental financial gaps created by accepting the grant and completing the build-out. The motion was seconded by Commissioner Gutzwiler and carried.

Commissioners will discuss the rate setting process at the regular meeting scheduled on September 7, 2010.

There being no further business, the meeting adjourned at 9:55 a.m.



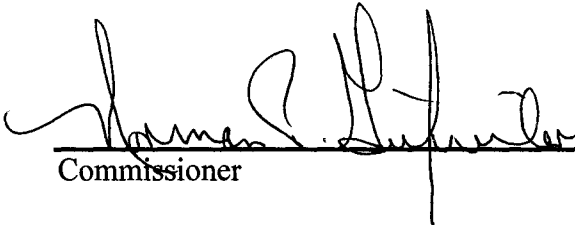
President



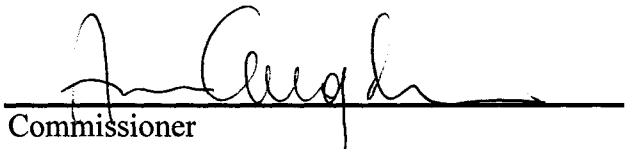
Vice President



Secretary



Commissioner



Commissioner