



**General Manager Rich Riazzi's opening remarks  
Chelan County PUD meeting  
April 27, 2009**

As you all know, we're in the midst of a very strained financial climate, and Chelan PUD is not immune.

We have taken a lot of steps to increase accountability and manage our expenses, and Chelan PUD customer-owners continue to have the second-lowest rates in the nation.

However, we are very reliant on wholesale market sales. And now we're experiencing the perfect storm: low snowpack, low market prices for our surplus power and low interest rates for our investments.

Maintaining a strong, local utility is our top priority, and we are taking steps to ensure the PUD continues to benefit consumers and continues to remain fiscally healthy.

We've spent the past two years aggressively managing and reducing costs.

- Since 2007, we reduced FTEs by 23, saving \$2.3 million
- We reduced overtime, saving \$800,000 a year
- We have cut \$27 million from the 2009 Budget

We believe these efforts -- cutting costs, while still offering high levels of service -- were responsible choices during these past months. We've merged job responsibilities, eliminated positions and cut costs. But it has not been enough.

The PUD is ultimately **your** PUD, and we're listening to you. Many of you have made your voices heard.

The executive management team has decided, voluntarily, to give back our 2009 wage increase by taking enough days off without pay to equal the amount of the raises issued in February.

In addition, the executive management team's current salaries will be frozen until Feb. 1, 2011. And, if the PUD faces similar economic conditions next year, we will consider additional actions in the future, including another hard look at management wages.

We will also freeze the remainder of non-union employees' salaries until Aug. 1, 2010. Merit increases then will be awarded if financial conditions permit.

We will bargain in good faith with the union on wages in light of current economic conditions, budget constraints and the desire to maintain harmony in the workforce as a whole.

The District will continue restrictions in its hiring policy that every new or replacement position must be approved by the general manager.

The Board of Commissioners approves the annual salary budget for non-union employees. The Board will also annually review and approve any changes to the District's compensation program which includes the District's compensation policy and philosophies.

And we're pleased to report the union has joined with management in supporting a week without pay this year. We've had a very good working relationship with the bargaining unit, and their commitment to the PUD and this community remains strong.

We appreciate and recognize that all of our employees are stepping up and making sacrifices to help us try to weather a difficult time.

All together, we are cutting \$2.5 million in wage costs.

But these steps are still not enough to make up the projected \$19 million loss at the end of this year. Again, the majority of this loss is because of lower prices for energy we sell in the wholesale market, low snowpack and lower interest rates on our cash reserves.

This is a new financial situation for all of us, and we're listening to you, and trying to find the best solution.

We're a part of this community, and we understand the concerns. That's why we decided to give back the wage increase and freeze these current upper management salaries for a total of two years.

And now that we've addressed the wage issue, I hope we can have a productive discussion on the financial stability of the utility and the potential surcharge.