

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

August 23, 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 August 23, 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 John Janney, Attorney Erik Wahlquist and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Bob Huber, Stan Morse, Mark Sullivan, Greg Mercer, Craig Larsen and Christine Pratt (Wenatchee World).

Justin Fletcher, Civil Engineer I, 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 August 9, 2010 and regular meeting (study session) held on August 16, 2010 were presented for approval.

The Auditor's memorandum, dated August 17, 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 \$5,019,167.00;
2. Approval of Customer Deposit Returns payment dated August 17, 2010 in the amount of \$6,675.77;
3. Approval of the net Payrolls, Warrant Nos. 225005 through 225090 and Advice Nos. 513719 through 514395 for the period ending 8/15/2010 in the amount of \$1,494,750.28; and
4. Charge-off of uncollectible accounts for the month of June 2010 in the amount of \$1,176.98.

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A motion was made by Commissioner Smith, seconded by Commissioner Gutzwiler and carried to adopt the Consent Agenda consisting of the minutes of the regular meeting held on August 9, 2010 and regular meeting (study session) held on August 16, 2010 and the above listed vouchers, which are on file in the offices of the District.

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

RESOLUTION NO. 10-13565 AUTHORIZING AMENDMENT NO. 1 TO A
SERVICE AGREEMENT (RFP 07-67) WITH PUREWORKS, INC., D/B/A
PURESAFETY, OF NASHVILLE, TENNESSEE TO PROVIDE A WEB BASED
COMPLIANCE TRAINING SYSTEM

A motion was made by Commissioner Congdon, seconded by Commissioner Bergren and carried adopting Resolution No. 10-13565, which is on file in the offices of the District.

Next, staff presented an update on the Rock Island Modernization and Project Evaluation. Rock Island Hydro Director Tom Treat told Commissioners that the modernization plan has been re-evaluated and modified to align with current conditions. He said that the primary drivers - reduced revenue and low river flows - have challenged the District to develop a response to minimize capital expenses in the near term while adjusting work plans to focus on maintenance versus modernization. The plan will extend the life and increase reliability on six units at Powerhouse 1. Senior Strategic Financial Planning Analyst Craig Kunz stated that \$60,000,000 to \$70,000,000 of the original estimated capital expenditures of \$176,000,000 will be deferred to post 2012. In answer to questions from Commissioners, Brett Bickford added that the rehabilitation would extend the life of the units 20 years.

Commissioners heard and discussed with consultants from Uptown Services an extensive study of fiber-optic finances and their evaluation of what options might be available for the District to move forward with the system. (See www.chelanpud.org, board agendas and recordings for presentation) Consultants recommended two options: 1) Stop all non-drop construction not funded by line extension revenue now and focus on increasing penetration within existing footprint; or 2) Move forward with the Federal Utilities Service (RUS) grant and continue the build-out over the next three years. In both scenarios consultants recommended that the wholesale internet price be increased and that Networks be released from external bonds and internal debt. External bonds would continue to be the responsibility of the District. Managing Director of Engineering and Technology added that the \$25,000,000 grant from the RUS would help fund the extension of the District's fiber network to about 98 percent of the county. Accepting the grant would require the District to match an estimated \$8,300,000. The consultants told Commissioners that fiber optics would continue to be a viable technology for many years.

President Bolz announced a 10 minute recess at 2:37 p.m.

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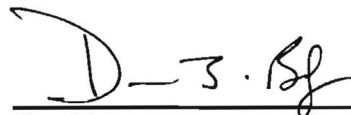
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Returning into regular session at 2:47 p.m., Commissioners heard the results of a telephone survey of 450 registered voters about their preferences concerning the \$25,000,000 grant from the Rural Utilities Service. (See www.chelanpud.org, board agendas and recordings for presentation) The survey was conducted August 7 through 12, 2010 by DMA Associates of Seattle. Don McDonough of DMA told Commissioners that about 64 percent of registered voters in Chelan County favor accepting the federal grant to finish extending the District's wholesale fiber-optics network even if it would cost about \$1.50 a month in electric rate increases for all District customers.

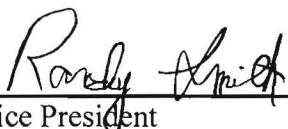
Following Commissioner discussion of the fiber system and survey results, President Bolz reminded the public of the special meeting for additional public comment on the grant at 5:30 p.m., Tuesday, August 24, 2010 at the Confluence Technology Center.

A motion was made by Commissioner Congdon to declare a special meeting on Wednesday, August 25, 2010 at 8:30 a.m. in the office of the District, 327 North Wenatchee Avenue, Wenatchee, Washington for the purpose of deciding whether to accept the Federal Utilities Service Fiber Grant. The motion was seconded by Commissioner Gutzwiler and carried.

There being no further business, the meeting was adjourned at 4:25 p.m.



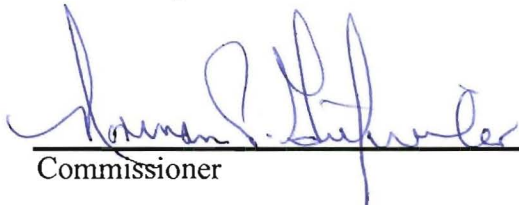
President



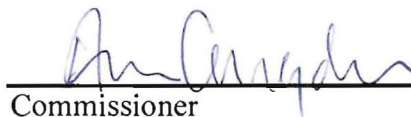
Vice President



Secretary



Commissioner



Commissioner