

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

January 18, 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 January 18, 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, General Counsel Carol Wardell and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Bob Huber and Christine Pratt (Wenatchee World).

Visitor Services Department Manager Debbie Gallaher led the Pledge of Allegiance and provided a safety minute.

President Bolz presented the Consent Agenda Item for adoption. He asked if the item on the Consent Agenda should be transferred to the Regular Agenda for further review. No item was requested to be transferred to the regular Agenda. President Bolz presented the Consent Agenda item for adoption as follows:

1. Payment to Western Electricity Coordinating Council in the amount of \$176,827.00 on January 18, 2010 for 2008 Annual Net Energy for Load Assessment (January 1, 2010- December 31, 2010.)

Motion was made by Commissioner Smith, seconded by Commissioner Congdon and carried adopting the Consent Agenda consisting of the above listed payment, which is on file in the offices of the District.

Next, Commissioners considered items listed in the Regular Agenda.

**RESOLUTION NO. 10-13519 AUTHORIZING THE GENERAL MANAGER TO  
ENTER INTO AN INTERCONNECTION AGREEMENT WITH ALCOA INC. AND  
ALCOA POWER GENERATING INC. ("ALCOA") AND ENTER INTO OTHER  
IMPLEMENTATION AGREEMENTS**

General Counsel Carol Wardell stated that when the District and Alcoa entered into a post-2011 power sales agreement and transmission agreement in July 2008, it was anticipated that the parties would negotiate an interconnection agreement that would govern the interconnection of the District's electric system to Alcoa's system. Attorney Wardell summarized the provisions of the proposed Interconnection Agreement and other related matters.

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Alcoa Northwest Energy Manager Bob Huber stated that the agreement will enable Alcoa to increase reliability of power delivery and redundancy to the plant and to prepare for the third pot line. Mr. Huber thanked Commissioners for their support. He added that Alcoa will purchase the low side of the Valhalla substation from the Bonneville Power Administration at a cost of \$1,500,000. He stated that the investment by Alcoa in the improvements to the District's electric system and acquisition of Valhalla Substation is estimated to be approximately \$20,000,000.

A motion was made by Commissioner Gutzwiler, seconded by Commissioner Smith and carried adopting Resolution No. 10-13519, which is on file in the offices of the District.

Director of External Affairs Jeff Smith, Policy Analyst Marty Whiteman and Governmental Affairs Manager Suzanne Grassell provided an overview of the first week of the state 2010 Legislative session. Items of interest to the District included: State budget deficit; Standard Offer Contract House Bill 2536; House Bills 2508, 2545, 2590, 2417, 2417, 2259, and 2736; Senate Bills 6267 and 6373; potential amendments to the Energy Independence Act; and a proposal to extend telecommunications authority for retail services. (For more information see handout found at [www.chelanpud.org](http://www.chelanpud.org)).

Managing Director of Energy Resources Gregg Carrington explained the forward trading activities used by the District's Energy, Planning and Trading group for the selling and buying of future energy to lock in price and quantity. He presented two graphs depicting the daily trading volumes for December 2009. (See [www.chelanpud.org](http://www.chelanpud.org) for Forward Trades presentation) He explained that for the month of December, 2009 there was a surplus of 31 aMWH of which 28 aMWH was sold prior to the month, or as forward trades. The remainder was sold in the prescheduled market and real-time market. The real-time buyers are made up of a group of people who work 24/7 who make energy sales and purchases to balance the District's load/resource portfolio.

Next, Commissioners held their quarterly update on meeting strategic objectives outlined in the Board's Balanced Scorecard. Each Commissioner gave a status update on their assigned strategy map objective(s).

Commissioner Gutzwiler reported on the strategic objective S1 – Sustain Our Public Partnership. He reported that attendance at regional Customer Partnership Group Meetings, Tri-Commission Regional Meetings and Mid-C Commissioner/Manager Meetings and Washington Public Utility District Association meetings are all above their 75% targets set.

Commissioner Bolz reported on the strategic objective F1 – Maintain Strong Financial Stewardship. He reported that staff has presented all four of the quarterly operating and financial reviews as requested. The next review is scheduled for February 1, 2010.

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Commissioner Congdon reported on the strategic objective G1 – Ensure Effective Execution. She reported that the Board completed the review of the Board's Balanced Scorecard. The semi-annual review of the General Manager was held on June 1, 2009. The sequence for review of the General Manager has been changed to January and July. The annual review of the General Manager is schedule for January 2010. The timing of the annual evaluation of the General Counsel performance was discussed. The 2009 annual review is scheduled to be completed in February 2010.

Commissioner Congdon reported on the strategic objective G4 – Ensure Compliance. She reported that she as President and Commissioner Bolz as Vice President have attended regularly scheduled Audit Committee meetings. Commissioner Congdon also discussed the District's compliance program.

Commissioner Bergren reported on the strategic objective G2 – Approve Strategy and Business Plan. He reported that staff has provided strategic planning updates as requested. Commissioner Bergren recommended the reporting process be reviewed and possibly modified.

Commissioner Smith reported on the strategic objective G3 – Responsible Board Representation. He reported that commissioner attendance at two of the five key association meetings were under target due to cuts made in the 2009 budget. Attendance at regular meetings of the Commission was at 95%; above the 90% target set. He stated that a process for measuring public feedback on Board conduct is to be developed in 2010.

Commissioner Smith opened discussion with the strategic objective E1 – Evaluate Governance Positions. He reported that the annual review of the Board Governance Policies has been completed and that a new section was added titled Ethics, Conflicts of Interest, Culture of Compliance and Tone at the Top.

Commissioner Bolz reported on the strategic objective E2 - Continuously Improve Board Member Skills. He reported that an analysis of training considered necessary was completed. Education and training will be schedule within the 2010 budget.

General Counsel Carol Wardell requested that the commission convene an executive session at 2:30 p.m. to discuss with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i). She stated that she anticipated the executive session would conclude at approximately 4:00 p.m. By motion made by Commissioner Congdon, seconded by Commissioner Bergren and carried, an executive session was convened following a five minute break. The notice of such executive session, including the purpose of the session and the estimated time the session would conclude was properly posted by the Clerk of the Board.


Reconvening the meeting into public session at 3:50 p.m., President Bolz stated that no decisions were made and no votes were taken during the executive session.

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There being no further business, the meeting recessed at 3:55 p.m. to reconvene at 5:30 p.m. for the purpose of the Mid-C Commissioner/Manager Meeting to be held at Casa Tapatia, 1650 Grant Road, East Wenatchee, WA.

Reconvening at 5:30 p.m., the Mid-C Commissioners and Managers met and discussed: PUD employee days; the State performance audit; and issues of governance and board relationships.

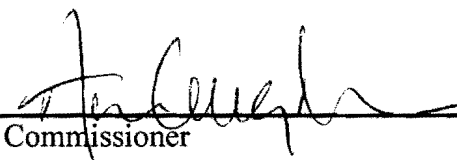
There being no further business, the meeting adjourned at 7:45 p.m.

  
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President

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Vice President

  
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Secretary

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Commissioner

  
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Commissioner