

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

January 26, 2009

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 26, 2009, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Dennis Bolz, Randy Smith, Carnan Bergren and Norm Gutzwiler. 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: Christine Pratt (Wenatchee World).

Occupational Health Specialist Brooke Thomsen led the Pledge of Allegiance and provided a safety minute.

President Congdon presented the Consent Agenda items for adoption. She 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 Congdon presented the Consent Agenda items for adoption as follows:

The minutes of the regular meetings held on January 12, 2009 and January 19, 2009 (study session) were presented for approval.

The Auditor's memorandum, dated January 20, 2009, 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 \$4,841,576.51;
2. Customer Deposit Returns payment and Bank of America District Credit Card payment dated January 20, 2009 in the amount of \$465.16 and \$10.85 respectively; and
3. Net Payrolls, Warrant Nos. 221308 through 221405 and Advice Nos. 486661 through 487305 for the period ending 1/04/2009 in the amount of \$1,371,732.33.

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RESOLUTION NO. 09-13423 APPROVING FIELD WORK ORDER NOS. 1 THROUGH 3, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 07-53 WITH CENTRAL ELECTRIC MANUFACTURING COMPANY OF FULTON, MISSOURI AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE PURCHASE OF TWO (2) 15KV METALCLAD SWITCHGEAR

RESOLUTION NO. 09-13424 AUTHORIZING FINAL ACCEPTANCE OF PERFORMANCE UNDER BID NO. 08-31 WITH KNIGHT CONSTRUCTION & SUPPLY, INC. OF DEER PARK, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE ROCKY REACH SPILLWAY GATE REINFORCEMENT: GATES 3 & 9

RESOLUTION NO. 09-13425 APPROVING FIELD WORK ORDER NOS. 1 AND 2 TO BID NO. 07-02 WITH G.G. RICHARDSON FOR MISCELLANEOUS CONSTRUCTION UNIT PRICE WORK AND AUTHORIZING AN EXTENSION OF THE CONTRACT THROUGH FEBRUARY 28, 2010

Motion was made by Commissioner Gutzwiler, seconded by Commissioner Bolz and unanimously carried adopting the Consent Agenda consisting of the minutes of the January 12, 2009 and January 19, 2009 (study session) meetings, Resolution Nos. 09-13423 through 09-13425 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. 09-13426 OF THE DISTRICT ADOPTING TAX-EXEMPT BOND POST-ISSUANCE COMPLIANCE GUIDELINES TO PRESERVE THE EXCLUSION OF INTEREST ON TAX-EXEMPT BONDS FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES

RESOLUTION NO. 09-13427 APPROVING FIELD WORK ORDER NO. 4 TO CONTRACT 05-40 WITH HAWKEYE CONSTRUCTION, INC. OF PORTLAND, OREGON TO PROVIDE ELECTRICAL DOCK CREWS

Motion was made by Commissioner Smith and seconded by Commissioner Gutzwiler to adopt Resolution Nos. 09-13426 and 09-13427. The motion unanimously carried to adopt Resolution Nos. 09-13426 and 09-13427, which are on file in the offices of the District.

External Affairs Director Tracy Yount and Governmental Affairs Manager Suzanne Grassell updated the Board on specific legislation important to the District in the 2009 Legislative Session. They are monitoring over 200 bills and will alert District staff of pending legislation needing their review, determination of support and/or to prepare for possible compliance requirements. Whitewater boating liability legislation was introduced on January 21, 2009.

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General Counsel Carol Wardell and License and Natural Resource Manager Michelle Smith testified on behalf of the District, along with Senator Parlette, in favor of the recreational use statue at a hearing in the Senate Committee on Natural Resources, Oceans and Recreation on January 22, 2009.

Next, the Commissioners reported on the various meetings each attended during the weeks of January 12, 2009 and January 19, 2009. All commissioners attend the January 2009 Washington Public Utility District Association meeting held in Olympia on January 14 through 16, 2009. Commissioner Gutzwiler was elected to be the chair the Legislative committee and Commissioner Smith was elected to co-chair the Energy committee.

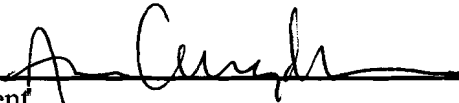
A motion was made by Commissioner Smith, seconded by Commissioner Bolz and unanimously passed to convene a special meeting on March 13, 2009 for the purpose of a Board retreat to be held at Confluence Technology Center to begin at 9:00 a.m. and to last no longer than 4:00 p.m. Commissioners asked the Clerk of the Board to contact Community and Intergovernmental Relations Manager Jeff Smith to facilitate the meeting.

President Congdon announced the meeting would recess at 2:06 p.m. to reconvene at 5:30 p.m. for the special meeting previously scheduled in the PUD Auditorium to hear a District financial update given by General Manager Rich Riazzi.

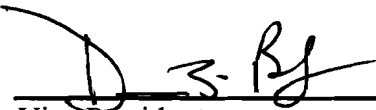
Reconvening at 5:30 p.m., President Congdon opened the public meeting and turned it over to General Manager Rich Riazzi. Over one hundred people attended the meeting to hear General Manager Riazzi's report on runoff forecasts, wholesale market conditions and the affect the current financial market has had on the District. Snowpack is at less than normal of 93% of forecast, energy prices have dropped from \$51 MWh to \$39 MWh and financial pressure is affecting the marketability of District bonds. In response to current activity and forecasts, he said staff has developed a list of items contingent on current financial situation. The 2009 budget has been trimmed in the following areas: Capital projects budgeted at \$108 million trimmed to \$90 million; Operations and Maintenance (O & M) budget from 6.5% to 4% and increased liquidity requirements to \$250 million from previous requirement level of \$75 million. General Manager Riazzi added any additional cuts in Capital or O & M would come close to affecting the reliability of District services. He stated that if the District falls short in expected revenues, one option to meet financial requirements is a temporary electric bill surcharge. The surcharge trigger is a revenue drop of \$15 million. (Currently, the revenue drop amounts to \$13 million.)

There being no further business, the meeting adjourned at 6:48 p.m. to continue the meeting Tuesday, January 27, 2009 in the office of the District, 327 North Wenatchee Avenue, Wenatchee, Washington, at the hour of 1:00 p.m., for the joint Tri-Commission meeting between Chelan County PUD (PUD), Chelan County (County) and the Port of Chelan County (Port) commissioners.

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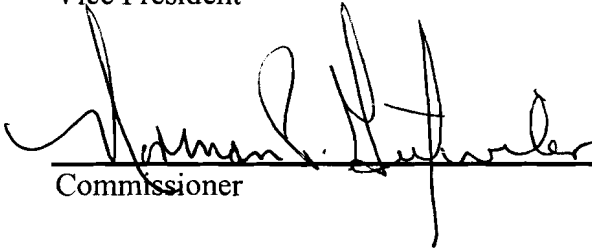


President



Vice President

Secretary



Commissioner



Commissioner