

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

January 27, 2009

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 January 27, 2009, 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, pursuant to proper notice thereof.

Chelan County PUD Commissioners present were Norm Gutzwiler, Ann Congdon, Randy Smith, Carnan Bergren and Dennis Bolz. Chelan County Commissioners present were Keith Goehner, Ron Walter and Doug England. Port Commissioners present were JC Baldwin, Mike Mackey and Craig Larsen.

Others in attendance: Mike Kaputa, Mark Urdahl, Rob Eaton, Jon Eberle, Rich Riazzi, Wayne Wright, Carol Wardell, Jeff Smith, Steve Lachowicz, Judy Bradford and Sheila Salmon.

Mike Kaputa of the Department of Ecology (DOE) reported on the Lake Wenatchee Water Quality Study. The study is part of the watershed wide sewer plan and is focused on areas from Leavenworth down to the Columbia River. The report will include the measurement of phosphorus levels and acceptable phosphorus level limits. Kele Hampton, PUD Environmental Permit Coordinator, stated that the 2008 sampling of total phosphorus and total nitrogen levels show no trends. Mr. Kaputa stated that no drinking water issues have been identified.

Ron Slabaugh, PUD Water Resource Manager, updated Commissioners on water quality issues in Wenatchee River Valley. The Department of Ecology has submitted documents to EPA to be used in a report on improving the water quality. The goal is development of Total Maximum Daily Load (TMDL) implementation strategies. The strategies could include a comprehensive water management program, alternative phosphorus treatment technologies and innovative methods to address non-point sources. Leavenworth Mayor Rob Eaton told Commissioners he was not satisfied with the process and felt DOE did not address their comments. The mayor indicated that they will be asking DOE to slow down the process and to answer their questions.

Shaun Seaman, PUD Natural Resource Asset Manager, updated Commissioners on the Blackbird project developed to encourage more steelhead to return to the Wenatchee River and to provide a place for kids to fish near Leavenworth. He told Commissioners that support various agencies was a key to securing a state water right for the pond. Manager Seaman stated that about 50,000 steelhead from the PUD's Turtle Rock Hatchery will spend this spring in the pond to acclimate to Wenatchee River water before migrating downstream.

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Commissioners welcomed two new commissioners to the Tri-Commission group; Commissioner Carnan Bergren (PUD) and Commissioner Doug England (County).

Next, each group discussed recessionary impacts on Chelan County and their organizations.

PUD General Manager Rich Riazzi told the group that access to capital funding has been limited by the recent downturn in financial markets. He also stated that energy prices across the country continue to decrease and that wholesale power is selling at \$38 MWh down from \$51 MWh. 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.)

Regional Labor Economist Baba Moussa from the Washington State Department of Employment Security to shared his observations of job employment trends in Chelan/Douglas Counties. He stated that the two counties lost 1,000 nonfarm jobs from December 2007 to December 2008; 700 of the lost jobs were in manufacturing, natural resources, mining and construction. Unemployment hit 7.6 percent in December, up from 5.8 percent a year earlier. The state's unemployment rate jumped to 7.1 percent last month, the largest one-month increase in more than three decades. He emphasized the need for training of the youth in the area to create a lasting job market.

Mark Urdahl, Port Executive Director, told the group they are finalizing an agreement for a new tenant in olds station who will provide ten new jobs. The level of inquiries from businesses looking to relocate their business here is still up. Direct impacts of the recession on the Port include: Peshastin Mill site sale agreement extension looks like it probably will not close and will remain under Port ownership; site work will begin on the Cashmere Mill site to prepare it for use in future; and the total number of people employed by current tenants is at 400 employees.

Port Commissioner Craig Larsen noted that 3% more people flew in and out of Pangborn Airport this last year. He said that the bigger aircraft currently servicing the valley will require extension of the runway from 5700 feet to 7000 feet. A consultant is working on three possible plans for the extension of the runway. The terminal expansion is going out to bid in February.

County Commissioner Ron Walter spoke optimistically about the Alcoa facility, agriculture industry introduction of new crops and welcoming back the younger generation to the agriculture families, growth of the wine industry and medical services expansion. County Commissioner Keith Goehner noted the loss of \$300,000 of government funding which will result in letting go up to 5 employees. Expenditures are back to 2007 levels and they will be forced to provide their services with less people.

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John Eberle informed the group that data center business employment in the three county areas is up. He also noted that a new prospect is looking for 20 acres (needing 10-20 megawatts) would bring in 100 jobs, construction of the facility and would bring in \$2.5 million annually into the local community. Mr. Eberle indicated there was a continued need to support tourism in the valley so people will want to return to the community.

Commissioner Norm Gutzwiler discussed the need to support hydropower as a renewable resource with our state legislators.

Mayor Eaton told the group that the City of Leavenworth has received a \$1 million public works trust fund loan to fund the downtown design and build out of for their downtown infrastructure program. Agreements for land lease will be signed with BNSF and Amtrak soon to will offer train service to the Upper Valley by October 17, 2009. They are going to bid for the Icicle Station construction in three weeks.

Port Commissioner Larsen asked the PUD to keep discussion on-going as things change on the power side in 2012.

PUD General Manager Riazzi, going into more detail of hydro renewability, noted that economic development and additional load growth here may require the PUD to go out into the market to purchase power to meet current renewable standards set by the state. He added that the current renewable requirement of 15% of load will most likely will be met by incremental hydro. There is talk of changing this requirement to 20-25% of load. Looking forward, increased load growth will amplify the challenge for the PUD to meet renewable requirements and may require the PUD to purchase other renewable energy, such as wind, at a much higher rate. Wind is 800-1000% more expensive than the cost of hydro. Under those circumstances, the PUD would not be able to guarantee low power rates.

The commissioners discussed developing a letter to be signed by the three commissions supporting hydropower as a renewable. Commissioner Gutzwiler will deliver the letter in February to state legislative officials.

Tracy Yount, PUD Director of External Affairs, informed the group that I-937 recognizes hydropower as a renewable; but it doesn't count to promote more renewable energy. His group is seeking support of hydropower's unique role in the development of additional renewable resource such as wind. He said hydropower supports the process necessary to keep the supply of power consistent by filling the gaps that wind does not, also known as firming.

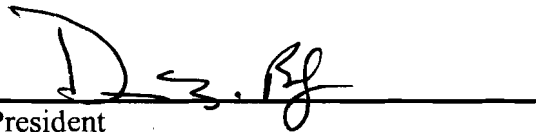
PUD Commissioner Smith offered to transition out of the working group to allow others in the group to fill the role. The working group sets the agenda for the Tri-Commission meetings.

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There being no further business, the meeting was adjourned at 3:00 p.m.

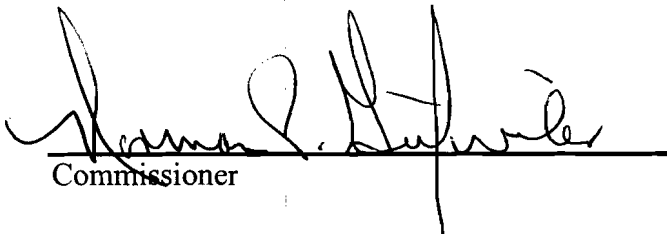


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Vice President

Secretary



Commissioner



Commissioner