

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

February 1, 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 February 1, 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, Attorney Erik Wahlquist and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Christine Pratt (Wenatchee World).

Senior System Operator Ron Roy led the Pledge of Allegiance and provided a safety minute.

Customer Service Administrator Susan Gillin introduced three new conservation programs: 1) weatherization incentives of 25-cents per square foot for the installation of new insulation and/or an incentive of \$3 per square foot for installation of energy efficient windows; 2) an amendment to the on-going partnership with Community Action to include distribution of compact fluorescent light bulbs (CFLs) bulbs to low-income families and assisted living facilities; and 3) distribution of 41,000 CFLs to customers. Conservation and Customer Services Manager Andrew Wendell stated that conservation programs meet conservation goals required under Initiative 937, the State Energy Independence Act. The energy savings from the three programs equal about 17 percent of the PUD's conservation targets and are included in the 2010 budgeted at a total cost of \$272,105.

Conservation and Customer Services Manager Andrew Wendell provide an update on work included in the Walla Walla Street Inter-local and the Riverfront Inter-local agreements between the District and the City of Wenatchee (City) involving street and utility improvements in areas along the waterfront and Walla Walla Street bounded by Piere, Fifth and Ninth Streets. Manager Wendell reported that District staff's collaboration with City allowed for efficient coordination of agencies as well as proper planning and design. Included within the inter-local projects complete with the inter-local include the relocation of the 115kV and 15kV lines on Piere Street, conversion of overhead facilities to underground on Ninth Street, the installation of the Walla Walla Street Substation, as well as relocation of District equipment to accommodate new and wider streets. Director of Public Works Steve King thanked the Commissioners for their support of Wenatchee Riverfront Development projects.

Director of External Affairs Jeff Smith and Governmental Affairs Manager Suzanne Grassell provided an overview of the fourth week of the state 2010 Legislative session. Director Smith told Commissioner that business in Olympia continues at a rapid pace as a variety of bills have been introduced and heard in committee. Staff discussed a few bills that are of interest to the

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District. Topics included: telecommunications regulatory reform, the Office of Public Records, hydroelectric generation as a renewable energy resource, proposed amendments to the Energy Independence Act, workers' compensation reform, recreational use statute amendment, standard offer contract, creation of a public utility tax for the sale of certain renewable energy credit, net metering of electricity and hydro impact fee bills. Bills must be moved out of their House committees of origin by Tuesday and Friday in the Senate or they are considered finished for the session. For more detail on bills of interest to the District see www.chelanpud.org, board-meetings-and-recordings.

Attorney Erik Wahlquist requested the Board ratify the action taken at the January 26, 2010 special meeting held to discuss the Corey Redick case and potential settlement. Attorney Wahlquist explained that although the circumstances for calling the special meeting did not clearly fit within the definition of emergency as provided by statute, there was a need to call the meeting to save costs incurred by the District and County.

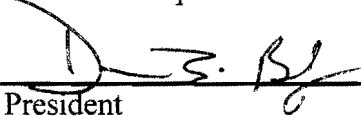
A motion was made by Commissioner Smith to confirm and ratify the action taken at the special meeting January 26, 2010 which was held upon shortened notice. The motion was seconded by Commissioner Congdon and passed.

Attorney Erik Wahlquist mentioned that three or more Commissioners will be attending the Washington Public Utility District Association Meetings on February 3 through 5, 2010 in Olympia, Washington. According to RCW 42.030.070 and past discussions with the state auditor, it is not necessary to declare and notice the meetings as public meetings as Commissioners will not be discussing District business or making any decisions.

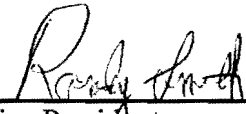
Commissioner Bergren read a statement into the record. (See Attachment A)

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There being no further business, the meeting adjourned at 2:24 p.m.



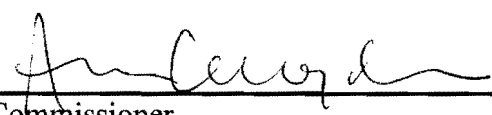
President



Vice President

Secretary

Commissioner



Commissioner

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ATTACHMENT "A"

To Chelan PUD Board of Commissioners:

I will begin with some overall general comments, followed by personal requests for addition information and procedural consideration to be included in the coming months discussions. It is my view that highlighting these concerns will best serve the interest of the district and fairly represent the customer base.

In regards to aligning the (Strategy & Business Plan) portion of the boards balanced score card. It may be helpful in commission oversight to have a discussion in terms of alignment and possible additional information to key indicators associated with the Strategic Frame work and analysis of the district's annual tracking survey results presented to the board on December 14th commission meeting.

In reference to the July 10, 2009 Strategic Planning process (Executive Summary) draft proposal. The district (Strategic Objectives), are detailed in the document, along with (The Next Steps) that I have listed for reference below.

Strategic Objectives:

1. Develop solution to near-term budget deficit and operational gaps.
2. Ensure rate stability and reliability.
3. Develop capital reinvestment strategies for 2012 and beyond.

The summary included the next steps. It also stated that based on board approved policies, the senior team would develop strategic objectives and each division would develop strategic plans to achieve the objectives. These plans would include.

- Hydro operations
- Energy Planning and Trading
- Distribution
- Transmission
- Networks
- Water/Wastewater
- Parks
- Finance
- Communications

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Recommendations and suggestions:

Should a standardized means of measurement, a common denominator if you will, be incorporated in future staff presentations and scenarios that reflect and simplify the items detailed in the Executive Summary? Perhaps, cost by Kilowatt? Would this not assist the commission in considering operational and budgetary policy, by highlighting total cost of ownership to each service category, Electricity, Transmission, Water/Wastewater, Fiber and Parks in regard to the rate stability issues and relationship to the long term rate design of the district?

In addition, could the same means of measurement be incorporated by staff in regard to future presentations to the board in the quarterly budgetary review? At a glance, it could be keenly revealing.

In the planning budgetary review, should there not be an indicator that addresses that portion of the debt which is expensed over the life of the districts assets and its relation to restricted and non-restricted cash reserves? Again, a critical component in addressing accelerated debt reduction options.

Did the customer (tracking poll) conducted in 2009; reveal clear conclusions in regard to the detailed Strategic Objectives and rate stability issues? Did the demographics of the survey best represent the customer base when the data clearly indicates 57% of respondents were 55 years and older? Is this a fair representation of family households?

I recommend caution in moving forward in this area without further discussion in the area of rate design and value tradeoffs, especially while the confidence level of the survey data being evaluated is in question. However, this does not mean or indicate to this commissioner that the present survey data does not hold value. Clearly, it has historical value when placed in context with previous conducted tracking polls and is a good first step in identifying to this commission, deeper areas of interest. In my view, the data simply does not support the level of certainty required for long term planning in regard to rate design and value tradeoffs.

Of course, long term strategic planning and policy decisions must be supported by sound reliable market research. A positive brand image for the district is necessary and will be assured by having the customer base well represented in this process and in having the districts forward path and operational procedure clearly understood and supported.

Respectfully submitted,

Carnan Bergren