

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

February 9, 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 February 9, 2009, at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Dennis Bolz, Carnan Bergren and Norm Gutzwiler. Commissioner Randy Smith was excused. 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).

Natural Resources Manager Keith Truscott and Energy Advisor Carla Truscott 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 26, 2009, January 27, 2009 (Tri-Commission) and February 2, 2009 (study session) were presented for approval.

The Auditor's memorandum, dated February 3, 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 \$3,551,035.92;
2. Customer Deposit Returns dated February 3, 2009 in the amount of \$15,072.99; and
3. Net Payrolls, Warrant Nos. 221406 through 221503 and Advice Nos. 487306 through 487940 for the period ending 1/18/2009 in the amount of \$1,368,817.63.

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Motion was made by Commissioner Bolz, seconded by Commissioner Gutzwiler and unanimously carried adopting the Consent Agenda consisting of the minutes of the January 26, 2009, January 27, 2009 (Tri-Commission) and February 2, 2009 (study session) meetings 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. 09-13428 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A TASK AUTHORIZATION SERVICES AGREEMENT (SA NO. 09-049) WITH HYDROACOUSTIC TECHNOLOGIES INC. (HTI) OF SEATTLE, WA FOR PROFESSIONAL SERVICES RELATING TO THE DISTRICT'S BIOLOGICAL STUDIES

RESOLUTION NO. 09-13429 DECLARING BIOMARK INC. OF BOISE, ID AS THE SOLE SOURCE SUPPLIER OF PASSIVE INTEGRATED TRANSPONDER TAGS AND RELATED EQUIPMENT FOR EVALUATION OF THE DISTRICT'S HATCHERY PROGRAMS OPERATED AS PART OF THE HABITAT CONSERVATION PLANS

Motion was made by Commissioner Gutzwiler and seconded by Commissioner Bolz to adopt Resolution Nos. 09-13428 and 09-13429. The motion unanimously carried to adopt Resolution Nos. 09-13428 and 09-13429, which are on file in the offices of the District.

General Manager Rich Riazzi informed Commissioners that due to the deterioration of wholesale projections it was necessary to discuss with them the next level of contingency plans. He stated that no action by the Board would be required at this time.

Chief Financial and Risk Officer (CFO/CRO) John Janney stated that falling electricity prices in the wholesale market, falling interest rates on investments and below average snowpack coupled with an increase in retail load in January 2009 have impacted the 2009 budget and net wholesale revenues projections. Current wholesale revenue is projected at \$36.2M (a \$17M decrease in net assets). The plan presented to Commissioners would defer two capital projects which would reduce capital spending by \$13,200,000. The plan consists of slowing down the pace of the fiber build out and delaying the Automated Metering System (AMS) project. CFO/CRO Janney also recommended putting money into escrow to cover debt service payments and told Commissioners he would discuss the escrow plan with them at the next meeting.

Executive Manager of Operations Joe Jarvis elaborated on the deferral of the two capital projects. He explained that curtailing installation of fiber infrastructure into new areas would cut \$4,000,000 and would leave \$6,000,000 in the budget to complete work already in process, catch up on maintenance of the system and to connect new customers to infrastructure currently in place. Mr. Jarvis noted that the AMS project is a long range strategic asset and that deferring the

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project will reduce capital spending in 2009 by \$9,200,000 and have no impact to customers in the short term.

It was the consensus of the Commission to agree with staff recommendations to defer the AMS and fiber built out projects.

Commissioners were presented the Capital Project Items list report for 2008 prepared by staff Business Advisors Jenifer Pickel, Felicity Saberhagen and Dave Nelson. Overall in 2008, \$102,632,623 was budgeted for capital projects of which \$97,523,460 was completed.

Managing Director of Generation Darrell Gouldin told the Board that work was completed on a number of Rock Island projects sooner than anticipated. Mr. Gouldin asked the Board to authorize a system capital budget revision for the Rock Island system, noting that the addition of 2008 funds does not increase the cost of any projects. A motion was made by Commissioner Gutzwiler to amend the 2008 annual Rock Island system capital budget from \$22,000,000 to \$22,395,000 for a revision of \$395,000. The motion was seconded by Commissioner Bolz and unanimously carried.

The meeting recessed at 12:22 p.m. for the purpose of lunch, to reconvene at 1:00 p.m. for the purpose of conducting the business 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 300 bills. Manager Grassell noted that staff is planning to work with Senators and Committee staff to explain alternate language and build support for amending the Recreational Use Statute. Director Yount talked in support of SB 5840 (an amendment to Initiative I-937) if it is modified to include a component that supports hydro to firm wind. He also told Commissioners that the Governor's Cap and Trade draft bill is currently moving in a direction of clarity to meet objectives of reducing green house gases. The intent of the revised bill is to define the program over the next year and then be taken back to the legislature for an open and transparent public process. Another key intent of the bill is to define the unique regional aspects that should be carried forward into eventual federal legislation. The Governor's bill supports an economic analysis that would inform the legislative process. Director Yount will be attending meetings in Olympia this week on the draft as well as other items of interest.

Next, the Commissioners reported on the various meetings each attended during the weeks of January 26, 2009 and February 2, 2009. Commissioners attended the February 2009 Washington Public Utility District Association meeting held in Olympia on February 5 through 6, 2009.

Treasury Analyst Brian Bjorklund distributed the quarterly investment report for the quarter ending December 31, 2008. The average rate of return during the fourth quarter was 3.83% on an average invested balance of \$392,063,954. Total agencies investment is at 31.47% (down

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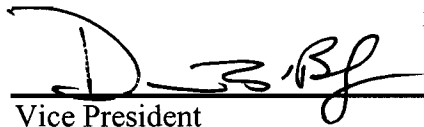
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from 69% last year) of the District portfolio. CFO/CRO John Janney summarized that the goal is to maintain a diversified portfolio and emphasized the importance of staying liquid if there becomes a need to access the money and limit exposure to any one keep exposure because of the uncertainty in the market.

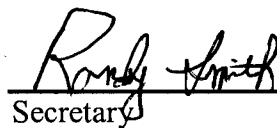
A motion was made by Commissioner Bolz to excuse Commissioner Congdon and Commissioner Gutzwiler from the February 23, 2009 meeting to attend the American Public Power Association 2009 Legislative Rally in Washington DC. The motion was seconded by Commissioner Bergren and unanimously carried.

There being no further business, the meeting adjourned at 1:48 p.m.

President



Vice President



Secretary



Commissioner

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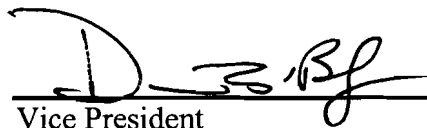
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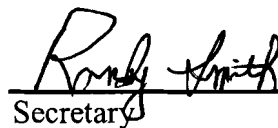
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