

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

February 17, 2009

The regular meeting (study session) 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 17, 2009, at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Dennis S. Bolz, Carnan Bergren and Norm Gutzwiler. Commissioner Randy Smith was excused. In attendance were General Manager Richard 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 George Wilson.

Lead Meter Reader Chuck Holland led the Pledge of Allegiance and provided a safety minute.

Continuing the contingency planning discussion from last week, Chief Financial Officer/Chief Risk Officer (CFO) John Janney provided the Board updated wholesale revenue projections as of February 12, 2009. He projected wholesale revenue at \$33,000,000 (down \$3.2 million from last week) and Utility Services change in net assets at a negative \$20,000,000. CFO Janney stated that in addition to the deferral last week of the \$13,200,000 budgeted for the electric automated metering system and networks build-out; an additional \$4,766,000 budgeted for various capital projects would also be delayed. In total, \$18,791,000 budgeted for capital projects in 2009 have been delayed. Executive Manager of Operations Joe Jarvis identified the additional capital projects delayed to include electric reconductor upgrades, substation improvements, Andrew York 115kV terminations improvements, Rocky Reach breaker upgrades, Riverwalk Trail extension, Squilchuck Reservoir maintenance, vehicles and other smaller projects. He stated that the deferral of these projects delays preventive maintenance and pushes completion time of some projects closer to mandatory completion dates required to meet federal requirements. CFO Janney added that at this time it has been determined that the financial implications of these projects outweigh the risk of delaying the projects. CFO Janney said he would return at a later date to report on contingency plans for reducing operations and maintenance spending and that a temporary electric rate surcharge is still possible as a last resort if District finances continue to decline.

Treasurer Debbie Litchfield presented the following resolution:

RESOLUTION NO. 09-13430 OF THE DISTRICT AUTHORIZING THE DISTRICT  
TO ESCROW FUNDS FOR THE PAYMENT OF 2009, 2010 AND/OR 2011 DEBT  
SERVICE ON ITS OUTSTANDING DISTRIBUTION SYSTEM BONDS

Treasurer and Director of Finance Debbie Litchfield told the Board that the covenant requirement for the outstanding bonds totaling \$999,450,251 is 1.0x. (A detailed explanation of outstanding bonds can be found at [www.chelanpud.org](http://www.chelanpud.org) ) Treasurer Litchfield recommended that Commissioners authorize the District to set aside funds in an escrow account to cover obligated debt-service payments for 2009 and 2010 in the amounts of \$5,312,397.33 and \$5,286,139.83

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respectively. CFO Janney supported the recommendation and explained to Board that setting the money set aside in escrow assures bondholders in these tough financial times that the District will be financially able to make its debt-service payments on schedule. He added that the decision to add money into the escrow account for the payment of 2011 debt service would be made at a later date.

Motion was made by Commissioner Gutzwiler and seconded by Commissioner Bolz to adopt Resolution No. 09-13430 authorizing the District to escrow funds for or the payment of 2009, 2010 and/or 2011 debt service on its outstanding system bonds. The motion unanimously carried to adopt Resolution No. 09-13430, which is on file in the offices of the District.

Commissioners set the strategic topic for March 19, 2009 to continue discussion on 2009 contingency planning.

Director of External Affairs Tracy Yount and Governmental Affairs Manager Suzanne Grassell provided the Board an update on 2009 legislative issues as of February 17, 2009. Staff is monitoring over 340 bills out of record 2380 bills introduced this year. SB 5840 (supported by PUD's under I-937) goes to vote on February 20, 2009 to promote hydro used to firm wind as a renewable energy credit. Staff noted that an executive session by the legislative committee is planned on Cap and Trade proposals. 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. Staff indentified provision of interest in the Federal Stimulus bill passed on February 13, 2009 and will report back to the Board what impact, if any, they will on the District.

Commissioner Gutzwiler asked Managing Director of Utility Services Kirk Hudson to explain the District's reporting procedure for customer interruptions to their fiber services in response to an email the commissioners had received from Mr. George Wilson. Mr. Hudson explained that internet access calls from customers are directed to call their internet service providers (ISP) first and in many cases problems with connection are solved by the ISP. He noted that the District provides wholesale service to retail ISPs who control the routing of the fiber service. Managing Director of Engineering and Technology John Smith told Commissioners that the District monitors the transmission of fiber 24 hours a day and dispatches District crews when a transmission problem arises to meet service levels provided in the contracts with the ISPs. He noted that phone service is the responsibility of the ISP and that the District cannot monitor the ISP's phone service switch and router. General Counsel Carol Wardell stated based on statute the District has wholesale authority only and taking phone calls and acting upon direct requests from end users is within the realm of a retail provider. Executive Manager Jarvis added that the ISP is the District's customer. The end user of the service is a customer of the ISP and if end users are unhappy with their service, they should contact their service provider. George Wilson expressed is discontent with these answers.

George Wilson also asked staff to clarify for the public the areas affected by the announcement made last week to delay the fiber built-out. Managing Director John Smith stated staff could

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clarify the areas where work has not been started and will not have information in other areas until design work is completed.

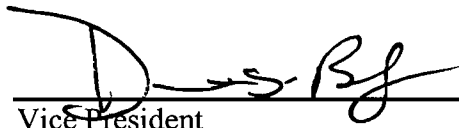
General Counsel Carol Wardell mentioned that 3 or more Commissioners will be attending the Washington Public Utility District Association Meetings on February 18 through 20, 2009 in Olympia, Washington. According to RCW 42.030.070 and past discussions with the state auditor, it is not necessary to declare and notice the meetings as public meetings as Commissioners will not be discussing District business or making any decisions.

General Counsel Carol Wardell updated the Board on the status of the District's Rocky Reach License. The Rocky Reach license is on this week's Federal Energy Regulatory Commission (FERC) agenda to be heard on Thursday, February 19, 2009. Staff will review FERC's action and report to the Commission on Monday, February 23, 2009.

There being no other business, the meeting adjourned at 12:40 p.m.

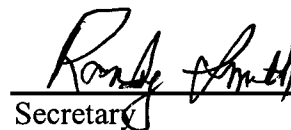
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President



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Vice President



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Secretary



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Commissioner

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Commissioner

