

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

February 19, 2008

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 19, 2008, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Dennis S. Bolz, Randy Smith and Werner Janssen (via telephone). 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: Bill Stokes and Jim Baxter.

A motion was made by Commissioner Smith and seconded by Commissioner Bolz to allow Commissioner Janssen to attend via telephone. Motion carried unanimously.

Fleet Technician Troy Lucas led the Pledge of Allegiance and provided a safety minute.

Commissioners heard the weekly update on the state legislature from Martha Whiteman of the External Affairs Division. Bills of interest are the design of GHG market-based reduction program, family leave, Columbia River water delivery account, pole attachments, renewable procurement and the open public meeting act. The bill that would have required recording of executive sessions died. The slate of bills will further narrow after today's 5 p.m. cut-off. In order for a bill to make the cut, it must be passed in its house of origin by the cut-off.

The Commissioners discussed their 2008 Balanced Scorecard and Strategic Topics calendar. Strategic Financial Planning Director Kelly Boyd noted that the schedule includes provisions for each Commissioner to give quarterly updates on their strategic objectives as well as specific monthly topics. The next quarterly update is scheduled for May 27, 2008. Commissioner Janssen requested review of the indicators for the strategic objective "Sustain Our Public Partnership" be added to the calendar for May 27<sup>th</sup>. Commissioner Bolz reintroduced for discussion the possibility of canceling one board meeting in months where there are five Mondays in a month. There are five Mondays in the months of March, June, September and December. Discussion will be continued at the next board meeting when all Commissioners are present.

Chief Financial Officer Joe Jarvis and Strategic Financial Planning Director Kelly Boyd sought input from the Commissioners on the integrated utility philosophy and its financial integration into the rate setting process. Setting policies and objectives is step one of a five-step rate setting process. Commissioners were asked to review and re-affirm strategic financial guidance of a targeted combined positive Change in Net Assets by 2011, target an overall operating ratio of 80-

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100% by 2011, limit the potential surcharge to 14% and target a minimum debt coverage of 1.25 under unusual circumstance and moving Water/Wastewater systems toward a combined system “postage stamp rates” to reduce cost. The strategic objectives were reaffirmed. In addition, the Board discussed funding options that would be consistent with the “integrated utility” philosophy. Potential funding options include:

1. Market-based interest loans
2. Low-interest loans (interest rates at less than market rates)
3. No-interest loans (interest rate of 0%)
4. Cash Infusions
5. Loans or cash infusions to fund ongoing O & M expenses
6. Loans or cash infusions to fund existing debt service

The Board discussed that all options could be appropriate depending on the circumstances and directed staff to develop guidance and alternatives for utilizing the options.

Next steps in the rate setting process will include identifying revenue requirements, performing the cost of service study, rate design and implementation and communication of the rate decision. Commissioner Bolz emphasized that public input is welcome throughout the process. Future public meetings will be scheduled to gather public input on the process.

Telephone connection with Commissioner Janssen disconnected during the discussion described above at 2:40 p.m. due to technical difficulties.

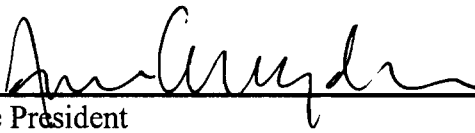
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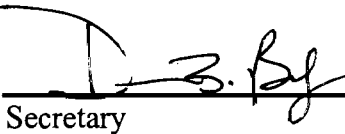
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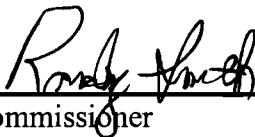
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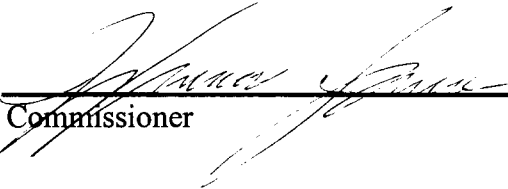
There being no further business, the meeting was adjourned at 3:10 p.m.

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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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