

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

March 2, 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 March 2, 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 attended via phone (morning session only). In attendance were Acting General Manager Wayne Wright, General Counsel Carol Wardell and Acting Clerk of the Board Lisa Everhart. Various staff members were also in attendance.

Others in attendance: Bob Huber, Larry Cleek, Larry Tobiska, Jim Oakley and Skip Johnson.

Parts and Maintenance Coordinator Bouke Verkerk led the Pledge of Allegiance and provided a safety minute.

Commissioners heard an update from Jim Oakley from Energy Northwest. Oakley discussed projects that Energy Northwest is involved in including woody biomass and wind farms.

Public Information Officer Kimberly Craig, Senior Accounting Analyst Beth Miracle, Computer Graphic Designer Tonya Doughty, and Senior Treasury Analyst Heather Irelan updated the board on the PUD's Annual Report for 2008, titled "Power +" is expected to be available online in April, with hard copies available by request after that. Costs will be reduced by an estimated \$1,000 by printing only as many copies as are requested.

Controller Diane Cooper requested a change in the 2008 budget in response to increased external purchased power costs. The wholesale purchases were necessary due to the delay in the spring runoff, historically low flows late in the year, credit risk mitigation actions and below-average December temperatures resulting in increased retail loads. The Operating Budget results, including this purchased power activity, were discussed quarterly with the Board; however, a formal budget revision had not been requested.

Commissioner Gutzwiler made a motion to approve revision to 2008 Operating Budget for increased external purchased power costs in the amount of \$14,800,000. The motion was seconded by Commissioner Bolz and unanimously carried.

Controller Diane Cooper presented the following resolution:

RESOLUTION NO. 09-13433 A RESOLUTION RESTATING AND REVISING  
POLICIES AND DELEGATING AUTHORITY REGARDING CAPITAL BUDGET  
APPROVAL AND BUDGET REVISIONS AND RESCINDING RESOLUTION NO.  
08-13324

Motion was made by Commissioner Bolz and seconded by Commissioner Smith to adopt Resolution No. 09-13433 restating and revising policies and delegating authority regarding

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capital budget approval and budget revisions and rescinding resolution No. 08-13324, which is on file in the offices of the District.

The meeting recessed at 12:03 p.m. for the purpose of lunch, to reconvene at 1:00 p.m. for the purpose of conducting the business of the District.

Reconvening at 1:00 p.m., Commissioners heard an update from Steve Currit, director of Shared Services. The Wenatchee Row and Paddle Club is prepared to sign an agreement with the city of Wenatchee to use a metal building near the corner of Ninth and Walla Walla streets for storage of non-motorized craft launched at the nearby dock at the Linden Tree area of Riverfront Park. The club has outgrown the space available in the Lindston Barn and has been looking for a place to expand. If approved by a resolution to be proposed next week, the PUD would grant a five-year permit to the city for \$2,240 per year. The city, in turn, would allow the Row and Paddle Club to use the building. The permit could be renewed one year at a time after the initial five year term if both sides desire. Larry Tobiska and Skip Johnson spoke in support of the Row and Paddle Club.

Chief Finance Officer/Chief Risk Officer (CFO) John Janney presented the Board updated information on the District's contingency planning. CFO Janney stated that revenue forecasts have dropped further and District supervisors have reduced the 2009 operation and maintenance (O&M) by \$7,300,000. Executive Manager Joe Jarvis stated that this revision will cutback, delay or cancel some utility work planned for this year. Cutbacks included: less tree-trimming this year, reduced educational programs at Rocky Reach Dam Visitor Center, scaled back pole-testing, bare-bones trail maintenance in parks, reduced overtime, return of underused vehicles to the central fleet to be used elsewhere and limiting office moves and/or reconfigurations. Vital steps to meet requirements for protecting critical infrastructure will still be taken, he noted, as will scheduled overhaul of vital equipment and work necessary to meet relicensing requirements. Mr. Jarvis said further cuts this year would likely affect service reliability. CFO Janney stated that the \$7.3 M O&M budget reduction brings total reductions in the 2009 budget to just over \$26 million.

Commissioners Gutzwiler and Congdon suggested they take a look at their own budget to see if cuts can be made. The Board has an all-day retreat scheduled March 13, 2009 at the North Central Regional Library Headquarters to discuss strategic planning, and the budget may be discussed then.

It was suggested that another evening meeting be held to allow General Manager Rich Riazzi to explain the latest financial outlook and answer questions from customer-owners. These evening meetings are intended to keep the community informed about the PUD's changing financial outlook and the possibility of an electric bill surcharge. No decision on a surcharge has been made.

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By motion made by Commissioner Gutzwiler, seconded by Commissioner Bergren and carried unanimously, the board approved advertising for a special informational meeting on March 16, 2009 at a location to be determined.

Governmental Affairs Manager Suzanne Grassell provided the Board an update on 2009 legislative issues as of March 2, 2009. Staff is monitoring about 190 bills. Bills of interest include amendments to Initiative I-937, climate, whitewater boating liability, feed-in tariff and stimulus money for energy efficiency.

General Counsel Carol Wardell mentioned that 3 or more Commissioners will be attending the Washington Public Utility District Association Meetings on March 4 through 6, 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 meeting as a public meeting as Commissioners will not be discussing District business or making any decisions.

A motion was made by Commissioner Gutzwiler, seconded by Commissioner Bergren and unanimously carried to excuse Commissioner Bolz from the March 30, 2009 board meeting.

A motion was made by Commissioner Gutzwiler, seconded by Commissioner Bolz and unanimously carried to excuse Commissioner Bergren from the March 30, 2009 board meeting.

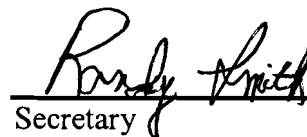
A motion was made by Commissioner Bergren, seconded by Commissioner Bolz and unanimously carried to excuse Commissioner Congdon from the March 3, 2009 board meeting.

There being no other business, the meeting adjourned at 2:46 p.m.

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President



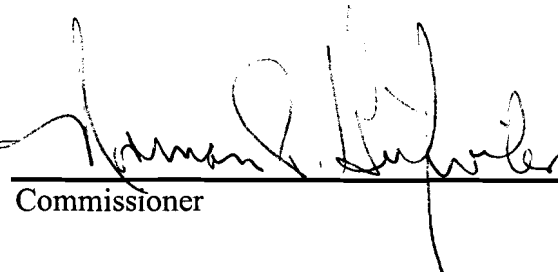
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Vice President



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Secretary



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Commissioner



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