

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

March 13, 2009

The regular meeting (board retreat) of the Commission of Public Utility District No. 1 of Chelan County, Washington, was held in the offices of the North Central Regional Library, 16 North Columbia Street, Wenatchee, Washington, on March 13, 2009, at the hour of 9:00 a.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Dennis S. Bolz, Randy Smith, Carnan Bergren and Norm Gutzwiler. In attendance were Community & Intergovernmental Relations Manager Jeff Smith, Senior Strategic Financial Planning Analyst Scott Taylor and Clerk of the Board Sheila Salmon.

Others in attendance: Director-Strategic Financial Planning Division Kelly Boyd

Desired outcomes of the meeting:

- Adoption of an updated Balanced Scorecard (BSc) and assigned champion for each objective and confirm the value of the BSc;
- Commitment to a process of working together;
- Establish a program for regular Board member training;
- Define the regular meeting schedule;
- Confirm the value of the Balanced Scorecard individually and collectively; and
- Set a timeline for modification of the Commissioners Governance Policy.

Jeff Smith asked the Commissioners to respond to the following question, "Why did you originally run for commissioner and what did you hope to achieve?" (Ann) I saw it as a new challenge to do important work for the community and with the hope to effect change at the District. (Dennis) To possibly affect the District culture to be open, honest and transparent as it deals with budget, finance, personnel, governance and public relations. (Randy) To make a positive difference in the lives of Chelan County citizens and their heirs by ensuring the District is on solid, long-term financial and organizational footing. (Norm) I was encouraged by citizens of Chelan County to take the next step beyond previous community service through the elective process with the hope of bringing stability to the Board with his style of leadership. (Carnan) To promote teamwork and accountability on the Board in hopes of enhancing the relationship between the PUD and the community.

"What has changed from your original goals?" It was the general consensus of the Commission that the change in leadership and overall organizational structure of the PUD have been the most significant changes. (Ann) Goals are bigger and broader; her role as a Commissioner is now more strategic and related to policy. (Dennis) No matter how far you go down the road, you can always question the path, turn around and head in another direction. (Randy) I'm still on track with my original goal. (Norm) I was asked by the community to run for another term and convinced it was the right thing to do. It's been a curvy road in a forward direction. (Carnan) Structure, solid direction and accountability are now in place. Jeff Smith summarized: The

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Board's observations reflect a common theme – which the internal culture and external public perception have changed, providing organizational stability.

The objective of this strategy session is to verify whether your original goals in running for Commissioner hold true, and if not, modify them and confirm that the BSc will help you achieve your goals.

Each Commissioner reported on their BSc indicator:

Commissioner Congdon - **E2 Continuously Improve Board Members Skills:** Continual board development ties to our governance policies and requires periodic training and education. Informally evaluating performance through self- monitoring which includes comparison of Commissioner activities to policies adopted by the Board. Would like to look at indicators and re-evaluate them.

Commissioner Gutzwiler - **E1 Evaluate Governance Positions:** Indicators have come a long way and are being met. Suggested adding instruction to follow Robert's Rules of Order in meetings.

Commissioner Bolz – **G2 Approve Strategy and Business Plan:** This has been accomplished as part of the public strategic planning meetings. The process of reporting issues and the mechanisms of measurement may be inadequate and need of formalization.

Commissioner Bolz - **F1 Maintain Strong Financial Stewardship:** Clear in financial decisions and reporting process. Staff is accountable to provide Commission the information they need so they are able to assure the public.

Commissioner Smith - **G3 Responsible Board Representation:** Question whether or not they are fulfilling this responsibility. Suggested to move E1 Evaluate Governance Positions as an indicator under G3 Responsible Board Representation.

Commissioner Congdon – **G4 Ensure Compliance:** Indicators are being met. Suggested the Audit Committee modify updates and include the full board as necessary.

Commissioner Gutzwiler - **G1 Ensure Effective Execution:** This indicator pulls the whole BSc together. This indicator should be the responsibility of the Board President. It directs the board on the use of the BSc.

Jeff Smith for former Commissioner Werner Janssen – **S1 Sustain Our Public Partnership:** “Develop and use outreach mechanisms to ensure the Board hears the strategic viewpoints and values of its customer-owners, the community and other interested stakeholders.” You've been doing this through your attendance at customer partnership group meetings, customer contacts and attendance at various meetings.

Commissioners Smith and Bergren will work with the Strategic planning staff to rewrite indicators so they are measurable and consider moving to a grading system instead of weightings. Quarterly review of BSc indicators will be scheduled for the study session following the Quarterly Finance/Energy Resource Update. The next review of the BSc is set for the May 26, 2009 study session.

The next topic on the agenda: **Board Member Training** led by Commissioner Bolz. Commissioner Bolz read a quote from the National Leadership Network "Improvement is not achieved by focusing on the results but by focusing on improving the systems that create results." It starts with going back to look at processes. He passed out a management model form used to develop a system that will evaluate what is being done, what is needed to be known, what is hoped to achieve, set specific objectives, and assess whether or not objectives are attained. The training matrix will identify training topics and the date attended.

Commissioner Bolz stated that continual training on board skills, policies, and procedures will help ensure a smooth operational transition during board member changes. Commissioners would like to develop an annual training plan for currently seated board members.

Suggested changes to the training matrix are to be submitted to Commissioner Bolz by April 6, 2009. Commissioner Bolz will organize the training matrix and develop recommendations to be discussed at the May 8, 2009 follow-up retreat.

Commissioners discussed using a master calendar to track activities and start planning in the fall for the following year's activities.

Commissioner Congdon suggested future retreats be scheduled in various locations around Chelan County.

Commissioner Gutzwiler suggested Commissioners consider canceling the 5th Monday meeting and use it for training.

Commissioners proposed changes to their Governance Policies as follows:

- Policy No. 1 Mission and Vision Statement. Mission will read: "To be a highly regarded (delete well-regarded) public utility";
- Policy No. 2 Strategic Objectives. Insert updated BSc structure;
- Policy No. 3 Purpose of Board of Commissioners. Commissioner Bolz will write a purpose statement and bullets 3 & 4 moved to Policy No. 5 Board Member Job Description;

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- Policy No. 7 Meetings of the Board. Monday meetings will be held at 1:00 p.m. Commissioners decided to cancel the 5th Monday meeting of each month (with the exception of the November due to budget timeline requirements).;
- Policy No. 10 Board Committees. Add: Secretary as an alternate audit committee member;
- Policy No. 15 Board-Treasurer Relationship. Remove sentence: "The Board may participate in the evaluation of the Treasurer," as it is repeated twice;
- Policy No. 16 Board-Internal Auditor Relationship. Remove sentence in the third paragraph starting with "The Board may participate in"; and
- Policy No. 17 Board-Clerk of the Board Relationship: Add to the end of the third paragraph "after consultation with and input from the Board."

Commissioners Smith and Bergren will discuss changes with General Counsel Carol Wardell. Proposed revisions will be scheduled for Board consideration at the April 27, 2009 meeting.

Next on the agenda, **Commissioner Budget reductions**. Commissioners modified the title of budget line item titled Commissioner – Staff Labor to say Commissioner - Salary. It was suggested that each Commissioner be limited to one out of state conference this year. Commissioners reduced their budget by the following: Phone stipend-\$600; Contracts-\$7,600; Mid C-\$400; Travel-\$8,000; Refreshments-\$1,260, for a total reduction of \$17,860.

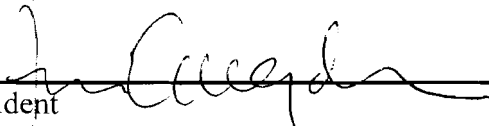
Commissioner Smith suggested Commissioners review a handout titled Ethics, Conflicts of Interest, Culture of Compliance and Tone at the Top and cross- reference it with Governance Policy No 6 – Board Members' Code of Conduct.

Commissioner Bolz discussed developing a social contract to stand as an informal guide of conduct amongst commissioners that would address issues of respect, communication and working together. He passed out a handout to be filled out by each commissioner. Questions included how would you like to be treated, how would you like to treat each other, how do you think I want to be treated by you and how should we treat each other when there's conflict?

Commissioners would like to schedule a follow-up strategic planning meeting for Friday, May 8, 2009, 9:00 a.m. to noon at the North Central Regional Library offices to continue discussion on a Board member training plan, BSc and group agreement contract.

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There being no other business, the meeting adjourned at 3:30 p.m.



President

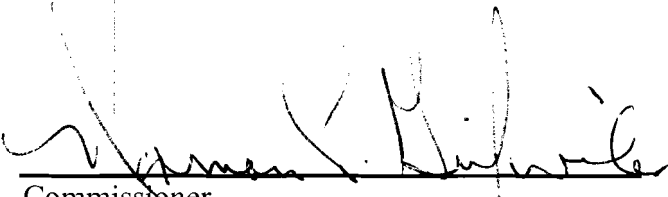
Vice President



Secretary



Commissioner



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