

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

March 16, 2009

The regular meeting (special 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 16, 2009, at the hour of 5:30 p.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Dennis S. Bolz, Randy Smith, Carnan Bergren and Norm Gutzwiler. 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: Hank Dreweiany, Cot Rice, Vicki Martz, Rich Cole, Bob Huber, Dave Hersh, Brian Odell, Jack Speer, Lisa Karstetter, Stefan Voyt, Donna Lee Moore, Jan Seale

About 50 community members and District employees attended the meeting to hear General Manager Rich Riazzi provide details on the District's latest financial condition.

General Manager Riazzi advised the public that wholesale sale revenue forecasts continue to be on a downward trend as a result of a combination of low snowpack and low market prices from surplus power. As of March 16, 2009 wholesale sales are at \$29.7M which reflects a \$23M negative change to Utility Services net assets. He stated that even with the District's reduction of \$26,091,000 to the 2009 Capital and O&M (operation and maintenance) budgets, additional contingency plans may be necessary. Staff is continuing contingency planning efforts by looking for further reductions to O&M, delaying of additional capital projects, pursuing cost savings suggestions provided through the employee suggestion mailbox, examining the potential of the Stimulus package and, as a last resort, implementation of a surcharge. He noted that cuts cannot be sustained over the long term without sacrificing quality and reliability of services.

As a part of ongoing contingency planning, General Manager Rich Riazzi informed the public of three cost cutting programs recently implemented to trim payroll costs:

1. A mandatory 5-day furlough: All regular and full- and part-time employees will be required to take a 5-day furlough as unpaid time off. District savings would be approximately \$940,000.
2. A voluntary "Double Yes" program: Employees may formally propose elimination of their job and if accept by the District the employee receives a separation payment equal to one year of salary or wages based upon the employee's scheduled hours.
3. Call for volunteers to change to part-time status: Regular full-time employees may volunteer to change to part-time status on a permanent, temporary or trial basis.

General Manager Riazzi said the contingency steps taken so far may not be enough. The District still faces a projected \$20 million loss at the end of the year. If conditions do not change, he will recommend to the Board the addition of a temporary electric bill surcharge for a year to bolster revenues. The surcharge is one of the Board's guiding principles approved during strategic planning sessions last year to be used as a last resort.

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He continued on to say that while it is being determined how to approach a possible surcharge, the Board passed a motion to postpone for up to 60 days the new electric conservation rates planned to go into effect on April 1, 2009. He noted that the rate changes for water and wastewater systems will go into effect on April 1, 2009 as planned.

During public comment, Conway Narby asked for clarification of the rate changes scheduled to go into effect April 1, 2009. General Manager Riazzi said the new rate structure is designed to encourage power and water conservation and more closely align rates among different types of customers. John Stoll, Director of Customer Service, added that the rate design first tier is now up to 2000 Kw and that 70 % of the customer will see no change in their electric bill.

Other topics of interest discussed where the installation of fiber, Leavenworth service crew relocation to Wenatchee, alternative energy and employee compensation.

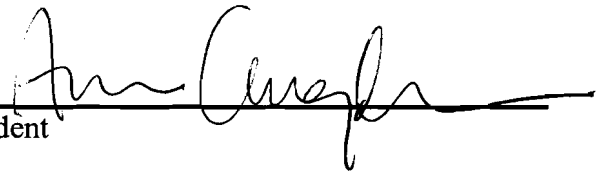
General Manager Riazzi concluded by saying that the current financial condition is within the range of possibilities that staff has shared as part of the strategic financial analysis begun a few years ago. If there is no significant change in financial situation by April, it would be his recommendation to the Board to add a temporary electric surcharge. Determination will follow the final April snowpack readings and updating of forecasts following those readings.

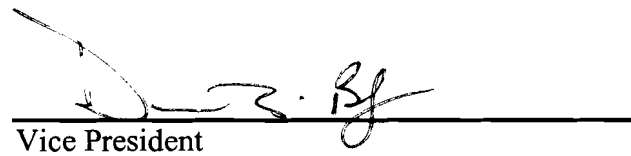
Commissioner Gutzwiler suggested setting a date for the next financial update after verification of snow measurements. Commissioner Bolz suggested not setting the date at this time to allow time for discussion.

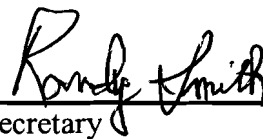
A motion was made by Commissioner Gutzwiler to set a hearing date of April 13, 2009 at 5:30 p.m. at the Confluence Technology Center for the purpose of the General Manager making a recommendation to the Board as to whether an electric rate surcharge should be adopted. The motion was seconded by Commissioner Smith and passed with a three to one vote.

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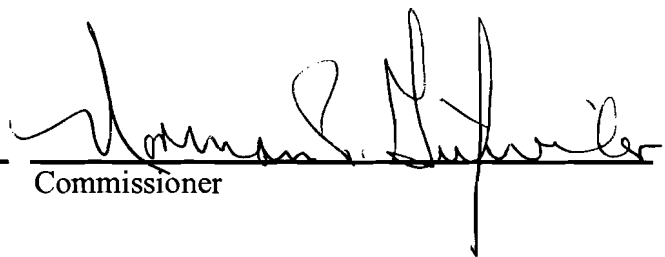
There being no other business, the meeting adjourned at 6:55 p.m.

  
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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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