

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

May 11, 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 May 11, 2009, at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Dennis Bolz, Carnan Bergren, and Norm Gutzwiler. (Commissioner Randy Smith was excused for attendance at the National Hydro Association meeting in Washington DC.) 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: Bob Huber and Christine Pratt (Wenatchee World).

Brooke Thomsen, Michelle Lahd and Bill Larsen of the Safety and Health Division led the Pledge of Allegiance and provided a safety minute.

Jeff Smith with Utility Services introduced a proposal to develop a low impact, public trail through the District's Leavenworth service headquarters site, connecting to the extended Wenatchee River Valley community trail system. The proposed trail would be a cooperative project of the District, Chelan County, City of Leavenworth and Chelan/Douglas Land Trust. Steve Currit, Director of Shared Services, told Commissioners that the trail is to be constructed and maintained by the City of Leavenworth. It would require that the District to make land available for controlled public access pursuant to a permit with a 25-year term. All costs of maintaining the trail would be the City of Leavenworth's responsibility and the District would not have an obligation to maintain or continue the trail. The trail would be built on the District's property along Alpensee Strasse Road, up the hill past the substation and connects with the transmission line route ending at the Burlington northern Sante Fe Corridor. He said construction is tentatively scheduled for this fall and asked for Commissioners' support. Commissioners agreed to allow staff to proceed with finalizing the permit the permit agreement with the City of Leavenworth.

Susan Gillin, Conservation Service Administrator, proposed phasing out the District's electric weatherization and water conservation loan programs in favor of new programs for customers. She told Commissioners that customer participation in the loan programs has declined. Mark Wisner, Conservation Program Manager, told Commissioners that staff is in the process of developing new programs, including incentive payments, that will give customers more options and plan to present those incentives for Board review. Commissioners requested staff wait to begin phase out of the loan program until after they have present the new programs to the Board.

President Congdon recessed the meeting at 11:58 a.m. for the purpose of lunch.

Reconvening at 1:00 p.m., Director of External Affairs Tracy Yount summarized specific legislation important to the District in the 2009 Legislative Session which ended April 26, 2009.

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- Recreational use statute amendment (whitewater boating) – The amendment would have substituted language stating that the District is protected from liability if it releases water substantially in compliance with its FERC license. With the preliminary work that was done this session, the bill should progress next session.
- SB 5840, an Amendment to Initiative 937, died on the House Calendar awaiting reconsideration.
- SB5735, reducing greenhouse gas emissions (also known as the Governor's Climate Bill), died on the Senate Calendar awaiting reconsideration.
- SB 5921, created a new Clean Energy Leadership Council.

Staff is preparing an end-of-session report and has begun planning for the 2010 Legislative Session.

Director Yount told Commissioners staff is researching the Federal Stimulus Package for opportunity relative to broadband, finance, smart grid, energy conservation and water.

John Smith, Managing Director of Engineering and Technology, informed Commissioners that the Department of Energy (DOE) published a Notice of Intent to issue funding for a Smart Grid Demonstration Program. Bonneville Power Administration (BPA) is targeting the \$100,000,000 in funds for a Pacific Northwest Regional Demonstration Program. BPA has proposed partnering with other utilities to create a regional smart grid test bed. Director Smith indicated that staff is preparing a letter of interest to partner with BPA to be submitted on May 18, 2009.

Energy Planning & Trading Manager Janet Jaspers presented an Energy Resources first quarter update. Snowfall on the west side of the Cascades has been much higher than on the east side where latest runoff forecasts are still between 83-88 percent of average for Grand Coulee Dam and at 75 percent of average for the Lake Chelan Basin. Temperatures for January through March were colder than average, requiring more power to serve local load and making less surplus power available for the District to sell on the open market.

John Janney, Chief Financial Officer/Risk Officer, presented the first quarter financial review. (Refer to www.chelanpud.org for the presentation.) He indicated that wholesale sales budgeted at \$51,000,000 continue to fall below budget and are currently at \$29,000,000. The District contingency plans are in place and on track to reduce expenditures by more than \$27,000,000. He added the staff remains focused on looking for more cost-savings. He said the PUD is also committed to keeping rates low and on keeping the PUD strong and reliable for the future. Overall, the District is still expected to end the year with a drop in net assets of \$18,300,000.

Motion was made by Commissioner Gutzwiler, seconded by Commissioner Bolz and unanimously passed to excuse Commissioner Bergren on May 18, 2009 to attend the NWPPA annual conference in Boise Idaho.

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A motion was made by Commissioner Bolz to set a special meeting on June 4, 2009 at 5:00 p.m. in the auditorium for the District retiree meeting. The motion was seconded by Commissioner Bergren and unanimously passed.

A motion was made by Commissioner Bolz to set Thursday, May 28, 2009, 9:00 a.m. to 3:00 p.m. at the North Central Regional Library offices for a follow-up strategic planning meeting to continue discussion on the Balanced Scorecard, Governance Policies, Board member training and the group agreement results. The motion was seconded by Commissioner Bergren and unanimously passed.

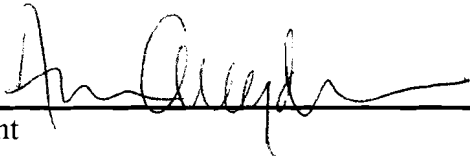
General Counsel Carol Wardell mentioned that 3 or more Commissioners will be attending the Washington Public Utility District Association Meetings on May 13, 14 and 15, 2009 in Kennewick, Washington. According to RCW 42.030.070 and past discussions with the state auditor, it is not necessary to declare 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 Bolz and unanimously carried to convene into executive session for the purpose of discussing with legal counsel litigation and/or legal risks as authorized by RCW 42.30.110(1)(i). It is anticipated that the board will reconvene into regular session at approximately 3:15 p.m. The notice of such executive session, including the purpose of the session and the estimated time the session would conclude was properly posted by the Clerk of the Board.

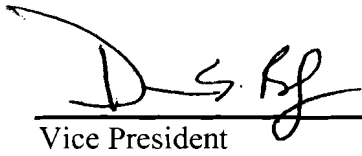
Reconvening from executive session into regular session at 3:10 pm, President Congdon stated that no action was taken.

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There being no other business, the meeting adjourned at 3:11 p.m.



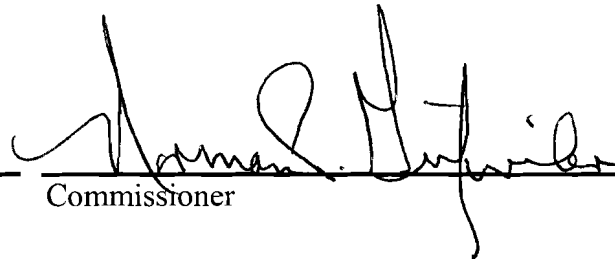
President



Vice President

Secretary

Commissioner



Commissioner