

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

June 15, 2009

The regular meeting 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 June 15, 2009, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Dennis 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: Bob Huber, Tom Clark and Christine Pratt (Wenatchee World).

Journeyman Lineman Chico Rodriguez led the Pledge of Allegiance and provided a safety minute

Lineman Rodriguez invited Commissioners, staff and the public to attend the 5th Annual Andrew York Lineman Rodeo to be held Saturday, June 20, 2009 in Walla Walla Park from 8:00 a.m. to noon.

President Congdon presented the Consent Agenda Items for adoption. She asked if any item on the Consent Agenda should be transferred to the Regular Agenda for further review. No items were requested to be transferred to the regular Agenda. President Congdon presented the Consent Agenda items for adoption as follows:

The minutes of the customer partnership group meetings held on March 12, 2009; April 7, 2009; April 10, 2009; April 14, 2009; May 7, 2009; June 4, 2009; June 6, 2009; and the regular meeting held on June 1, 2009 were presented for approval.

The Auditor's memorandum, dated June 9, 2009, supporting documentation and the District's Computer Report, which certify, pursuant to RCW 42.24.080, that the District received certain goods, services and other considerations specified therein and described as follows were presented for approval:

1. Claims certified by the Auditor for payment and authorization for the Auditor to issue warrants payable by the Treasurer for services, goods and other considerations received by the District in the total amount of \$29,475,368.08;
2. Approval of Customer Deposit Returns payment dated June 9, 2009 in the amount of \$7,694.40;

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3. Approval of the net Payrolls, Warrant Nos. 222323 through 222427 and Advice Nos. 493300 through 493989 for the period ending 5/24/2009 in the amount of \$1,669,415.61;
4. Payment to Barclay's Capital in the amount of \$183,024.95 on June 3, 2009 for underwriting fees associated with the Refunding Series 2008B Revenue Bonds conversion from alternative minimum tax (AMT) to non-AMT; and
5. Payment to U.S. Bank in the amount of \$1,145.10 on June 3, 2009 for Refunding Series 2008B Revenue Bonds interest.

Resolution:

RESOLUTION NO. 09-13473 APPROVING BIDDING DOCUMENTS FOR BID 09-09, ELECTRICAL AND TELECOMMUNICATION DOCK CREWS AND AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT

Motion was made by Commissioner Smith, seconded by Commissioner Bolz and carried adopting the Consent Agenda consisting of the minutes of the customer partnership group meetings held on March 12, 2009; April 7, 2009; April 10, 2009; April 14, 2009; May 7, 2009; June 4, 2009; June 6, 2009; and the regular meeting held on June 1, 2009, the above listed vouchers and Resolution No. 09-13473, which are on file in the offices of the District.

Distribution Engineering Manager Chad Rissman reported back to the Board that the negotiations for Bid 09-23 Kaweck Substation Transformers have been completed and authorization to award has been received by Executive Manager Wayne Wright as acting general manager to award bid to Howard Industries. Howard Industries, with the initial low bid of \$98,098 did not change and negotiations resulted in a change of delivery date to accommodate the District's installation schedule.

Next, motion was made by Commissioner Smith to convene an executive session commencing at 1:15 p.m. for the purpose of discussing with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i). The motion was seconded by Commissioner Bolz and carried. President Congdon stated that she anticipated the executive session would conclude at approximately 1:35 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 into regular session at 1:35 p.m., President Congdon reported that they discussed with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i). No action was taken.

REGULAR AGENDA

RESOLUTION NO. 09-13474 APPROVING ISSUANCE OF THE ORDER TO PROCEED AND EXECUTION OF FIELD WORK ORDER/CHANGE ORDER NO. 2-01 FOR THE 2nd UNIT OF CONTRACT 04-01B FOR THE ROCK ISLAND B5 - B10 REHABILITATION PROJECT

A motion was made by Commissioner Gutzwiler, seconded by Commissioner Bolz and carried adopting Resolution No. 09-13474, which is on file in the offices of the District.

Next, Commissioners reported on the various meetings each attended during the weeks of June 1, 2009 and June 8, 2009.

General Manager Rich Riazzi informed the Board that the promotion of Gregg Carrington to Managing Director of Energy Resources has made it necessary to revise the make-up of the Power Risk Management Committee to include the new job title of Managing Director of Energy Resources. Motion was made by Commissioner Bolz to revise Resolution 08-13373 to change all references to the "Managing Director of Energy Trading" to be "Managing Director of Energy Resources or equivalent position." The motion was seconded by Commissioner Gutzwiler and passed.

General Counsel Carol Wardell read draft language to be included in the Board's Governance Policy pertaining to telephonic voting guidelines as discussed at the Board retreat on June 11, 2009. The revisions to the Board's Governance Policies will be sent to the Board for their review and consideration at the June 29, 2009 regular meeting.

Treasurer Debbie Litchfield presented Commissioners an update on the 2009 Plan of Finance. (The presentation can be found at www.chelanpud.org.) The update covered three primary components: 1) Debt conversion of the Consolidated System 2008B bonds from alternative minimum tax (AMT) status to non-AMT; 2) Refunding opportunities of Consolidated System 1999A/B; and 3) New money summary.

Treasurer Litchfield apprised Commissioners with respect to the refunding opportunities, that due to the current cost of liquidity support and other related risks; at this time staff recommends the issuance of shorter term fixed rate notes. In addition, staff recommends that the 2009A/B Bonds be issued into a trust structure, similar to the 2007A Bonds. Furthermore, staff recommends that the District enter into a swap reversal fixed to a floating interest rate swap intended to offset a portion of the 2009 Swap. She presented draft documents for Board review and will return on June 22, 2009 to request adoption.

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The meeting recessed at 2:40 p.m. and reconvened at 2:47 p.m. for the purpose of conducting the business of the District.

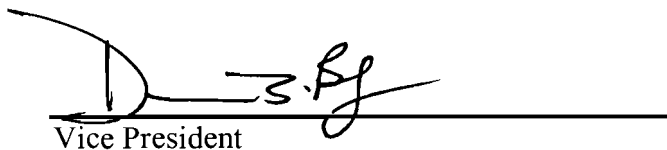
Chief Financial/Risk Officer John Janney presented a Semi-Annual Swaps Update. (The presentation can be found at www.chelanpud.org). He stated the purpose of a forward starting swaps, entered into in 2005 and 2006, was to lower borrowing costs when combined with variable rate financing by locking in a lower fixed rate than could be achieved with conventional fixed rate financing.. Janney then highlighted some of the risks that were discussed with the Board back in '05/'06 and how current market conditions, if they were to persist, might reduce or eliminate the anticipated savings. CFO Janney told Commissioners that District staff continues to manage its variable rate debt/swap portfolio to extract as much of projected savings as possible while working to keep overall risk within acceptable levels. Staff will continue to update the Board as conditions warrant.

Customer owner Tom Clark asked Commissioners to support mitigation at Twenty-Five Mile Creek spawning channel. The channel continues to fill with silt. It was his recommendation to abandon this channel and put efforts into the Chinook facility.

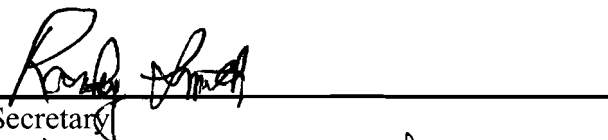
There being no further business, the meeting adjourned at 3:25 p.m.



President




Vice President



Secretary



Commissioner



Commissioner