

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

August 4, 2008

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 August 4, 2008 at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Werner Janssen and Dennis Bolz. Commissioner Smith attended the morning session via telephone. In attendance were General Manager Richard Riazzi, General Counsel Carol Wardell and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Bob Huber, Randy Brooks, BeverLi Joi, Robin Cascel, Maurice Sanders, Essie Sanders, Chris Rader, Kathleen Callison, Rio Thorpe, Tom Witt, Marcy Whitcombe, Harry Drewniansy, Betty Palones, Michael Cochran, Barbara Rossing, Anne Nowacki, Andre Nowacki, Jenae Miller, Steve Milner, Don Poirer, Joanne Poirier, Ken Toevs, Jay Bender, Mike Maner, Liz Hasslinger, Beth Queen, Mike Brogan, Bert VandeBrake, Glenn Carlson and Christine Pratt (Wenatchee World).

Safety Training Program Administrator Dave Parkhill led the Pledge of Allegiance and provided a safety minute.

Commissioners heard the second quarter update from the Energy Resources and Finance groups. Executive Manager of Energy Resources Randy Lowe reported wholesale prices have been very volatile. As a result of cooler temperatures this spring, the bulk of the runoff occurred in May and June when market prices were depressed. Prices year-to-date (\$60) averaged higher than the budgeted average (\$52). Commissioners inquired about possible storage when market prices are low. Mr. Lowe stated we have limited reservoir storage and the pumped storage sites looked at in the past have been determined technically unfeasible.

Chief Financial Officer Joe Jarvis presented the second quarter Balanced Scorecard strategic objective results which can be found at [www.chelanpud.org](http://www.chelanpud.org). Mr. Jarvis also summarized the second quarter financial results: wholesale sales have been strong although they continue to be volatile; capital spending was delayed due to cooler weather and relicensing delays; and retail electric sales are higher this year due to colder than average weather and high customer use. Future financial projections will be provided at a later date.

General Manager Rich Riazzi invited Commissioners to attend a tour of the Stehekin Power Plant on August 26, 2008. Several Federal and State Representatives have also been invited. The group will tour the 205 kW hydro generating unit and will discuss conservation efforts in the Stehekin community.

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The meeting recessed at 11:58 a.m. for the purpose of lunch and reconvened at 1:00 p.m. for the purpose of conducting the business of the District.

Reconvening at 1:00 p.m., General Manager Rich Riazzi introduced the review of the final draft of the Integrated Resource Plan (IRP). The IRP is a report required by state law that requires utilities to project resource requirements and the sources of power needed to supply customers through 2018. Power Resource Analyst Becky King stated the IRP shows an ample supply of power to meet local needs through the next decade and describes the mix of resources from generation, conservation and energy efficiency that will meet current and projected needs at the lowest reasonable cost and risk to the utility and its customer-owners. The Short Term Plan shows what the District will be working on. The complete IRP draft can be found at <http://www.chelanpud.org/IRP.html>.

At the conclusion of the presentation by staff, President Gutzwiler announced that the board room capacity had been exceeded and the meeting would recess and reconvene in the auditorium at 1:30 p.m.

Reconvening at 1:34 p.m., General Manager Rich Riazzi restated the purpose of the IRP and emphasized that approval by the Board of this IRP does not preclude making future changes or looking at other energy sources. He said the plan can be updated as often as the Board likes.

Next, each Commissioner commented on the draft IRP. Commissioner Bolz recommended working with schools to educate children about the benefits of conservation and renewable energy. Commissioner Bolz expressed concerns about spending money on solar power and funding it through rates or debt, especially if it hurts low-income families. Commissioner Janssen asked if managers could look into doing at least a little to begin expanding the District's investment into solar power, and he called for the Board to make a strong statement supporting it when they adopt the IRP.

Discussion of the IRP continued with public comment from over 20 customer-owners encouraging Commissioners to add a statement on solar power into the IRP Plan. Some comments were: Barbara Rossing supports the renewables, namely solar; would like to see incentives for residential conservation; SNAP program to continue on past 2012 and believes in visionary modeling for the future. Steve Milner supports solar and wind programs but questions if it should be the responsibility of Chelan County PUD to administer it. Glenn Carlson relayed a message from the owner of Cascade Auto Center Steve Baldock. Mr. Baldock intends on installing a 45 kW solar collection of the roof of his building.

Commissioners said they are in favor of solar power, noting that the District supports it with its Sustainable Natural Alternative Power Program (SNAP) which began in 2001. General Manager

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Riazzi suggested that the appropriate place to state the District's solar objective is in the District's Sustainability Principles Policy. The policy lists as a future objective in 2009, to explore additional renewable energy and environmental attribute projections.

Commissioners will be asked to vote on the IRP at the August 11, 2008 meeting.

The meeting was recessed and reconvened in the board room for the purpose of continuing the business of the District.

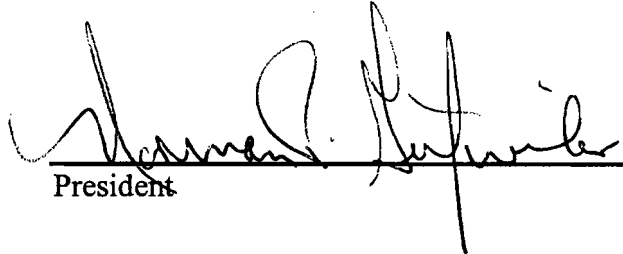
Director of Customer Service John Stoll updated the Commissioners on conservation planning. The District offers programs to help customers fund conservation efforts such as low-interest weatherization loans and ResourceSmart which helps to fund high-return energy efficiency measures for commercial and industrial customers. Director Stoll stated that Initiative 937, approved in November 2006, puts a greater emphasis on conservation and the District will need to provide more opportunities to conserve in the future to meet its requirements. He noted that the District will have to spend more money to achieve higher rates of conservation, but that the benefits will be threefold. The District will have more power to sell on the wholesale market, customer-owners will have lower power bills and innovative conservation will help the District maintain its position as an environmental leader. In 2009, preliminary staff recommendations include a redesign on the weatherization loan program, adoption of connection fees that encourages conservation and finalizing conservation policies. In 2010, preliminary recommendations include a compact fluorescent bulb program, appliance rebates and wider ResourceSmart application. Staff is also looking at a program to help builders during new home construction.

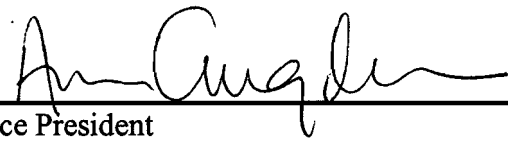
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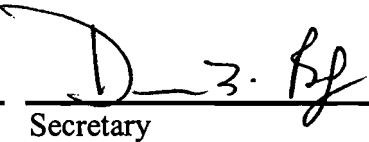
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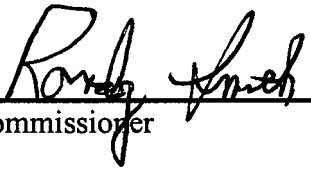
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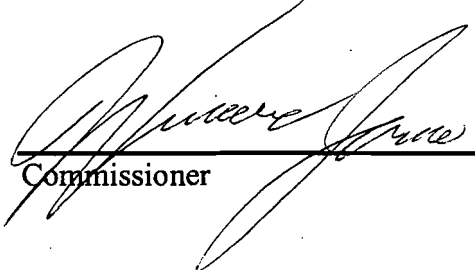
There being no further business, the meeting was adjourned at 4:00 p.m.

  
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