

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

August 10, 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 August 10, 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: Christine Pratt (Wenatchee World).

Becky Gallaher and Lance Keller of the Natural Resources Group led the Pledge of Allegiance and provided a safety minute.

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 regular meeting held on July 27, 2009 and August 3, 2009 (study session) were presented for approval.

The Auditor's memorandum, dated August 4, 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 \$5,234,421.73;
2. Approval of Customer Deposit Returns payment dated August 4, 2009 in the amount of \$8,368.63;
3. Approval of the net Payrolls, Warrant Nos. 222743 through 222834 and Advice Nos. 496068 through 496741 for the period ending 7/19/2009 in the amount of \$1,465,247.13; and
4. Charge-offs to Uncollectible Accounts in the Amount of \$1,145.73 for the period ending July 2009.

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Resolution:

RESOLUTION NO. 09-13489 APPROVING FIELD WORK ORDER NOS. 1 THROUGH 3, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 08-04 WITH KNIGHT CONSTRUCTION & SUPPLY, INC. OF DEER PARK, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE ROCK ISLAND POWERHOUSE 1 FIRE PROTECTION SYSTEM

Motion was made by Commissioner Smith, seconded by Commissioner Bolz and carried adopting the Consent Agenda consisting of the minutes of the regular meeting held on July 27, 2009 and August 3, 2009 (study session), the above listed vouchers, and Resolution No. 09-13489 which are on file in the offices of the District.

Business Manager Jennifer Pickel and Business Advisor Felicity Saberhagen presented Commissioners with the Capital Item List update as of second quarter 2009. Overall, the 2009 budget for Utility Services, Hydros and Shared Services combined is \$79,684,174 of which \$29,619,481 has been spent. The Capital Item List Summary can be found at www.chelanpud.org.

Director of Engineering Services Chris Church requested Commissioners increase funding in 2009 and 2010 for two projects for the Hatchery Water Supply Program. The two projects include replacing the existing transmission pipeline from the well field to the hatchery and installing a new water degassing system in the hatchery. Commissioners instructed staff to present the request for a motion to amend the Hatchery Water Supply Program next week at the regular meeting to allow additional time for the Board members to ask question and receive further information from staff.

Business Manager Jennifer Pickel requested Commissioners revise the 2009 budget for the Lake Chelan System in response to the Board's previous authorization of an accelerated schedule. She noted that these funds would have originally been spent in 2010 had the schedule not be moved up. The Board had previously approved the accelerated schedule and the budget revision was needed to reflect that earlier decision.

A motion was made by Commissioner Gutzwiler to amend the 2009 annual Lake Chelan System Capital Budget from \$24,303,812 to \$27,957,965. The motion was seconded by Commissioner Bolz and approved.

Upon a request made by the Board, Manager Pickel distributed a list of the top 20 District projects which included project schedules and a budget update of each project. The Top 20 list can be found at www.chelanpud.org.

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Business Advisor Saberhagen distributed the list of Contract Activity dated January 1, 2009 through June 30, 2009. The Contract Activity list can be found at www.chelanpud.org.

Next, staff presented the Quarterly Board Operating and Financial Review. The review can be found at www.chelanpud.org.

As part of the review, Managing Director of Energy Resources Gregg Carrington and Energy Planning and Trading Manager Janet Jaspers concluded that more energy was required to meet local load in January, February and March because of cooler than average temperatures and hotter than average temperatures in May and June which decreased the surplus available for wholesale sales. Net wholesale revenue has continued to decline due to low market power prices and low water supply available for generating power.

Next, Chief Financial/Risk Officer John Janney reported the financial review for the second quarter of 2009. CFO Janney said under expected conditions, the District could see losses of \$18,000,000 to \$20,000,000 this year, \$14,000,000 in 2010 and \$7,000,000 in 2011. Adequate cash reserves are available under expected conditions, but could be stressed if low-water and low-prices continue or if other unexpected events occur.

Next, Commissioners reported on the various meetings each attended during the weeks of July 27, 2009 and August 3, 2009.

Commissioner Congdon announced that she would like to make a statement for the record regarding work that was performed for the District by her husband's construction company, "Allen Construction" in September of '08. She stated:

Tom is a contractor and has done lots of work for Chelan and Douglas PUDs over the years; in the last thirty years. However, when I became a Commissioner of Chelan PUD in 2005, I was advised by the our District's legal counsel that there is a state statute that prohibits the letting of contracts in which I, as a municipal officer, would be beneficially interested...or in other words, would benefit either directly or indirectly. That statute is RCW 42.23.030. There is an excepting to the statute which reads: "The letting of any other contract in which the total amount received under the contract or contracts by the municipal officer or the municipal officer's business does not exceed one thousand five hundred dollars in any calendar month."

Tom and I were both made aware of this limitation by our District legal counsel, Carol Wardell, on several occasions. Tom has since turned down work by the District numerous times. But, in September of '08, a PUD supervisor came to Tom asking for help with a situation that "needed immediate attention" (those are the PUD employees words). Tom told him, "I can't do much work" and the employee said that he understood, that is shouldn't take much time. So, Tom pulled his guys off another job

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and moved in to help restore power to a fruit warehouse in the Chelan Falls area. Power was restored, time cards were filled out, and Tom's bookkeeper billed the District and no further thought was given to it.

Last Monday this was brought to my attention: The state auditors in doing audit found and questioned the invoice, as they should. The invoice that was billed and paid in '08 showed a total of \$2677.10 paid to Allen Construction. This is a violation because the limitation is \$1500.00 per month. To remedy this situation, Allen Construction, has paid the District back \$1177.10 which brings the total dollar amount down to \$1500 threshold.

Going forward, Tom has agreed that he will not do anymore work for Chelan PUD.

I apologize for any inconvenience or trouble this has caused for our staff or fellow commissioners.

Treasury Analyst Brian Bjorklund presented the second quarter 2009 Quarterly Investment Report ending June 30, 2009. The review can be found at www.chelanpud.org. He stated that the average rate of return during the second quarter decreased 43 basis points to 3.16% on an average invested balance of \$381,313,536. The District has increased its cash holdings in an effort to stabilize average effective maturity and reduce exposure to interest rate risk.

General Counsel Carol Wardell requested that the commission convene an executive session at 3:00 p.m. to discuss 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). She stated that she anticipated the executive session would conclude at approximately 4:30 p.m. By motion made by Commissioner Smith, seconded by Commissioner Bolz and carried, an executive session was convened after a 5 minute recess. 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 the meeting into public session at 4:30 p.m., President Congdon announced that the commission would reconvene the executive session and stated that she anticipated the executive session would conclude at approximately 5:00 p.m.

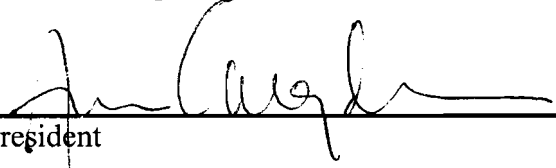
Reconvening the meeting into public session at 4:45 p.m., President Congdon stated that no decisions were made and no votes were taken during the executive session.

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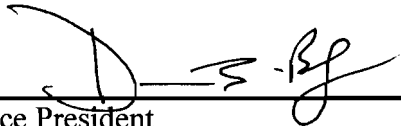
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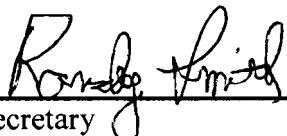
There being no further business, the meeting adjourned at 4:45 p.m.



President



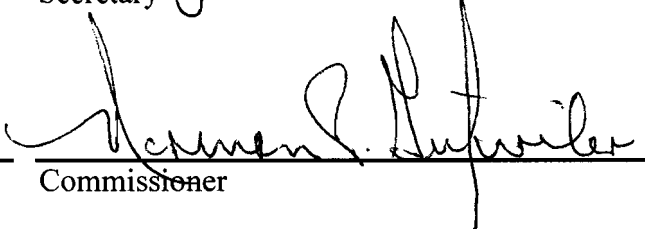
Vice President



Secretary



Commissioner



Commissioner