

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

August 25, 2008

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 July 25, 2008, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Dennis Bolz, Randy Smith and Werner Janssen. 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: Carman Bergren and Jim Baxter.

Nicole Villacres of the Information Technology department led the Pledge of Allegiance and provided a safety minute.

President Gutzwiler presented the Consent Agenda items for adoption. He 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 Gutzwiler presented the Consent Agenda items for adoption as follows:

The minutes of the regular meeting held on August 11, 2008 and regular meeting (study session) held on August 18, 2008 were presented for approval.

The Auditor's memorandum, dated August 19, 2008, 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 \$7,880,270.94;
2. Customer Deposit Returns payment and Bank of America District Credit Card payment dated August 19, 2008 in the amount of \$7,103.69 and \$996.07 respectively; and
3. Net Payrolls, Warrant Nos. 219869 through 220013 and Advice Nos. 477878 through 478566 for the period ending August 3, 2008 in the amount of \$1,434,753.96 as certified by the Auditor's memorandum.

RESOLUTION NO. 08-13361 AUTHORIZING AN AMENDMENT TO RESOLUTION NO. 05-12776 FOR PROFESSIONAL SERVICES AGREEMENT (PSA NO. 05-163)

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WITH RH2, INC. OF EAST WENATCHEE, WASHINGTON TO PROVIDE PROFESSIONAL ENGINEERING SERVICES RELATED TO HAWLEY STREET BOOSTER PUMP STATION DESIGN

Motion was made by Commissioner Smith, seconded by Commissioner Bolz and unanimously carried adopting the Consent Agenda consisting of the minutes of the August 11, 2008, and August 18, 2008 Commission meetings, the above listed vouchers and Resolution No. 08-13361, which are on file in the offices of the District

The Commission next considered the matters listed in the Regular Agenda.

RESOLUTION NO. 08-13362 AMENDING THE WATER SERVICE MANAGEMENT AGREEMENT WITH CHELAN FALLS WATER DISTRICT

RESOLUTION NO. 08-13363 DECLARING SIEMENS OF WENDELL, NC AS THE SOLE SOURCE SUPPLIER OF BREAKER RACKING MECHANISM FOR OLDS STATION, UNION VALLEY AND SADDLEROCK SUBSTATIONS

Motion was made by Commissioner Congdon and seconded by Commissioner Bolz to adopt Resolution Nos. 08-13362 and 08-13363. The motion unanimously carried to adopt Resolution Nos. 08-13362 and 08-13363 which are on file in the office of the District.

Director of Strategic Financial Planning Kelly Boyd asked Commissioners if they had any questions in regard to the rate design drafts presented at the August 18, 2009 meeting. (See www.chelanpud.org for August 18, 2009 presentation.) She explained that the drafts are based on the Board's guiding principles. The design guiding principles include: align with COSA over time; assist a broader range of low income customers through tiered rate structure; promote conservation through tiered rate structure; eliminate minimum charge and demand ratchet; modify irrigation season; streamline interdepartmental rates; and small incremental increases. She clarified that Draft 1 accomplishes design changes and a small step towards an overall rate increase amounting to a bottom line average of 3.4%. Draft 2 accomplishes the same design changes with an emphasis on conservation and does not include an overall rate increase for a bottom line average of 2.5%. Draft 2 is based on an April 1, 2009 start date.

As water and wastewater rates are aligned, Commissioner Smith stated he would like to limit the amount of increase to Dryden customers. Commissioner Janssen suggested lessening the amount of the increase to Dryden customers by not lowering rates to other customers.

Commissioner Janssen would like to consider as an option no rate increase and if needed, take a chance there may be a future surcharge. General Manager Rich Riazzi said Draft 2 does not address the probability of a surcharge and is designed for conservation and rate design purposes. He said, if Draft 2 was chosen, staff would return to the Board with a plan that would financially engineer the area of debt structure and give flexibility in capital budgets. Commissioner Smith

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supported honoring the commitment to limit a potential surcharge to no more than 14% surcharge.

Commissioner Smith questioned if lowering the rate for a portion of the customers would accomplish conservation goals. Commissioner Congdon stated she sees those as contradictory goals which deserve more thought.

Commissioners Bolz and Janssen suggest adding wording to Draft 2 to that states Commissioners are contemplating a 0% to 2.5% increase. Ms. Boyd pointed out that Draft 2 has a 0% component for an overall increase in rates and that the net bottom line percentage of increase is connected to the guiding principles set by the Board. To change the net bottom line percentage, Commissioners would need to modify one or more of the guiding principles. Financial Planning Analyst Mark O'Bryan stated the net bottom line outcome in Draft 2 is based on historical usage patterns from 2007. It shows an anticipated revenue increase of 2.5%, not a 2.5% increase in rates. He stated it is not an across the board rate increase.

Motion was made by Commissioner Bolz, seconded by Commissioner Smith and unanimously carried to approve for draft presentation to the public the 2009 Draft for water and wastewater and the 2009 Draft 2 electric design changes.

Director of Customer Services John Stoll presented to Commissioner two rate process options. PURPA requires three informational meetings be held not more than thirty days nor less than fifteen days prior to the pending rate proceeding. Commissioners set the rate hearing to be held on October 20, 2009 with the three informational meetings to be held at 5:30 p.m. in:

1. Leavenworth on Monday, September 29, 2009
2. Wenatchee on Wednesday, October 1, 2009
3. Chelan on Thursday, October 2, 2009

General Counsel Carol Wardell suggested the Board declare the informational meetings as special meetings once locations are confirmed.

The Commissioners reported on the various meetings each attended during the weeks of August 11, 2008 and August 18, 2008.

General Manager Rich Riazzi requested a motion to amend Resolution No. 07-13135 regarding the membership of the Power Risk Management Committee to temporarily appoint and authorize the District's Controller/Director of Accounting Division to act as chairperson of the power Risk Management Committee and monitor applicable policies and procedures. The motion was made by Commissioner Congdon, seconded by Commissioner Janssen and unanimously carried.

As part of the authority delegated to the General Manager by the Board pursuant to Resolution No. 07-13163, General Manager Riazzi informed the Board that the water and wastewater line

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extension fees have been updated and changes to the fees will go into effect on September 1, 2008. General Manager Riazzi provided the Board with the updated fees and charges.

Rock Island Hydro Engineering Department Manger Brett Bickford updated the Board on the Rock Island Powerhouse 1 B1-B4 Generator coolers project. It is anticipated that within three to five years cooling capacity will not be adequate. He recommended that procurement start in 2008 and installation of cooler units occur in 2009 and 2014 during stator replacement as part of the Rock Island Hydro Modernization. Coolers for units would be procured under one contract to ensure the units have the same design materials and spare parts.

Motion was made by Commissioner Smith to amend the Capital Items List to include the Rock Island Powerhouse 1 B1-B4 Generator coolers project which would allow staff to proceed with procurement of the coolers in the current budgeting year. A total project cost of \$612,000 will be added to the Capital Items List. Annual cash flow estimates are \$273,000 in 2008, \$302,400 in 2009 and \$36,600 in 2014. The motion was seconded by Commissioner Bolz and unanimously carried.

Chief Financial Officer Joe Jarvis invited the Board to attend a tour of the Town Toyota Event Center on Wednesday, August 27, 2009. General Counsel Carol Wardell stated that the event is considered a social opportunity and if 3 or more Commissioners attend, according to RCW 42.30.070 and past discussions with the state auditor, it is not necessary to declare or notice this event as public meeting as Commissioners will not be discussing District business or making any decisions at the event.

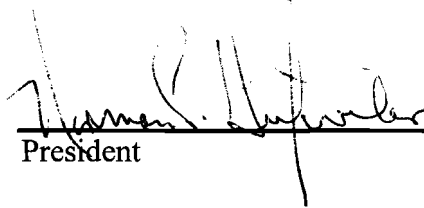
Commissioner Congdon made a motion to adjourn and continue the meeting on Tuesday, August 26, 2009 at 8:00 a.m. at the Lake Chelan Boat Company dock in Chelan, Washington for the purpose of touring the Stehekin generating facility and discussions with congressional staff and state legislators. The motion was seconded by Commissioner Bolz and unanimously carried.

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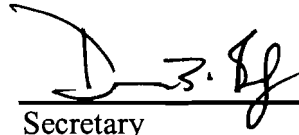
There being no further business, the meeting was adjourned at 2:40 p.m.



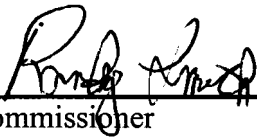
President



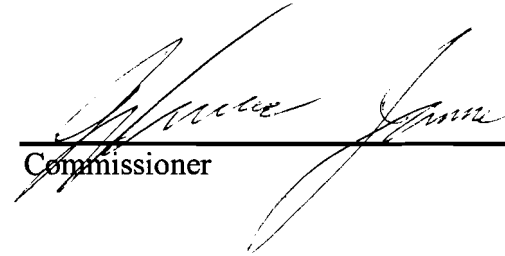
Vice President



Secretary



Commissioner



Commissioner