

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

October 20, 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 October 20, 2008, at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon (via telephone) Dennis Bolz, Randy Smith. Commissioner Werner Janssen was excused from the 11:00 a.m. session and attended the 1:00 p.m. session by phone. 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, Gordon Irle, Bob Schmidt, Kay Jones, Terry McCauley, Mike Babst, Mark Botello, Carnan Bergren, and Christine Pratt (Wenatchee World).

Occupational Health Specialist Brooke Thomsen led the Pledge of Allegiance and provided a safety moment.

A motion was made by Commissioner Smith, seconded by Commissioner Bolz and unanimously passed to excuse Commissioner Janssen from today's meeting due to illness.

Staff Attorney Karen Wiggum presented to the Commission a recommended Closing Agreement and Amendment No. 5 to the Cashmere Electric System Purchase and Sale Agreement. Included in the sale are three electric substations and 368 easements for power lines and equipment including 14 miles of poles, wires, transformers and vaults. Under the sale agreement, the District will acquire the Cashmere Electric System for \$3,119,198; reflecting a reduction of \$380,802 related to categories of risk being accepted by the District. District staff expects to close the sale on October 30, 2008.

Customer information will be transferred to the District as part of the sale. Cashmere customers will be mailed packets on November 3, 2008 welcoming them to the District system

The District will retain \$500,000 in reserve while operations are turned over to the District during a six months transition period. The \$500,000 will be subject to adjustment for items identified along with District payment of Cashmere pole contact charge.

General Manager Rich Riazzi thanked the District team involved in the discussions. The District team led by Staff Attorney Karen Wiggum included Jeff Smith, Kirk Hudson, Chad Rissman, Jennifer Burnes, Steve Currit, Tim Larson, Becky Jaspers, John Stoll, Steve Lachowicz and Jack Winter. The Cashmere transition team was made up of the Mayor of Cashmere Gordon Irle, County Clerk Treasurer Kay Jones, Operations Director Bob Schmidt, Planning and Building Director Mike Botello, City Attorney Terry McCauley and retired District Central Maintenance Superintendent Mike Babst.

MINUTES OF REGULAR MEETING OF THE COMMISSION

October 20, 2008

Page 2

RESOLUTION NO. 08-13381 APPROVING THE CLOSING AGREEMENT AND AMENDMENT NO. 5 TO THE CASHMERE ELECTRIC UTILITY SYSTEM PURCHASE AND SALE AGREEMENT

RESOLUTION NO. 08-13382 APPROVING A STREET LIGHTING AGREEMENT WITH THE CITY OF CASHMERE

RESOLUTION NO. 08-13383 APPROVING AND ACCEPTING THE TERMS AND CONDITIONS OF THE CITY OF CASHMERE FRANCHISE GRANT FOR THE INSTALLATION, OPERATION AND MAINTENANCE OF CHELAN COUNTY PUD ELECTRIC SYSTEM WITHIN THE CITY LIMITS

A motion was made by Commissioner Bolz and seconded by Commissioner Smith to approve Resolution Nos. 08-13381 through 08-13383 as presented. The motion passed with Commissioners Gutzwiler, Bolz and Smith approving Resolution Nos. 08-13381 through 08-13383, which are on file in the offices of the District. Commissioner Congdon recused herself from the vote.

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 special rate design meetings held on September 29, 2008, October 1, 2008, October 2, 2008 and regular meeting held on October 6, 2008 and October 13, 2008 (study session) were presented for approval.

The Auditor's memorandum, dated October 14, 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 \$6,737,881.64;
2. Customer Deposit Returns payment dated October 14, 2008 in the amount of \$10,524.25;

MINUTES OF REGULAR MEETING OF THE COMMISSION

October 20, 2008

Page 3

4. Charge offs to Uncollectible Accounts in the amount of \$2,627.16 and Write-offs of late fee in the amount of \$3,973.54.

RESOLUTION NO. 08-13384 AUTHORIZING FINAL ACCEPTANCE OF PERFORMANCE UNDER BID NO. 08-28 WITH GALVANIZERS INC. OF WEST FARGO, NORTH DAKOTA AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE STEEL PROCUREMENT FOR CHELAN AND WALLA WALLA AVENUE SUBSTATIONS

RESOLUTION NO. 08-13385 APPROVING FIELD WORK ORDER NO. 1 TO CONTRACT 06-52 WITH DIAL ONE, INC. OF STANWOOD, WA TO PROVIDE TELECOMMUNICATION – OUTSIDE PLANT FIBER OPTIC CABLE FUSION SPLICING

RESOLUTION NO 08-13386 APPROVING FIELD WORK ORDER NO. 1 TO CONTRACT 06-51 WITH POWERCOM, INC. OF BOTHELL, WA TO PROVIDE TELECOMMUNICATION – OUTSIDE PLANT FIBER OPTIC CONSTRUCTION AND INSTALLATION CONTRACT DOCK CREWS

RESOLUTION NO 08-13387 APPROVING FIELD WORK ORDER NO. 1 TO CONTRACT 06-55 WITH RAYFIELD BROTHERS EXCAVATING, INC. OF PESHASTIN, WA TO PROVIDE UTILITY EXCAVATING SERVICES

RESOLUTION NO 08-13388 APPROVING FIELD WORK ORDER NO'S. 5 THROUGH 11, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 06-60 WITH STRIDER CONSTRUCTION COMPANY, INC. OF BELLINGHAM, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE SKYLINE DRIVE AND HAWLEY STREET BOOSTER PUMP STATIONS UPGRADE

Motion was made by Commissioner Smith, seconded by Commissioner Smith and unanimously carried adopting the Consent Agenda consisting of the minutes of the September 29, 2008, October 1, 2008, October 2, 2008, October 6, 2008 and October 13, 2008 Commission meetings, the above listed vouchers and Resolution Nos. 08-13384 through 08-13388, which are on file in the offices of the District.

Next, the Commissioners reported on the various meetings each attended during the weeks of October 6, 2008 and October 13, 2008.

The meeting recessed at 11:56 a.m. for the purpose of lunch, to reconvene at 1:00 p.m. for the purpose of conducting the business of the District.

Reconvening at 1:00 p.m., Commissioner Janssen attended the afternoon session via phone.

## MINUTES OF REGULAR MEETING OF THE COMMISSION

October 20, 2008

Page 4

General Counsel Carol Wardell convened a public hearing to discuss the 2009 rate design. As part of the PURPA process, public meetings were held on September 29, 2008, October 1, 2008 and October 2, 2008 to gather public feedback on the proposed rate design. An additional meeting was held for the industrial rate payers to discuss specific issues to the industrial class on October 9, 2008. Director of Customer Service John Stoll stated that the proposed changes to the rate design are based on options developed from strategic planning sessions and the cost-of-service study led by Director of Strategic Financial Planning Kelly Boyd and Senior Strategic Financial Planning Analyst Mark O'Bryan. The new electric rates are designed to encourage conservation and will lower the cost per kilowatt hour (kWh) slightly for residential customers using less than 3,000 kWh a month and will charge higher rates for power use over 3,000 kWh a month. It is estimated, if customer use stays the same as in 2007, overall electric rate revenue will go up about 2.5 percent; with revenue from residential electric customers going up about 3.2 percent and commercial revenue by 1 percent. Water revenue would increase an estimated 6.94 percent and sewer revenue, 6.47 percent. (see [www.chelanpud.org](http://www.chelanpud.org) for presentation)

Before the vote was taken, Commissioner Janssen asked if it would be possible at a later date to discuss other approaches for the low income and senior rate payers. Commissioner Bolz reiterated that this winter rates will fall under the current rate design and said evaluation could be done in the spring to determine how the new design might affect the low income and senior classes. Commissioner Smith emphasized the conservation factor of the new rate design and stated that ultimately the new rate design may actually save money in the long run for customers that do conserve.

A motion was made by Commissioner Bolz and seconded by Commissioner Congdon to approve the rate design changes to the District's rate structure for electric, water and wastewater as presented with an effective date of April 1, 2009. The motion was unanimously approved with Commissioner Gutzwiler approving as well.

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

RESOLUTION NO. 08-13389 ADOPTING AN IDENTITY THEFT PREVENTION POLICY/PROGRAM AND DIRECTING ITS IMPLEMENTATION TO COMPLY WITH THE FAIR AND ACCURATE CREDIT TRANSACTION ACT OF 2003 AS AMENDED

RESOLUTION NO. 08-13390 CONFIRMING AND CONTINUING THE ROCKY REACH HYDRO-ELECTRIC SYSTEM OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON; CREATING AND ESTABLISHING AN ISSUE OF REVENUE BONDS OF THE DISTRICT TO FINANCE ANY LAWFUL PURPOSE OF THE DISTRICT; PROVIDING FOR THE PAYMENT OF SUCH BONDS FROM REVENUES OF THE ROCKY REACH HYDRO-

MINUTES OF REGULAR MEETING OF THE COMMISSION

October 20, 2008

Page 5

ELECTRIC SYSTEM; AND MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING

RESOLUTION NO. 08-13391 CONFIRMING AND CONTINUING THE COLUMBIA RIVER-ROCK ISLAND HYDRO-ELECTRIC SYSTEM OF PUBLIC UTILITY DISTRICT NO.1 OF CHELAN COUNTY, WASHINGTON; CREATING AND ESTABLISHING AN ISSUE OF REVENUE BONDS OF THE DISTRICT TO FINANCE ANY LAWFUL PURPOSE OF THE DISTRICT; PROVIDING FOR THE PAYMENT OF SUCH BONDS FROM REVENUES OF THE ROCK ISLAND HYDRO-ELECTRIC SYSTEM; AND MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING

RESOLUTION NO. 08-13392 CREATING A PLAN OF REFINANCING THE ACQUISITION AND CONSTRUCTION OF AND CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO AND RENEWALS, REPLACEMENTS AND EXTENSIONS OF THE DISTRICT'S ROCKY REACH SYSTEM; AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$11,000,000 AGGREGATE PRINCIPAL AMOUNT OF ROCKY REACH SYSTEM REVENUE BONDS, REFUNDING SERIES 2008A AND NOT TO EXCEED \$24,000,000 AGGREGATE PRINCIPAL AMOUNT OF ROCKY REACH SYSTEM REVENUE BONDS, REFUNDING SERIES 2008B FOR THE PURPOSE OF PAYING THE COST AND EXPENSE OF CARRYING OUT THAT PLAN; PROVIDING THE TERMS OF THE 2008A BONDS AND THE 2008B BONDS; ESTABLISHING CERTAIN FUNDS AND ACCOUNTS; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

RESOLUTION NO. 08-13393 CREATING A PLAN OF FINANCING AND REFINANCING THE ACQUISITION AND CONSTRUCTION OF, AND CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO, AND RENEWALS, REPLACEMENTS AND EXTENSIONS OF THE DISTRICT'S ROCK ISLAND SYSTEM; AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$75,000,000 AGGREGATE PRINCIPAL AMOUNT OF ROCK ISLAND SYSTEM REVENUE BONDS, SERIES 2008A AND NOT TO EXCEED \$12,000,000 AGGREGATE PRINCIPAL AMOUNT OF ROCK ISLAND SYSTEM REVENUE BONDS, REFUNDING SERIES 2008B FOR THE PURPOSE OF PAYING THE COST AND EXPENSE OF CARRYING OUT THAT PLAN; PROVIDING THE TERMS OF THE 2008A BONDS AND THE 2008B BONDS; ESTABLISHING CERTAIN FUNDS AND ACCOUNTS; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

MINUTES OF REGULAR MEETING OF THE COMMISSION

October 20, 2008

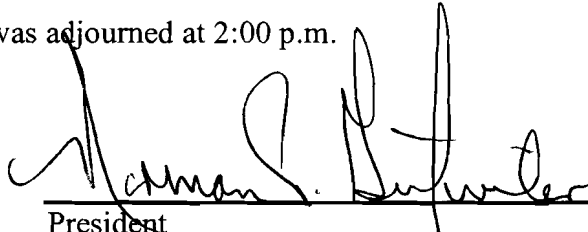
Page 6

RESOLUTION NO. 08-13394 OF THE DISTRICT (I) RATIFYING AND CONFIRMING THE DELEGATION OF AUTHORITY TO THE GENERAL MANAGER TO TAKE ACTION TO TERMINATE AND REPLACE INTEREST RATE SWAPS, (II) AMENDING CERTAIN PROVISIONS OF RESOLUTION NO. 08-13379, ADOPTED BY THE COMMISSION ON OCTOBER 13, 2008, AND (III) DELEGATING AUTHORITY TO THE GENERAL MANAGER TO AGREE ON BEHALF OF THE DISTRICT TO A LIQUIDITY COVENANT IN CONNECTION WITH THE ISSUANCE OF THE DISTRICT'S CONSOLIDATED SYSTEM REVENUE NOTES, SERIES 2008

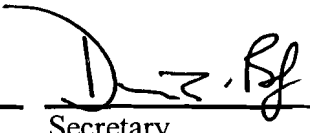
Motion was made by Commissioner Smith and seconded by Commissioner Bolz to adopt Resolution Nos. 08-13389 through 08-13394. The motion unanimously carried to adopt Resolution Nos. 08-13389 through 08-13394, which are on file in the offices of the District.

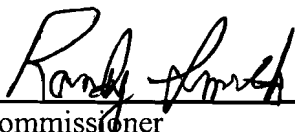
General Counsel Carol Wardell informed Commissioners that there is an error on the election ballot for Chelan County. The listing under the Public Utility District Commissioner correctly lists Norm Gutzwiller, but the term should be a 6 year term. The listing under the Public Utility District Commissioner District A At-Large correctly lists Carnan Bergren and Werner Janssen, but the term should be a 4 year term. In a discussion with Chelan County Auditor Evelyn Arnold, Ms. Arnold confirmed with the Secretary of State that the errors in the terms listed on the General Election November 4, 2008 ballot will have no impact on the election.

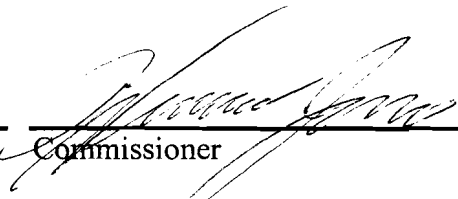
There being no further business, the meeting was adjourned at 2:00 p.m.

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Vice President

  
\_\_\_\_\_  
Secretary

  
\_\_\_\_\_  
Commissioner

  
\_\_\_\_\_  
Commissioner