

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

April 17, 2017

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 April 17, 2017, at the hour of 10:00 a.m., pursuant to proper notice thereof.

Commissioners present were Randy Smith, Garry Arseneault, Ann Congdon and Steve McKenna. Dennis Bolz was excused. In attendance were General Manager Steve Wright, General Counsel Erik Wahlquist and Clerk of the Board Sheila Salmon.

Various Staff were also in attendance.

President Smith introduced Cashmere High School students Katie Mock, Anna van Elst and Josh Barthamuel. The students have observed the board meeting process over the last 2 weeks and will write a report for their senior project.

Others in attendance: Michael Padgett (Alcoa), Allison Williams Steve King, Raylan Dowell, Dan Langager, N. Summers, Bill Stokes, Lisa Parks, Christine Pratt (Wenatchee World) Shiloh Schauer, Karla Sprout, Kelly Woods, Tony Welsh, Jason VanD., Ej Kamarik, Patrick Jones and John Gill.

Pat O'Hare, Customer Accounts Coordinator, led the Pledge of Allegiance and provided a safety minute.

President Randy Smith presented the Agenda for approval. The agenda was approved as presented.

Alcoa Update - General Manager Steve Wright Alcoa provided background on the Wenatchee Works plant. The plant has been curtailed since December 2015. He stated there is a key decision point that comes up in June 2017 of this year to discuss the potential of restart or shut down. Kelly Boyd, Chief Financial and Risk Officer and Michael Padgett, Alcoa Vice President of Energy and Carbon Strategy presented the update. (See www.chelanpud.org for the Alcoa Payment Restructure presentation) Alcoa has requested a restructuring of the deferred contract charge to preserve the opportunity for restart at a later date. The proposed amendment would allow a one-year deferral and restructuring of Alcoa's existing Power Sales Agreement (PSA).

CFO/CRO Boyd outlined two (2) options for the Commissioners to consider:

Option 1 – No contract changes and \$67 million payment becomes due in June 2017 should Wenatchee Works remain curtailed. This option would remove any possibility of restart.

Option 2 – Renegotiate contract for a one year deferral of contract payments terms for a \$7,325,000 payment from Alcoa.

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Staff recommendation was Option 2 to renegotiate the contract for a one-year deferral of the contract payment terms for a \$7,325,000 payment from Alcoa. Commissioners will consider the recommendation at the next regular session on May 1, 2017.

1st Quarter 2017 Board Balanced Scorecard - Commissioners reported on their 1st quarter results. (see www.chelanpud.org for the results.)

Advancing Hydropower Policy to Ensure “Credit for Early Action” – Suzanne Grassell, Government Affairs Program Manager provided the presentation. (See www.chelanpud.org for the presentation.) She reported that Chelan PUD continues to work with members of Congress to ensure an “early action” provision is included proposed legislation that advances hydropower regulatory reform.

West Coast Energy Oversupply Discussion – Gregg Carrington, Managing Director of Energy Resources provided the presentation. (see www.chelanpud.org for the presentation) He reported evolving market conditions (regulations, load growth, gas supply) are impacting supply/demand and energy prices. The combination of the real-time agreement and market responses (day-ahead prices) will allow us to capture upside potential.

Report on 2017 Strategic Planning Retreat - General Manager Steve Wright reported on conclusions from a recent senior management retreat to review the District’s strategic plan. (see www.chelanpud.org for the presentation) He said the discussion centered on, “our thinking on where we will go with the next set of five-year business plans.” Factors considered included declining wholesale power market prices; changes in financial forecasts; workforce needs; customer needs; environmental issues and the political landscape. Overall, PUD finances look good for the next five years, but planning is needed to face more challenges in the 2020s, he said.

The meeting recessed at 12:00 p.m., and reconvened at 1:00 p.m.

President Smith presented the consent agenda which consisted of the minutes of the March 30, 2017 special meeting (board workshop) and regular meeting April 3, 2017.

The Auditor’s memorandum dated April 12, 2017 supporting documentation and 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 describes as follows were presented for approval:

Accounts Payable Summary Report dated April 12, 2017:

1. Vouchers totaling \$9,209,752.90;
2. Approval of Customer Deposit Returns and Conservation Incentive payments for the period March 29, 2017 through April 11, 2017 in the amount of \$11,856.30;

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3. Approval of the net Payrolls, Warrant Nos. 235135 through 235159 and Advice Nos. 631421 through 632165 for the pay period ending 4/02/2017 in the amount of \$1,774,365.68; and
4. Approval of Warrant Nos. 23304 through 23339 totaling \$17,317.89 for claim payments from the workers' compensation self-insurance fund for the period ending April 10, 2017.

A motion was made by Commissioner McKenna, seconded by Commissioner Congdon and passed adopting the Consent Agenda, consisting of the minutes of the March 30, 2017 special meeting (board workshop) and regular meeting April 3, 2017 and the above listed vouchers, which are on file in the offices of the District.

Commissioners considered the following resolution:

RESOLUTION NO. 17-14128 RATIFYING FIELD WORK ORDER NUMBERS 1-7, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 16-27 WITH RAYFIELD BROS EXCAVATING, INC. OF LEAVENWORTH, WA AND AUTHORIZING PAYMENT OF RETAINAGE

RESOLUTION NO. 17-14129 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A TASK AUTHORIZATION SERVICES AGREEMENT (SA-TA NO. 17-064) WITH RH2 ENGINEERING, INC. OF WENATCHEE, WASHINGTON FOR CONSULTANT SERVICES AS IT RELATES TO THE DISTRICT'S DESIGN AND ENGINEERING OF THE PESHASTIN WASTEWATER TREATMENT FACILITY IMPROVEMENTS

A motion was made by Commissioner Arseneault, seconded by Commissioner Congdon and carried approving Resolution Nos. 17-14128 and 17-14129, which are on file in the offices of the District.

A motion was made by Commissioner Congdon, seconded by Commissioner and passed to approve the Memorandum of Understanding – Chelan County Port District/Chelan County PUD. The agreement with the Port of Chelan County is to work together on exploring options for possibly building a new PUD operations center at Olds Station in north Wenatchee. The agreement also calls for looking at future options for the PUD's existing buildings at Wenatchee Avenue and Fifth Street and on Hawley Street,

A motion was made by Commissioner Congdon, seconded by Commissioner Arseneault and passed to set a special meeting on Tuesday, May 2, 2017, at 7:30 a.m., for the purpose of an update to the Strategy Partners. The meeting is to be held at the Confluence Technology Center, 285 Technology Center Way, Okanogan/Entiat Room Conference Rooms, Wenatchee, WA.

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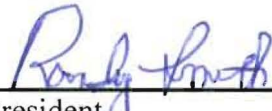
General Manager Steve Wright followed-up on Delegation of Action Items from Previous Board Meeting.

It was reported that Commissioner Smith was elected to secretary on the Washington Public Utility Association executive board.

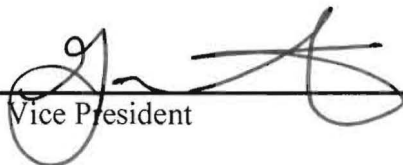
President Smith convened an executive session at 1:50 p.m. following a 5-minute break to discuss with legal counsel agency enforcement actions, litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i) for approximately 2:50 p.m.

Reconvening the meeting into regular session at 2:42 p.m., President Smith stated no actions and no votes were taken.

There being no other business, the meeting adjourned at 2:42 p.m.

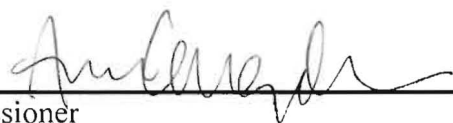


President




Vice President

Secretary



Commissioner



Commissioner