

RESOLUTION NO. 08-~~08~~. 13380

**A RESOLUTION DECLARING OFFICIAL INTENT OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON TO PAY OR REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS.**

Public Utility District No. 1 of Chelan County, Washington (the "District") intends to incur expenditures with respect to (i) acquiring and holding in trust all or a portion of the District's outstanding Consolidated System Revenue Bonds, Refunding Series 2008B (the "2008B Bonds"), (ii) the termination of the Interest Rate Swap Agreements by and between the District and each of Bear Stearns Capital Markets Inc. and Lehman Brothers Special Financing Inc., each dated as of August 3, 2005, or any interest swap agreement entered into to replace either such interest rate swap agreement, relating to the 2008B Bonds, and (iii) loans from the District's Consolidated System pay the costs of certain capital expenditures relating to the financing and refinancing, acquisition and construction of and certain additions, betterments and improvements to and renewals, replacements and extensions of the District's Columbia River-Rock Island Hydro-Electric System and the District's Rocky Reach Hydro-Electric System (together, the "Project").

The District has paid and expects to pay certain expenditures in connection with the Project (the "Prior Expenditures") prior to the issuance of bonds or other debt obligations (collectively, the "Debt") to finance costs associated with the Project on a long-term basis.

The District reasonably expects that the Debt will be issued in an amount not expected to exceed \$175,000,000 and that certain of the proceeds of such Debt will be used to reimburse the Prior Expenditures.

Section 1.150-2 of the Treasury Regulations (the "Treasury Regulations") requires the District to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing.

The District understands that the Treasury Regulations generally require that reimbursement of certain Prior Expenditures must occur no later than the later of three years after the date on which such expenditure is paid or 18 months after the project to which the expenditure relates is completed, and that no reimbursement may be made of a Prior Expenditure paid with proceeds of another debt obligation. The District understands that less than all of the Prior Expenditures might qualify for reimbursement from proceeds of future tax-exempt Debt under the Treasury Regulations.

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON as follows:

Section 1. The District finds and determines that the foregoing recitals are true and correct.

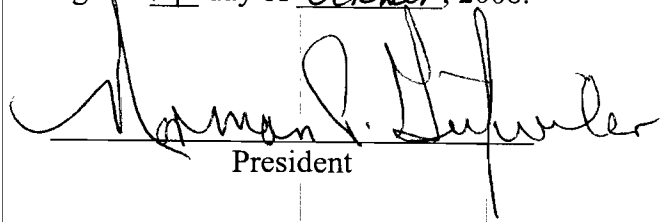
Section 2. That this resolution is adopted solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This resolution does not bind the District to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. The District hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Prior Expenditures to the extent permitted by the Treasury Regulations or other existing or future federal income tax authority.

Section 4. This declaration shall take effect from and after its adoption.

[Signature page follows.]

Adopted at a regular open public meeting this 14<sup>th</sup> day of October, 2008.

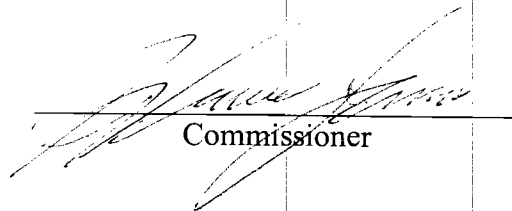
  
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President

ATTEST:

  
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Vice President

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Secretary

  
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Commissioner

  
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Commissioner

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