

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

April 20, 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 April 20, 2009, at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Randy Smith, Carnan Bergren and Norm Gutzwiler. (Commissioner Dennis Bolz was in attendance for the afternoon session.) 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 for the morning session: George Wilson and Christine Pratt (Wenatchee World).

Safety Training Program Administrator Dave Parkhill 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 session held on April 6, 2009, study session held on April 13, 2009, and special evening session held on April 13, 2009 were presented for approval.

The Auditor's memorandum, dated April 14, 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 \$7,184,429.31;
2. Customer Deposit Returns payment dated April 14, 2009 in the amount of \$1,070.44; and
3. Net Payrolls, Warrant Nos. 221896 through 222004 and Advice Nos. 490540 through 491216 for the period ending 3/29/2009 in the amount of \$1,494,767.65.

Resolutions:

RESOLUTION NO. 09-13446 APPROVING FIELD WORK ORDER NOS. 1 AND 2, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 08-35 WITH SCREENING SYSTEMS INTERNATIONAL OF SLAUGHTER, LOUISIANA AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE ROCK ISLAND TRAVELING WATER SCREENS

Motion was made by Commissioner Gutzwiler, seconded by Commissioner Bergren and unanimously carried adopting the Consent Agenda consisting of the minutes of the regular session held on April 6, 2009, study session held on April 13, 2009, and special evening session held on April 13, 2009, the above listed vouchers and Resolution No. 09-13446, which are on file in the offices of the District.

President Congdon publicly announced that the Commission would convene an executive session commencing at 11:05 a.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 he anticipated the executive session would conclude at 11:45 a.m. By motion made by Commissioner Gutzwiler, seconded by Commissioner Bergren and carried unanimously, an executive session was convened. 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 from executive session into regular session at 11:45 a.m., President Congdon stated that no action was taken.

The meeting recessed at 11:50 a.m. for the purpose of lunch.

Reconvening at 1:00 p.m. in the auditorium, General Manager Rich Riazzi was requested by President Congdon to summarize the management recommendation regarding the surcharge and contingency planning.

General Manager Riazzi began his summary by giving an overview of the strategic planning process and information supporting an electric surcharge. He reminded the Board about discussions regarding the District's business model where all utility services are sold below cost and have been funded by wholesale sales for many years. The objective of strategic planning has been to develop a business model that would be sustainable well into the future to keep the District financially sound where revenues cover the cost of providing utility services. Next, he addressed the message from the public asking him to look at staffing requirements and the underlining efficiencies of the utility.. He stated that the District salary and staffing philosophy is to develop a leaner and highly motivated work force. The District bench marks compensation

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levels against that of other utilities and other publics. Retention of qualified employees is important but it is not a sole factor. He said that over the last two years the District has addressed staffing and efficiency levels with two reorganizations to spread the span of control and realign duties. Staff given more responsibility as a result of reorganizations was provided additional compensation at that time. He also noted that the equivalent of 23 full-time positions have been cut from District payroll since 2007. Additional payroll cost-saving steps taken this year have included requiring all employees to take five days of days without pay) for a projected potential \$1,130,000 million dollar savings; the implementation of the "Double Yes" program; a volunteer program for employees to change from full to part-time status; overtime hours have been reduced; the hours for seasonal employees has been cut by \$270,000; three budgeted positions have been put on hold amounting to \$168,000; and employer medical benefits cost sharing expenses are expected to be reduced by \$225,000. These cuts and savings are in addition to the capital projects and operation/maintenance 2009 budgets cuts of \$27,000,000.

General Manager Riazzi restated the management recommendation presented to the Board at the special session on April 13, 2009: Close one-half of the projected 2009 gasp (roughly \$9 million of the \$19 million projected shortfall) by assessing a 18% temporary surcharge for up to 12 months, effective May 1, 2009; delay implementation of new rate design for up to 12 months (2.5% rate increase); and increase existing low income assistance discounts by 18%. General Manager Riazzi requested action by April 27, 2009 so that the surcharge would go into effect May 1, 2009 for up to 12 months. It would apply to residential, commercial and industrial customers.

Before opening the meeting to public comments, President Congdon stated Commissioners work for the people they serve you, not the manager and employees of the District. And then she opened the floor for comment by each Commissioner.

Commissioner Dennis Bolz said he commended staff for establishing and executing a strategic planning process that has been transparent and for the trimming of operational expenses. He stated, however, that public perception has not always been taken into consideration as seemed to be the situation in the decisions made regarding the Graham trial. Community perception is that PUD employees in general, administration in particular, are overpaid. Perception becomes reality when ratepayers are asked to pay an additional 18% surcharge. Commissioner Bolz made two recommendations: 1. He recommended the Commission develop a policy around the concept of 'checks and balances' that would reduce the likelihood of the PUD becoming involved in lengthily and costly lawsuits; that public dollars be expended in the Legal Group in a much more cost conservative format; and 2. He would like to develop a policy that recognizes reasonable salary structures, but also gives the administration and the commission tools to alter such structures when sufficient funding is not available. It is for the lack of community support that he does not support the 18% surcharge recommendation and suggested using cash reserves to cover the shortfall.

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Commissioner Randy Smith stated that in conversation with rate payers, the universal message has been they oppose the 18% surcharge. It was Commissioner Smith's suggestion to look at other options. He suggested that a wage freeze would be a consideration in the 2010 budget process. He would like to consider an alternative to the surcharge, perhaps a smaller but permanent electric rate increase. He noted that funding the deficit from the reserve could have a detrimental impact on District financial standing.

Commissioner Carnan Bergren stated that he is undecided. He commended staff for reducing spending and said that cutting costs and increasing efficiency will not cover the shortfall. He noted that the District provides many services to the community below the cost of production. He stated that the community, himself included, has become accustomed to the below cost services provided by the District. As costs increase and wholesale revenue decreases, it is time for employees and customers all to sacrifice. Times are changing and we need to change with it he said.

Commissioner Gutzwiler stated he and fellow Commissioners appreciate the testimony they have received from rate payers. In response to Commissioner Bolz' comments, Commissioner Gutzwiler clarified the roll of the general counsel. The general counsel works with the commission and that it is her job to report information to the Board for Board consideration and directive to be given her by the Commissioners, which she did in the Graham case. He asked rate payers to address any concerns regarding the general counsel's role to them directly.

Next, Community & Intergovernmental Relations Manager Jeff Smith facilitated public comment. The public was asked to sign up for the opportunity to speak for three minutes each. Comments and suggestions from the public to the Commissioners included:

Scott Parsons, Wenatchee – Stop the build out the fiber if you assess a surcharge, discontinue travel out of the areas for conferences, only perform operations that are legally required and do not give employee bonuses.

Chuck Butcherite, Wenatchee – Freeze salaries over \$60,000 per year, discontinue use of outside legal counsel due to the District having talented internal counsel, limit public relations functions, and hire an industrial engineer/ management engineer in house to keep staff accountable. He noted that work will always fill the allotted time and suggested there is fat to trim in any organization.

John Luse, Wenatchee - Suspend the surcharge and pay deficit from cash reserves or suspend manager raises and activate surcharge

Roy VanSlyke, Cashmere – Questions the validity of wage increases for the General Manager and other managers; take 18 % off managers' salaries.

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Gary Sinclair, Chelan – Commissioners should share in the responsibility when considering salary increases.

Jackie Carmichael, Wenatchee – Reconsider the amount contributed to parks and shift the responsibility for maintenance to someone other than the ratepayers.

Bob Alexander, Wenatchee – Employees should be expected to do a good job, not given bonuses. PUD employees are paid well and should be able to keep their job based on job performance. Raises should be based on merit and cost of living; freeze pay; and if you assess a surcharge, cut pay.

Ken Hemberry, Peshastin - Look at increasing efficiencies, not cutting back services.

Jim Canterbury, Wenatchee – Look at other projects and provide for pole maintenance.

Conway Narby, Wenatchee – Wages are out of control.

Next, President Congdon announced a five minute break at which time Commissioner Bolz excused himself from the remainder of the meeting.

Dutch Jacoby, Wenatchee – reconsider surcharge and find another way.

Vickie Martz, Wenatchee – No surcharge, redesign union wages, develop a citizen oversight committee, use cash reserves to cover deficit, and continue to pay dividends to ratepayers in the form of low rates.

Gerald England, Cashmere – Pay raises are unjustified at this time.

Kathleen Cullison, Cashmere – Those who made the decision that put the District in this situation should be penalized for bad choices.

Everitt Thornton, Wenatchee – No increases. Look at other options.

Lauren McGlaughlin Wenatchee –Find ways to cut back on supplies; eliminate over time and pay for scheduled hours only.

Greg Townsend, Chelan - Use the rainy day fund money and no pay raises.

Paul Poirier, Wenatchee – Do not raise wages and do not implement a surcharge.

Hank Drewiany, Leavenworth - Layoffs are part of business; money should come from reserves and a dedicated small rate design.

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Larry Kazlowski, Wenatchee – Take the raises back.

Commissioners took no action and are expected to continue the surcharge discussion at next regular meeting to be held on April 27, 2009.

In conclusion, Jeff Smith reminded the public that information on the contingency planning process can be found at [www.chelanpud.org](http://www.chelanpud.org).

President Congdon announced a five minute break.

Reconvening from a five minute break, the Commission considered the matters listed in the Regular Agenda.

RESOLUTION NO. 09-13447 ADOPTING PARK POLICY GUIDELINES AND RESCINDING PRIOR RESOLUTIONS ASSOCIATED WITH RULES AND REGULATIONS FOR PARK AND RECREATION FACILITIES OWNED AND OPERATED BY THE DISTRICT

RESOLUTION NO. 09-13448 AUTHORIZING THE EXECUTION OF A FIFTH REPAYMENT AGREEMENT RELATING TO A LINE OF CREDIT FOR NORTHWEST OPEN ACCESS NETWORK

A motion was made by Commissioner Gutzwiler, seconded by Commissioner Smith to approve Resolution Nos. 09-13447 and 09-13448. The motion was unanimously passed and the resolutions are on file in the offices of the District.

District staff explained to Commissioners that it would be in the best interests of the District to replace the District's Entiat Canal irrigation system with groundwater wells to serve the current irrigation canal system users. The District owns and operates a surface water irrigation system which delivers water to seven (7) landowners through a pipeline delivery system from the Entiat River under a 1909 agreement. The conversion would benefit the District by eliminating the ongoing expenses associated with the operation, maintenance and repair of the canal. The wells would then provide the irrigation source to the landowners. In addition, the system conversion would improve lower Entiat River in stream flow conditions and aid off-channel habitat for adult and juvenile steelhead by reducing flows in the canal diversion. Staff will be presenting resolutions next week approving the landowner agreements to start the process towards replacing the irrigation system with wells; agreement with Cascadia Conservation District regarding reimbursement of some expenses; and a resolution declaring certain lands to be surplus to be disposed of upon termination of the water agreements and decommissioning of the Entiat Canal.

Governmental Affairs Manager Suzanne Grassell and Policy Analyst Marty Whiteman updated the Board on specific legislation important to the District in the 2009 Legislative Session. Staff

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is monitoring about 75 bills out of 580 bills still pending. The last day of session is scheduled for April 26. Bills activity in Olympia last week:

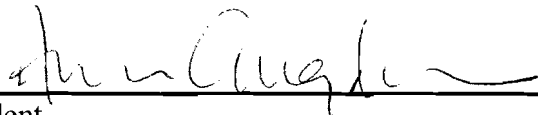
- I-937, SB 5840 - permits existing hydropower to qualify as an eligible renewable resource and modifies the definition of renewable energy credits tradable RECs from hydropower previously disallowed.
- Climate change SB 5735 passed the house on April 14.
- Operating budget close to a vote.

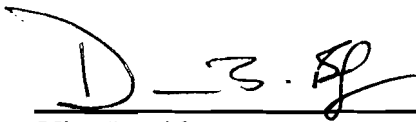
Next, Commissioners reported on the various meetings each attended during the weeks of April 6, 2009 and April 13, 2009.

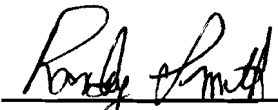
There being no further business, President Congdon recessed the meeting at 4:10 p.m. and announced it would continue at 5:30 p.m. for the purpose of the quarterly Mid C Commissioner/Manager meeting to be held at Casa Tapatia located at 1650 Grant Road, East Wenatchee.

Commissioners present at the Mid C Commissioner/Manager meeting were Ann Congdon, Randy Smith and Carnan Bergren.

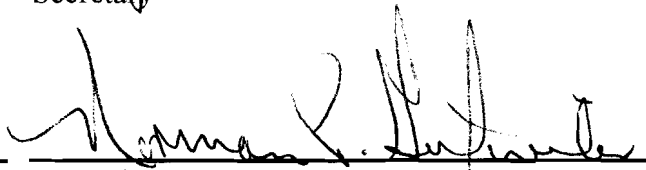
The meeting adjourned at 8:00 p.m.

  
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President

  
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Vice President

  
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Secretary

  
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Commissioner

  
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Commissioner