

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

February 21, 2006

The regular meeting (study session) 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 February 21, 2006, at the hour of 1:02 p.m., pursuant to proper notice thereof.

Commissioners present were, Gary L. Montague, Ann Congdon, Werner Janssen and Dale R. Boyd. In attendance were Interim General Manager Wayne Wright, General Counsel Carol Wardell and Interim Clerk of the Board Melisa McPherrren. Various staff members also in attendance.

Others in attendance: Evelyn Gilbert, Bill Stokes and Christine Pratt (Wenatchee World).

Power Management Director Randy Lowe and Accounting Director Diane Cooper presented a Power Management and Finance update to Commissioners. Surplus power revenues that exceeded budget by \$9.7 million helped the District's Distribution system increase performance by nearly \$14 million in 2005. Mr. Lowe stated that power prices averaging \$58 a megawatt hour contributed to the strong surplus sales. That was on a water supply that reached 90 percent of normal for the year. Early forecasts for 2006 are for a normal water year, the first since 2002. These results were timely for the District since the 2006 budget, up \$25.3 million from 2005, includes a number of construction projects, some that have been delayed until funds are available. In addition, the District will have to share costs for modernizing Rock Island's first powerhouse. Other demands on reserves expected this year include putting new license agreements for the Lake Chelan and Rocky Reach dams into place.

Governmental Affairs Director Andrew Munro provided Commissioners with the weekly legislative update. Mr. Munro noted that language favorable to the District's Habitat Conservation Plans was added to the Columbia River Basin bill that passed last week. Mr. Munro is also following a bill offering a tax break to small water systems and one that would allow PUDs to take positions on ballot initiatives.

Interim General Manager Wayne Wright informed Commissioners that the District dispatched two crews to help Puget Sound Energy with the recent cold snap. Paul Wiegand, Puget Sound Energy Vice President for Project Development and Contract Management, sent the District an email expressing his appreciation of the District's support and thanked the crews for an excellent job in their restoration efforts. Mr. Wright noted that this is another great example of the District's outreach to neighboring utilities.

Mr. Wright next described the recent collaboration among the Mid-C Managers. Mr. Wright, along with Douglas and Grant PUD Managers Bill Dobbins and Tim Culbertson, jointly

## MINUTES OF REGULAR MEETING (STUDY SESSION) OF THE COMMISSION

February 21, 2006

Page 2

submitted an article for the February 19, 2006 edition of the Wenatchee World. This article discussed hydropower as a renewable and thanked the legislators who formally recognized the value of hydroelectric dams.

Human Resources Director Randy Stedman provided Commissioners with an update on the General Manager search. Search Consultant Jerry Oldani has received 78 applications to date, including two internal applications. Mr. Oldani will review the applications received and apply the matrix created at the February 13, 2006 meeting to the candidate field. Mr. Oldani will bring a list of 12-15 candidates to Commissioners for further consideration on March 13, 2006.

Commissioner Congdon summarized her trip last week to Olympia where she attended the Washington PUD Association (WPUDA) meeting. Items discussed during the WPUDA meetings included water issues and the WPUDA building.

President Montague publicly announced that the Commission would convene an executive session commencing at 1:57 p.m. for the purpose of discussing 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). He stated that he anticipated the executive session would conclude at approximately 2:17 p.m.

By motion made by Commissioner Janssen, seconded by Commissioner Boyd 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 Interim Clerk of the Board.

Reconvening into regular session at 2:30 p.m., the Commissioners reported that they discussed 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). No action was taken.

Commissioner Boyd made a motion to authorize General Counsel to file a lawsuit against Gerald and Joan Morton to remove fill and wells placed within the District's project boundary contrary to the terms of the District's flowage easements. The motion was seconded by Commissioner Janssen and passed unanimously.

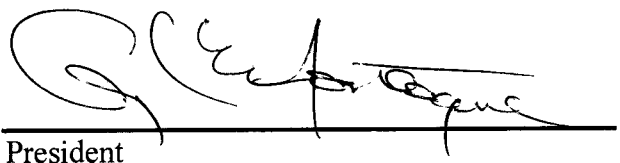
Commissioner Congdon made a motion to adjourn and continue the meeting to noon on February 22, 2006, at the Wenatchee Convention Center to attend the All Customer Partnership Group meeting. The motion was seconded by Commissioner Boyd and passed unanimously. There being no further business, the meeting was adjourned at 2:35 p.m.

MINUTES OF REGULAR MEETING (STUDY SESSION) OF THE COMMISSION

February 21, 2006

Page 3

The meeting was continued on Wednesday, February 22, 2006, at noon at the Wenatchee Convention Center for the purpose of attending the All Customer Partnership Group meeting. Commissioners present were, Gary L. Montague, Ann Congdon and Dale R. Boyd. Commissioners held discussions with members of existing customer groups and participated in facilitated roundtable discussions about the future of this customer outreach initiative. The board meeting was adjourned at the conclusion of that meeting at 1:30 p.m.

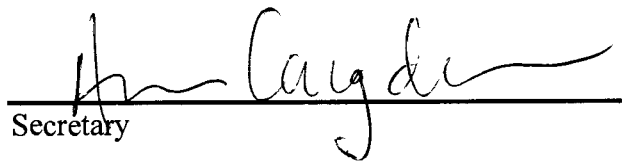


---

President

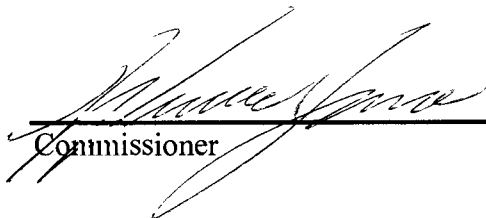
---

Vice President



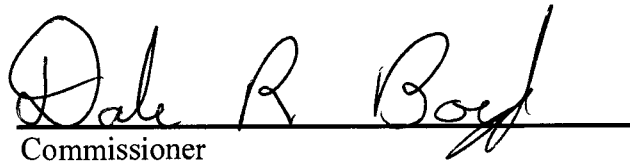
---

Secretary



---

Commissioner



---

Commissioner