

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

April 17, 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 April 17, 2006, at the hour of 1:02 p.m., pursuant to proper notice thereof.

Commissioners present were Gary L. Montague, Ann Congdon, Norm Gutzwiler, 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 McPherren. Various staff members also in attendance.

Others in attendance: Bill Stokes and Evelyn Gilbert.

President Montague announced that the Commission convened executive sessions on April 10, 2006 from 4:00 p.m. to 5:30 p.m., April 11, 2006 from 8:30 a.m. to 5:00 p.m., and April 12, 2006 from 10:00 a.m. to 11:00 a.m. to evaluate the qualifications of an applicant for public employment, as authorized by RCW 42.30.110(1)(g). No action was taken during the executive sessions.

President Montague publicly announced that the Commission would convene an executive session commencing at 1:05 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) and to evaluate the qualifications of an applicant for public employment, as authorized by RCW 42.30.110(1)(g). He stated he anticipated the executive session would conclude at approximately 2:00 p.m.

By motion made by Commissioner Gutzwiler, seconded by Commissioner Janssen 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 2:05 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) and evaluated the qualifications of an applicant for public employment, as authorized by RCW 42.30.110(1)(g). No action was taken.

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Journeyman Lineman Chico Rodriguez informed Commissioners that the Andrew York Lineman Rodeo will take place June 24, 2006, on the grounds at Rocky Reach Dam. The event will benefit a scholarship established in memory of Andrew York, a Chelan County PUD lineman killed by a drunk driver while working in 2000.

Chief Financial Officer Joe Jarvis, Treasurer Debbie Litchfield and Treasury Analyst Jayme Mitchell updated Commissioners on the results of an interest-rate swap on District bonds. A swap allows the District to refinance or issue debt at a variable rate that is then swapped to fixed interest payments for the life of the debt, obtaining lower interest costs on the debt. Commissioners approved the refinancing of bonds not to exceed \$140 million on April 3, 2006. Staff chose bonds totaling \$137.5 million for swap transactions, with projected savings in today's dollars of around \$27.5 million.

Power Manager Steve Fisher, Power Resource Engineers Hugh Owen and Mike Bradshaw, and General Counsel Carol Wardell held a discussion with Commissioners on power transmission issues and ColumbiaGrid, a cooperative effort to improve transmission in the Pacific Northwest. Commissioners will be asked to approve the District's becoming a member of the non-profit corporation next week.

EMP Supervisor TJ Farrell and Accounting Director Diane Cooper reviewed the 2006 budget process with Commissioners to find out what they felt worked well and what could be improved upon. Commissioners informed Ms. Farrell and Ms. Cooper that they found the process and the format that the information was presented in to be helpful. Commissioners also suggested some improvements to the budget process for 2007.

Commissioners recessed for a break at 3:53 p.m. and reconvened at 4:00 p.m. to continue conducting the business of the District.

Hydro Engineering Manager John Sagerser provided Commissioners with an update on the multimillion-dollar upgrades to the Lake Chelan powerhouse, dam and switchyard. Upgrades include replacing turbines, generators, governors, controls and other equipment at the 78-year-old powerhouse. The powerhouse modernization project will increase electrical generating efficiency and make the equipment reliable for another 40 years. These efficiencies are expected to pay for about 70 percent of the project costs.

General Counsel Carol Wardell notified Commissioners that pursuant to RCW 60.28, the District filed a notice of claim in the amount of \$382,811.58 against the retainage bond (bond in lieu of retainage) taken from Alstom Power, Inc. and Federal Insurance Company to satisfy a Certificate of Lien filed on December 30, 2005 for contractor taxes, increases and penalties due and owing to the State of Washington Department of Revenue.

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Commissioner Boyd made a motion to change the start time of the April 24, 2006, May 1, 2006 and May 8, 2006 Commission meetings to 9:30 a.m. to accommodate the financial planning discussions by Chief Financial Officer Joe Jarvis. The motion was seconded by Commissioner Gutzwiler and passed unanimously.

Commissioners discussed two candidates for General Manager, calling them "Candidate A" and "Candidate B." The Board noted their respective communication and management skills. Commissioners noted Candidate A's strong financial background, effective leadership skills and visionary qualities. Commissioner Congdon made a motion for the Board to introduce Candidate A at meetings with the public and employees at the offices of the District with the understanding that no decision or offer will be made until Commissioners have received feedback from these meetings. The motion was seconded by Commissioner Gutzwiler and passed unanimously.

President Montague publicly announced that the Commission would convene an executive session commencing at 4:55 p.m. to evaluate the qualifications of an applicant for public employment, as authorized by RCW 42.30.110(1)(g). He stated that he anticipated the executive session would conclude at approximately 5:40 p.m.

By motion made at 4:50 p.m. by Commissioner Gutzwiler, seconded by Commissioner Boyd and carried unanimously, an executive session was convened after a five-minute recess. 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 5:26 p.m., the Commissioners reported that they evaluated the qualifications of an applicant for public employment, as authorized by RCW 42.30.110(1)(g). No action was taken.

Commissioner Gutzwiler made a motion to adjourn and continue the meeting to Tuesday, April 18, 2006 at 10:30 a.m. at 25 North Wenatchee Avenue, Suite 233, to attend the Puget Sound Energy Recognition Reception. The motion was seconded by Commissioner Boyd and passed unanimously.

There being no further business, the meeting was adjourned at 5:27 p.m.

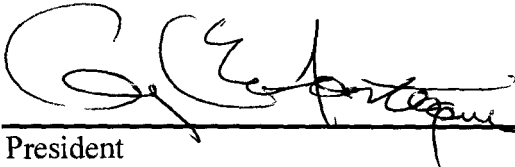
The meeting was continued on Tuesday, April 18, 2006 at 10:30 a.m. at 25 North Wenatchee Avenue, Suite 233, to attend the Puget Sound Energy Recognition Reception. Commissioners present were Gary L. Montague, Norm Gutzwiler, Ann Congdon, Werner Janssen and Dale R. Boyd. Various staff members were also in attendance. Commissioners and staff met with Puget

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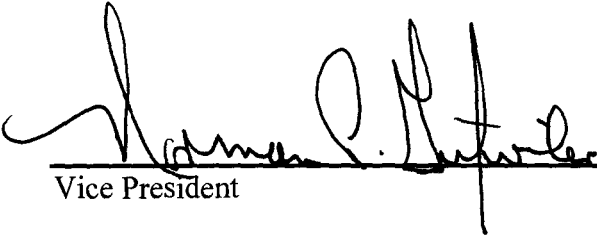
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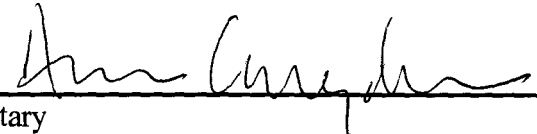
Sound Energy staff. The board meeting was adjourned at the conclusion of that meeting at 11:15 a.m.



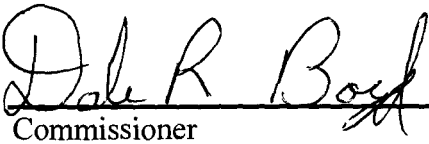
President



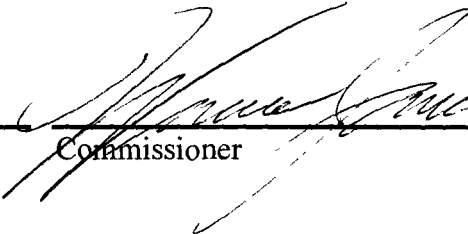
Vice President



Secretary



Commissioner



Commissioner