

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

April 24, 2006

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 24, 2006, at the hour of 9:33 a.m., pursuant to proper notice thereof.

Commissioners present were Gary L. Montague, Norm Gutzwiler, 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 in attendance.

Others in attendance: Randy Smith, Bill Stokes, Rich Cole, Mikael Montague, Eva Jones, Jason Fuog, Merv Skoglun, Evelyn Gilbert, Jim Bailey, Jean Ludwick and Christine Pratt (Wenatchee World).

Chief Financial Officer Joe Jarvis and Senior Financial Analyst Kurt Carlson provided the first of three looks into the financial future of the District from now through 2011. The purpose of the presentations over the next three meetings is to provide the Commission with information as to how best to navigate the years until new power sales contracts go into effect in 2012 and how the \$89 million payment from Puget Sound Energy (PSE) should be utilized. The forecast shows a trend of declining cash reserves and debt coverage ratio. The forecast includes the \$89 million payment from PSE expected this week. This discussion of trends, targets and strategies present a baseline forecast. The May 1, 2006 and May 8, 2006 presentations will look at the steps the District can take to meet financial goals and manage expected fluctuations in power prices and water supply. Cashmere citizen Randy Smith inquired about the assumption that District expenses will grow at an annualized rate of 7 percent. Mr. Jarvis explained that the District uses historical data to provide trends. The District continues to improve this system for O&M forecasting.

President Montague publicly announced that the Commission would convene an executive session commencing at 11:00 a.m. 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 12:00 p.m.

By motion made at 10:55 a.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 11:45 a.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.

MINUTES OF REGULAR MEETING OF THE COMMISSION

April 24, 2006

Page 2

The Commissioners recessed for lunch at 11:47 a.m. and reconvened at 1:00 p.m. to continue conducting the business of the District.

President Montague presented the Consent Agenda items for adoption. He asked if any item on the Consent Agenda should be transferred to the Regular Agenda for further review. No items were requested, and President Montague presented the Consent Agenda items for adoption as follows:

The minutes of the regular meeting held on April 10, 2006, the regular meeting (study session) held on April 17, 2006 and the special meeting held on April 20, 2006 were presented for approval.

The Auditor's memorandum, dated April 18, 2006, 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 \$3,778,027.71;
2. Payroll for the period ending April 2, 2006 in the amount of \$1,300,810.00 as certified by the Auditor's memorandum; and
3. Customer Deposit Returns payment dated April 18, 2006 in the amount of \$735.09.

RESOLUTION NO. 06-12888 APPROVING FIELD WORK ORDER NO. 1, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 03-06 WITH ASPLUNDH TREE EXPERT COMPANY OF WILLOW GROVE, PENNSYLVANIA AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE TREE TRIMMING SERVICES FOR YEARS MARCH 1, 2003 THROUGH FEBRUARY 28, 2006

RESOLUTION NO. 06-12889 APPROVING BIDDING DOCUMENTS FOR LAKE CHELAN HYDRO MODERNIZATION (BID 06-01) AND AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT

MINUTES OF REGULAR MEETING OF THE COMMISSION

April 24, 2006

Page 3

Motion was made by Commissioner Boyd, seconded by Commissioner Janssen and unanimously carried adopting the Consent Agenda consisting of the minutes of the April 10, 2006, April 17, 2006 and April 20, 2006 Commission meetings, the above-listed vouchers and Resolution Nos. 06-12888 through 06-12889.

Commissioner Congdon made a motion for the Board to introduce the name of Candidate A to the public. The motion was seconded by Commissioner Gutzwiler and passed unanimously. Commissioners named Richard Riazzi, 51, of Boise, Idaho, as their top choice for General Manager and will introduce him to employees and the public at meetings on Thursday, April 27, 2006. President Montague stated that the Board feels confident that Mr. Riazzi is the best candidate and that the Board is asking for feedback from employees and the public. Mr. Riazzi has extensive experience and proven success in the utility industry with IDACORP, Inc., IDACORP Energy, L.P., and Equitable Resources, Inc., a natural gas and energy services company headquartered in Pittsburgh, Pa. Since December 2004, Mr. Riazzi has served as a paid member of the board of directors of American Ecology Corp., based in Boise. American Ecology, through its subsidiaries, provides radioactive, PCB, hazardous and non-hazardous waste services to commercial and public entities throughout the United States.

The Commission next considered the matters listed in the Regular Agenda.

RESOLUTION NO. 06-12890 ACCEPTING THE BID OF SEALS UNLIMITED, INC. OF BEAVERTON, OREGON (BID 06-02) TO PROVIDE ROCKY REACH HEAD GATE SEAL MATERIAL

RESOLUTION NO. 06-12891 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT (PSA NO. 06-057) WITH URS CORPORATION OF DENVER, COLORADO FOR PROFESSIONAL ENGINEERING SERVICES RELATED TO SEISMICITY AND STABILITY OF THE DISTRICT'S HYDROELECTRIC PROJECTS

RESOLUTION NO. 06-12892 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT (PSA NO. 05-187) WITH MEAD & HUNT, INC. OF MADISON, WISCONSIN FOR PROFESSIONAL ENGINEERING SERVICES

RESOLUTION NO. 06-12893 ACCEPTING THE BID OF FARWEST IRON WORKS, INC. OF WENATCHEE, WA TO PROVIDE ROCK ISLAND POWERHOUSE 2 TRASH RACK FABRICATION (BID 06-10)

RESOLUTION NO. 06-12894 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (PSA NO. 06-085)

MINUTES OF REGULAR MEETING OF THE COMMISSION

April 24, 2006

Page 4

WITH CH2M HILL, INC. OF BELLEVUE, WASHINGTON FOR HABITAT CONSERVATION PLAN HATCHERY MITIGATION PROGRAM FEASIBILITY STUDIES AND DESIGN

RESOLUTION NO. 06-12895 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A CONTRACT WITH DATACORE TECHNOLOGY INC. OF EXTON, PENNSYLVANIA FOR SOFTWARE AND IMPLEMENTATION SERVICES FOR THE REPLACEMENT OF THE DISTRICT'S ENGINEERING DOCUMENT MANAGEMENT SOFTWARE

RESOLUTION NO. 06-12896 AUTHORIZING THE DISTRICT TO BECOME A MEMBER OF THE NONPROFIT CORPORATION "COLUMBIAGRID" AND TO ENTER INTO FUNDING AND FUNCTIONAL AGREEMENTS

Motion was made by Commissioner Janssen and seconded by Commissioner Boyd to adopt Resolution Nos. 06-12890 through 06-12896. The question was called for and the motion carried unanimously to adopt Resolution Nos. 06-12890 through 06-12896, which are on file in the office of the District.

Commissioners thanked Puget Sound Energy's (PSE) Brian Lenz, who attended the board meeting, for the PSE reception and luncheon for community members that the Board recently attended. The Board enjoyed meeting with Steve Reynolds, PSE CEO, hearing his message and asking questions.

Interim General Manager Wayne Wright notified Commissioners of the upcoming Northwest Open Access Network (NoaNet) workshop scheduled for May 17, 2006, during the Washington PUD Association meeting at the Inn at Port Hadlock. The workshop for Commissioners would include an update on NoaNet's financial performance, network and technology updates, the present status of the telecom industry and the political outlook for municipal telecom from both a State and Federal perspective.

Mr. Wright next informed Commissioners of upcoming discussions scheduled with District staff and the City of Cashmere and topics to be discussed. Meetings are scheduled for April 27, 2006, May 4, 2006, May 18, 2006 and June 1, 2006. Mr. Wright mentioned that there was consensus support for the idea of holding another community meeting at the Cashmere Riverside Center where the terms of a tentative agreement could be explained in detail before being submitted to the Cashmere City Council and PUD Commissioners for final approval.

Mr. Wright reminded Commissioners of the March 20, 2006 Wenatchee River watershed planning presentation given by Chelan County Natural Resources Director Mike Kaputa and Water/Wastewater Director Dave Johnson. Mr. Wright informed Commissioners that the

## MINUTES OF REGULAR MEETING OF THE COMMISSION

April 24, 2006

Page 5

Wenatchee River watershed plan is scheduled to go before participants on April 26, 2006 for a vote to support the plan. Participants include Chelan County, Chelan County Conservation District, Chelan County PUD, City of Wenatchee, Cashmere, Leavenworth, Citizens, Washington Department of Fish and Wildlife, United States Fish and Wildlife, irrigation districts and others. Mr. Wright received consensus from the Board that they agree the plan is in the best interest of all parties and that they are in agreement with the parties that have been working on it.

General Counsel Carol Wardell and Hydro Services Director Gregg Carrington shared some good news with Commissioners that April 12, 2006 marked the due date for comments on the Rocky Reach relicensing Comprehensive Settlement Agreement to the Federal Energy Regulatory Commission and only one comment letter was filed, which was in support of the agreement, from the Washington Department of Fish and Wildlife. They also advised the Board that April 17, 2006 was the deadline for parties to appeal the section 401 water quality certification issued by the Department of Ecology for the relicensing of the Rocky Reach Hydroelectric Project and that no appeal was filed. Mr. Carrington informed Commissioners that he spoke to a representative of the Yakama Nation and that they received authority from their tribal council to sign the settlement agreement.

President Montague publicly announced that the Commission would convene an executive session commencing at 2:45 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 he anticipated the executive session would conclude at approximately 3:15 p.m.

By motion made at 2:40 p.m. by Commissioner Gutzwiler, seconded by Commissioner Janssen 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 3:27 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 Congdon made a motion to adjourn and continue the meeting to 5:30 p.m. at the Wenatchee Convention Center, Orchard Exhibit Hall, on Thursday, April 24, 2006 to introduce General Manager candidate Rich Riazzi to employees at 5:30 p.m. and to the public at 7:30 p.m. The motion was seconded by Commissioner Janssen and passed unanimously.

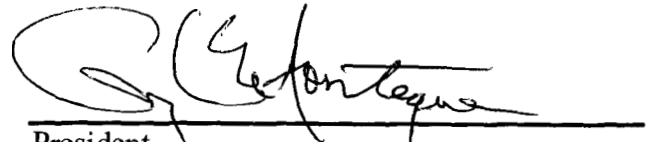
There being no further business, the meeting was adjourned at 3:30 p.m.


MINUTES OF REGULAR MEETING OF THE COMMISSION

April 24, 2006

Page 6

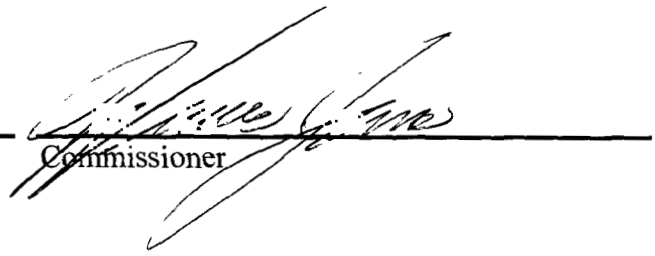
The meeting was continued on Thursday, April 27, 2006, at 5:30 p.m. at the Wenatchee Convention Center to introduce General Manager candidate Rich Riazzi to employees and the public. Commissioners present were Gary L. Montague, Norm Gutzwiler, Ann Congdon, Werner Janssen and Dale R. Boyd. Various District employees and members of the public were also in attendance. The board meeting was adjourned at the conclusion of that meeting at 8:45 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