

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

June 5, 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 June 5, 2006, at the hour of 1:00 p.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 General Manager Richard Riazzi, General Counsel Carol Wardell and Interim Clerk of the Board Melisa McPherren. Various staff members in attendance.

Others in attendance: Jim Baxter, Evelyn Gilbert, Rich Cole, Randy Smith and Christine Pratt (Wenatchee World).

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. Commissioner Janssen requested that Resolution No. 3 be removed from the Consent Agenda and added to the Regular Agenda. President Montague presented the remaining Consent Agenda items for adoption as follows:

The minutes of the regular meeting held on May 22, 2006 and the regular meeting (study session) held on May 30, 2006 were presented for approval.

The Auditor's memorandum, dated May 30, 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 \$5,709,408.51;
2. Payroll for the period ending May 14, 2006 in the amount of \$1,319,391.65 as certified by the Auditor's memorandum; and
3. Customer Deposit Returns payment dated May 30, 2006 in the amount of \$2,185.26.

Motion was made by Commissioner Janssen, seconded by Commissioner Congdon and unanimously carried adopting the Consent Agenda consisting of the minutes of the May 22, 2006 and May 30, 2006 Commission meetings; and the above-listed vouchers.

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

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RESOLUTION NO. 06-12907 DECLARING COMPUTERS SURPLUS TO THE DISTRICT'S NEEDS AND AUTHORIZING THE GENERAL MANAGER OF THE PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY TO DISPOSE OF THESE ITEMS

Commissioner Janssen asked why the District does not donate the surplus computers to schools and non-profit organizations. General Counsel Carol Wardell informed Commissioners that the District holds an auction for these items and advertises the auction for fairness and to ensure that the District receives value for its surplus equipment. As a public entity, there are prohibitions against our making donations of services, property or money. Commissioner Janssen requested that staff discuss the donation of such items with the Auditor to see if there are other options available.

RESOLUTION NO. 06-12908 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH R.W. BECK, INC OF SEATTLE, WASHINGTON FOR PROFESSIONAL ENGINEERING SERVICES RELATED TO ANDREW YORK 230kV DESIGN

RESOLUTION NO. 06-12909 ACCEPTING THE BID OF DELTA SCIENTIFIC CORP. OF VALENCIA, CA TO PROVIDE HYDRAULIC BEAM BARRIER SYSTEMS (BID 06-29)

RESOLUTION NO. 06-12910 AUTHORIZING SCHEDULE 14 TO THE DISTRICT'S RATE SCHEDULES AND SERVICE REGULATIONS TO FORMALIZE THE ELECTRICAL SERVICE FACILITIES CONVERSION POLICY

Motion was made by Commissioner Gutzwiler and seconded by Commissioner Congdon to adopt Resolution Nos. 06-12907 through 06-12910. The question was called for and the motion carried unanimously to adopt Resolution Nos. 06-12907 through 06-12910, which are on file in the office of the District.

Treasurer Debbie Litchfield and Treasury Analyst Jayme Mitchell provided Commissioners with a report on the District's investments. The average rate of return during the fourth quarter of 2005 was 3.79 percent on an average balance of \$309 million. The average rate of return during the first quarter of 2006 was 4.2 percent on an average balance of \$303 million.

A motion was made by Commissioner Congdon to excuse Commissioner Boyd from the June 12, 2006 board meeting. The motion was seconded by Commissioner Janssen and passed unanimously.

Commissioner Congdon discussed the Washington PUD Association (WPUDA) building platinum (energy usage) status with Commissioners. WPUDA is seeking grants, voluntary contributions and innovative partnerships to help reach the platinum level (which could cost as

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much as \$350,000 extra). Commissioner Congdon informed the Board that WPUDA is going platinum with or without the District's contribution. Commissioners expressed concern with who would cover the remaining funds needed should not all PUDs contribute. Commissioner Congdon requested that General Counsel Carol Wardell look into the District's ability to contribute towards this effort due to the educational component associated with the building being "platinum." The Board also directed Ms. Wardell to discuss the legal ramifications with other PUD counsel.

A motion was made by Commissioner Boyd to excuse Commissioner Congdon from the June 12, 2006 and June 26, 2006 board meetings. The motion was seconded by Commissioner Gutzwiler and passed unanimously.

A motion was made by Commissioner Congdon to excuse Commissioner Montague from the July 3, 2006 and July 10, 2006 board meetings. The motion was seconded by Commissioner Janssen and passed unanimously.

General Manager Richard Riazzi notified Commissioners of a possible schedule conflict with the date scheduled for the Mid C Managers/Commissioners Dinner. The Board discussed their availability and chose June 21, 2006 as an alternate date. The meeting is currently scheduled for June 19, 2006.

Chief Financial Officer Joe Jarvis discussed an update needed to Schedule No. 6 of the District's Investment Policy with Commissioners. Commissioner Boyd made a motion that Schedule No. 6 of Resolution 05-12814, Authorized Signators for Issuance of Workers' Compensation Claim Warrants, be updated to now read Deanna Moran, Diane Kelsoe, Heidi Coleman and Russ Whitmarsh. The motion was seconded by Commissioner Congdon and passed unanimously.

President Montague publicly announced that the Commission would convene an executive session commencing at 2:30 p.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) and to consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price, as authorized by RCW 42.30.110(1)(b). He stated he anticipated the executive session would conclude at approximately 2:50 p.m.

By motion made by Commissioner Janssen, seconded by Commissioner Gutzwiler 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 3:19 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 considered the

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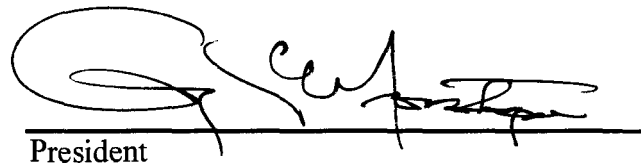
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selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price, as authorized by RCW 42.30.110(1)(b). No action was taken.

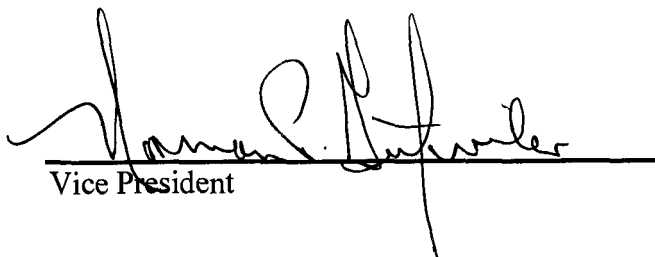
Commissioner Janssen made a motion to adjourn and continue the meeting to Tuesday, June 6, 2006 at noon in the Chelan PUD Auditorium for the Key Accounts Luncheon. The meeting will then be adjourned and continued to Thursday, June 8, 2006 at noon at Campbell's Resort in Chelan for the Lake Chelan Customer Partnership Group Meeting. At the conclusion of the meeting on Thursday, the meeting will be adjourned. The motion was seconded by Commissioner Gutzwiler and passed unanimously. There being no further business, the meeting was adjourned at 3:21 p.m.

The meeting was continued on Tuesday, June 6, 2006 at noon in the Chelan PUD Auditorium for the Key Accounts Luncheon. Commissioners present were Gary L. Montague, Ann Congdon, Werner Janssen and Dale R. Boyd. Various staff members and Key Account representatives were also in attendance. The meeting was adjourned at 1:30 p.m.

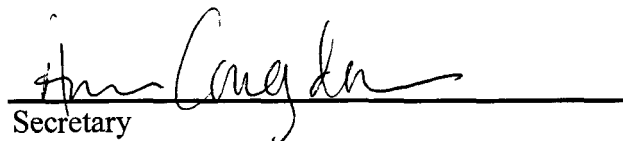
The meeting was continued on Thursday, June 8, 2006 at noon at Campbell's Resort in Chelan for the Lake Chelan Customer Partnership Group Meeting. Commissioners present were Gary L. Montague, Ann Congdon, Werner Janssen and Dale R. Boyd. Various staff members and Lake Chelan Customer Partnership Group members were in attendance. The meeting was adjourned at 1:30 p.m.



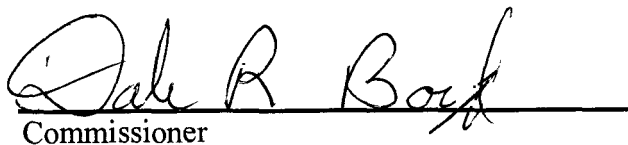
President



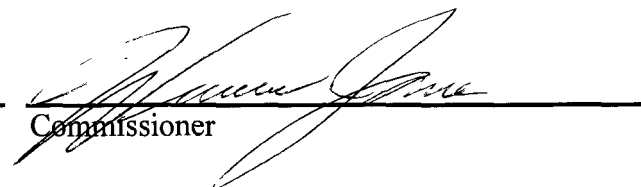
Vice President



Secretary



Commissioner



Commissioner