

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

July 31, 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 July 31, 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 Clerk of the Board Melisa McPherrin. Various staff members in attendance.

Others in attendance: Bill Stokes, Jim Baxter, Dennis Bolz 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. No items were requested, and President Montague presented the Consent Agenda items for adoption as follows:

The minutes of the regular meeting held on July 17, 2006 and the regular meeting (study session) held on July 24, 2006 were presented for approval.

The Auditor's memorandum, dated July 25, 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 \$5,069,414.49;
2. Payroll for the period ending July 10, 2006 in the amount of \$1,323,728.77 as certified by the Auditor's memorandum; and
3. Customer Deposit Returns payment dated July 25, 2006, in the amount of \$1,488.65.

Motion was made by Commissioner Janssen, seconded by Commissioner Gutzwiler and unanimously carried adopting the Consent Agenda consisting of the minutes of the July 17, 2006 and July 24, 2006 Commission meetings; and the above-listed vouchers.

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

RESOLUTION NO. 06-12936 ACCEPTING THE BID OF BLODGETT CONSTRUCTION ASSOCIATES, INC. OF MALAGA, WASHINGTON (BID 06-39) TO PROVIDE THE ROCK ISLAND HYDRO PARK BOAT LAUNCH REPLACEMENT

RESOLUTION NO. 06-12937 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (PSA NO. 06-115) WITH WASHINGTON STATE UNIVERSITY, OF PULLMAN, WASHINGTON TO PERFORM REHABILITATION AND INVENTORY OF ARCHAEOLOGICAL COLLECTIONS AND REPATRIATION OF ANY HUMAN REMAINS AND FUNERARY ITEMS FOR WHICH THE DISTRICT IS RESPONSIBLE

Commissioner Congdon requested additional information from staff on the definition of the "Area of Potential Effect" (APE) referenced in the District's Cultural Resources Management Plan.

RESOLUTION NO. 06-12938 AUTHORIZING THE DISTRICT'S HABITAT CONSERVATION PLANS' TRIBUTARY COMMITTEES TO ESTABLISH BANK ACCOUNTS USING THE DISTRICT'S TAX IDENTIFICATION NUMBER AND DELEGATING AUTHORITY TO THE TRIBUTARY COMMITTEES TO CONTROL THE ACCOUNTS IN COMPLIANCE WITH THE REQUIREMENTS OF THE HABITAT CONSERVATION PLANS

President Montague requested that the District's internal Auditor review expenditures to these accounts. General Counsel Carol Wardell and Senior Internal Auditor Heidi Gale agreed that the audit team would add this as a standing item for review.

RESOLUTION NO. 06-12939 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (NO. 06-001) WITH STATE OF WASHINGTON DEPARTMENT OF FISH AND WILDLIFE TO PERFORM HATCHERY MONITORING AND EVALUATION ACTIVITIES REQUIRED IN THE LICENSES FOR THE ROCKY REACH, ROCK ISLAND AND LAKE CHELAN HYDROELECTRIC PROJECTS

Commissioner Gutzwiler requested additional information on the cost share split with BPA for the spawning and carcass surveys.

Motion was made by Commissioner Boyd and seconded by Commissioner Gutzwiler to adopt Resolution Nos. 06-12936 through 06-12939. The question was called for and the motion carried

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unanimously to adopt Resolution Nos. 06-12936 through 06-12939, which are on file in the office of the District.

Power Management Director Randy Lowe and Chief Financial Officer Joe Jarvis presented a Power Management and Finance quarterly update to Commissioners. Wholesale power sales revenues for the first half of 2006 are \$2.5 million ahead of budget. Mr. Lowe said the increase is due to above average runoff and spikes in power prices because of the recent West Coast heat wave. Overall, the average power price was lower than forecast for January through June, but the District sold more power than expected because there was more water available to generate electricity. Total sales revenue for the year is now forecast at \$61 million to \$65 million. The 2006 budget forecast was \$58 million in wholesale power revenue. Net electric distribution assets are \$6.1 million more than budgeted. Cash reserves now stand at \$187.3 million, including the \$89 million payment from Puget Sound Energy made as part of its new 20-year power sales contract. Mr. Jarvis cautioned that much of the reserves are already earmarked for major expenses, paying down debt and to protect against future high power prices.

Commissioner Congdon discussed the "platinum" status of the Washington PUD Association (WPUDA) building with Commissioners. Commissioner Congdon proposed that the Board approve a higher level of participation in the energy-efficient building that WPUDA is planning to build in Olympia. Commissioner Congdon argued for higher participation that would send a strong signal supporting energy conservation and energy efficiency. The District's share of the additional cost would be \$22,241. Commissioners Montague and Gutzwiler expressed concern that details have not been worked out and Commissioner Janssen inquired whether the expense could be earmarked for the 2007 budget instead of this year. Commissioner Congdon made a motion to direct the General Manager to sign the "Platinum Partner Agreement" with WPUDA and to pay the sum of \$22,241 to the Association and that the monies will be budgeted and paid in 2007. The motion was seconded by Commissioner Boyd. After further discussion, Commissioners Boyd and Congdon voted for and Commissioners Janssen and Gutzwiler voted against the motion. President Montague abstained from voting, stating a need for more information. The motion did not pass due to the tie vote.

General Manager Richard Riazzi discussed the Board's upcoming strategic planning session scheduled for Wednesday, August 23, 2006, at the Confluence Technology Center. On staff's recommendation, the Board set the start time for the meeting at 5:30 p.m.

General Counsel Carol Wardell notified the Board that the Federal Energy Regulatory Commissioner (FERC) issued an annual license for the Rocky Reach Hydroelectric Project on July 11, 2006, which was retroactive to July 1, 2006. The original license for the Rocky Reach Project expired on June 30, 2006. The proposed Comprehensive Settlement Agreement remains pending before FERC. FERC regulations require it to issue annual licenses under the terms and conditions of the prior license until a new license is issued.

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Ms. Wardell notified Commissioners that according to an article in Clearing Up, the Corps of Engineers informed Judge Redden at a July 21, 2006 status conference that drawdowns and dam breachings would not be included in their response to a solution to environmental groups' concerns about operations at the Columbia and Snake River dams. The Corps indicated it would not be consistent with the scope of the present action and that the Corps does not have authority to implement these types of operations. Judge Redden did not order the Feds to look at these alternatives, despite the environmental groups continued message that removal of the dams is the only action shown so far that can restore the fish populations.

Chief Financial Officer Joe Jarvis provided Commissioners with a report on the District's investments. The average rate of return during the second quarter of 2006 was 4.60 percent on an average invested balance of \$368,284,801 million.

Mr. Jarvis next discussed a proposal to move the District's budget filing date. Resolution No. 1084, dated September 6, 1955, requires that the General Manager submit a proposed budget in preliminary form for the ensuing year to the Commission on or before the first Monday in September. This deadline occurs prior to the Commission's review of the District Strategies and before business units have prepared and submitted their preliminary budgets. Historically, the information contained in the preliminary filing has not been widely used and is significantly different from the information shared at the Preliminary Budget hearing. Commissioner Boyd made a motion amending Resolution No. 1084 to change the preliminary budget filing date to the last Monday in October. The motion was seconded by Commissioner Janssen and passed unanimously.

Commissioner Congdon excused herself from the meeting at 4:15 p.m.

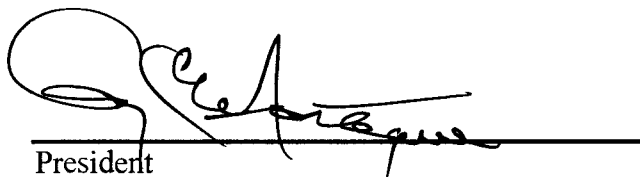
Mr. Jarvis discussed an update needed to Schedule No. 4 of the District's Investment Policy with Commissioners. Resolution No. 05-12814, adopted December 19, 2005, authorized the Investment and Banking Policy of the District. The Policy includes Schedule 4 listing District officers or employees who, under the direction of the Auditor, are authorized signators for issuance of warrants. Due to changes in District staff, Schedule 4 needs to be updated to reflect such changes. Commissioner Boyd made a motion that Schedule No. 4 of Resolution 05-12814, Authorized Signators for Issuance of Warrants, be modified to add Brian Karcutski as an authorized signator and the Schedule will now include: Amy Burleson, Gene Cenotto, Loretta Coonfield, Heidi Gale, Brian Karcutski, Maria Kieninger, Stacey Jagla, Jodi Martin and Melia Mayer. The motion was seconded by Commissioner Janssen and passed unanimously.

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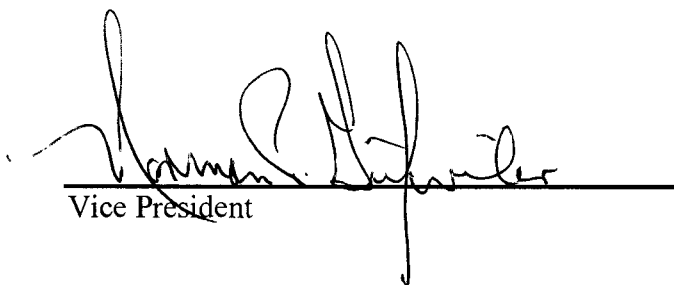
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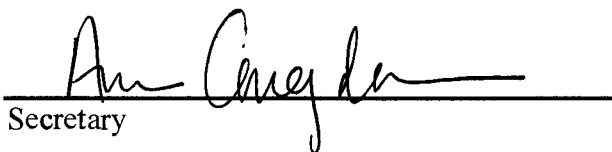
There being no further business, the meeting was adjourned at 4:17 p.m.



President



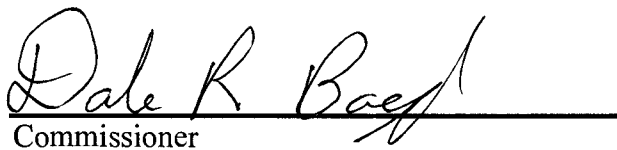
Vice President



Secretary



Commissioner



Commissioner