

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

August 3, 2010

The special 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 August 3, 2010, at the hour of 10:00 a.m., pursuant to proper notice thereof.

Commissioners present were Dennis Bolz, Randy Smith, Carnan Bergren, Norm Gutzwiler and Ann Congdon. In attendance were Interim General Manager John Janney, General Counsel Carol Wardell and Clerk of the Board Sheila Salmon.

Others in attendance: none.

Clerk of the Board Sheila Salmon led the Pledge of Allegiance.

President Bolz added to the agenda item number 6 to discuss the selection process in public session for hiring the next General Manager.

President Bolz publicly announced that the Commission would convene an executive session at 10:02 a.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). He stated that he anticipated the executive session would conclude at approximately 10:20 a.m.

By motion made by Commissioner Smith at 10:02 a.m., seconded by Commissioner Bergren and carried, 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 Clerk of the Board.

Reconvening into regular session at 10:17 a.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.

General Counsel Carol Wardell proposed the following motion: A motion to authorize General Counsel to pursue legal action against Washington State Department of Revenue for refund of privilege taxes. She explained the privilege taxes were collected by the state on basic service charges in 2008-2009 that were part of District bills along with the charges for kilowatt-hour power use. Sixty percent of the taxes paid by the District were distributed to Chelan County and the cities in the county. A state Appeals Court ruled last December that the state was not entitled to apply the privilege tax collection to the basic service charges. The state has advised that the Department of Revenue will not issue refunds without being sued by the affected districts. Ms. Wardell recommended the District join with Grant County PUD in suing the state to save on legal fees. She also recommended that the District and Grant County PUD should hire the same legal firm that represented Clark PUD and Grays Harbor PUD in their initial successful lawsuit against the Department of Revenue. Legal costs are expected to be \$10,000 to \$20,000 for the District if the case can be handled as efficiently as suggested by the State. Based upon a prior

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settlement, it is expected that the refund would be applied as a credit against future tax collections. The District would be seeking a credit of approximately \$168,000. There is no provision for collection of the attorney fees we incur.

A motion was made by Commissioner Bergren to authorize General Counsel to pursue legal action against Washington State Department of Revenue for refund of privilege taxes. The motion was seconded by Commissioner Smith and passed.

Next, President Bolz publicly announced that the Commission would convene an executive session to evaluate the qualifications of an applicant for public employment or to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g). He stated that he anticipated the executive session would conclude at approximately 12:00 p.m.

By motion made by Commissioner Bergren at 10:24 a.m., seconded by Commissioner Gutzwiler and carried, 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 Clerk of the Board.

Reconvening into regular session at 12:02 p.m., the Commissioners reported that they evaluated the qualifications of an applicant for public employment or to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g). No action was taken.

President Bolz publicly announced that the Commission would reconvene back into executive session at approximately 12:18 p.m.; following a fifteen minute break. He stated that he anticipated the executive session would conclude at approximately 1:00 p.m.

Reconvening into regular session at 1:01 p.m., President Bolz reported that they evaluated the qualifications of an applicant for public employment or to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g). No action was taken.

President Bolz publicly announced that the Commission would reconvene back into executive session at 1:01 p.m. to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g). He stated that he anticipated the executive session would conclude at approximately 1:30 p.m.

Reconvening into regular session at 1:30 p.m., President Bolz reported that they evaluated the qualifications of an applicant for public employment or to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g). No action was taken.

President Bolz publicly announced that the Commission would reconvene back into executive session at 1:30 p.m. to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g). He stated that he anticipated the executive session would conclude at approximately 2:30 p.m.

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Reconvening into regular session at 2:20 p.m., President Bolz reported that they evaluated the qualifications of an applicant for public employment or to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g). No action was taken.

President Bolz announced a five minute recess.

Returning into regular session from a five minute recess at 2:26 p.m., President Bolz opened discussion on the process to hire a new General Manager.

A motion was made Commissioner Smith to proceed with the selection of the General Manager with internal candidates only. The motion was seconded by Commissioner Congdon and carried unanimously with President Bolz voting in favor of internal candidates.

The commissioners each described the characteristics and qualities they were seeking in the person who would serve as the District's next General Manager.

After a full discussion, of those qualities, a motion was made by Commissioner Bergren and seconded by Commissioner Smith to offer the General Manager position to John Janney subject to negotiation of terms and conditions of employment. The commissioners each described how Mr. Janney's experience and personal qualities fit the needs of the District. Following further discussion, the vote was called for by Commissioner Gutzwiler. The motion was carried unanimously with President Bolz voting in favor of the offer to John Janney. The Commissioners expressed their support of and confidence in Mr. Janney.

Mr. Janney expressed his appreciation for that support and confidence. Mr. Janney also expressed his appreciation for the employees of the District and the teamwork he has experienced.

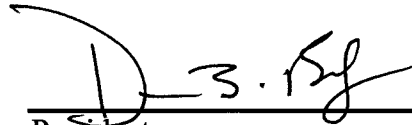
A resolution ratifying the motion and setting the terms and conditions will be presented at the regular board meeting on August 16, 2010.

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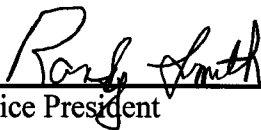
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There being no further business, the meeting adjourned at 2:58 p.m.

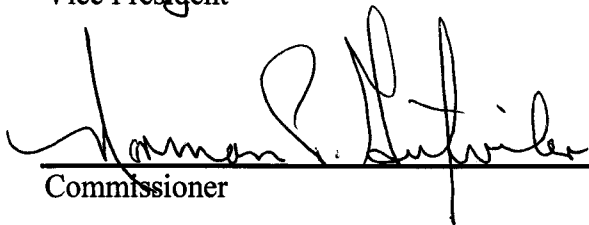


President



Vice President

Secretary



Commissioner



Commissioner