

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

August 14, 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 August 14, 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: Rich Trimble (Energy Northwest), Randy Smith, Dennis Bolz and Christine Pratt (Wenatchee World).

Rich Trimble of Energy Northwest provided the Board with an update on the projects that Energy Northwest is currently working on. Commissioners learned about alternative energy projects and new technologies that are being used at a proposed coal-gasification generating plant to be constructed in the Kalama area.

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 31, 2006 and the regular meeting (study session) held on August 7, 2006 were presented for approval.

The Auditor's memorandum, dated August 8, 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 \$5,435,567.15;
2. Payroll for the period ending July 23, 2006 in the amount of \$1,306,093.91 as certified by the Auditor's memorandum;
3. Customer Deposit Returns payment dated August 8, 2006 in the amount of \$2,140.67; and

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4. Charge Offs to uncollectible accounts in the amount of \$3,132.81 - July 2006

RESOLUTION NO. 06-12941 APPROVING FIELD WORK ORDER NO. 1, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 05-29 WITH VALMONT INDUSTRIES OF VALLEY, NEBRASKA AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR 230KV LINE POLES FOR THE NEW TRANSMISSION LINE FROM THE ROCKY REACH SWITCHYARD TO THE ANDREW YORK SWITCHYARD

Motion was made by Commissioner Gutzwiler, seconded by Commissioner Janssen and unanimously carried adopting the Consent Agenda consisting of the minutes of the July 31, 2006 and August 7, 2006 Commission meetings, the above-listed vouchers and Resolution No. 06-12941.

The Commission next considered the matters listed in the Regular Agenda. Item #6 had been removed from the agenda.

RESOLUTION NO. 06-12942 AUTHORIZING PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY TO ENTER INTO AN INTERLOCAL AGREEMENT WITH CHELAN COUNTY, CITY OF CASHMERE, CITY OF LEAVENWORTH, AND CITY OF WENATCHEE TO ASSIST IN THE DEVELOPMENT OF THE TOTAL MAXIMUM DAILY LOAD (TMDL) INITIATED BY WASHINGTON STATE DEPARTMENT OF ECOLOGY (WDOE) FOR THE WENATCHEE WATERSHED

Motion was made by Commissioner Boyd and seconded by Commissioner Congdon to adopt Resolution No. 06-12942. The question was called for and the motion carried unanimously to adopt Resolution No. 06-12942, which is on file in the office of the District.

Hydro Operations Supervisor Jim Gray and Hydro Engineering Manager John Sagerser updated the Board on the electrical system at Stehekin at the head of Lake Chelan.

Hydro Services Director Gregg Carrington and Licensing and Compliance Manager Michelle Smith reported to Commissioners on the Federal Energy Regulatory Commission's (FERC) Final Environmental Impact Statement (FEIS) on Rocky Reach relicensing, issued August 4, 2006. Minimal changes were proposed by FERC to a Settlement Agreement submitted by all the relicensing parties (local citizens, state and federal agencies and tribes) back in March. Of approximately 100 items agreed to in the Settlement Agreement, FERC said it would change six. Mr. Carrington and General Counsel Carol Wardell did advise the Commission that the agreed upon measures, related to bull trout, sturgeon, lamprey and resident fish stocking, will still be

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included in the final license order because the measures are part of a state-issued Water Quality Certificate from the Department of Ecology that cannot be altered by FERC. Ms. Smith and Mr. Carrington said ongoing communication, analysis and cooperation with FERC throughout the relicensing process led to fewer changes in the FEIS and more flexibility for the District to implement measures outlined in the Settlement Agreement. They said the estimated cost of all the relicensing measures proposed for the next 50 years is still about \$394 million. The District is hopeful a new license can be issued shortly after final biological opinions are received from USFWS and NOAA Fisheries.

The Commissioners discussed the upcoming series of Community Partnership Group meetings. President Montague stated that he found the meetings to be a great interactive tool and Commissioner Gutzwiler noted that the one on one interaction is very valuable. Commissioners requested that the upcoming meetings be listed as special meetings of the Commission in accordance with the Open Public Meetings Act so that more than two Commissioners can attend.

General Manager Richard Riazzi notified the Board that subyearling chinook counts at both Rocky Reach and Rock Island met the necessary criteria to end spill on Friday, August 11, 2006 at midnight. Mr. Riazzi gave a special thanks to Fisheries Biologist Steve Hemstrom for his hard work and coordination with Power Management.

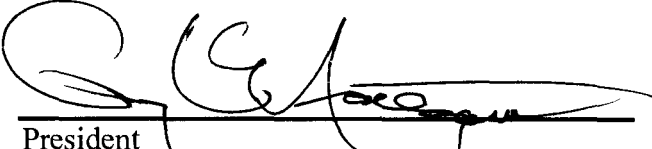
President Montague publicly announced that the Commission would convene an executive session commencing at 2:55 p.m. for the purpose of discussing with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i) and to 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 that he anticipated the executive session would conclude at approximately 3:25 p.m.

By motion made at 2:51 p.m. by Commissioner Gutzwiler, seconded by Commissioner Boyd and carried unanimously, an executive session was convened after a four-minute break. 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.

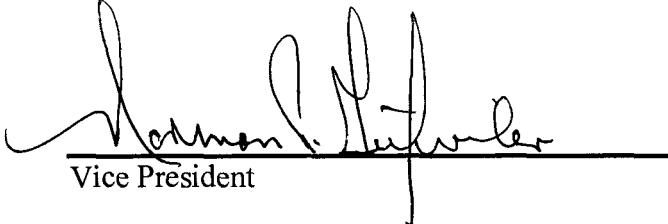
Reconvening into regular session at 3:37 p.m., the Commissioners reported that they discussed with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i) and considered the selection 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.

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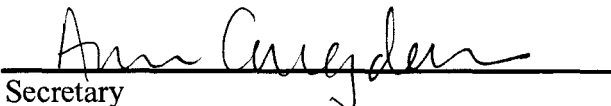
There being no further business, the meeting was adjourned at 3:38 p.m.



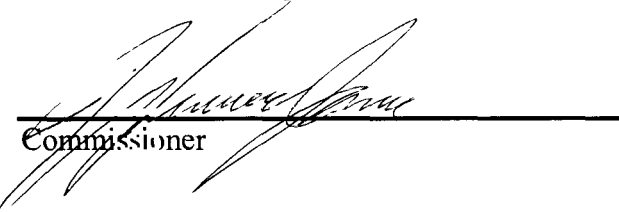
President



Vice President



Secretary



Commissioner



Commissioner