

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

August 21, 2006

The regular meeting (study session) 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 21, 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 McPherren. Various staff members also in attendance.

Others in attendance: Bill Stokes, Randy Smith, Allison Williams (City of Wenatchee), Rob Salter (City of Wenatchee), Karen Kornher (RH2) and Christine Pratt (Wenatchee World).

Karen Kornher with RH2 and Rob Salter with the City of Wenatchee outlined how plans for the city's new Riverside Drive project along the central Wenatchee riverfront will affect the District's riverfront parks. The new road will run from Ninth Street and Walla Walla Avenue along the west edge of the District's parks to just south of the city's sewer treatment plant on Worthen Street. Mr. Salter provided Commissioners with a big picture preview and stated that overall, the project should have no net impact on the parks. Mr. Salter is working with landowners, developers and the District on securing right of way and preliminary design. More funding must be secured before construction takes place.

Power Management Director Randy Lowe provided Commissioners with background on a request that will be made to Commissioners at the August 28, 2006 business meeting to approve selling 25 megawatts of the District's surplus power in 2008. Power Marketers must have Board approval to sell power more than 18 months into the future. Mr. Lowe stated that prices for power to be delivered in 2008 are about \$79 a megawatt, substantially above historical averages. Mr. Lowe also noted that analysis, based on market conditions including the future price of natural gas, show there is more chance of prices dropping as time passes than rising. Selling the power now could lock in revenue of as much as \$9.6 million. The 25 megawatts is about 10 percent of the District's estimated power surplus based on an average water year.

President Montague publicly announced that the Commission would convene an executive session commencing at 1:42 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

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42.30.110(1)(b). He stated that he anticipated the executive session would conclude at approximately 2:02 p.m.

By motion made by Commissioner Boyd, seconded by Commissioner Janssen 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 Clerk of the Board.

Reconvening into regular session at 2:42 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.

Commissioner Gutzwiler made a motion that the meeting would adjourn and continue after the tour of the River of Memory Exhibit to Wednesday, August 23, 2006 at 5:30 p.m. at the Confluence Technology Center for the strategic planning meeting. At the conclusion of the Wednesday meeting, the meeting would adjourn and continue to Thursday, August 24, 2006 at 6:30 p.m. at the Enzian Inn in Leavenworth to attend an Energy Northwest dinner. The meeting would adjourn at the conclusion of the dinner on Thursday. The motion was seconded by Commissioner Congdon and passed unanimously.

Commissioners Montague, Congdon and Janssen, General Manager Richard Riazzi and Assistant General Manager Wayne Wright toured the River of Memory Exhibit at the Wenatchee Valley Museum and Cultural Center. The tour concluded at 3:45 p.m. and the meeting was adjourned.

The meeting was continued on Wednesday, August 23, 2006, at 5:45 p.m. at the Confluence Technology Center for the strategic planning meeting. All Commissioners were present, as well as various staff members and members of the public. This meeting was the first in a series of meetings to develop guiding principles for the future direction of the District. President Montague stated that the purpose of the meeting was to put us all on the same page and to set a path to success for the future. President Montague also noted that the District is financially sound and that we wish to remain that way. General Manager Richard Riazzi invited community members and District employees to outline services now offered by the District and those desired in the future. Comments ranged from the need to consider the impact of global warming on load and power generation to recognizing the District's role in the local economy, its responsibility for environmental stewardship, line extension fees, the need to collaborate with other entities, serve visitors to its parks and maintain affordable electric rates. An overview of 2005 costs and revenue showed that the District relies heavily on surplus wholesale power sales to provide

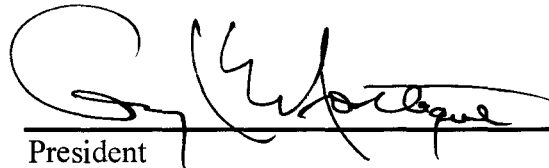
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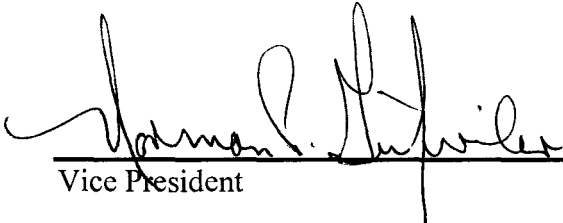
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enough revenue to help balance the budget each year. However, that source of income fluctuates greatly depending on energy markets, water conditions, runoff and a number of other factors, Mr. Riazzi said. The price this year has been as low as \$0 per megawatt hour and as high as \$400. Mr. Riazzi promised a deeper look into District finances at the next meeting in late October or early November. It will start with five years of financial history and look at projections for five years into the future. Risks such as drought, a drop in power prices, higher demand due to a cold snap, load growth and cost of new regulations will be considered. Additional meetings will cover priorities, action plans and principles to be adopted by the Board to guide future direction. The meeting was adjourned at 7:55 p.m.

The meeting was continued on Thursday, August 24, 2006, at 6:30 p.m. at the Enzian Inn in Leavenworth for an Energy Northwest dinner. Commissioners Montague, Gutzwiler, Congdon and Boyd were present, as well as General Manager Richard Riazzi. There being no further business, the meeting was adjourned at the conclusion of the dinner at 8:45 p.m.



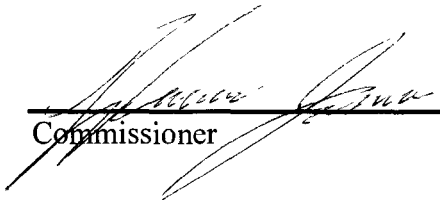
President



Vice President



Secretary



Commissioner



Commissioner