

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

November 13, 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 November 13, 2006, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Gary L. Montague, Ann Congdon, Werner Janssen (via telephone) and Dale R. Boyd. In attendance were General Manager Richard Riazzi, General Counsel Carol Wardell and Clerk of the Board Melisa McPherrren. Various staff members were also in attendance.

Others in attendance: Evelyn Gilbert, Bill Stokes, Jean Ludwick and Christine Pratt (Wenatchee World).

A special meeting of the Commission was officially noticed for November 9, 2006 for the Malaga Customer Partnership Group meeting. No Commissioners were present and thus no minutes required.

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 special meeting held on November 2, 2006 and the regular meeting held on November 6, 2006 were presented for approval.

The Auditor's memorandum, dated November 7, 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 \$2,747,738.07;
2. Payroll for the period ending October 29, 2006 in the amount of \$1,377,979.20 as certified by the Auditor's memorandum; and
3. Customer Deposit Returns payment for the period ending November 7, 2006 in the amount of \$1,813.22.

Motion was made by Commissioner Boyd, seconded by Commissioner Congdon and unanimously carried adopting the Consent Agenda consisting of the minutes of the November 2, 2006 and November 6, 2006 Commission meetings; and the above-listed vouchers.

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

RESOLUTION NO. 06-12992 AUTHORIZING THE PURCHASE OF REPLACEMENT AND SPARE SUBMERSIBLE PUMP PROPELLERS FOR THE ROCKY REACH JUVENILE FISH BYPASS PROJECT FROM ITT FLYGT CORPORATION OF FAIRFIELD, CALIFORNIA

RESOLUTION NO. 06-12993 ACCEPTING THE BID OF CUSICK CONSTRUCTION & DEVELOPMENT, INC. OF WENATCHEE, WASHINGTON (BID 06-58) TO PROVIDE CONSTRUCTION SERVICES FOR AN ADULT CHINOOK HOLDING POND AND SPAWNING ENCLOSURE

RESOLUTION NO. 06-12994 PROVIDING NOTICE OF THE ESTIMATED BILLINGS EXPECTED FROM THE PUBLIC EMPLOYEES RETIREMENT SYSTEM DUE TO THE ACCUMULATION BY DISTRICT EMPLOYEES OF THEIR PERSONAL LEAVE AND NON RECURRING EARNINGS

Motion was made by Commissioner Congdon and seconded by Commissioner Boyd to adopt Resolution Nos. 06-12992 through 06-12994. The question was called for and the motion carried unanimously to adopt Resolution Nos. 06-12992 through 06-12994, which are on file in the office of the District.

Hydro Services Director Gregg Carrington, License and Compliance Manager Michelle Smith, Assistant General Manager Ed Odom, and General Counsel Carol Wardell briefed Commissioners on the new license for the Lake Chelan Hydro Project issued November 6, 2006. Mr. Carrington gave the overview, explaining that the details are still being studied, and the District (or others) could request a rehearing of the license if certain articles are found unacceptable. However, the District is required to begin implementation regardless of any potential rehearing requests. Staff will meet with Commissioners again on November 27, 2006 with a recommendation for action on the license and to submit resolutions for work associated with the license.

Commissioner Congdon made a motion to continue the Public Utility Regulatory Policies Act (PURPA) Hearing until 2:10 p.m. The motion was seconded by Commissioner Boyd and passed unanimously.

The meeting recessed at 2:05 p.m. for a 5-minute break.

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At 2:10 p.m., a public hearing was convened to consider whether it is appropriate to adopt, in whole or in part, or not adopt, in whole or in part, or not adopt certain standards proposed under the Public Utility Regulatory Policies Act (PURPA). General Counsel Carol Wardell, acting as Presiding Officer, stated that the Board would receive testimony from staff and comments from the public on three standards for consideration: net metering service to electric consumers, time-based metering and communications, and interconnection of third-party generation facilities to the District's electric system. Proper notice of the hearing was given and proof of notice was filed with the Clerk of the Board.

No formal requests to intervene in the matter were received from the public. One public comment was received prior to the hearing by a customer to consider offering meters similar to ones available in California that let you shut off power use between the hours of 4-6 p.m. every day.

The hearing was conducted in accordance with the District's Procedures Manual under PURPA. Under PURPA, the District is required to establish a process for receiving information and making formal findings relating to the adoption of certain cost of service standards. The Energy Policy Act of 1995 amended PURPA by adding the requirement that the District consider five new standards. By law, electric utilities must begin a process to consider these standards with a set timeframe. The Board must begin consideration of two of these standards (time-based metering/communications and interconnection) by August 8, 2006 and complete consideration by August 7, 2007. For the remaining standards, the Board must begin consideration by August 8, 2007 and complete consideration by August 8, 2008. The Board is not required to adopt the suggested measures, but is required to give them consideration. The public hearing allows the Board to receive input on these concepts, which will provide a foundation upon which the Commission will consider these standards.

Customer Service Director John Stoll provided staff testimony on the three standards and staff's recommendation that the Commission not adopt these standards. PUDs can adopt state regulations instead, which will be discussed at later commission meetings. There was no public comment during the hearing. At the conclusion of the hearing and following consideration of staff's recommendation, the following resolutions were presented:

RESOLUTION NO. 06-12995 SETTING FORTH THE COMMISSION'S DETERMINATION REGARDING NET METERING AND INTERCONNECTION STANDARDS UNDER SECTIONS 111(D)(11) AND 111(D)(15) OF THE PUBLIC UTILITY REGULATORY POLICIES ACT, AS AMENDED BY THE ENERGY POLICY ACT OF 2005

RESOLUTION NO. 06-12996 SETTING FORTH THE COMMISSION'S DETERMINATION REGARDING TIME-BASED RATES AND

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COMMUNICATIONS STANDARDS UNDER SECTIONS 111(D)(14) OF THE PUBLIC UTILITY REGULATORY POLICIES ACT, AS AMENDED BY THE ENERGY POLICY ACT OF 2005

Motion was made by Commissioner Janssen and seconded by Commissioner Congdon to adopt Resolution Nos. 06-12995 and 06-12996. The question was called for and the motion carried unanimously to adopt Resolution Nos. 06-12995 and 06-12996, which are on file in the office of the District.

General Manager Richard Riazzi and Chief Financial Officer Joe Jarvis talked with Commissioners about the need for a contingency plan to increase revenue next year if the water supply forecast holds true and the District is faced with a significant drop in our wholesale power sales revenue. "We think it's prudent to be prepared with a plan," Mr. Riazzi told Commissioners. He recommended looking carefully at a temporary electrical rate surcharge of up to 29 percent. The utility is expecting runoff of about 84 percent of average for 2007, netting \$35.9 million in wholesale revenue. This year, the water supply was 102 percent of average, netting a projected \$58.1 million. The projected drop in wholesale revenue could also affect the District's debt coverage ratio, which staff estimates must remain at or above 1.75 to assure a continued AA bond rating. The debt coverage ratio is derived by taking operating revenues less operating expenses and dividing the result by debt service costs (principal and interest payments on utility debt). Cost reductions that could affect services have already been made in the proposed 2007 budget. Options at this point include making more cuts in operating expenses, paying down debt to reduce debt service or imposing a temporary surcharge on electric rates. If approved, the surcharge could range from 0 to 29 percent, starting March 1, 2007, and going to the end of the year. On an average residential electric bill, that would be an additional \$0 to \$14.33 a month. A surcharge could be stopped if water supply increased. The District used a surcharge once before in 1977 due to low-water forecasts. It added 20 percent to customer bills and that surcharge lasted eight months. Mr. Riazzi and Mr. Jarvis will discuss the possible surcharge with Commissioners again on November 27, 2006 and will request a decision about setting public meetings and a hearing about the surcharge contingency plan along with approval of the final budget on December 11, 2006.

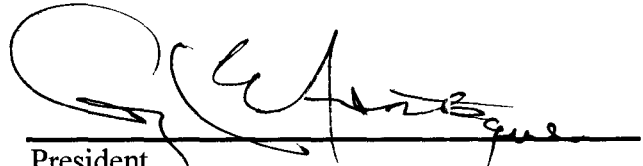
Commissioner Congdon excused herself from the meeting at 3:45 p.m.

Chief Financial Officer Joe Jarvis provided Commissioners with a report on the District's investments. The average rate of return during the third quarter of 2006 was 4.88 percent on an average invested balance of about \$375 million.


The Board has not adopted a policy on Commissioners attending Executive Sessions via the telephone; therefore, the Executive Session was cancelled due to the lack of quorum.

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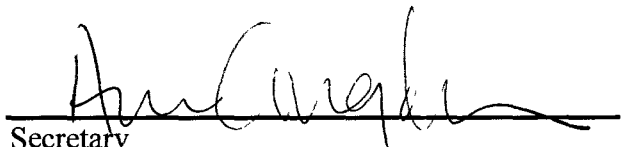
There being no further business, the meeting was adjourned at 3:55 p.m.



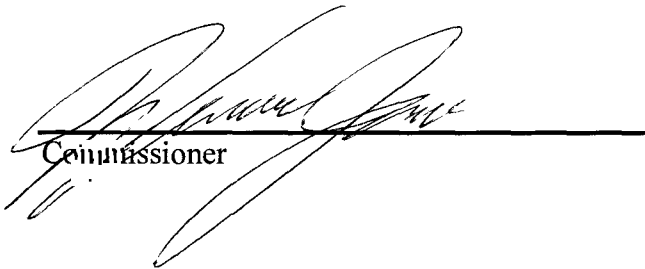
President



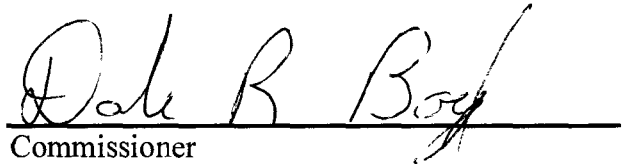
Vice President



Secretary



Commissioner



Commissioner