

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

NOVEMBER 27, 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 27, 2006, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Gary L. Montague, Norm Gutzwiler, Ann Congdon (via telephone from 1:20 p.m. – 3:50), Werner Janssen and Dale R. Boyd. In attendance were General Manager Richard Riazzi, General Counsel Carol Wardell and Acting Clerk of the Board Lisa Everhart. Various staff members in attendance.

Others in attendance: Scott Whitman, Bill Stokes, Rich Cole, Evelyn Gilbert, Randy Smith, 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 regular meetings held on November 13, 2006 and November 20, 2006 were presented for approval.

The Auditor's memorandum, dated November 21, 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 \$5,496,098.83;
2. Payroll for the period ending November 12, 2006 in the amount of \$1,399,487.55 as certified by the Auditor's memorandum; and
3. Customer Deposit Returns and Bank of America Mastercard payment for the period ending November 21, 2006 in the amount of \$6,013.18 and \$7,395.31 respectively.

MINUTES OF REGULAR MEETING OF THE COMMISSION

November 27, 2006

Page 2

Motion was made by Commissioner Janssen, seconded by Commissioner Gutzwiler and unanimously carried adopting the Consent Agenda consisting of the minutes of the November 13, 2006 and November 20, 2006 Commission meetings; and the above-listed vouchers.

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

RESOLUTION NO. 06-12997 AUTHORIZING THE GENERAL MANAGER TO ACCEPT THE NEW LICENSE ORDER ISSUED BY THE FEDERAL ENERGY REGULATORY COMMISSION FOR THE LAKE CHELAN HYDROELECTRIC PROJECT AND TO FILE A REQUEST FOR REHEARING OF THE NEW LICENSE ORDER

Gregg Carrington, Michelle Smith and Carol Wardell discussed the three items to be included in the District's request for rehearing. These items include deletion of cost caps, inclusion of certain lands within the project boundary and liability provisions regarding whitewater boating. The rehearing must be filed by December 6, 2006.

Commissioner Boyd requested that Resolution 06-12997 be voted on separately.

Motion was made by Commissioner Boyd and seconded by Commissioner Janssen to adopt Resolution No. 06-12997. The question was called for and the motion carried unanimously to adopt Resolution No. 06-12997, which is on file in the office of the District.

RESOLUTION NO. 06-12998 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (SA NO. 06-163) WITH ANCHOR ENVIRONMENTAL LLC OF SEATTLE, WASHINGTON FOR PROFESSIONAL ENGINEERING SERVICES RELATED TO HABITAT RESTORATION DESIGN AND CONSTRUCTION IN REACH 4 OF THE CHELAN RIVER AND THE LAKE CHELAN PROJECT TAILRACE

A RESOLUTION NO. 06-12999 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT (SA NO. 06-164) WITH CH2M HILL, INC. OF BELLEVUE, WASHINGTON FOR PROFESSIONAL ENGINEERING SERVICES RELATED TO DESIGN AND CONSTRUCTION OF A PUMP STATION IN THE LAKE CHELAN PROJECT TAILRACE

RESOLUTION NO. 06-13000 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (SA NO. 06-055) WITH ENGINEERING SCIENCE & CONSTRUCTION, LLC OF BOISE, IDAHO FOR PROFESSIONAL ENGINEERING SERVICES RELATED TO DESIGN AND CONSTRUCTION OF A LOW LEVEL OUTLET STRUCTURE AT THE LAKE CHELAN HYDROELECTRIC PROJECT

MINUTES OF REGULAR MEETING OF THE COMMISSION

November 27, 2006

Page 3

RESOLUTION NO. 06-13001 DECLARING HYDRO- ACOUSTIC TECHNOLOGY INCORPORATED OF SEATTLE WASHINGTON THE SINGLE SOURCE OF SUPPLY FOR THE PURCHASE OF ACOUSTIC TAGS AND RELATED MONITORING EQUIPMENT FOR USE IN THE SPRING BIOLOGICAL STUDIES AT ROCKY REACH AND ROCK ISLAND DAMS

RESOLUTION NO. 06-13002 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (SA 06-116) WITH PUBLIC FINANCIAL MANAGEMENT, INC. AND PFM ASSET MANAGEMENT LLC TO PROVIDE FINANCIAL ADVISORY SERVICES

RESOLUTION NO. 06-13003 AUTHORIZING AND DIRECTING THE GENERAL MANAGER TO ENTER INTO AN AGREEMENT WITH SYMPRO, INC. OF EMERYVILLE, CALIFORNIA TO PROVIDE, INSTALL AND IMPLEMENT AN INVESTMENT MANAGEMENT SOFTWARE SYSTEM AND TO PROVIDE SUPPORT SERVICES FOR THE SYSTEM

Commissioner Congdon requested that Resolution No. 06-13003 be voted on separately.

Motion was made by Commissioner Gutzwiler and seconded by Commissioner Janssen to adopt Resolution No. 06-13003, which passed with a 4 to 1 vote. Commissioner Congdon voted against purchasing the software, stating that she needed more information.

RESOLUTION NO. 06-13004 DELEGATING AUTHORITY TO THE GENERAL MANAGER TO EXECUTE FIELD WORK ORDERS TO INCLUDE UP TO SIX (6) ADDITIONAL GATES TO CONTRACT 06-03 WITH LONG PAINTING COMPANY OF KENT, WASHINGTON FOR THE ROCKY REACH HEAD GATE REFURBISHMENT PROJECT

Customer/Owner Rich Cole commented on resolutions about use of outside engineering firms.

Motion was made by Commissioner Boyd and seconded by Commissioner Janssen to adopt Resolution Nos. 06-12998 through 06-13002 and Resolution No. 06-13004. The question was called for and the motion carried unanimously to adopt Resolution Nos. 06-12998 through 06-13002 and Resolution No. 06-13004, which are on file in the office of the District.

Commissioners heard a 2007 Budget Update from Diane Cooper, Randy Stedman and Beverly Freeman. Operating expenses are budgeted at a 4.5% increase over the 2006 budget, which is .5% less than the target. Commissioners were advised that this is not a sustainable budget and that some budget cuts may affect reliability, customer service levels, availability, and forced outage rates.

MINUTES OF REGULAR MEETING OF THE COMMISSION

November 27, 2006

Page 4

Post employment benefits for retirees were discussed. Currently, the District subsidizes 30% of retiree's medical premiums. For the 2006 plan year, the cost of this subsidy is about \$425,000. If there are no changes, the subsidy for 2007 will go up to approximately \$502,000. GASB45 requires public entities of our size to accrue for the future cost of the subsidy beginning in 2007. Under our current plan, to fully fund the existing liability would cost \$14.9 million, plus \$571,000 annual service cost. The proposed budget includes a change in post-retirement medical benefits. The change in 2007 and thereafter is that the District will continue retiree medical subsidy only as a bridge to Medicare (age 65), limit retiree medical subsidy to 2006 amounts plus inflation adjustment, and fund the accrued liability in 2006. Impacts to the District include a reduced accrued liability from \$14.9 million to \$1.9 million, reduced annual service cost from \$571,000 to \$53,000, and reduced 2007 operating expenses in the proposed budget by \$2.4 million. Beverly Freeman has researched the potential impact of this change on our retirees and has found that many retirees will now be eligible for the full range of Medi-Gap plans and that they will likely get comparable coverage at a lower cost than the PUD plan.

Rich Riazzi and Joe Jarvis discussed 2007 Contingency Planning with Commissioners. Lower than average water is expected for 2007 which will reduce wholesale revenue by approximately \$22.2 million. A contingency plan, including a surcharge, is a short-term solution to the 2007 budget year. General Manager Riazzi recommended that the Board consider a surcharge in 2007. The recommended surcharge would be a flat percentage on all electric bills (pre tax amounts). The surcharge would be temporary and extend only through December 31, 2007 or could be terminated sooner as determined by the Board.

Rich Riazzi proposed a timeline that calls for public meetings to be held in early January in Wenatchee, Chelan and Leavenworth before a formal hearing later in the month. The board will not be asked to make a final decision on a surcharge until Feb. 12, which then would be put into place by March 1.

Customer/Owner Bill Stokes discussed the Contingency Plan presentation.

Commissioner Gutzwiler made a motion to direct staff to pursue development of a flat percentage surcharge on all electric bills before taxes. The motion was seconded by Commissioner Boyd and passed unanimously. Commissioner Congdon was absent for this motion.

Commissioners clarified that this was not a decision to approve the surcharge, but to approve the structure of a potential surcharge to allow staff time to be prepared in the event a surcharge is approved.

Commissioner Boyd made a motion to excuse Commissioner Janssen and Commissioner Gutzwiler from the December 4, 2006 board meeting. The motion was seconded by

MINUTES OF REGULAR MEETING OF THE COMMISSION
November 27, 2006
Page 5

Commissioner Gutzwiler and passed unanimously. Commission Congdon was absent for this motion.

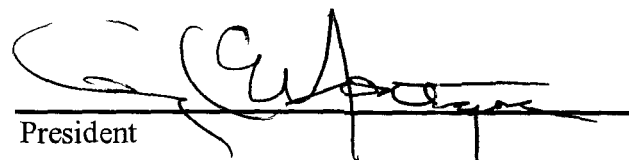
President Montague publicly announced that the Commission would convene an executive session commencing at 4:35 p.m. for the purpose of discussing with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i). He stated that he anticipated the executive session would conclude at approximately 4:50 p.m.

By motion made by Commissioner Gutzwiler, seconded by Commissioner Boyd 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 Interim Clerk of the Board. Commissioner Congdon was absent for this motion.

The meeting recessed at 4:30 p.m. for a 5-minute break.

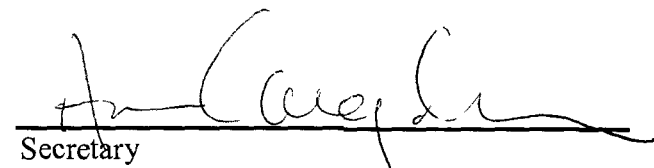
Reconvening into regular session at 4:54 p.m., the Commissioners reported that they discussed with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i). No action was taken.

There being no further business, the meeting was adjourned at 4:55 p.m.



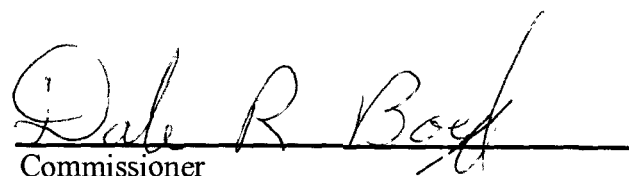
President

Vice President



Secretary

Commissioner



Commissioner