

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

December 18, 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 December 18, 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 (via telephone) and Dale R. Boyd. In attendance were General Manager Richard Riazzi, General Counsel Carol Wardell and Clerk of the Board Melisa McPherran. Various staff members were also in attendance.

Others in attendance: Nick Dayley, Terry Moore, Randy Smith, Dennis Bolz, Bill Stokes, Mikael Montague and Christine Pratt (Wenatchee World).

A special meeting of the Commission was officially noticed for December 13, 2006 for the Manson Customer Partnership Group meeting. No Commissioners were present and thus no minutes are required.

President Montague mentioned that long time Wenatchee resident Evelyn Gilbert passed away Sunday, December 17, 2006. Ms. Gilbert was a frequent attendee at Chelan PUD board meetings.

Commissioners thanked retiring Wildlife Biologist Paul Fielder for his 24 years of service to the District. "There's one word that you hear from people around the District about Paul and that is 'respect,' which he earned," said Wayne Wright, head of Customer and Environmental Services, as he presented the retirement certificate. Mr. Fielder was also praised for his community involvement in wildlife organizations.

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. Commissioner Janssen requested that Resolution No. 7 be removed from the consent agenda and added to the regular agenda. President Montague presented the remaining Consent Agenda items for adoption as follows:

The minutes of the regular meeting held on December 4, 2006 and the regular meeting (study session) held on December 11, 2006 were presented for approval.

The Auditor's memorandum, dated December 12, 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:

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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 \$5,823,546.26;
2. Payroll for the period ending November 26, 2006 in the amount of \$1,336,412.40 as certified by the Auditor's memorandum; and
3. Customer Deposit Returns payment for the period ending December 12, 2006 in the amount of \$1,525.08.

RESOLUTION NO. 06-13015 APPROVING FIELD WORK ORDERS NOS. 1 THROUGH 4, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 05-12 WITH K&N INDUSTRIAL EQUIPMENT, INC. OF SPOKANE, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE ROCK ISLAND POWERHOUSE 1 DRAFT TUBE DEWATERING SYSTEM

RESOLUTION NO. 06-13016 APPROVING FIELD WORK ORDER NOS. 1 THROUGH 5, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 05-34 WITH MRM CONSTRUCTION, INC. OF ELLENSBURG, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE ROCK ISLAND POWERHOUSE 1 TRANSFORMER CIVIL WORK

RESOLUTION NO. 06-13017 APPROVING FIELD WORK ORDER NOS. 1 THROUGH 8 TO THE ROCK ISLAND TRANSFORMER MOVING PROJECT (05-37)

RESOLUTION NO. 06-13018 PREQUALIFYING PERSONS, FIRMS AND CORPORATIONS FOR THE YEAR 2007 AS BIDDERS FOR ELECTRICAL WORK FOR THE DISTRICT

Motion was made by Commissioner Boyd, seconded by Commissioner Gutzwiler and unanimously carried adopting the Consent Agenda consisting of the minutes of the December 4, 2006 and December 11, 2006 Commission meetings, the above-listed vouchers and Resolution Nos. 06-13015 through 06-13018.

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

RESOLUTION NO. 06-13019 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO AN AGREEMENT WITH CHILDREN'S NETWORK, LLC OF LOS

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ANGELES, CALIFORNIA TO ALLOW WHOLESALE VIDEO TRANSPORT OF NETWORK'S PROGRAMMING SERVICES

RESOLUTION NO. 06-13020 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A REVISED AND RESTATED IMPLEMENTATION AGREEMENT FOR ROCK ISLAND SYSTEM I AND II OPERATION, ALLOCATIONS, AND EXPENSES AND AMENDMENT OF THE 1974 POWER CONTRACT

RESOLUTION NO. 06-13021 RESCINDING RESOLUTION NO. 01-11873 AND REVISING RATE SCHEDULE 20, NET METERING, AS APPROVED BY THE COMMISSION'S DETERMINATION REGARDING NET METERING STANDARDS UNDER SECTIONS 111(d)(11) OF THE PUBLIC UTILITY REGULATORY POLICIES ACT, AS AMENDED BY THE ENERGY POLICY ACT OF 2005

RESOLUTION NO. 06-13022 ADOPTING INTERCONNECTION STANDARDS AS APPROVED BY THE COMMISSION PURSUANT TO SECTION 111(d)(15) OF THE PUBLIC UTILITY REGULATORY POLICIES ACT, AS AMENDED BY THE ENERGY POLICY ACT OF 2005

RESOLUTION NO. 06-13023 APPROVING FIELD WORK ORDER NOS. 1 AND 2 TO BID NO. 06-38 WITH STRIDER CONSTRUCTION CO. TO PROVIDE SUNNYSLOPE HEIGHTS, PETERS STREET, ALVISTA STREET, AND VIEW PLACE WATERMAIN REPLACEMENT

RESOLUTION NO. 06-13024 AUTHORIZING AN AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (PSA NO. 06-118) WITH HDR ENGINEERING, INC. TO PROVIDE DESIGN ENGINEERING AND DESIGN SERVICES DURING CONSTRUCTION FOR THE ROCK ISLAND POWERHOUSE 1 TO MCKENZIE 115KV TRANSMISSION LINE REBUILD

RESOLUTION NO. 06-13025 AUTHORIZING AN AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (PSA NO. 06-119) WITH HDR ENGINEERING, INC. TO PROVIDE DESIGN ENGINEERING AND DESIGN SERVICES DURING CONSTRUCTION FOR THE ENTIAT VALLEY 115KV TRANSMISSION LINE

RESOLUTION NO. 06-13026 AUTHORIZING THE CONTINUATION OF THE ENABLING AGREEMENT WITH QUALITY RESOURCES SERVICES, INC. FOR THE FURNISHING OF SERVICES FOR SPECIFIC TASKS AND DELEGATING LIMITED AUTHORITY TO THE GENERAL MANAGER AND HIS DESIGNATED

REPRESENTATIVES TO EXECUTE PROJECT CONFIRMATION AGREEMENTS
PURSUANT TO THE ENABLING AGREEMENT

RESOLUTION NO. 06-13027 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A CONTRACT (06-45) WITH RKO BUSINESS SOLUTIONS, INC., OF VANCOUVER, BRITISH COLUMBIA, FOR SOFTWARE AND IMPLEMENTATION SERVICES FOR THE UPGRADE OF THE DISTRICT'S DOCUMENT MANAGEMENT SOFTWARE SYSTEM (FILENET)

RESOLUTION NO. 06-13028 AUTHORIZING LOANS FROM THE DISTRIBUTION SYSTEM REVENUE FUND TO THE WATER SYSTEM IN AN AMOUNT NOT TO EXCEED \$2,970,000 AND TO THE WASTEWATER SYSTEM IN AN AMOUNT NOT TO EXCEED \$725,000 TO FINANCE CERTAIN WATER AND WASTEWATER PROJECTS FOR 2007, AND 2006 CAPITAL EXPENSES NOT COVERED BY PRIOR BONDS OR LOANS

During a recent budget discussion on capital projects, customer-owner Rich Cole had asked if there were any funds in our budget related to Monitor. The impression given was that there were no funds, however, Assistant General Manager Jack Winter clarified that there are engineering design costs in our budget related to the Monitor project. The District needs to be at a certain design phase with the system in order to obtain the necessary grants and loans, prior to the customer determining whether or not to move forward with the project. The District would be reimbursed for the design activities if the project moves forward.

RESOLUTION NO. 06-13029 AUTHORIZING A LOAN IN AN AMOUNT NOT TO EXCEED \$17,700,000 FROM THE DISTRIBUTION SYSTEM REVENUE FUND TO NETWORKS TO FINANCE CERTAIN NETWORKS PROJECTS AND DEBT SERVICE FOR 2007

Motion was made by Commissioner Boyd and seconded by Commissioner Congdon to adopt Resolution Nos. 06-13019 through 06-13029. The question was called for and the motion carried unanimously to adopt Resolution Nos. 06-13019 through 06-13029, which are on file in the office of the District.

Commissioners and staff bid farewell to Commissioners Bob Boyd and Gary Montague with praise and applause. Commissioner Boyd is retiring from the Board after 12 years. Commissioner Montague has served eight years. "From myself and from all of the Commissioners, we'd like to thank Gary and Bob for their many years of service. You have a wealth of knowledge and we can't replace that," said Commissioner Norm Gutzwiler.

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Financial Analyst Irene Godfrey provided the Board with an update on United Way fundraising efforts. Chelan PUD employees donated \$41,000 and Puget Sound Energy donated \$5,000, for a combined total of \$46,000 to be donated to the local United Way.

General Manager Richard Riazzi summarized the District's response to the snow and wind storms last week that resulted in the loss of power for about 10,000 customers. "I want to thank and commend all the men and women of the PUD for going above and beyond," Mr. Riazzi said. "Their tremendous dedication is an outstanding testament to the people who work here." All available line crews, service crews and engineers were called in to work following outages that began with heavy snow on December 14 and worsened with severe winds early on December 15. More than 60 Chelan PUD workers were in the field, some working for up to 40 hours straight. Customer Service and switchboard operators were called in to answer calls around the clock starting early Friday morning. Douglas, Franklin and Okanogan County PUDs sent crews to help. No injuries were reported. Power was restored to most customers by Monday afternoon. Commissioner Norm Gutzwiler also thanked District employees. "We had a disaster and everyone stepped up and performed way, way beyond expectation. I think they've made us proud."

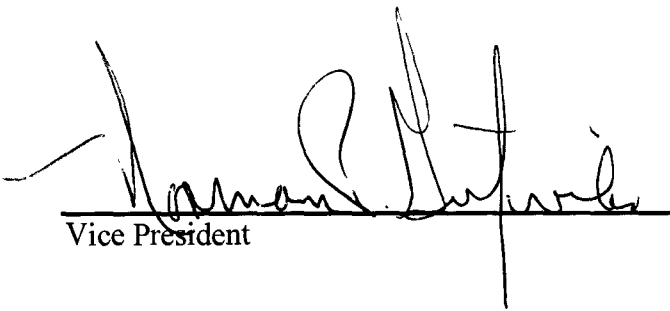
General Counsel Carol Wardell discussed a recent Ninth Circuit opinion upholding the Federal Energy Regulatory Commission's (FERC) determination that the presence of a license reopener in a FERC license is not a "federal action" triggering ESA Section 7 consultation. The court ruled that ongoing operation of a hydroelectric project pursuant to a license, even if there are reopeners in the license, does not constitute a federal action requiring FERC to consult with National Marine Fisheries Service on an ongoing basis. The District participated in an amicus (friend of the court) brief along with several other hydro utilities.

Chief Financial Officer Joe Jarvis updated the Board on the locations for the upcoming public informational meetings scheduled in January on the possible electric rate surcharge. Commissioner Congdon made a motion to set a special meeting on Wednesday, January 3, 2007 at 5:30 p.m. at the Confluence Technology Center. The motion was seconded by Commissioner Gutzwiler and passed unanimously. A motion was made by Commissioner Gutzwiler to change the start time of the January 8, 2007 board meeting from 1:00 p.m. to 5:30 p.m. at the Chelan City Council Chambers. The motion was seconded by Commissioner Congdon and passed unanimously. Commissioner Gutzwiler then made a motion to set a special meeting on Tuesday, January 9, 2007 at 5:30 p.m. at the Cascade High School Commons Area. The motion was seconded by Commissioner Congdon and passed unanimously.

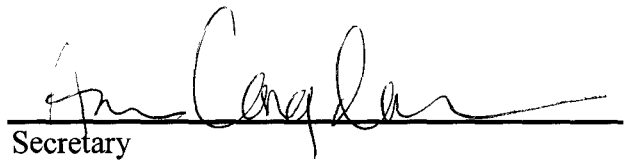
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There being no further business, the meeting was adjourned at 2:53 p.m.


President



Vice President



Secretary



Commissioner

Commissioner