

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

January 26, 2010

The special meeting of the Commission of Public Utility District No. 1 of Chelan County, Washington was held in the Chelan PUD Board Room, 327 North Wenatchee Avenue, Wenatchee, Washington, on January 26, 2010, at the hour of 4:45 p.m., pursuant to proper notice thereof.

The special meeting was convened pursuant to RCW 42.30.080.

Commissioners present were Dennis Bolz, Carnan Bergren and Norm Gutzwiler. Commissioners Randy Smith and Ann Congdon attended via telephone. In attendance were Acting General Manager Joe Jarvis, General Counsel Carol Wardell and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Also in attendance: Christine Pratt (Wenatchee World) and Tom Cashman (CherryCreek Radio).

A motion was made by Commissioner Gutzwiler to allow Commissioners Congdon and Smith to vote by phone pursuant to Governance Policy No. 8. The motion was seconded by Commissioner Bergren and passed.

President Bolz announced a five minute recess.

Reconvening at 4:50 p.m., General Counsel Carol Wardell provided an update on a lawsuit against the District filed by former employee Corey Redick. Mr. Redick brought suit against the District in 2007 alleging he was terminated as a result of a disability, sleep apnea. Trial began on Monday, January 25, 2009 and is scheduled to last the rest of the week. She stated that she, General Manager Rich Riazzi and Executive Managers were recommending payment for settlement of all claims against the District for \$135,000. Attorney Wardell discussed the strengths of the case, her confidence in the jury, the witnesses and the legal team. She also discussed Redick's claims that could exceed \$1,800,000. The \$135,000 settlement recommendation had been communicated to Plaintiff's attorney Steve Lacy last week and today Mr. Lacy indicated that his client would accept the amount if approved by the Board. Attorney Wardell advised that the settlement appeared to be the most cost-effective approach to resolving the claim and protecting the District. She told Commissioners that the proposed settlement agreement specifically states that the District is not admitting liability or any wrongdoing. Commissioner Gutzwiler noted that even if the District were to win this case, the District would have to pay all of its own costs and attorney fees and could not recovery any amount from the Plaintiff. Attorney Wardell confirmed that observation.

Attorney Wardell discussed the circumstances requiring the special meeting under the emergency notice provisions of RCW 42.30.080. Commissioner Bolz as President had convened the meeting. Personal contact had been made and notice had been provided to all local media.

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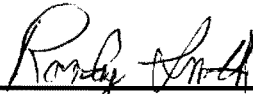
Attorney Wardell explained that although the circumstances did not clearly fit within the definition of emergency as provided in case law, significant time and public money (District and County) were continuing to be incurred. In order for a timely action to be taken upon the recommendation, it was impossible to provide a 24-hour notice. Plaintiff's counsel had approached the attorneys about their readiness to accept \$135,000 in settlement during the afternoon recess taken by the court. There was a need to have a decision by the Board so that the court and parties would know if trial was necessary to continue the following morning. Otherwise, both the District and the county would continue to expend public funds. The Board determined that the circumstances warranted the special meeting and proceeded with the discussion as described above.

A motion was made by Commissioner Gutzwiler to approve the General Manager or Acting General Manager to execute a settlement and all related documents of the Corey Redick claim against the District for \$135,000 total payment. The motion was seconded by Commissioner Smith. The motion carried with a 3 to 2 vote; Commissioners Gutzwiler, Smith and Bolz voting to approve the motion and Commissioners Congdon and Bergren voting against the motion.

There being no further business, the meeting was adjourned at 5:20 p.m.

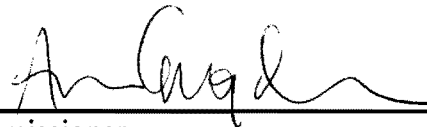


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Vice President

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Commissioner

Commissioner