

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

March 12, 2007

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 March 12, 2007, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Werner Janssen (via telephone), Randy Smith (via telephone) and Dennis S. Bolz. Commissioner Gutzwiler was excused from the meeting. In attendance were General Manager Richard Riazzi, General Counsel Carol Wardell and Clerk of the Board Melisa McPherren. Various staff members were also in attendance.

Others in attendance: Bill Stokes, Stan Morse, Jim Baxter, Iris Giles and Jose Garza.

A special meeting of the Commission was officially noticed for March 5, 2007 for the public meeting on the proposed new connection fees. Commissioners Smith and Bolz attended the meeting but no quorum was present and thus no minutes required.

Senior Financial Analyst Felicity Saberhagen led the Pledge of Allegiance and provided a safety minute.

Acting President Congdon presented the Consent Agenda items for adoption. She asked if any item on the Consent Agenda should be transferred to the Regular Agenda for further review. No items were requested, and Acting President Congdon presented the Consent Agenda items for adoption as follows:

The minutes of the regular meeting held on February 26, 2007 and the regular meeting (study session) held on March 5, 2007 were presented for approval.

The Auditor's memorandum, dated March 6, 2007, 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 \$5,602,957.36;
2. Payroll for the period ending February 18, 2007 in the amount of \$1,316,202.27 as certified by the Auditor's memorandum; and

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3. Customer Deposit Returns payment dated March 6, 2007 in the amount of \$4,429.11.

RESOLUTION NO. 07-13066 APPROVING FIELD WORK ORDER NOS. 1 THROUGH 4 TO BID 06-23, CHELAN HATCHERY WELL FIELD – ADDITIONAL WELLS

Motion was made by Commissioner Bolz, seconded by Commissioner Janssen and unanimously carried adopting the Consent Agenda consisting of the minutes of the February 26, 2007 and March 5, 2007 Commission meetings, the above-listed vouchers and Resolution No. 07-13066.

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

RESOLUTION NO. 07-13067 CONFIRMING AND CONTINUING THE CONSOLIDATION OF THE DISTRIBUTION DIVISION, THE LAKE CHELAN SYSTEM, THE WATER SYSTEM, THE WASTEWATER SYSTEM AND THE FIBER OPTICS SYSTEM OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON; DISCONTINUING THE CONSOLIDATION OF THE ROCK ISLAND SYSTEM AND THE ROCKY REACH SYSTEM INTO THE CHELAN HYDRO CONSOLIDATED SYSTEM; RENAMING THE CHELAN HYDRO CONSOLIDATED SYSTEM; CREATING AND ESTABLISHING AN ISSUE OF REVENUE BONDS OF THE DISTRICT TO FINANCE ANY LAWFUL PURPOSE OF THE DISTRICT; PROVIDING FOR THE PAYMENT OF SUCH BONDS FROM REVENUES OF THE CONSOLIDATED SYSTEM; AND MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING

Motion was made by Commissioner Smith and seconded by Commissioner Janssen to adopt Resolution No. 07-13067. The question was called for and the motion carried unanimously to adopt Resolution 07-13067, which is on file in the office of the District.

Hydro Services Director Gregg Carrington, Power Resource Engineer Scott Buehn, Licensing and Compliance Manager Michelle Smith and Hydro Engineering Manager Bill Christman explained to Commissioners that managing the level of Lake Chelan is a balancing act, and changes that come with the new operating license reflect that. For 2007 operations, runoff is forecast at 114 percent of average, stated Mr. Buehn. This will help meet power-generation needs and fish and recreation needs. "We're ahead on water for the year, which is a good thing," Mr. Buehn said. The lake level will come down a bit faster after Labor Day as the District transitions to the operating regime called for in the new federal license for the Lake Chelan Dam. Dropping about six inches faster will make room for fall rain and help scour sediment out of the entrance to tributaries so fish can return to spawn. The lake, which serves as the reservoir for the

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dam, will continue to be operated in compliance with federal license requirements. Objectives include reducing high flow and retaining new minimum flows in the Chelan River, meeting recreation needs, reducing shoreline erosion and flood control. Lake levels have negligible impacts on Stehekin River flows, compared with other factors such as fill, noted Mr. Christman.

Commissioners reviewed their calendars and Acting President Congdon summarized her recent trip to Olympia to attend the Washington Public Utility District Association (WPUDA) meeting. The WPUDA Legislative Committee discussed SHB 1857 (Pole Attachments) and urged Commissioners to discuss the bill immediately with their legislators. The bill affects PUDs, Municipal Utilities and Investor Owned Utilities will not have this pole attachment regulation.

Commissioner Bolz made a motion to change the start time and location of the March 19, 2007 study session to 5:30 p.m. at the Confluence Technology Center for Strategic Planning Session #3. The motion was seconded by Commissioner Janssen and passed unanimously.

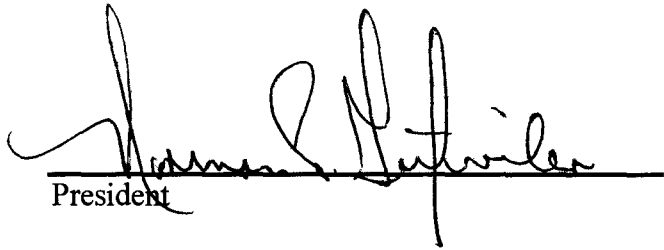
Commissioner Smith made a motion to change the start time and location of the March 26, 2007 business meeting to 10:00 a.m. at the Rocky Reach Visitor Center for a presentation and tour. The meeting will then recess and continue at 1:00 p.m. in the PUD headquarters boardroom for the regular meeting of the Board, including the public hearing on the proposed new service fees. The motion was seconded by Commissioner Bolz and passed unanimously.

Assistant General Manager Jack Winter and Customer Service Engineering Supervisor Andrew Wendell discussed an interlocal agreement with the City of Wenatchee that will be presented for Board approval on March 26, 2007. As part of the Riverfront Development project, the District plans to build a new substation near Ninth and Walla Walla streets to serve new homes and businesses in the area, as well as relocate District equipment to accommodate new and wider streets. The District has also received requests to take power lines underground. To accomplish these tasks, the District plans to pursue a joint project with the City in the area of Walla Walla Avenue. The City plans to go out for bid on the project and in order to be part of the City's bid, an interlocal agreement would need to be established. Mr. Winter stated that this would be a great opportunity for the District to share costs on the project. Staff will also discuss costs to the District for the Riverfront Development project during the March 26, 2007 meeting, as per Commissioner Janssen's previous request.


Commissioner Bolz inquired about the effect of the "Pineapple Express" to the District. The Pineapple Express is a Pacific Ocean subtropical jet stream that brings warm moist air from Hawaii (where pineapples are grown) to the U.S. West Coast states of California, Oregon, Washington, and Alaska, as well as the Canadian province of British Columbia. Power Management Director Randy Lowe stated that we have seen very little impact to the District so far. Smaller tributaries have jumped up a bit, but the Columbia has seen very little effect. The water situation continues to look good and prices have shown some weakness.

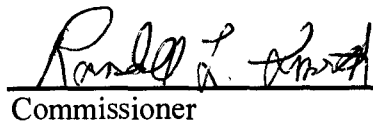
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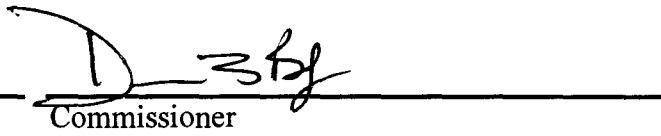
There being no further business, the meeting was adjourned at 2:29 p.m.


President


Vice President


Secretary


Commissioner


Commissioner