

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

March 17, 2008

The regular meeting (study session) 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 17, 2008, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Dennis S. Bolz, Randy Smith and Werner Janssen (via telephone). In attendance were General Manager Richard Riazzi, General Counsel Carol Wardell and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Bill Stokes, Carnan Bergren, Joe Bissonnette, Frank Godfrey and Jim Baxter.

Customer Services Administrator Jackie Tupling led the Pledge of Allegiance and provided a safety minute.

A motion was made by Commissioner Congdon, seconded by Commissioner Smith and unanimously carried to approve Commissioner Janssen's attendance via telephone.

Manager of Community & Intergovernmental Relations Jeff Smith informed the Commissioners the District is seeking to acquire and implement an Automated Metering System (AMS), replacing its current walk-by or drive-by meter reading system throughout Chelan County. The system will automatically collect data from metering devices and transfer the data to a central database for billing and/or analysis of customer energy use. The AMS acquisition will include hardware, software, communications, customer systems and meter data management software. Replacing every electric meter over the next several years is estimated to cost up to \$15 million, with a payback of 8 to 13 years. Two resolutions were presented to the Commissioners:

RESOLUTION NO. 08-13283 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (PSA NO. 08-053) WITH R.W. BECK, INC. BA PLEXUS RESEARCH, INC. OF SEATTLE, WA FOR THE AUTOMATED METERING SYSTEM (AMS) PROJECT

RESOLUTION NO. 08-13284 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO ISSUE A REQUEST FOR PROPOSALS FOR THE AUTOMATED METERING SYSTEM PROJECT

The professional service agreement allows staff to work with Plexus Research, a subsidiary of R.W. Beck of Seattle, to choose the right system technology. Plexus will also review the

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District's business case, assist in development of a Request for Proposals and establish a vendor evaluation process. The second resolution allows staff to request proposals for the automated metering system.

Motion was made by Commissioner Congdon, seconded by Commissioner Bolz and unanimously carried adopting Resolution Nos. 08-13283 and 08-13284.

Commissioners heard the end of session update on the state legislature from Director of External Affairs Greg Carrington and Dave Arbaugh of Arbaugh and Associates. Director Carrington reported the 60-day legislative session ended well for PUDs. Bills of note that have been passed by legislation include HB2533, which establishes a formula for what PUDs charge for cable and telecommunications companies to attach lines to a PUD power pole, SB6717, which increases the cap on PUD commissioner salaries and ESSB6560, which increases the bid limit for work performed by PUDs and the amount of materials PUDs can purchase without bids. Mr. Arbaugh added that the 2009 session will focus on issues related to climate change. Commissioners thanked Director Carrington, District staff and Mr. Arbaugh for all the work they put into the 2008 legislative session.

Commissioners set a public meeting for April 7, 2008 at 1:00 p.m. in the boardroom to continue discussing the issuance of permits for docks on District owned lands. Steve Currit, Director of Shared Services will provide information on the dock permit policy as it currently exists, present options for revision of the current permit policy and clarification of the impact those revisions would have.

Commissioners Bolz, Congdon and Gutzwiler attended the March 13<sup>th</sup> meeting of the Chelan Partnership Group at Campbell's Resort. This meeting had been noticed as a special meeting pursuant to the open public meeting law. About 50 people were in attendance, including PUD staff. Discussion topics included the level of Lake Chelan, Chelan hydro license fish habitat work, Chelan powerhouse modernization, temporary closure of Powerhouse Park, private docks on District property, performance and pay raise of the General Manager and the plan for long term dept.

Chief Risk Officer John Janney updated the Commissioners on the District's position two subsidiaries of The Bear Stearns Companies Inc. and their recently announced buy out of by JPMorgan Chase & Co (JPM). The District currently has a receivable with subsidiary Bear Energy LP for energy sales on the power side of roughly \$144,000 for March sales. The second subsidiary transaction is an Interest Rate Swap with Bear Sterns Capital Markets Inc. (BSCM). Due to the fact that interest rates have declined since the swap was executed, if BSCM were to default, the District would have the option to terminate the swap by making a termination payment of approximately 2.2 million dollars to BSCM. While the cash impact would be felt

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immediately if the swap was terminated, the District would likely execute a new swap with another counterparty at prevailing rates (which are currently lower) – essentially recovering the initial cash outlay over the term of the new swap. JPM has provided a Guaranty Agreement to stand behind the transactions the District has with these two subsidiaries. The exposures on the swap will vary with changes in interest rates and the District will continue to monitor the exposures along with the status of Bear Energy, BSCM and JPM, along with all of the District's counterparties as part of the District's routine credit monitoring process.

General Counsel Carol Wardell noted that three board members would be attending the Washington PUD Association meeting in Olympia on March 19-21, 2008. According to RCW 42.30.070 and discussions with the State Auditor, it is not necessary to declare and notice this as a public meeting since Commissioners will not be discussing official District business and making no decisions.

A one hour executive session was requested by General Counsel Carol Wardell to discuss legal actions that the District is a party to and to reconvene back into regular session to conclude discussion and take action on the matter.

President Gutzwiler publicly announced that the Commission would recess for five minutes and convene an executive session commencing at 3:03 p.m. to discuss 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 4:00 p.m.

By motion made by Commissioner Smith, seconded by Commissioner Bolz 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 Clerk of the Board.

Commissioner Janssen was excused 2:58 p.m. from the executive session and the remainder of the meeting.

Reconvening into regular session at 4:03 p.m., Commissioner Gutzwiler reported no decisions were made, no votes were taken and that they would continue in regular session the discussion with legal counsel.

General Counsel Wardell reported on a proposed settlement of a lawsuit. In November 2006 a federal class action was filed against the District. The plaintiffs were system operators, hydro operators, hydro mechanics, and fish bypass operators who worked 12-hour rotating shifts. The

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claim sought compensation for 10- to 15-minute shift over time for face-to-face shift turnover. The original claim was for \$790,000 plus attorney fees. The District disputed the claim.

The parties decided to attempt mediation of the case. A Contingent Settlement Memorandum was agreed upon at the mediation by the plaintiffs and District legal counsel. The settlement terms would pay 81 employees in the class, rotating shift workers, a total of \$155,000.00 and the payment by the District of the class attorney fees of \$205,000.00. General Counsel Carol Wardell presented the settlement to Commissioners as a positive resolution of the case. It provides the District with certainty on this claim and the agreement with employees regarding applicable FLSA regulations. The District is not admitting any wrongdoing. It's a compromise of a disputed claim. This settlement will allow the District to move forward and focus on our commitment to efficiently provide quality services to our customer-owners. If not resolved and the District was found to owe any money to the plaintiffs, the District would be liable to pay plaintiffs' fees. The settlement, which releases all claims by the employees, must still be approved by the federal judge overseeing the case. General Manager Riazzi also recommended Board approval of the mediated settlement.


A motion was made by Commissioner Congdon and seconded by Commissioner Smith to approve the terms of the Contingent Settlement Memorandum to the federal class action suit. Commissioner Bolz moved to amend the main motion to add the provision authorizing the General Manager to take steps necessary to finalize the agreement. Commissioner Smith seconded the motion to amend the main motion which was unanimously carried. Commissioner Gutzwiler restated the main motion to read to approve the Contingent Settlement Memorandum and authorize the General Manager to take steps necessary to finalize the agreement. The motion passed unanimously.

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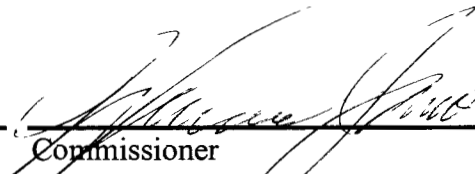
There being no further business, the meeting was adjourned at 4:15 p.m.

  
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