

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

April 16, 2007

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 April 16, 2007, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Werner Janssen, Randy Smith 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 McPherran. Various staff members were also in attendance.

Others in attendance: Bill Stokes, George Valison (Cashmere Mayor), West Mathison (Stemilt), Rich Peters (Dolco), Jack Speer (Speer Energy Consulting), Thomas Furlong (Yahoo!), Bruce Moses (Cashmere City Council Member), Tim Heidlebaugh (Central Washington Hospital), Terry McCauley (Cashmere City Attorney), Jim Fletcher (Cashmere City Council Member), Kay Jones (Cashmere City Clerk), Mark Urdahl (Port of Chelan County), Jim Baxter (Alcoa) and Chuck Clugston (KB Alloys).

Community and Intergovernmental Relations Manager Jeff Smith led the Pledge of Allegiance and provided a safety minute.

Commissioners discussed potential rate increase impacts with members of the Industrial Rates Working Group. The group is made up of the District's larger power customers and has been meeting since January. They provided a list of principles they hope Commissioners will use during their deliberations on potential rate increases. The group noted that planned, steady rate increases would be preferable to their businesses, in contrast to sharp surcharges, which they say could put some of them out of business. The group includes representatives from Central Washington Hospital, Alcoa, Dolco, Dovex, KB Alloys, Keyes Fibre, Stemilt, Tree Top, Yahoo!, U.S. Castings, Chelan County and the city of Cashmere. The group indicated they represent nearly 9,000 employees with wages of \$207 million a year.

Staff presented the following resolution for Board approval. Acting President Congdon recused herself from the presentation and vote due to a conflict of interest and excused herself from the meeting. Commissioner Janssen served as Acting President in Commissioner Congdon's absence.

RESOLUTION NO. 07-13089 AUTHORIZING THE GENERAL MANAGER TO
EXECUTE A REVISED OFFER TO PURCHASE THE CASHMERE ELECTRIC
UTILITY SYSTEM UNDER THE TERMS OF A REVISED PURCHASE AND SALE
AGREEMENT

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Cashmere Mayor George Valison, City Council members Bruce Moses and Jim Fletcher, along with City Attorney Terry McCauley, discussed city revisions to the District's February 5, 2007, \$3.5 million offer to purchase the Cashmere electric system. After discussing the terms of the revised purchase and sale agreement, Commissioner Smith made a motion to approve Resolution No. 07-13089 authorizing the General Manager to execute a revised offer to purchase the cashmere electric utility system under the terms of a revised purchase and sale agreement. The motion was seconded by Commissioner Bolz and passed unanimously. The revised counteroffer, which moves the closing date to December 31, 2007, and changes other legal details, is subject to two major contingencies: property rights verification and an environmental assessment. Additionally, a feasibility study period of at least 90 days will allow the District to conduct a due diligence review of the Cashmere system. Unless waived, those and nine other contingencies would have to be fulfilled before the end of 2007 for the sale to close. Upon purchase of the system, the District will pay \$3 million. Another \$500,000 will be held for a six-month transition period to ensure smooth transfer of operations, records and equipment. Cashmere will be required to pay about \$2 million in existing debt on the system. At the city's request more than a year ago, the District took part in an evaluation of Cashmere's electric system, which serves about 1,400 customers. The results of the study by HDR Engineering were discussed at a public meeting in Cashmere last January. Soon after, Cashmere asked the District to evaluate taking over the city's system. "We are here in good faith, working with the city at their request. That good faith will prevail through this entire process," said General Manager Richard Riazzi. Mayor Valison later added, "Our working relationship has been a good working relationship." Cashmere, which buys power from the District, is the one area in Chelan County that has operated its own electrical distribution system. Cashmere officials will now review the revised PUD counteroffer.

The meeting recessed at 2:41 p.m. for a break. The meeting reconvened at 2:46 p.m. and Acting President Congdon rejoined the meeting.

Wildlife Program Manager Von Pope and Program Manager George Velazquez discussed the raptor studies performed prior to construction of the transmission line built last year over Burch Mountain from Rocky Reach Dam to Andrew York Substation near Monitor. Staff reported that studies show that only 5 percent of raptors flew at or under the elevation of the power lines, about 30 meters. A post-construction study will be conducted this year to verify results.

Enterprise Business Solutions Division Director Greg Larsen discussed information technology solutions used by the District to work more efficiently. Mr. Larsen explained to the Board that Information Technology's goals are to help operating and shared service business units meet their goals and to obtain value from information technology infrastructure. Mr. Larsen also provided the Board with a preview of potential long-term projects.

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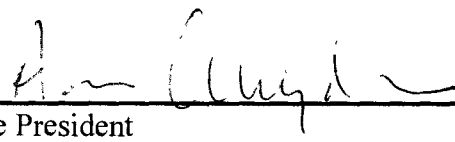
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Commissioner Janssen made a motion to change the start time of the April 30, 2007 study session to 10:00 a.m. The motion was seconded by Commissioner Smith and passed.

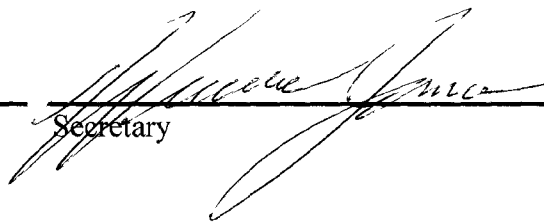
General Counsel Carol Wardell informed the Board that the Lake Chelan rehearing request is on the Federal Energy Regulatory Commission (FERC) April 19, 2007 agenda. The District has asked the Commission to review FERC staff's recommended license order on three grounds. These include staff's failure to include agreed-upon cost caps, inclusion of certain lands within the project boundary and deletion of agreed-upon liability provisions regarding whitewater boating. General Counsel Wardell will provide the Board with a report next week on the results of the April 19 hearing. General Counsel Wardell also noted that the District is working on payment agreements with the entities as a result of the license agreement.

There being no further business, the meeting was adjourned at 4:24 p.m.

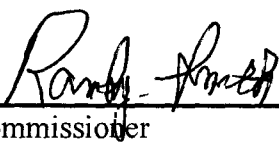
President



Vice President



Secretary



Commissioner



Commissioner