

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

April 21, 2008

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 April 21, 2008, at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Randy Smith, Dennis S. Bolz and Werner Janssen. 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: Jim Baxter, Carnan Bergren, Bill Stokes, Brian Lenz and Christine Pratt (Wenatchee World).

Workers Compensation Administrator Patty Wachtel led the Pledge of Allegiance and provided a safety minute.

President Gutzwiler 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. No items were requested to be transferred to the Regular Agenda. President Gutzwiler presented the Consent Agenda items for adoption as follows:

The minutes of the regular meeting held on April 7, 2008 were presented for approval.

The Auditor's memorandum, dated April 15, 2008, 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 \$5,145,033.28;
2. Customer Deposit Returns payment in the amount of \$191.77; and
3. Payroll for the period ending March 30, 2008 in the amount of \$1,384,903.25 as certified by the Auditor's memorandum.

RESOLUTION NO. 08-13301 ACCEPTING THE BID OF GALVANIZERS, INC. OF WEST FARGO, NORTH DAKOTA TO PROVIDE STEEL

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STRUCTURES FOR THE CHELAN SUBSTATION RECONSTRUCTION AND WALLA WALLA AVENUE SUBSTATION CONSTRUCTION PROJECTS (BID NO. 08-28)

RESOLUTION NO. 08-13302 ACCEPTING THE BID OF BARRY CHEVROLET OF EPHRATA, WASHINGTON AND LEGACY FORD OF PASCO, WASHINGTON TO PROVIDE LIGHT TO MEDIUM DUTY VEHICLES (BID NO. 08-21)

RESOLUTION NO. 08-13303 ACCEPTING THE BID OF MOE ASPHALT, PATCHING AND SEALCOATING, INC. OF WENATCHEE, WA TO PROVIDE ASPHALT PAVING AND CONCRETE REPAIRS FOR A TWO YEAR PERIOD (BID 08-29)

RESOLUTION NO. 08-13304 ACCEPTING THE BID OF GOODFELLOW BROS., INC. OF WENATCHEE, WASHINGTON TO PROVIDE CHELAN RIVER PROJECT – CONSTRUCTION (BID NO. 08-01)

RESOLUTION NO. 08-13305 APPROVING FIELD WORK ORDER NO. 1, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER CONTRACT NO. 07-33 WITH SIEMENS OF WENDELL NC AND RELEASING BOND IN LIEU OF RETAINAGE

Motion was made by Commissioner Congdon, seconded by Commissioner Bolz and unanimously carried adopting the Consent Agenda consisting of the minutes of the April 7, 2008 Commission meeting, the above-listed vouchers and Resolution Nos. 08-13301 through 08-13305.

The Commissioners reported on the various meetings each attended during the weeks of April 7, 2008 and April 14, 2008. Commissioner Janssen attended the National Hydro Association annual meeting in Washington, DC where Security Director Dick Robert was presented an award of operation excellence for the District's comprehensive utility security program.

A motion was made by Commissioner Smith and seconded by Commissioner Bolz to allow Commissioner Congdon to attend the April 28, 2008 study session via telephone. Motion carried unanimously.

A motion was made by Commissioner Smith, seconded by Commissioner Janssen and passed unanimously to change the start time of the April 28, 2008 business session to 10:00 a.m. to allow additional discussion time.

General Manager Rich Riazzi proposed revising Resolution 00-11526 Section 5.e to lengthen the window for forward purchases and sales to 35 months out in the future. He

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noted the risk management policy currently allows forward sales out 18 months. The Power Risk Management committee supports this change as it would give time to react to the volatile energy markets and high prices. Commissioner Bolz asked Randy Lowe, Executive Manager of Energy Resources, to gather information on the amount of surplus power for a typical year and the boundaries the District will not exceed in a given year and to continue the conversation during the afternoon session.

The meeting recessed at 12:25 p.m. for the purpose of lunch and reconvened at 1:00 p.m. for the purpose of conducting the business of the District.

Reconvening at 1:00 p.m., the Commission next considered the matters listed in the regular Agenda.

General Counsel Carol Wardell presented a resolution based on new legislation that goes into effect June 14, 2008 that will increase commissioners' salaries from \$1,300 to \$1,400 per month. Legislation also provided that commissioners could decide to increase salaries to \$1,800 per month effective as elected to a new term. Automatic CPI adjustments every 5 years will also go into effect.

RESOLUTION NO. 08-13306 PROVIDING FOR AN INCREASE IN THE SALARIES OF DISTRICT COMMISSIONERS

Following discussion, a motion was made by Commissioner Smith and seconded by Commissioner Bolz to adopt Resolution No. 08-13306. The question was called for to adopt Resolution No. 08-13306 and the motion carried 4 to 1 with Commissioner Congdon voting against the motion. Resolution No. 08-13306 is on file in the office of the District.

RESOLUTION NO. 08-13307 TO REMOVE POLICY SECTIONS FROM ELECTRIC SCHEDULES 13, 14, 19, 20 AND WATER SCHEDULE 100 AND ESTABLISH A SEPARATE UTILITY SERVICES POLICY SECTION

RESOLUTION NO. 08-13308 APPROVING FIELD WORK ORDER NO. 3 TO BID 04-31, ROCK ISLAND POWERHOUSE 2 CIRCUIT BREAKER REPLACEMENT PROJECT

RESOLUTION NO. 08-13309 APPROVING FIELD WORK ORDER NO. 1 TO BID 07-36, ROCK ISLAND POWERHOUSE 2 ADJUSTABLE SPEED DRIVE REPLACEMENT PROJECT

RESOLUTION NO. 08-13310 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A SERVICE AGREEMENT (SA NO. 08-029) WITH BRETT AND SON, INC. FOR MAIL AND DELIVERY SERVICES

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RESOLUTION NO. 08-13311 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO EXECUTE A SERVICES AGREEMENT (SA 08-092) WITH CH2M HILL (NORTHWEST REGION) OF BELLEVUE, WA FOR PROFESSIONAL ENGINEERING SERVICES RELATED TO WATER RESERVOIR AND TRANSMISSION MAIN DEVELOPMENT

RESOLUTION NO. 08-13312 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A SERVICES AGREEMENT (SA NO. 08-096) WITH PACIFIC ENGINEERING & DESIGN, PLLC OF WENATCHEE, WA FOR CIVIL AND STRUCTURAL ENGINEERING AND TECHNICAL SERVICES

RESOLUTION NO. 08-13313 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT (SA NO. 08-063) WITH ROBINSON, NOBLE AND SALT BUSH, INC. OF TACOMA, WASHINGTON FOR PROFESSIONAL ENGINEERING SERVICES RELATED TO DEVELOPMENT OF A WELLFIELD MANAGEMENT PLAN

RESOLUTION NO. 08-13314 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A SERVICE AGREEMENT (CONTRACT NO. 07-65) WITH TOTAL RESOURCE MANAGEMENT, INC., OF ALEXANDRIA, VIRGINIA, FOR MAXIMO UPGRADE AND IMPLEMENTATION SERVICES

RESOLUTION NO. 08-13315 APPROVING FIELD WORK ORDER NOS. 1 AND 2 TO THE LAKE CHELAN HYDRO MODERNIZATION (BID NO. 06-01)

Motion was made by Commissioner Smith and seconded by Commissioner Congdon to adopt Resolution Nos. 08-13307 through 08-13315. The question was called for and the motion carried unanimously to adopt Resolution Nos. 08-13307 through 08-13315, which are on file in the office of the District.

Utility Services Director of Planning and Technology John Smith provided the Board history on the District's membership in NoaNet and an update on its activities. NoaNet was originally formed in February 2000 and funded by bond guarantees from sixteen public utility districts to grow bandwidth and to expand the footprint of telecom and Ethernet services. An alternate underground route from Seattle to Yakima has been proposed to increase reliability and decrease vulnerability of current paths. A future investment of approximately \$1,500,000 is needed for this integration project. The lending market has asked for member guarantees in order to fund the line of credit. The proposed District portion of the member guarantee is 11.71% or \$175,650 and will be presented to the Board at a later date.

Discussion continued on lengthening the window for forward purchases and sales to 35 months out in the future. Executive Manager Randy Lowe reports that in a critical water

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year there is about 210,000 megawatt hours of surplus energy for the year. One block of heavy load energy of 25 megawatts would be 122,000 megawatt hours amounting to half of what you would have in a critical water year. In a 100% water year there would be about one million megawatt hours available. Using the same example of one heavy load block of 122,000 megawatt hours a single block would represent about 10% of the total surplus. Mr. Lowe discussed a number of processes and controls that are in place to assure that the limits set by policy are followed by the trading staff. One process is the calculation made every week that looks at forward trades using the limits from the resolution and identifies areas that might exceed the limits. The calculation is done outside Energy Planning and Trading by independent staff and those staff members have the authority to report any variances directly to the General Manager.

Following discussion, a motion was made by Commissioner Janssen and seconded by Commissioner Bolz to revise Resolution No. 00-11526 Section 5.e to read "Forward sales and purchases authorized hereunder shall not be allowed for any month or group of months further than 35 months into the future from the calendar month in which the transaction occurs". The motion passed unanimously.

Fleet Manager Gary Lentsch updated the Board on Fleet operations in relationship to the District environmental footprint. The District has received a grant of \$74,000 from the Department of Ecology to retrofit the exhaust systems of 42 district diesel vehicles. The retrofit will reduce particulate emissions created by the vehicles.

General Counsel Carol Wardell distributed packets to the Board on proposed changes to the Delegation of Authorities and issues of procurement, budget revisions, claim payment and charge-offs to be discussed in detail on April 28, 2008.

Commissioner Janssen requested an update from staff to update on zoning set-backs.

A motion was made by Commissioner Smith and seconded by Commissioner Janssen to allow Commissioner Congdon and Bolz to attend the May 19, 2008 business session via telephone. Motion carried unanimously.

A motion was made by Commissioner Janssen, seconded by Commissioner Congdon to excuse Commissioner Smith from the May 19, 2008 meeting and Commissioner Bolz from the May 27, 2008 meeting. Motion passed unanimously.

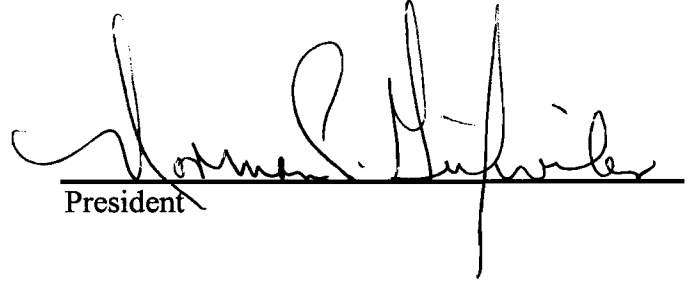
President Gutzwiler announced the meeting recessed at 3:14 p.m. and to be reconvened at 6:00 p.m. for the purpose of the Mid C Managers/Commissioners meeting to be held at Inna's Cuisine in Wenatchee. In attendance at the meeting were Commissioners Bolz, Congdon, Janssen, Smith and General Manager Rich Riazzi.

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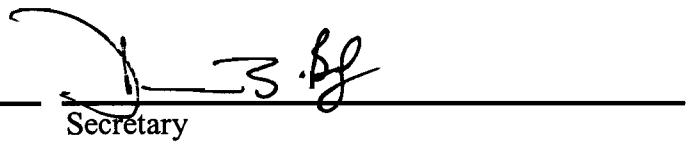
There being no further business, the Mid C meeting adjourned at 8:30 p.m.



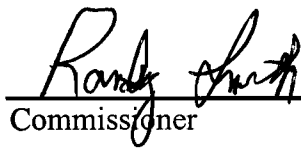
President



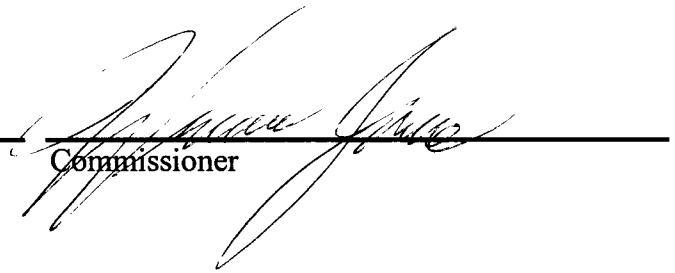
Vice President



Secretary



Commissioner



Commissioner