

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

April 23, 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 April 23, 2007, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Werner Janssen (via telephone), Randy Smith (via telephone) and Dennis S. Bolz. 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: Jim Baxter and Bill Stokes.

Recruiting and Employee Relations Manager Ruth Erwert let the Pledge of Allegiance and provided a safety minute.

Commissioners heard from two of eight students who completed six-week internships at the District as part of the new Energy Technology program at Wenatchee Valley College. Tyler Evans and Tony Larimer recapped their experiences with District crews and thanked the Commission for the opportunity to see how their class work applies on the job.

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, and President Gutzwiler presented the Consent Agenda items for adoption as follows:

The minutes of the regular meeting held on April 9, 2007 and the regular meeting (study session) held on April 16, 2007 were presented for approval.

The Auditor's memorandum, dated April 17, 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 \$6,687,640.37;
2. Payroll for the period ending April 1, 2007 in the amount of \$1,468,241.17 as certified by the Auditor's memorandum; and
3. Customer Deposit Returns payment dated April 17, 2007 in the amount of \$14,844.54.

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RESOLUTION NO. 07-13090 AMENDING RESOLUTION NOS. 06-12949, 04-12577, 00-11526 AND 95-10286 TO UPDATE DEPARTMENT NAMES AND POSITION TITLES DUE TO THE DISTRICT'S 2007 STRUCTURE REORGANIZATION

Motion was made by Commissioner Bolz, seconded by Commissioner Janssen and unanimously carried adopting the Consent Agenda consisting of the minutes of the April 9, 2007 and April 16, 2007 Commission meetings, the above-listed vouchers and Resolution No. 07-13090.

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

RESOLUTION NO. 07-13091 AUTHORIZING THE GENERAL MANAGER TO EXECUTE AN INTERLOCAL AGREEMENT WITH DOUGLAS COUNTY PUBLIC UTILITY DISTRICT AND GRANT COUNTY PUBLIC UTILITY DISTRICT FOR PROBABILISTIC SEISMIC HAZARD ANALYSIS COORDINATION AND INDEPENDENT PEER REVIEW

RESOLUTION NO. 07-13092 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (SA NO. 07-085) WITH MEAD & HUNT, INC. OF MADISON, WISCONSIN FOR PROFESSIONAL ENGINEERING SERVICES RELATED TO DAM SAFETY

RESOLUTION NO. 07-13093 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A LOAN AGREEMENT WITH THE WASHINGTON STATE PUBLIC WORKS BOARD FOR THE 919 PRESSURE ZONE WATER SYSTEM IMPROVEMENTS

RESOLUTION NO. 07-13094 ACCEPTING THE BID OF WESCO OF SPOKANE, WA TO PROVIDE THREE 12KV CIRCUIT BREAKERS FOR DELIVERY IN 2007 AND TO PROVIDE UP TO THREE ADDITIONAL UNITS IN 2008 (BID 07-16)

RESOLUTION NO. 07-13095 ACCEPTING THE BID OF SOUTHERN STATES, LLC OF PLEASANTON, CA TO PROVIDE TWO 115KV CIRCUIT SWITCHERS FOR DELIVERY IN 2007 AND TO PROVIDE UP TO FIVE ADDITIONAL UNITS THROUGH 2009 (BID 07-20)

RESOLUTION NO. 07-13096 ACCEPTING THE BID OF AZTECH ELECTRIC, INC OF SPOKANE WASHINGTON TO PROVIDE THE ANDREW YORK 230KV SWITCHYARD ADDITION (BID 07-22)

RESOLUTION NO. 07-13097 ACCEPTING THE BID OF POWER & TELEPHONE SUPPLY COMPANY, OF MEMPHIS, TENNESEE FOR BID PRICE SCHEDULE "A";

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AND ACCEPTING THE BID OF AFL TELECOMMUNICATIONS OF SPARTANBURG, SC FOR BID PRICE SCHEDULE "B" TO PROVIDE FIBER OPTIC CABLE FOR 2007 (BID 07-18)

RESOLUTION NO. 07-13098 ACCEPTING THE BID OF TRINET COMMUNICATIONS, INC., OF LIVERMORE, CA FOR BID PRICE SCHEDULE "A"; ACCEPTING THE ALTERNATE BID OF CODALE ELECTRIC SUPPLY, OF NORTH BEND, WA FOR BID PRICE SCHEDULE "B"; ACCEPTING THE BID OF ANIXTER OF KENT, WA FOR BID PRICE SCHEDULE "C"; AND ACCEPTING THE BID OF GENERAL PACIFIC, INC., OF PORTLAND, OR FOR BID PRICE SCHEDULE "D" TO PROVIDE FIBER OPTIC DISTRIBUTION NETWORK OUTSIDE PLANT COMPONENTS FOR 2007 (BID 07-19)

Motion was made by Commissioner Congdon and seconded by Commissioner Janssen to adopt Resolution Nos. 07-13091 through 07-13098. The question was called for and the motion carried unanimously to adopt Resolution Nos. 07-13091 through 07-13098, which are on file in the office of the District.

Commissioner Smith excused himself from the meeting at 2:03 p.m. and ended his telephonic appearance.

Treasurer Debbie Litchfield updated Commissioners on plans for a \$133 million bond sale next month. The borrowing will capture interest savings by refinancing nearly \$94 million in existing debt, and will provide about \$39 million for capital projects at the dams and for construction in electric, water, sewer and fiber systems. Interest savings of about \$17 million in net present value are expected from the refinancing. The bond sale total is down from initial estimates, discussed earlier this month. Commissioners will be asked to approve the sale at next week's meeting.

The District is analyzing how potential climate-change actions being developed at the regional, national and global level may impact District operations and its customer-owners. General Manager Richard Riazzi and External Affairs Director Gregg Carrington provided background on the issue and outlined how staff is developing principles to focus future efforts. Commissioners were invited to start thinking about issues such as:

- Whether global warming policies will favorably recognize the District's historic investment in efficiency, renewables and the environment;
- How hydropower can be included as a recognized renewable energy source;
- Whether climate-change incentives should be based on quantity of emissions or source of generation.

Public comment will be an important part of fine-tuning climate-change principles before they are adopted, stated Commissioners and Mr. Riazzi. More meetings are planned for late summer/early fall, after the District wraps up its strategic planning process in June. In the meantime, the District is checking energy efficiency at District facilities, evaluating how to

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comply with new state requirements for cost-effective conservation and planning to make the best use of power sources other than hydro. Other efforts include monitoring developing legislation and Mr. Riazzi's participation on the governor's new Climate Advisory Team. The team was brought together to decide by February 2008 how the state will meet goals to reduce greenhouse gas emissions set out by the governor earlier this year. Commissioner Bolz said he was pleased to see the District moving forward "intelligently and conservatively" on the issue, rather than debating if climate change is occurring.

Commissioners discussed the upcoming Spring/Summer schedule of Customer Partnership Group meetings. A motion was made by Commissioner Congdon, seconded by Commissioner Bolz and passed unanimously to designate the following as special meetings of the Commission from noon-1:30 p.m.:

- April 26, 2007 - Cashmere Customer Partnership Group meeting at Walnut Cafe
- May 3, 2007 - Malaga Customer Partnership Group meeting at Fire District #1 Station
- May 10, 2007 - Leavenworth Customer Partnership Group meeting at Icicle Inn
- May 15, 2007 - Monitor Water System Task Force meeting at Warm Springs Inn
- May 16, 2007 - Medical Customer Partnership Group meeting at Wenatchee Roaster
- May 17, 2007 - Wenatchee Customer Partnership Group meeting at Wenatchee Roaster
- May 24, 2007 - Entiat Customer Partnership Group meeting at Entiat Library building
- June 13, 2007 - Hispanic Customer Partnership Group meeting at Wenatchee El Abuelo Restaurant
- June 21, 2007 - Chelan Customer Partnership Group meeting at Campbell's Resort
- June 28, 2007 - Manson Customer Partnership Group meeting at Manson Parks & Recreation District offices
- July 19, 2007 - Chelan Falls Customer Partnership Group meeting at Chelan Falls Park

General Counsel Carol Wardell and External Affairs Director Gregg Carrington reported on the latest federal action on the new license for the Lake Chelan Hydro Project. The District has been analyzing the new order since it was released last Thursday by the Federal Energy Regulatory Commission (FERC). Last November, the District had received a new 50-year federal operating license for the Lake Chelan Project, but the District asked for rehearing by FERC to clarify three issues: 1) liability protection before allowing whitewater boating (kayaking); 2) cost caps on certain items required in the license; 3) expansion of the project boundary for certain wildlife habitat and recreation improvements. FERC ruled that the District must go ahead with a three-year study program on kayaking in the Chelan River Gorge without waiting to resolve all liability concerns. The earliest that kayakers might be able to use the river will be July 2008. The District had also asked FERC to retain cost caps on measures such as dock replacements and erosion control that it had agreed to with state and federal agencies. FERC declined to impose the caps in about half the instances and accepted the other half. FERC did say the District could come back for a further opportunity to be heard if costs begin escalating beyond what is expected. FERC also ruled that the District may be required to bring certain lands into the project

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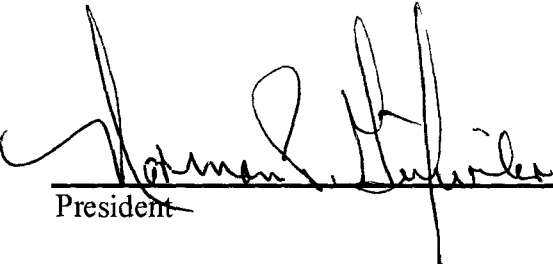
boundary, depending on what is contained in a wildlife habitat plan to be submitted later. However, FERC ruled lands requiring only one-time actions by the District and the required recreational enhancements for the National Park Service and the Forest Service would not require those lands to be added to the project boundary.

General Counsel Wardell next provided Commissioners with an update on foreclosure proceedings the District is required to pursue in regards to delinquent Local Utility District (LUD) assessment payments. Back in February, Commissioners directed General Counsel to file foreclosure actions on past due assessments for Lake Wenatchee Wastewater System LUD #4, Sleepy Hollow Water System LUD #5 and Peshastin Wastewater System LUD #7. Ms. Wardell noted that all three assessments have been paid and that all foreclosure actions have been dismissed.


Commissioner Janssen excused himself from the meeting at 3:50 p.m. and ended his telephonic appearance.

Governmental Affairs Manager Andrew Munro provided the Board with an update on the 2007 State Legislative session. Mr. Munro summarized bills related to energy and environment, water, authority and human resources that passed and have been signed by the Governor or are awaiting signature. The busy session concluded April 22, 2007 with an operating budget of \$33.3 billion approved for 2007-09.

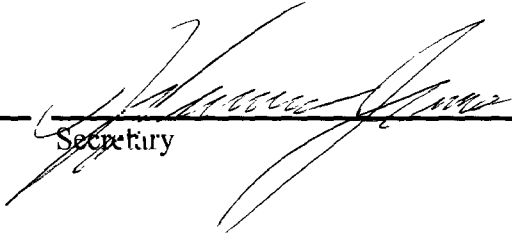
There being no further business, the meeting was adjourned at 4:00 p.m.



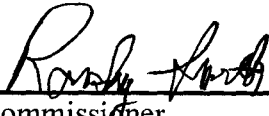
President



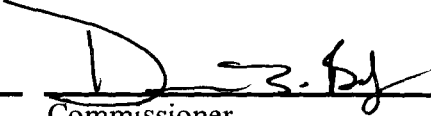
Vice President



Secretary



Commissioner



Commissioner