

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

April 30, 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 30, 2007, at the hour of 10:00 a.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Werner Janssen, Randy Smith 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: Bill Stokes

Human Resources Group Executive Manager Randy Stedman led the Pledge of Allegiance and provided a safety minute.

Dawn Allen of Vangent, Inc. summarized results of the 2007 employee survey for Commissioners and staff. Employees answered the Web-based questionnaire between February 26 and March 14, before the recent organizational realignment was announced by General Manager Richard Riazzi. Participation in the annual employee survey increased this year, with 485 out of about 705 employees responding (69 percent), compared with 406 employees who took part in 2006. Job satisfaction, gender fairness, and pay and benefits again received the highest rankings in the annual survey of District employees. Overall, favorable ratings were midway between the last two years' surveys. Ms. Allen told Commissioners that communication effectiveness (30 percent), work efficiency (28 percent), management effectiveness (27 percent) and reactions to the survey (27 percent) received the highest unfavorable ratings. A new comparison this year matched the District against public sector organizations, and the District was above the norm in 12 of 14 categories. The District was above the National norm in 9 of 14 categories. "We can be proud once again of our results in the areas of job satisfaction, pay and benefits compared to organizations nationally," said General Manager Riazzi. "However, we have work to do in areas that have also shown up in the two previous years – explaining our organizational strategies and increasing efficiency in our organization." Mr. Riazzi said he thought the recent realignment begins to address some of the issues. "I and the management team pledge to work on the key employee concerns that emerged from the survey," he said.

The meeting recessed at 11:45 a.m. for lunch and reconvened at 1:00 p.m. in the Auditorium for the presentation of resolutions and the Networks update.

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Commissioners present were Norm Gutzwiler, Ann Congdon, Werner Janssen, Randy Smith and Dennis S. Bolz. 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: Mark Sullivan, Drew Zabrocki, Tammie Pauly, Bill Martin, Gary Nelson, John Huselton, Kathy Damus, Colleen Long, Don Bottoms, Steve Godfrey, Dave Neir, Bill Miller, George Wilson, Mike Payne, Becky Payne, Charles Ferrel, Bill Stokes, Bruce Harris, Les Julian, Phil Conner, Dimitri Mandelas, Dianne Dilling, Charles Mussen, Bob Nelson, Ray Dobbs, Ginger Wilcox, Phil Wilcox, Paul Probst, Joel Rankin, Derek Dart, Jim Kellogg, Chris Rankin, Christine Mallon, Jackie Ferguson, William E. Gotthold, J. Cleve Borth, David M. Klinger, Alexa K. Medina, Vidal (last name not legible), Steve Colyur, Steve Bucher, Scott Bigham, Jean Ludwick and Christine Pratt.

Staff presented the following resolutions for Board approval:

RESOLUTION NO. 07-13099 CREATING A SYSTEM AND PLAN OF FINANCING AND REFINANCING THE ACQUISITION AND CONSTRUCTION OF AND CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO AND RENEWALS, REPLACEMENTS AND EXTENSIONS OF THE DISTRICT'S CONSOLIDATED SYSTEM; AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$94,000,000 AGGREGATE PRINCIPAL AMOUNT OF CONSOLIDATED SYSTEM REVENUE BONDS, REFUNDING SERIES 2007A FOR THE PURPOSE OF PAYING THE COST AND EXPENSE OF CARRYING OUT THAT SYSTEM AND PLAN; PROVIDING THE TERMS OF THE 2007A BONDS; ESTABLISHING CERTAIN FUNDS AND ACCOUNTS; APPROVING FORMS OF CERTAIN DOCUMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

RESOLUTION NO. 07-13100 CREATING A SYSTEM AND PLAN OF FINANCING AND REFINANCING THE ACQUISITION AND CONSTRUCTION OF AND CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO AND RENEWALS, REPLACEMENTS AND EXTENSIONS OF THE DISTRICT'S CONSOLIDATED SYSTEM; AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$8,200,000 AGGREGATE PRINCIPAL AMOUNT OF CONSOLIDATED SYSTEM REVENUE BONDS, SERIES 2007B AND NOT TO EXCEED \$32,000,000 AGGREGATE PRINCIPAL AMOUNT OF CONSOLIDATED SYSTEM REVENUE BONDS, SERIES 2007C FOR THE PURPOSE OF PAYING THE COST AND EXPENSE OF CARRYING OUT THAT SYSTEM AND PLAN; PROVIDING THE TERMS OF THE 2007B BONDS AND THE 2007C BONDS; ESTABLISHING

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CERTAIN FUNDS AND ACCOUNTS; APPROVING FORMS OF CERTAIN DOCUMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO.

RESOLUTION NO. 07-13101 DECLARING AN EMERGENCY PURSUANT TO RCW 54.04.070 AND 39.04.280 AND AUTHORIZING THE GENERAL MANAGER TO CONTRACT FOR A REPLACEMENT HYDRO TURBINE RUNNER AT STEHEKIN

Motion was made by Commissioner Congdon and seconded by Commissioner Bolz to adopt Resolution Nos. 07-13099 thru 07-13101. The question was called for and the motion carried unanimously to adopt Resolution Nos. 07-13099 thru 07-13101, which are on file in the office of the District.

General Manager Richard Riazzi and Networks Director John Smith provided a Networks update to the Board and detailed four options for the fiber build-out, including exiting the program. Continuing today's plan, as set by Commissioners in 2002, would bring fiber service to 75 percent of Chelan County residents by the end of 2008, and 95 percent by 2012. Twenty-one customer-owners and business people spoke in favor of the District's fiber-optic build-out. Many recommended accelerating the build-out pace. The meeting was a session to discuss the future of the District's wholesale fiber system and is a precursor to a June 11, 2007 strategic planning session. Commissioners will be asked at the June 11 meeting to set financial policy for the fiber program, as well as other District programs. Other options include an extended plan, which would slow construction, resulting in service to 60 percent of residents by 2008, and 76 percent by 2012, with the remaining residents connected 2 percent each year after 2012. A minimal build-out option would bring fiber to 50 percent of residents by 2008, and 54 percent by 2012. Under this plan, the rest of the county would be built out 1 percent each year after 2012. George Wilson, a Lake Wenatchee resident, encouraged Commissioners to consider speeding up construction in areas that have no access to high-speed Internet, saying that it is the District's responsibility to "serve the underserved." "Fiber is information. Information is power. So in essence, fiber is power," said Cashmere resident Steve Godfrey. Access to the Internet, telephone and television services over Chelan County PUD fiber is now available to almost 20,000 homes and businesses. There are about 5,400 end-users buying services from 15 private service providers.

Commissioner Congdon excused herself from the meeting at 3:58 p.m.

Under such other matters, Commissioner Smith made a motion to set a special meeting of the Commission on Wednesday, May 9, 2007, at 1:00 p.m. in the Boardroom for the Integrated Water Strategy Review. The motion was seconded by Commissioner Bolz and passed

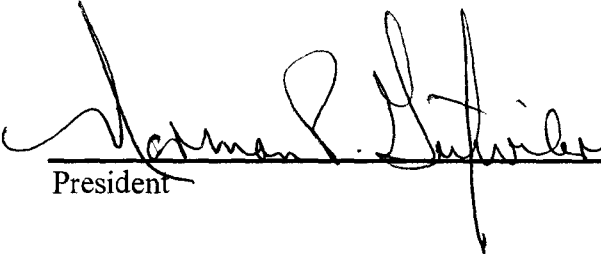
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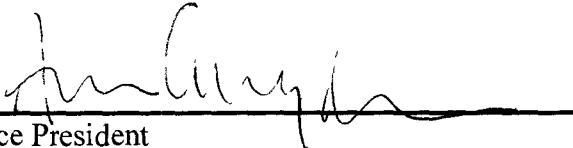
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unanimously.

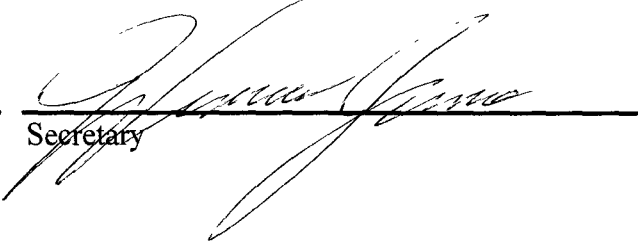
There being no further business, the meeting was adjourned at 4:08 p.m.




President



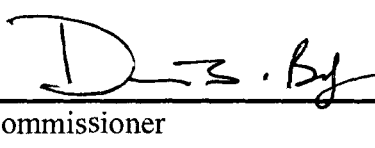
Vice President



Secretary



Commissioner



Commissioner