

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

May 12, 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 May 12, 2008, at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Dennis S. Bolz, Randy Smith, Werner Janssen and Ann Congdon. 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: Carnan Bergren, Jim Oakley, Dean Baker, Calvin White, Jim Baxter and Christine Pratt (Wenatchee World).

Deputy Director of Security Bill Larson led the Pledge of Allegiance and provided a safety minute.

Debbie Gallaher of the Rocky Reach Visitor Center introduced Dr. Rich McBride and Assistant Superintendent Cindy Duncan of the North Central Educational Service District (NCESD) who updated the Board on the sixteen year long educational partnership between NCESD and the District. The NCESD provides an educational program geared to children in grades Kindergarten up through 8th grade. The program teaches the importance of electrical energy, electrical safety and the nature of water power.

General Manager Rich Riazzi and Customer Service Director John Stoll proposed a budget revision to the ResourceSmart program. The program is used by industrial and commercial customers to make energy-efficiency improvements. The energy saved and sold on the wholesale market amounts to approximately 5.8 million kilowatt hours on an annual basis. Significant 2008 projects include lighting retrofits, CO2 scrubbers and control systems. The budget revision will increase the ResourceSmart budget for 2008 to \$800,000. Commissioner Janssen asked staff to provide a list of customers currently enrolled in the program. An update on the entire ResourceSmart program will be scheduled on a date to be determined.

Commissioner Congdon made a motion to revise the ResourceSmart budget with an increase of \$150,000 in the 2008 operations and maintenance budget for a total of \$800,000. Commissioner Smith seconded the motion and it was unanimously approved.

Business Advisor Felicity Saberhagen provided the Board clarification on Budget Resolution No. 08-13324. The staff's recommendation is to keep a hard dollar amount due to the infrequency of required revisions; however, the proposed Delegation of Authority for budget revisions is to be

MINUTES OF REGULAR MEETING (STUDY SESSION) OF THE COMMISSION

May 12, 2008

Page 2

increased to \$500,000 as a reflection of increases in budgets over the years. Quarterly reports showing the District's financial position will continue to be provided to the Board.

The meeting recessed at 11:55 a.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., Energy Resources Executive Manager Randy Lowe, Power Resource Analyst Becky King and Energy Planning and Trading Manager Janet Jaspers presented to the Board a draft portfolio analysis of results for the Integrate Resource Plan (IRP) required by recent Washington State legislation under RCW 19.280. Preliminary results show that District resources meet loads for all scenarios, District eligible renewable resources are enough to cover the Renewable Portfolio Standard requirement through 2018 and Conservation will have to be increased over the current level. The final plan due by September 1, 2008 is to describe the mix of generating resources and conservation and efficiency resources to meet current and projected needs at the lowest reasonable cost and risk to the utility and its ratepayers. The next draft update is scheduled for June 9, 2008.

District staff reported on the First Quarter Energy Resources, Balanced Scorecard and Financial results. Executive Manager of Energy Resources Randy Lowe reported wholesale sales have been strong, prices have increased along with other energy commodities; however, the lower volume to manage due to below normal seasonal runoffs left the surplus level at half of last year; much lower flows to manage are somewhat offset by higher prices but not enough to reach budgeted 2008 wholesale revenue of \$62 million dollars.

Chief Financial Office Joe Jarvis reported on the District's Balanced Scorecard strategic objectives bands from the District strategy map. The Stakeholder objective band indicators shows 3 of 4 indicators are on target. The variance in the indicator for customer average interruption index stems from outages at substations on Stevens Pass that were inaccessible because of snow. The Financial band indicators show distribution cash reserves are on target and the debt coverage ratio slightly off target because of lower surplus sales. The Internal objective band indicators show hydro cost normalized for normal water and Utility Services trending well. Executive Manager Randy Stedman reported on the Enablers objective band. Indicators are lower than targets. The professional development target is currently under spent but over the next several months workshops and training opportunities are planned to help develop employee competencies, work organization and work efficiency. The Employee Relations Council has been reorganized. An online learning platform called Pure Safety will be launched soon. Emphasis will be put on the four key critical behaviors of the safety knowledge matrix. Those behaviors are alignment, footing, line of fire and wearing the right protective equipment for the job you are doing. Capital spending is below target.

MINUTES OF REGULAR MEETING (STUDY SESSION) OF THE COMMISSION

May 12, 2008

Page 3

Financial update indicated that the below target capital spending is typical for this time of year. Retail sales of electricity were higher in first quarter due to colder weather. Projected results for 2009-2012 indicate the need to continue to strengthen the retail businesses to meet financial targets.

James Oakley of Energy Northwest was introduced to the Board. Energy Northwest is a joint operating agency formed to generate electricity and sell to public power in the State of Washington. Facilities include Packwood Dam, Nine Canyon Wind Project, a small solar sight and Columbia Generating Station Nuclear Power Plant. Mr. Oakley asked the Board and key staff to complete a survey on the kind of energy resources the District might need. The company plans on using the results of the survey for their strategic planning.

The Commission next considered the resolutions listed in the Agenda. President Gutzwiler asked to pull Resolution 08-13329 for separate vote.

The Board recessed at 3:04 p.m. and reconvened after a five minute break to consider the following resolutions:

RESOLUTION NO. 08-13324 RESTATING AND REVISING POLICIES AND DELEGATING AUTHORITY REGARDING CAPITAL BUDGET APPROVAL AND BUDGET REVISIONS AND RESCINDING RESOLUTION NO. 03-12406

RESOLUTION NO. 08-13325 RESTATING AND REVISING POLICIES AND DELEGATING AUTHORITY REGARDING PURCHASE REQUISITION APPROVAL; PURCHASE ORDERS; ADVERTISING, AWARDED, AND SIGNING CONTRACTS, INTERLOCAL AGREEMENTS AND LEASES WITH THIRD PARTIES; MODIFICATION OF CONTRACTS BY AMENDMENTS AND FIELD WORK ORDERS/CHANGE ORDERS; DECLARATION OF EMERGENCIES; PREQUALIFICATION OF BIDDERS PURSUANT TO RCW 54.04.085; APPLICATION AND RECEIPT OF GRANTS AND LOANS; MAKING PURCHASES PURSUANT TO RCW 54.04.082; DEFINING "SAME KIND OF MATERIALS, EQUIPMENT AND SUPPLIES;" RESCINDING IN PART RESOLUTION NO. 03-12406; AND RESCINDING RESOLUTION NOS. 98-10958, 5685 AND OTHER INCONSISTENT RESOLUTIONS

RESOLUTION NO. 08-13326 RESTATING AND REVISING POLICIES AND DELEGATING AUTHORITY REGARDING CLAIM PAYMENT PROCEDURES AND RESCINDING RESOLUTION NOS. 05-12779, 05-12685 AND 03-12406

MINUTES OF REGULAR MEETING (STUDY SESSION) OF THE COMMISSION

May 12, 2008

Page 4

RESOLUTION NO. 08-13327 RESTATING AND REVISING POLICIES AND DELEGATING AUTHORITY REGARDING CHARGE-OFFS AND RESCINDING RESOLUTION NO. 03-12406

Motion was made by Commissioner Bolz and seconded by Commissioner Congdon to adopt Resolution Nos. 08-13324 through 08-13327. The question was called for and the motion carried unanimously to adopt Resolution Nos. 08-13324 through 08-13327, which are on file in the office of the District.

Customer Service staff Director John Stoll and Meter Services Supervisor Scot Erickson proposed to contract meter reading services during the current meter reader staff transition. The agreement includes the contracting of up to nine meter readers for a two year period. The vehicles used will be supplied and maintained by the vendor and each will be marked with meter reader identification. Contracted meter readers are required to be bonded.

RESOLUTION NO. 08-13328 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A SERVICE AGREEMENT (SA NO. 08-050) WITH ACCU-READ, INC. OF SPOKANE, WA FOR CONTRACT METER READING SERVICES

Motion was made by Commissioner Smith and seconded by Commissioner Bolz to adopt Resolution Nos. 08-13328. The question was called for and the motion carried unanimously to adopt Resolution No. 08-13328, which is on file in the office of the District.

Director of Shared Services Steve Currit presented a resolution to revise the current dock permit policy for private docks located on District property within the Rocky Reach reservoir and Lake Chelan. Additions to the policy include recalculation of permit fees based on market rent with periodic updates in the rental rates no less often than every five (5) years and provision for the 90-day cancellation clause upon determination of District need, which determination will be at the sole discretion of the District. It will also provide for cancellation for failure to maintain the dock or buoy. Permits will only be issued after the appropriate internal departments have been consulted provided that there is no conflict with any existing uses and this has been confirmed in writing by the District departments with a potential interest in the real estate rights.

Commissioner Congdon withdrew her recusal on the vote regarding docks in Lake Chelan as recorded in the minutes of April 28, 2008 after stating the basis for her decision.

RESOLUTION NO. 08-13329 REVISING POLICIES AND DELEGATING AUTHORITY REGARDING ISSUANCE OF DOCK AND BUOY PERMITS

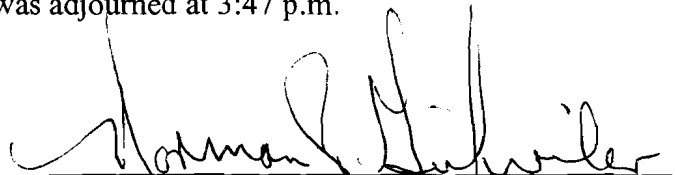
MINUTES OF REGULAR MEETING (STUDY SESSION) OF THE COMMISSION

May 12, 2008

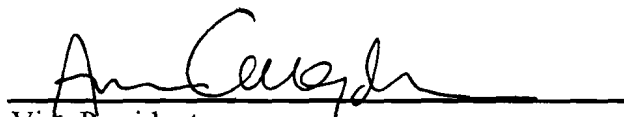
Page 5

Motion was made by Commissioner Congdon and seconded by Commissioner Smith to adopt Resolution Nos. 08-13329. The question was called for and the motion carried 3 to 2 with Commissioners Janssen and Gutzwiler voting against the motion. Resolution No. 08-13329 is on file in the office of the District.

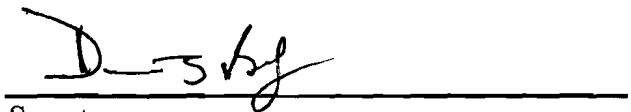
There being no further business, the meeting was adjourned at 3:47 p.m.




President



Vice President



Secretary



Commissioner



Commissioner