

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

May 26, 2009

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 26, 2009, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Dennis Bolz, Carnan Bergren, and Norm Gutzwiler. (Commissioner Randy Smith attended via telephone.) In attendance were General Manager Rich Riazzi, General Counsel Carol Wardell and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Bob Whitehall, Keith Vrandenburg, Jackie Shelton, Lisa Day, Allan Ershig, Craig Larsen, Ted Mischeikov, Bob Huber and Christine Pratt (Wenatchee World).

Brooke Thomsen and Patty Wachtel of the Safety and Health Division led the Pledge of Allegiance and provided a safety minute.

Director of Natural Resources Gregg Carrington welcomed the Mayor of Entiat Keith Vrandenburg, Bob Whitehall and Entiat Councilwoman Jackie Shelton to the meeting and thanked them for their support of the relicensing of Rocky Reach Dam. The license to operate Rocky Reach Dam was received on February 19, 2009 from the Federal Energy Regulatory Commission (FERC). The District had requested a provision within the license to pay for improvements to the wastewater system related to the use of that system by visitors to the Entiat Park located above Rocky Reach Dam. Recreation Resources Administrator Kris Pomianek summarized that FERC ordered that the payment for improvements to the Entiat wastewater treatment would not be required. However, the District is required by other license provisions to provide adequate utility (including sewer) services to its parks. Improvements have been made to the Entiat wastewater treatment plant and pump station for a total cost of \$5,300,000. The District has agreed to pay for a portion of that cost based on the estimated usage of the system by visitors to the Entiat Park, including the planned improvements to the park included in the license. The District's portion of the capital costs is \$880,250. The District has also agreed to prepay its share of the operation and maintenance costs for the 43 years license term in the amount of \$281,476. The presentation included how the dollar figures were calculated. The total of \$1,161,726 is to be paid by the District to the City of Entiat after January 1, 2010. Commissioners spoke in support of the proposed payments. An agreement will be developed and presented to Entiat and the Board at a later date.

Recreation Resources Administrator Kris Pomianek introduced Ted Macheikov of River Park Plaza, LLC who presented build out plans for a public market development on the old Pybus Steel property located adjacent to District waterfront park land. He said the market, to be named the Pybus Public Market, would provide a venue to promote community activities. He concluded his presentation stating he was here to share the plans for the development and to invite early participation in the process. Commissioners wished him success with the development. Sherry Snyder, Executive Director of Community Farm Connection, spoke in support of the market.

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Motion was made by Commissioner Gutzwiler, seconded by Commissioner Bergen and passed unanimously to cancel the special meeting scheduled for May 28, 2009.

Motion was made by Commissioner Bergren to schedule a special meeting for the purpose of the Board strategic planning retreat to be held on Thursday, June 11, 2009 at 9:00 a.m. to 3:00 p.m. at a location to be determined. The motion was seconded by Commissioner Bolz.

Commissioner Gutzwiler made a motion to amend the previous motion to state the location of the meeting to be held in the board room of the District at 327 N Wenatchee Avenue, Wenatchee, WA. The motion was seconded by Commissioner Bolz and unanimously passed to amend the main motion.

Next, Commissioners voted on the main motion to schedule a special meeting for the purpose of the Board strategic planning retreat to be held on Thursday, June 11, 2009 at 9:00 a.m. to 3:00 p.m. in the board room of the District at 327 N. Wenatchee Avenue, Wenatchee, WA. The motion passed.

Motion was made to change the start time for the June 1, 2009, regular meeting to be 9:00 a.m. and to set an executive session starting at 9:00 a.m. for the purpose of the Board's reviewing the performance of a public employee, as authorized by RCW 42.30.110(1)(g).

Office Services Department Manager Sharon Turcotte informed Commissioners that the 2009 Xerox copy machine lease will save the District \$250,000 a year. She also noted as part of the District's Sustainability Program, District staff has reduced copy machine paper use by two boxes a month which amounts to 120,000 sheets per year or the equivalent of fourteen trees.

Insurance and Claims Manager Ron Gibbs asked Commissioners to authorize the payment of \$1,830,000 for the District's 2009-2010 insurance policies for property; general/auto/public officials liability; boiler and machinery; crime; non-owned aircraft; kidnap and ransom; and blackout/brownout liability. The total premium cost increased 12.8-percent over last year but is under the 2009 budget by 4-percent.

Motion was made by Commissioner Bolz to authorize the expenditure of an amount not to exceed \$1,830,000 plus surplus lines, taxes and fees, for the purchase of District insurance for June 1, 2009 to May 31, 2010. The motion was seconded by Commissioner Bergren and unanimously carried.

President Congdon excused herself from the remainder of the meeting at 2:27 p.m. Commissioner Bolz facilitated the remainder of the meeting.

Next, Commissioners considered the following resolution presented by Distribution Engineering Manager Chad Rissman.

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RESOLUTION NO. 09-13461 REJECTING ALL BIDS AND DECLARING THAT NO BIDS WERE RECEIVED FOR PROCUREMENT OF KAWECKI SUBSTATION TRANSFORMERS (BID NO. 09-23) AND AUTHORIZING THE TRANSFORMERS TO BE OBTAINED BY NEGOTIATION

A motion was made by Commissioner Gutzwiler, seconded by Commissioner Bergren and unanimously carried adopting Resolution No. 09-13461, which is on file in the offices of the District.

A motion was made by Commissioner Bergren, seconded by Commissioner Gutzwiler and passed to convene into executive session for the purpose of discussing with legal counsel litigation and/or legal risks as authorized by RCW 42.30.110(1)(i). It is anticipated that the board will reconvene into regular session at approximately 3:35 p.m. The notice of such executive session, including the purpose of the session and the estimated time the session would conclude was properly posted by the Clerk of the Board.

Commissioner Smith was excused for the remainder of the meeting at 2:35 p.m.

Reconvening from executive session into regular session at 3:33 pm, Commissioner Bolz stated that no action was taken.

Commissioners heard an update given by Director of Natural Resources Gregg Carrington on Whitewater boating and activity involving the Lake Chelan Hydro Project. As part of the settlement agreement with the Federal Energy Regulatory Commission (FERC), the District had asked FERC to approve whitewater releases with the stipulation of additional coverage or a change in the Washington State Recreational Use Statute. FERC denied that request and has ordered that the whitewater releases occur in July and September, 2009. The FERC license and in the water quality certificate issued by State Department of Ecology requires releases of water for a three-year study of whitewater boating in the Chelan Gorge. The District has attempted to have the legislature amend the State Recreational Use Statute to specifically include this type of activity in the liability protections provided by that statute this year but was unsuccessful. Manager of Licensing and Compliance Michelle Smith told Commissioners that releases are scheduled for July 11, 12, 25, and 26, 2009. Releases will be made only if six or more kayakers register by the Thursday before the scheduled whitewater release. Boaters must then sign a liability waiver, watch a video of kayakers who have previously run the gorge and scout the river in person before they will be allowed down the gorge.

General Counsel Carol Wardell stated that the Washington State Recreational Use Statute (RCW 4.24.210) protects landowners from liability if the landowner posts signs warning users of artificial, dangerous and latent conditions. She advised Commissioners that signing the gorge through Reaches 2 and 3 is not physically possible. In order to manage and mitigate liability exposure within current law, warning signs will be posted at entry points into the river and prior

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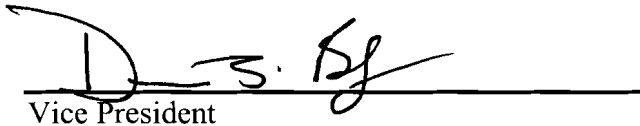
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to the area where boaters would enter Reach 2. American Whitewater, a national nonprofit organization that promotes whitewater boating will assist kayakers to determine their level of ability. Boaters will be responsible for their own safety. District staff is coordinating with Chelan County law enforcement to maintain public safety for the tests in July. Commissioners stated their concern for the potential danger to kayakers and observers but recognized the need to move forward because FERC and DOE have required the three-year study.


There being no other business, the meeting adjourned at 3:55 p.m.



President



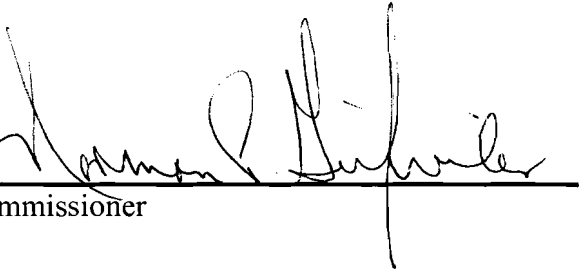
Vice President



Secretary



Commissioner



Commissioner