

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

May 27, 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 27, 2008, at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Randy Smith 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, Greg Brizendine, John Sterk, Dennis Johnson and Christine Pratt (Wenatchee World).

Natural Resources Asset Manager Andrew Grassell led the Pledge of Allegiance and provided a safety minute.

Director of Strategic Financial Planning Kelly Boyd and Senior Strategic Financial Planning Analyst Mark O'Bryan presented an overview of the agenda for the June 2, 2008 evening workshop on the rate-setting process. The purpose of the workshop is to share information on the cost of service analysis (COSA) and to discuss possible rate modifications methods. Director Boyd constructed a model that illustrated how forecasted revenues do not cover the cost of providing service without allocation of risk adjusted wholesale sales.

The meeting recessed at 12:03 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., Andrew Grassell of Natural Resources introduced Marijke van Heeswijk of the United States Geological Survey (USGS) who shared the results of a joint study funded by the District and USGS to improve understanding of the hydrologic and thermal conditions of the Eastbank Aquifer System and the processes that affect those conditions. The study summary of findings explains that the Columbia River recharges the ground water system, water pumped by the hatchery primarily comes from the west and southwest, water pumped by the Regional Water System primarily comes for the west and secondarily from the north and the Regional Water system pumpage increased about 40% in late 2001 when East Wenatchee Was added, while hatchery pumpage has remained relatively constant since 1994. The study concludes that the increasing interannual trends in ground-water temperatures from 1999 to 2006 correspond to increasing interannual trends in river temperatures. Different water-management alternatives could be evaluated with a numerical model that simulates ground water flow and temperature. The model would benefit from at least one year of detailed data collection and additional hydrogeologic framework.

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The next step, as stated by Mr. Grassell, is to install more accurate measurement devices into the test wells and aquifer system to gather the information for the numerical model and the develop a well field management plan to manage wells using this data.

Discussion continued on the overview of the rate-setting process workshop scheduled for June 2, 2008. Mark O'Bryan requested that the Board provide guidance to develop the potential rate design options. Possible rate design changes to be discussed include elimination of the minimum charge from electric rate schedules, limit the irrigation season, modify tiered rate structure, streamlined water and wastewater rates, eliminate demand ratchet and streamline interdepartmental rates.

The Board will be asked on June 9, 2008 for further guidance to staff on how to proceed with the next step of developing rate design options.

Utility Services John Smith and Dieter Preiser provided the Board an update on the fiber installation to the Plain/Lake Wenatchee area. Installation requires direct buried conduit up Beaver Valley Road. The limitation of 2,200 ft. of wetland area has required trenching the Beaver Valley Road bed for an additional cost of \$160,000.

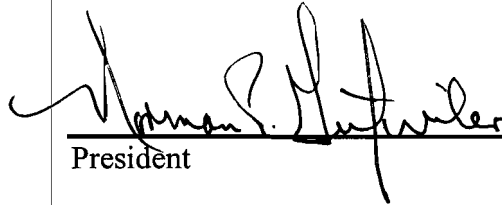
Wayne Wright, Executive Manager of District Services, reported to the board that the District was honored at last week's United Way awards luncheon as one of the second highest givers for the 2008 campaign, with a total of more than \$40,000 pledged by District employees. General Manager Rich Riazzi was co-chairman of the United Way campaign.

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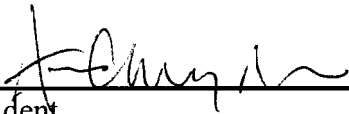
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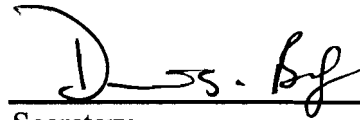
There being no further business, the meeting was adjourned at 3:06 p.m.



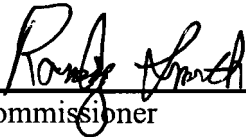
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President



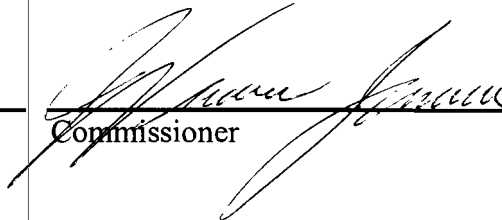
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Vice President



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Secretary



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Commissioner



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