

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

June 23, 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 June 23, 2008, at the hour of 11:00 a.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Dennis Bolz, and Werner Janssen. Commissioner Smith was excused. In attendance were General Manager Rich Riazzi, Staff Attorney Karen Wiggum and Clerk of the Board Sheila Salmon. Various staff members were also in attendance.

Others in attendance: Jim Baxter, Carnan Bergren, and Christine Pratt (Wenatchee World).

Parks Planner Coordinator Ryan Baker led the Pledge of Allegiance and provided a safety minute.

General Manager Rich Riazzi reported on the 4th Annual Andrew York Lineman Rodeo held Saturday, June 21, 2008 at Walla Walla Park. Eleven teams and forty-seven apprentices turned out for the event. General Manager Riazzi presented Commissioner Congdon with the first place award for the Women's Amateur Pole Climb event.

Kris Pomianek, Recreation Resource Planning Advisor, gave an update to the Board on the District's participation in the Riverfront Development. The City of Wenatchee (City) approved a Comprehensive Development Plan in 2007. In the plan and important to the District for the reason that it impacts District parks, is Strategy #9 which states: "Animate the downtown and Columbia River areas with commercial, housing, recreational and cultural activities that will bring people to these areas." Also important to the District is the community request to respect the integrity of the park. Real Estate Specialist Lisa Graves stated that prior to November 2007 the City zoning code that applied to the Riverfront Development, the Riverwalk Condo development, developed by Randy Zielinski of Whitebird Construction, established a 20-foot perimeter landscape buffer requirement when development is adjacent to a public park. Mr. Zielinski's development received alternative compliance on this landscape buffer, which the District appealed. After District appeal, the City upheld the buffer reduction of 10-foot for the Riverwalk Condo development.

District staff expressed their concern that the City's new zoning code adopted in November 2007 has reduced and in some cases left out the 20-foot perimeter landscape buffer. District staff has prepared and will be submitting to the City's Director of Community Development a request that amendments be made to the City's zoning code requiring the 20-foot landscape buffer adjacent to public parks for all sections of the waterfront mixed-use zoning. Commissioners requested

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copies of the City's letter and the District's letter of response by the end of today's session and stated they would also like to respond.

Parks Superintendent Ray Heit stated that there must be a clear line of delineation between the development and the park. Commissioner Janssen stated the City of Wenatchee should contribute to the maintenance costs of the park, which costs will increase because of the City's authorization of River Front development. Commissioner Congdon agreed.

Kris Pomianek continued the Riverfront Development presentation with an update on the name change of the Rock Island Hydro Park to the Kirby Billingsley Hydro Park. Park documents and highway signs have been changed to reflect the new name. Two new park entrance signs have been designed by District Graphic Designer Thad Hunt and will be installed in July. Interpretive signs highlighting points of interest will also be installed. A celebration will be held during Public Power week tentatively set for October 10, 2008.

A motion was made by Commissioner Congdon, seconded by Commissioner Janssen and unanimously passed to excuse Commissioner Bolz's attendance at the October 13, 2008 session.

The meeting recessed at 11:47 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., Chief Financial Risk Officer Joe Jarvis continued discussion from the June 9, 2008 session on Rate Design. Staff put together a draft set of rates incorporating the guidelines given by the Board at the June 9, 2008 meeting. Guidance from the Board included the philosophies of small incremental increases over time (single digit), slowly phasing in rate alignment between customer classes, aligning with the Cost of Service Analysis (COSA) over time, eliminating the minimum charge, eliminating the demand ratchet, modifying the irrigation season, streamlining interdepartmental rates, modifying electric residential tiered rates to assist a broader range of low-income customers and promoting conservation. Director of Strategic Financial Planning Kelly Boyd gave an overview of the draft rate design. Director Boyd stated that the overall increase from the modifications average a 3.4% increase which varies between customer classes from 0% to 4.8%.

Senior Strategic Financial Planner Mark O'Bryan summarized the draft modifications to residential rates including modifying the rate tiers, adjusting the base charge, eliminating the minimum charge and increasing the discount program consistent with the change in the base charge. The tiered rate structure was designed to promote conservation and assist a broader range of low-income customers. Over all, residential rates would increase an average of 4.6% under the 2009 draft. Low-usage customers would average a \$2.00 reduction per month while high usage customers would have a \$6.00 or greater increase in their monthly bill. Additional

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details on the 2009 draft rate design are included in the presentation found at www.chelanpud.org, Board Agendas and Recordings, June 23, 2008 Board Meeting.

Discussion on the draft changes and Commissioner input will continue at the June 30, 2008 board meeting.

President Gutzwiler publicly announced that the Commission would convene an executive session commencing at 2:53 p.m. to discuss with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i). He stated that he anticipated the executive session would conclude at approximately 3:12 p.m.

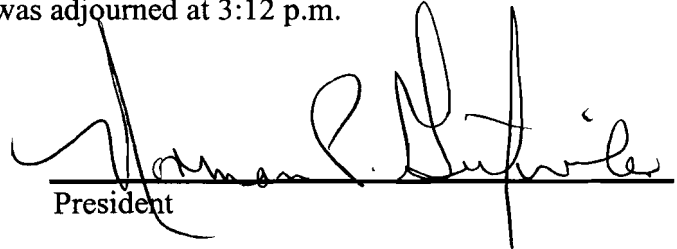
By motion made by Commissioner Janssen, seconded by Commissioner Congdon and carried unanimously, an executive session was convened. The notice of such executive session, including the purpose of the session and the estimated time the session would conclude was properly posted by the Clerk of the Board.

Reconvening into regular session at 3:08 p.m., the Commissioners reported that they discussed with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i). No action was taken.

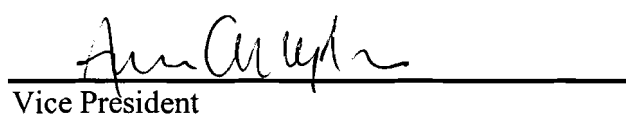
Following up on the Riverfront discussion held during the morning session, General Manager Rich Riazzi presented to the Board copies of the May 13, 2008 letter from the City of Wenatchee welcoming suggestions to the amendment of the Wenatchee Zoning Ordinance within 30 – 60 days. The District has until July 13, 2008 to reply. Tracy Yount, Director of Natural Resources, presented to the Board a draft letter accompanied by a list of amendments requested by District staff that pertains to landscape buffers when abutting a public park. The Commissioners asked Board Secretary Dennis Bolz to draft a letter supporting a 20-foot landscape buffer and asking for coordinated efforts between the two agencies going forward. The draft letter will be considered by the Board at the next meeting, June 30, 2008.

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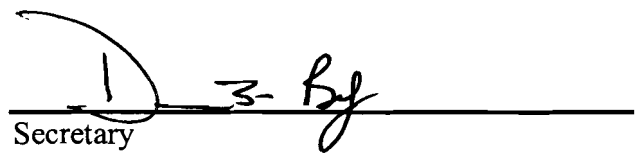
There being no further business, the meeting was adjourned at 3:12 p.m.



President

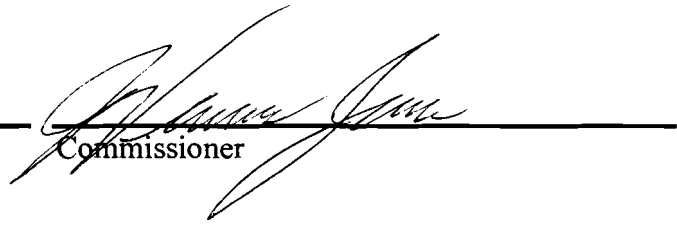


Vice President



Secretary

Commissioner



Commissioner