

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

September 24, 2007

The regular meeting 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 September 24, 2007, at the hour of 10:00 a.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Werner Janssen (via telephone), Randy Smith and Dennis S. Bolz. In attendance were General Manager Richard Riazzi, General Counsel Carol Wardell and Clerk of the Board Melisa McPherrren. Various staff members were also in attendance.

Others in attendance: Jim Baxter, Bill Stokes and Christine Pratt (Wenatchee World).

Chief Financial Officer Joe Jarvis led the Pledge of Allegiance and provided a safety minute.

Commissioners held a morning session to discuss the Board's Balanced Scorecard. They reviewed and modified strategic objective definitions and indicators and directed staff to make the proposed changes. Further discussion will occur during the October 1, 2007 meeting.

The meeting recessed at 11:30 a.m. for lunch and reconvened at 1:00 p.m. to continue conducting the business of the District.

President Gutzwiler presented the Consent Agenda items for adoption. He asked if any item on the Consent Agenda should be transferred to the Regular Agenda for further review. No items were requested, and President Gutzwiler presented the Consent Agenda items for adoption as follows:

The minutes of the regular meeting held on September 10, 2007 and the regular meeting (study session) held on September 17, 2007 were presented for approval.

The Auditor's memorandum, dated September 18, 2007, supporting documentation and the District's Computer Report, which certify, pursuant to RCW 42.24.080, that the District received certain goods, services and other considerations specified therein and described as follows were presented for approval:

1. Claims certified by the Auditor for payment and authorization for the Auditor to issue warrants payable by the Treasurer for services, goods and other considerations received by the District in the total amount of \$3,514,483.49;
2. Payroll for the period ending September 2, 2007 in the amount of \$1,369,399.02 as certified by the Auditor's memorandum; and

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3. Customer Deposit Returns payment and Bank of America District Credit Card payment dated September 18, 2007 in the amount of \$1,336.04 and \$1,133.97 respectively.

RESOLUTION NO. 07-13168 ACCEPTING THE BID OF STELLA-JONES CORPORATION OF ARLINGTON, WASHINGTON TO PROVIDE WOOD POLES FOR OVERHEAD ELECTRIC LINE CONSTRUCTION

RESOLUTION NO. 07-13169 AUTHORIZING FINAL ACCEPTANCE OF PERFORMANCE UNDER BID NO. 06-59 WITH AREVA T & D INC. OF WAYNESBORO, GA AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE PURCHASE OF POTENTIAL TRANSFORMERS FOR ANDREW YORK 230 KV SWITCHYARD EXTENSION

RESOLUTION NO. 07-13170 ACCEPTING THE BID OF SYSTEMS INTERFACE, INC. OF BOTHELL, WASHINGTON TO PROVIDE CHELAN HATCHERY WELLFIELD MOTOR CONTROL CENTER (MCC) (BID NO. 07-39)

RESOLUTION NO. 07-13171 AUTHORIZING AMENDMENT NO. 2 TO PROFESSIONAL SERVICES AGREEMENT (PSA NO. 05-056) WITH HAMMOND COLLIER WADE LIVINGSTONE ASSOCIATES, INC. OF WENATCHEE, WASHINGTON, TO PROVIDE ADDITIONAL SOIL AND MATERIAL TESTING

RESOLUTION NO. 07-13172 AUTHORIZING FINAL ACCEPTANCE OF PERFORMANCE UNDER BID NO. 06-04 WITH G.G. RICHARDSON, INC. OF WENATCHEE, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR MISCELLANEOUS CONSTRUCTION UNIT PRICE WORK

Motion was made by Commissioner Smith, seconded by Commissioner Congdon and unanimously carried adopting the Consent Agenda consisting of the minutes of the September 10, 2007 and September 17, 2007 Commission meetings, the above-listed vouchers and Resolution Nos. 07-13168 through 07-13172.

The Commission next considered the matters listed in the Regular Agenda.

The motion made at the September 17, 2007 meeting by Commissioner Congdon and seconded by Commissioner Bolz to amend the Governance Policy to remove reference of Chief Financial Officer and insert Legal Counsel in Policy No. 16 in reference to the Internal Auditor was taken from the table. The motion had been tabled by Commissioner Smith, seconded by Commissioner Congdon and placed on the September 24, 2007 agenda for further discussion. Commissioner

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Smith moved and Commissioner Congdon seconded that the motion be approved. The question was called for and the motion carried unanimously.

External Affairs Division Director Gregg Carrington discussed proposed guidelines with Commissioners that would protect and enhance the role that hydropower will play in climate change policy. If approved, the principles would guide District decisions on the issue. General Manager Richard Riazzi told Commissioners that there is little doubt the District will feel the impact of greenhouse gas initiatives being introduced at the state, regional and federal level. Mr. Riazzi said the proposed principles will provide a foundation as the District is drawn into policy discussions at many levels. Commissioners were asked to study the principles this week in preparation for approving them at next week's meeting. Public comment is also being sought.

The seven principles being considered are:

- Hydropower should be included as an eligible renewable resource under a national renewable portfolio standard.
- Demonstrable increases in incremental hydropower should be encouraged as "offsetting" greenhouse gases.
- Emissions legislation must include all sectors of the economy and protect our ratepayers.
- Emissions legislation should allocate allowances to assure future investments in renewable energy, efficiency improvements and conservation.
- Emissions legislation should credit utilities for their past accomplishments in renewables, energy efficiency and conservation and support the development of new technologies.
- Government grants, loans and incentives should be available to promote renewable efficiency improvements.
- Tax-based or other incentives for the development and deployment of renewable and clean energy facilities and programs should be provided on a comparable basis to all electric industry sectors including public power.

Commissioners discussed their budget for 2008 with Budget Department Manager TJ Farrell. Commissioners requested modifications to their proposed 2008 budget of \$538,596 to include a reduction to contracts for a revised 2008 amount of \$8,000 and asked that Commission salaries remain at the 2007 budgeted amount of \$81,270. Forty percent of the budget will go toward memberships in local, regional and national chambers and associations. The remainder is set aside for meeting costs, commissioner salaries, training and travel.

The Commissioners reported on the various meetings each attended during the week(s) of September 10, 2007 and September 17, 2007.

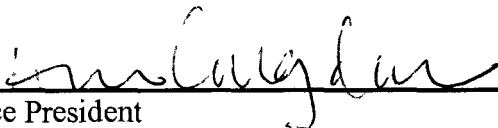
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Commissioner Smith made a motion to excuse President Gutzwiler from the October 1, 2007 and October 8, 2007 board meetings. The motion was seconded by Commissioner Congdon and unanimously passed.

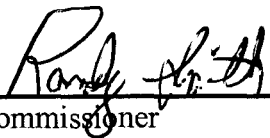
Electrical Engineering Department Manager Chad Rissman informed Commissioners that the new, 330,000-pound transformer for the Andrew York Switchyard is making its way from Seattle and will arrive by Thursday. Rated at 250 MVA (megavolt ampere) the unit will be the largest transformer in the District system. It was manufactured by Hyundai in South Korea at the cost of about \$4 million. As part of the Burch Mountain Transmission Line project, it will provide a critical third connection between the District's transmission and distribution systems. The unit is traveling on a 200-foot-long assembly powered by trucks pushing and pulling the trailer.


There being no further business, the meeting was adjourned at 2:40 p.m.

President


Vice President


Secretary


Commissioner


Commissioner