

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

November 5, 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 November 5, 2007, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Werner Janssen, 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: Bob Wilt, Jim Baxter, Jack Speer, Stefan Vogt, Bill Stokes and Christine Pratt (Wenatchee World).

Governmental Affairs Manager Andrew Munro led the Pledge of Allegiance and provided a safety minute.

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 October 22, 2007, the special meeting held October 23, 2007, and the regular meeting (study session) held on October 29, 2007 were presented for approval.

The Auditor's memorandum, dated October 30, 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 \$6,206,315.95;
2. Payroll for the period ending October 14, 2007 in the amount of \$1,435,777.03 as certified by the Auditor's memorandum; and
3. Customer Deposit Returns payment and Bank of America District Credit Card payment dated October 30, 2007 in the amount of \$911.90 and \$5,414.24 respectively.

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Motion was made by Commissioner Janssen, seconded by Commissioner Smith and unanimously carried adopting the Consent Agenda consisting of the minutes of the October 22, 2007, October 23, 2007 and October 29, 2007 Commission meetings; and the above-listed vouchers.

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

RESOLUTION NO. 07-13184 DECLARING BIOMARK INC. OF BOISE, ID AS THE SOLE SOURCE SUPPLIER OF DIGITAL ANGEL TX 1400 SST PASSIVE INTEGRATED TRANSPONDER TAGS AND RELATED EQUIPMENT FOR EVALUATION OF THE DISTRICT'S HATCHERY PROGRAMS OPERATED AS PART OF THE HABITAT CONSERVATION PLANS

RESOLUTION NO. 07-13185 ACCEPTING THE BID OF COLEMAN OIL COMPANY OF LEWISTON, IDAHO, TO PROVIDE DIESEL, BIODIESEL, AND UNLEADED FUEL REQUIREMENTS FOR 2008 (BID 07-45) AND AUTHORIZING THE GENERAL MANAGER TO EXECUTE EXTENSIONS THROUGH DECEMBER 31, 2012

RESOLUTION NO. 07-13186 RELATING TO LOCAL UTILITY DISTRICT NO. 10, AUTHORIZING THE ISSUANCE OF BONDS OF THAT LOCAL UTILITY DISTRICT AND AUTHORIZING THE TREASURER TO ARRANGE FOR ONE OR MORE LINES OF CREDIT FOR INTERIM FINANCING OF COSTS AND EXPENSES FOR THAT LOCAL UTILITY DISTRICT PENDING THE ISSUANCE OF THOSE BONDS OR THE RECEIPT OF GRANT FUNDS FROM VARIOUS FEDERAL AND STATE AGENCIES

RESOLUTION NO. 07-13187 AUTHORIZING THE DISTRICT TO BORROW FUNDS AND ACCEPT A GRANT FROM THE UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT, FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST FOR CONSTRUCTION OF THE MONITOR WATER SYSTEM (LUD NO. 10)

RESOLUTION NO. 07-13188 AUTHORIZING THE GENERAL MANAGER OR HIS DELEGATE TO EXECUTE ALL DOCUMENTS RELATED TO DENTAL SELF-INSURANCE, TO OBTAIN RATE STABILIZATION FUNDS HELD BY WASHINGTON DENTAL SERVICE (WDS), TO ESTABLISH A CASH RESERVE ACCOUNT, AND TO CONTINUE WITH WDS AS THE DENTAL PLAN THIRD PARTY ADMINISTRATOR

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RESOLUTION NO. 07-13189 AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CONTRACT WITH ALSTOM HYDRO US, INC. FOR THE LAKE CHELAN HYDRO MODERNIZATION (BID NO. 06-01)

Motion was made by Commissioner Congdon and seconded by Commissioner Smith to adopt Resolution Nos. 07-13184 through 07-13189. The question was called for and the motion carried unanimously to adopt Resolution Nos. 07-13184 through 07-13189, which are on file in the office of the District.

General Counsel Carol Wardell reviewed documents that were added to the Alcoa proposed term sheet notebook, discussed the agenda for the special evening session, and asked for Board direction on a matrix discussed during a previous meeting. Bob Wilt, former Wenatchee plant manager and now Alcoa's vice president for energy development, clarified information given to the Board on October 23, 2007, about the community economic benefit of the proposed contract. Mr. Wilt said a review of a consultant's figures put the total benefit at \$1.5 billion over the 17-year life of the contract, less than had been stated earlier. The Commissioners determined that they would each prepare their own matrix, if deemed necessary, to evaluate the proposed term sheet. The Board thanked Attorney Wardell for discussing the idea of a matrix but determined that staff need not provide that tool.

Customer Service Division Director John Stoll and outside Attorney Erik Wahlquist discussed Local Utility District (LUD) process improvements with Commissioners. The purpose of the discussion was for the Board to consider revising the current resolution to still comply with all RCW's, yet allow for flexibility; provide tools for the Board to help evaluate whether an LUD is "financially and economically feasible" and other key factors; and to provide better information to potential petitioners. Staff will continue moving forward with this effort seeking additional input, and will provide the Board with an update in January.

The Commissioners reported on the various meetings each attended during the week(s) of October 22, 2007 and October 29, 2007.

A motion was made by Commissioner Janssen and seconded by Commissioner Smith that Commissioner Congdon be approved for attending the November 13, 2007 study session by telephone. The motion was unanimously passed.

Commissioner Bolz encouraged staff to consider increasing budgetary resources to record the history of the District. Commissioner Bolz noted the great job done by staff in telling our story locally and asked that we consider hiring a videographer to begin recording more of the District's projects and weaving them into an opportunity to share the District's experience with other agencies.

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Commissioner Congdon made a motion to cancel the special meeting of the Commission for the Manson Customer Partnership Group meeting on November 15, 2007. The motion was seconded by Commissioner Smith and unanimously passed.

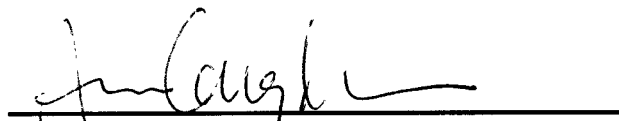
General Manager Richard Riazzi notified Commissioners that plans to construct the fiber backbone to Plain have been put on hold pending the outcome of the 2008 budget process and that the majority of the contract crews have been released for this year. Engineering and Technology Division Director John Smith noted that a splicing crew had not yet been released and requested a budget transfer to pay for more splicing, the last step in network construction, so that end-users can access services without delay over lines already installed. Commissioner Janssen made a motion to approve the capital budget revision for Networks in the amount of \$550,000. The motion was seconded by Commissioner Congdon and unanimously approved. The funds will come from other utility projects that were budgeted, but not done this year.

Chief Financial Officer Joe Jarvis provided the Commissioners with an update on District debt and investments. Mr. Jarvis reported that the average rate of return during the third quarter was 5.26 percent on an average invested balance of \$385,085,620. A 2004 choice to move to variable rate debt on some bonds has saved the District almost \$1.3 million to date.

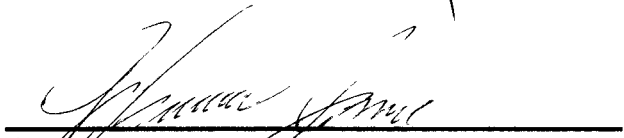
There being no further business, the meeting was adjourned at 3:37 p.m.



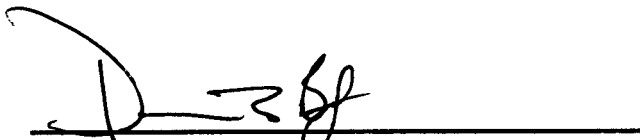
President



Vice President



Secretary



Commissioner

Commissioner