

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

October 22, 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 October 22, 2007, at the hour of 9:00 a.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 McPherren. Various staff members were also in attendance.

Others in attendance: Bill Stokes, R. Thompson, Bob Huber, Jack Speer, Jim Baxter, Bart Clennon, Lacy Galey and Jeanne Poirier.

Strategic Finance Planning Division Director Kelly Boyd led the Pledge of Allegiance and provided a safety minute.

Commissioners continued discussion on the proposed term sheet with Alcoa. The proposed term sheet was discussed last week and sets out a framework for long-term energy supply to the Alcoa Wenatchee Works that could keep three pot lines operating until 2028. Senior Strategic Financial Planning Analyst Kurt Carlson, Electrical Engineering Department Manager Chad Rissman, Power Resource Engineer Becky King and Power Resource Specialist Willard Fields provided Commissioners with load growth scenarios for energy and peak demand for 20 years past 2012, compared the scenarios to the District share of power resources and assessed resource adequacy in meeting these various load growth scenarios. Staff also presented post-2012 examples of future surplus scenarios intended for future discussions with the Board in 2008 about portfolio approach and potential contracts with other counterparties. Mr. Carlson wrapped up the discussion by reviewing three cost to market valuation scenarios of the proposed Alcoa term sheet with the Board.

Comments from Commissioners included questions about the value of the power if it was sold on the market, compared with the value returned under the proposed contract terms; about the proposed length of the contract; and about how much time is needed to evaluate the proposal before taking action. Bill Stokes of Wenatchee told the Board that the proposed terms did not provide enough return to the District, saying the proposed terms were more appropriate for enough power for two pot lines. Richard Thompson, East Wenatchee, asked what evaluation of possible drought conditions was included in the proposal. Bart Clennon of Wenatchee thanked the Commission for conducting the analysis of the proposed contract terms in public meetings. Representatives from Alcoa will meet with Commissioners at a public meeting on Tuesday,

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starting at 9:00 a.m. in the board room, to offer the company's perspective on the proposed terms.

The meeting recessed for lunch at 11:27 a.m. 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 special meeting held on October 4, 2007, the regular meeting held on October 8, 2007 and the regular meeting (study session) held on October 15, 2007 were presented for approval.

The Auditor's memorandum, dated October 16, 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 \$7,812,608.55;
2. Payroll for the period ending September 30, 2007 in the amount of \$1,419,304.18 as certified by the Auditor's memorandum; and
3. Customer Deposit Returns payment dated October 16, 2007 in the amount of \$1,816.36.

RESOLUTION NO. 07-13176 APPROVING BIDDING DOCUMENTS FOR DISTRICT TREE TRIMMING THROUGH DECEMBER 31, 2009 (BID 07-63) AND AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT

RESOLUTION NO. 07-13177 APPROVING FIELD WORK ORDER NOS. 5 AND 6, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 06-23 WITH BOART LONGYEAR COMPANY – HOLT DIVISION OF MILTON, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE CHELAN HATCHERY WELL FIELD ADDITIONAL WELLS

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RESOLUTION NO. 07-13178 APPROVING BIDDING DOCUMENTS FOR CHELAN HATCHERY WELLFIELD – CONSTRUCTION (BID 07-40) AND AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT

Motion was made by Commissioner Congdon, seconded by Commissioner Bolz and unanimously carried adopting the Consent Agenda consisting of the minutes of the October 4, 2007, October 8, 2007, and October 15, 2007 Commission meetings, the above-listed vouchers and Resolution Nos. 07-13176 thru 07-13178.

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

RESOLUTION NO. 07-13179 AUTHORIZING AMENDMENT NO. 2 TO PROFESSIONAL SERVICES AGREEMENT (PSA-TA NO. 06-104) WITH Z ENGINEERS, PLLC OF WENATCHEE, WASHINGTON, TO PROVIDE GENERAL ELECTRICAL AND SCADA ENGINEERING CONSULTING SERVICES

RESOLUTION NO. 07-13180 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (SA NO. 07-180) WITH ELECTRIC POWER SYSTEMS INC. OF ANCHORAGE, ALASKA FOR PROFESSIONAL CONSULTING SERVICES

RESOLUTION NO. 07-13181 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (SA NO. 07-181) WITH R.W. BECK OF SEATTLE, WASHINGTON FOR PROFESSIONAL CONSULTING SERVICES

Motion was made by Commissioner Congdon and seconded by Commissioner Smith to adopt Resolution Nos. 07-13179 through 07-13181. The question was called for and the motion carried unanimously to adopt Resolution Nos. 07-13179 through 07-13181, which are on file in the office of the District.

Commissioners discussed the Board's balanced scorecard and Commissioner Smith reviewed the "Responsible Board Representation" strategic objective. Commissioner Smith proposed adding two indicators to the objective: attendance at regularly scheduled meetings and individual contacts with constituents. Commissioner Congdon made a motion to add these two indicators to the "Responsible Board Representation" strategic objective. The motion was seconded by Commissioner Bolz. Discussion followed on the motion and President Gutzwiler moved and Commissioner Janssen seconded that the motion be amended to delete the second indicator about individual contacts with constituents. Commissioners Gutzwiler and Janssen questioned the value of the indicator and felt that the Board's performance could not be measured against it. The

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question was called for and the amendment failed with a 2-3 vote. Commissioners Gutzwiler and Janssen voted in favor of the amendment and Commissioners Bolz, Congdon and Smith voted against the amendment. Discussion resumed on the main motion. The question was called for and the main motion passed with a 4-1 vote. President Gutzwiler voted in opposition of the motion.

Commissioner Janssen asked for clarification on the motion made during the September 10, 2007 meeting where Commissioners adopted changes to the Board's Governance Policies. On Policy #7, the Board adopted changes that state a Board member shall not attend more than two consecutive meetings nor a total of six meetings per calendar year via a telephone connection unless there are extenuating circumstances and the majority Board approves additional telephonic attendances by an individual Board member. Commissioner Janssen questioned if this change was retroactive or applicable going forward. Commissioner Congdon made a motion that the Board's Governance Policy #7 on attending meetings via a telephone connection when a Board member is out of town would be prospective in effect and that the telephonic appearance must be cleared by the Board president or the next officer in line in advance of the telephonic appearance. The motion was seconded by Commissioner Bolz and unanimously passed.

The Commissioners reported on the various meetings each attended during the week(s) of October 8, 2007 and October 15, 2007.

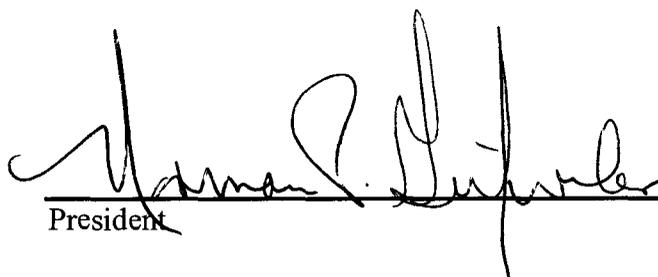
Commissioner Congdon made a motion to excuse Commissioner Smith from the November 13, 2007 study session. The motion was seconded by Commissioner Bolz and unanimously passed.

Commissioner Smith made a motion to excuse President Gutzwiler from the October 29, 2007 study session. The motion was seconded by Commissioner Janssen and unanimously passed.

During public comment, Commissioners heard from Cashmere resident Jeanne Poirier who requested the Board take a position against an integrated gasification combined cycle (IGCC) coal power plant proposed for the Kalama area by Energy Northwest. Commissioner Janssen made a motion to contact the state agency reviewing the application and oppose it. The motion died for lack of a second. Commissioner Congdon noted that the District had chosen not to participate in the IGCC project when it was first offered to Chelan County PUD by Energy Northwest as a possible future power supply option.

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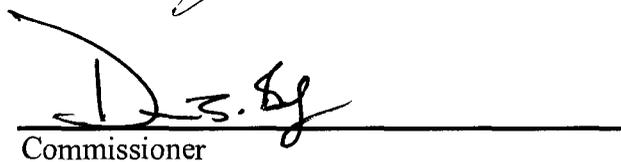
There being no further business, the meeting was adjourned at 2:36 p.m.

  
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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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Commissioner