

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

November 19, 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 19, 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 McPherran. Various staff members were also in attendance.

Others in attendance: Bob Wilt, Jim Baxter, Jack Speer, Stefan Vogt, Jo Keyser, Paul Kingrey, George Wilson, Don Bottoms, Bob Huber, Bill Stokes, Jim Brown, Jeannie Poirier, Doug Stroop, Doug Stewart, Phil Conner, John Newman, Chuck Buennagel, Joe Rumble, Conway Narby, Jim O'Brien, Mike Willet, Christine Pratt (Wenatchee World).

General Counsel Carol Wardell introduced the following resolution to the Board pursuant to RCW 54.16.040. Attorney Wardell noted that final approval would not take place for a period of at least ten (10) days.

A RESOLUTION APPROVING A PROPOSED TERM SHEET WITH ALCOA, INC.
AND ALCOA POWER GENERATION, INC. AND DIRECTING STAFF TO USE THE
PROPOSED TERM SHEET TO DEVELOP DEFINITIVE POWER SALES,
TRANSMISSION AND INTERCONNECTION AGREEMENTS

Staff answered questions for Commissioners on the proposed term sheet with Alcoa. Topics discussed by the Board included the sale of surplus proceeds, Alcoa's long term credit pool, load shedding, provisions for employees should Alcoa shutdown and contract reopeners. Commissioner Bolz encouraged staff to establish working relationships with the Port of Chelan County to utilize resources for economic stability and to look at the remaining 32 percent of the District's resources. Commissioner Congdon emphasized a need for a diversified portfolio approach.

During public testimony, Community members offered comments to Commissioners about the proposed terms for a new power contract with Alcoa's Wenatchee Works aluminum smelter. Supporters of the proposal cited the economic benefit of retaining the high-paying Alcoa jobs and the financial certainty the proposal would provide for the District and Alcoa. Many of those speaking questioned the 17-year term of the proposed contract in light of climate change concerns that will likely push the price of electricity higher. Others urged the board to bring in outside expertise to review the proposal and to consider other options for future use of the 25-percent share of the output of Rocky Reach and Rock Island dams. The new contract would run from 2011-2028. Jim Brown of Wenatchee urged Commissioners to take some time, look at the

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process and slow it down. Conway Narby of Wenatchee said the PUD needs outside expertise to match the expertise Alcoa brought to the negotiations. Don Bottoms of Plain asked why the "take-or-pay" design of the proposal was the only approach considered, adding that offering a discount on market rates for power would provide as much benefit for Alcoa and protect the PUD from price swings. Wenatchee Valley Chamber of Commerce Executive Director Craig Larsen stated that although the Chamber had yet to take an official position on the deal, he felt that based on the concept, the Chamber Board would be supportive. Alcoa employees Jo Keyser and Mike Willett urged Commissioners to approve the proposal to provide certainty for fellow employees and the community. The proposed terms would provide Alcoa enough power to start a third pot line at the Wenatchee plant, supporting about 70 new jobs.

Following public comment, Commissioner Janssen made a motion to allow for sufficient time to hire an outside consultant to review the PUD's business relationship with Alcoa and to look at contract options. The motion died for lack of a second.

The meeting recessed for lunch at 11:35 a.m. and reconvened at 1:00 p.m. to continue conducting the business of the District.

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

Others in attendance: Bill Stokes, Rich Cole, Jim Baxter and Rick Tyler.

Natural Resources Asset Department Manager Shaun Seaman led the Pledge of Allegiance and provided a safety minute.

Commissioner Congdon made a motion to schedule the next meeting to discuss the Alcoa proposed term sheet on December 3, 2007 at 9:00 a.m. in the boardroom. The motion was seconded by Commissioner Bolz and unanimously passed. Regular District business will occur during the regularly scheduled afternoon session at 1:00 p.m.

Commissioner Smith ended his telephonic appearance at 1:06 p.m.

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:

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The minutes of the special meeting held on November 1, 2007, the regular meeting held on November 5, 2007, the special meeting held on November 5, 2007, the special meeting held on November 8, 2007 and the regular meeting (study session) held on November 13, 2007 were presented for approval.

The Auditor's memorandum, dated November 13, 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 \$4,649,960.70;
2. Payroll for the period ending October 28, 2007 in the amount of \$1,365,466.46 as certified by the Auditor's memorandum; and
3. Customer Deposit Returns payment dated November 13, 2007 in the amount of \$3,706.41.

Charge-offs to Uncollectible Accounts in the Amount of \$2006.60 – September 2007

RESOLUTION NO. 07-13191 AUTHORIZING FINAL ACCEPTANCE OF PERFORMANCE UNDER BID NO. 07-14 WITH SOUTHERN STATES OF PLEASANTON, CALIFORNIA AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE PROCUREMENT OF ONE 230kV CIRCUIT SWITCHER

RESOLUTION NO. 07-13192 AUTHORIZING AMENDMENT NO. 1 TO JOINT FUNDING AGREEMENT (JFA NO. 07W4WA1006) WITH U.S. GEOLOGICAL SURVEY OF TACOMA, WASHINGTON TO PROVIDE BOREHOLE SURVEYS AND DOWNHOLE TEMPERATURE MEASUREMENTS

RESOLUTION NO. 07-13193 AUTHORIZING FINAL ACCEPTANCE OF PERFORMANCE UNDER BID NO. 05-37 WITH OMEGA-MORGAN RIGGING & INDUSTRIAL CONTRACTING OF TACOMA, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR ROCK ISLAND TRANSFORMER MOVING

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RESOLUTION NO. 07-13194 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO AN AGREEMENT WITH TECHNOLOGY UNLIMITED, INC. OF SEATTLE, WASHINGTON FOR PURCHASE OF A REMITTANCE PROCESSOR SYSTEM, IMPLEMENTATION, TRAINING AND SUPPORT SERVICES

Motion was made by Commissioner Janssen, seconded by Commissioner Bolz and unanimously carried adopting the Consent Agenda consisting of the minutes of the November 1, 2007, November 5, 2007 (two meetings), November 8, 2007 and November 13, 2007 Commission meetings, the above-listed vouchers, charge offs and Resolution Nos. 07-13191 thru 07-13194.

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

RESOLUTION NO. 07-13195 AUTHORIZING AMENDMENT NO. 2 TO PROFESSIONAL SERVICES AGREEMENT (SA NO. 07-027) WITH SAPERE CONSULTING, INC. THROUGH DECEMBER 2007 AND AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A NEW PROFESSIONAL SERVICES AGREEMENT (07-200) WITH SAPERE CONSULTING, INC. THROUGH DECEMBER 2008 TO PROVIDE CONSULTING SERVICES FOR THE IMPLEMENTATION OF THE HABITAT CONSERVATION PLANS, HATCHERY PLANNING AND ENVIRONMENTAL STRATEGIES IN CONNECTION WITH DISTRICT PROJECTS

RESOLUTION NO. 07-13196 DECLARING THAT NO BIDS WERE RECEIVED FOR THE PURCHASE OF TWO (2) 300kW DIESEL GENERATORS FOR STEHEKIN (BID NO. 07-61) AND AUTHORIZING THE GENERAL MANAGER TO OBTAIN THAT WORK BY NEGOTIATION

Motion was made by Commissioner Bolz and seconded by Commissioner Congdon to adopt Resolution Nos. 07-13195 and 07-13196. The question was called for and the motion carried unanimously to adopt Resolution Nos. 07-13195 and 07-13196, which are on file in the office of the District.

The Commissioners reported on the various meetings each attended during the week(s) of November 5, 2007 and November 12, 2007.

Commissioner Congdon made a motion to schedule a meeting of the Commission for Thursday, December 27, 2007 and to cancel the December 24, 2007 and December 31, 2007 board meetings. The motion was seconded by Commissioner Bolz and failed when all Commissioners voted in opposition of the motion.

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Commissioner Janssen made a motion to cancel the December 24, 2007 and December 31, 2007 board meetings and to change the start time of the January 7, 2008 meeting to 9:00 a.m. The motion was seconded by Commissioner Congdon and unanimously passed.

Energy Resources Executive Manager Randy Lowe discussed Energy Planning and Trading's recommendation that the District authorize the sale of one 25 MW heavy load hour block in the third and fourth quarter of 2009. The District's current Risk Management Policy, in compliance with Resolution Nos. 00-11526 and 04-12577, allows forward sales of electricity not to exceed 18 months in the future. Sales to be made during the third and fourth quarters of 2009 are currently outside that limitation. Mr. Lowe stated that due to the increasing chance of a decline in forward prices, Energy Planning and Trading believes that it is in the best interest of the District to authorize Energy Resources staff to attempt to sell forward in both Q3 and Q4 of 2009. Mr. Lowe noted that the Power Risk Management committee met and unanimously approved the policy exception. Commissioner Congdon made a motion that the Commission authorize the Energy Resources staff to sell one 25 MW heavy load hour block (30,800 total MWHs) in the third quarter of 2009 and one 25 MW heavy load block (30,800 MWHs) in the fourth quarter of 2009. The motion was seconded by Commissioner Janssen and unanimously approved.

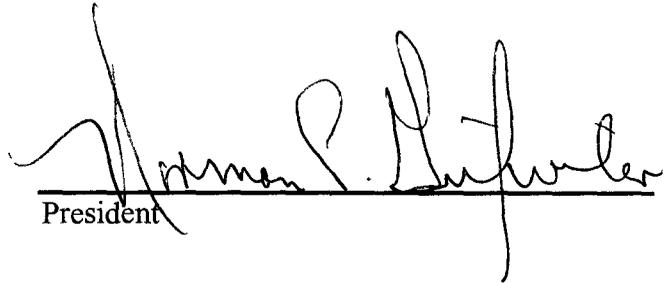
Commissioner Congdon made a motion to excuse President Gutzwiler from the November 26, 2007 meeting. The motion was seconded by Commissioner Janssen and unanimously approved.

The meeting recessed at 1:57 p.m. and continued at 2:00 p.m. for a public hearing to consider whether it is appropriate to adopt, in whole or in part, or not adopt, in whole or in part, or not adopt certain standards proposed under the Public Utility Regulatory Policies Act (PURPA). General Counsel Carol Wardell, acting as Presiding Officer, stated that the Board would receive testimony from staff and comments from the public on two standards for consideration: fuel source diversity and fossil fuel generation efficiency. Proper notice of the hearing was given and proof of notice was filed with the Clerk of the Board. No formal requests to intervene in the matter were received from the public and no public comments were received prior to the hearing.

Regulatory Affairs Analyst Suzanne Grassell and Power Resource Engineer Becky King provided staff testimony on the two standards and staff's recommendation that the District 1) take a "wait and see" approach on the fuel diversity standard; and 2) not adopt the fossil fuel efficiency standard because it does not apply to the district, which uses clean, renewable hydropower to generate almost all of its electricity. No public testimony was received during the hearing and the hearing concluded. Staff will present resolutions on these recommendations during the December 3, 2007 business meeting for Board approval.

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There being no further business, the meeting was adjourned at 2:17 p.m.



President



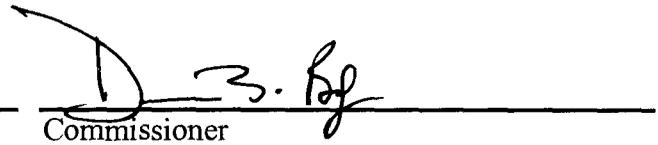
Vice President



Secretary



Commissioner



Commissioner