

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

December 3, 2007

The regular meeting of the Commission of Public Utility District No. 1 of Chelan County, Washington, was held in the Chelan County PUD Auditorium, 327 North Wenatchee Avenue, Wenatchee, Washington, on December 3, 2007, at the hour of 9:05 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 McPherrren. Various staff members were also in attendance.

Others in attendance: Paul Kingrey, Gary Nelson, Paul Reyes, Ray O'Neal, Jim O'Brien, Joe Keyser, Stefan Vogt, Jim Baxter, Geoff Waterburg, Rich Cole, Lyle Cunningham, Susan Letts, Larry Letts, Steve Czesak, Bill Stokes, Sheila Callihan, Don Walton, Wayne (last name not legible), Jeff (last name not legible), Chuck (last name not legible), Ron Loury, Davis Hulse, Sharon Kanareff, Theresa Druzak, Dan McConnell, Bill Dorsett, Ken (last name not legible), Doug Stanaway, Kellie Goetsch, Lael Junqquist, Brenda Franklin, Jack Speer, Dan Bonwell, Bob Huber, Virginia Davis, Dave (last name not legible), Steve Patterson, Richard (last name not legible), Paul Gorley, Bruce Skelton, Darren Cooper, Ron Walter, Saul Bernal, Kirk Peterson, Ken Blodgett, Alan Walker, Paul Jessup, Rod Stanton, Brian Wengreen, Stu Freed, Amy Hefner, Doug Steward, Stu Robinson, Kevin Kitzman and Christine Pratt (Wenatchee World).

Energy Resources Executive Manager Randy Lowe led the Pledge of Allegiance and provided a safety minute.

President Gutzwiler opened up the discussion on the Alcoa proposed term sheet and asked for comments from the Board. Commissioners Congdon, Bolz and Smith noted that they would prefer to listen to public comments first. Commissioner Janssen asked for clarification on why no openers were considered in the contract. General Counsel Carol Wardell noted that the negotiating team felt that the risk mitigation factors the District obtained through the contract were appropriate for a longer term, that a reopener was not included in the negotiations and discussed the impact of a reopener. Alcoa Wenatchee Works Plant Manager Stefan Vogt responded that a reopener would shorten the term of the contract and preclude Alcoa from making any long term investment decisions.

The meeting was then opened up for public comment. About 55 community members and Alcoa employees attended the meeting. Eighteen commented on the terms and most spoke in favor. Public testimony concluded at 10:50 a.m. and the meeting recessed for a break.

Continuing at 11:00 a.m., Commissioner Smith made a motion to accept the resolution approving the proposed term sheet with Alcoa:

MINUTES OF REGULAR MEETING OF THE COMMISSION

December 3, 2007

Page 3

The Budget Hearing held November 26, 2007 was continued. Staff presented the following resolutions in connection with the 2008 budget for Board approval:

RESOLUTION NO. 07-13198 ESTABLISHING AN "OPERATING RESERVE FUND" WITHIN THE DISTRIBUTION SYSTEM AND DIRECTING THE TRANSFER OF FUNDS IN THE DISTRIBUTION SYSTEM'S REVENUE FUND TO THE RATE STABILIZATION FUND AND THE OPERATING RESERVE FUND

RESOLUTION NO. 07-13199 AUTHORIZING A TRANSFER FROM THE DISTRIBUTION REVENUE FUND TO THE CONSOLIDATED SYSTEM 2002C AND 2004D BOND CAPITAL FUNDS; AUTHORIZING A REPLACEMENT LOAN FROM THE DISTRIBUTION SYSTEM TO NETWORKS, THE WATER SYSTEM, AND THE WASTEWATER SYSTEM; AND AUTHORIZING A LOAN OF THE CONSOLIDATED SYSTEM 2002C AND 2004D BOND CAPITAL FUNDS TO ROCK ISLAND AND LAKE CHELAN SYSTEMS

RESOLUTION NO. 07-13200 AUTHORIZING A LOAN IN AN AMOUNT NOT TO EXCEED \$23,806,000 FROM THE DISTRIBUTION SYSTEM REVENUE FUND TO NETWORKS TO FINANCE NETWORKS CAPITAL PROJECTS AND DEBT SERVICE FOR 2008

RESOLUTION NO. 07-13201 APPROVING THE 2008 DISTRICT BUDGETS FOR THE ELECTRIC DISTRIBUTION, NETWORKS, WATER, WASTEWATER, TREASURY SERVICES, INTERNAL SERVICE SYSTEM, FINANCING FACILITIES, COLUMBIA RIVER-ROCK ISLAND HYDRO-ELECTRIC, LAKE CHELAN HYDRO-ELECTRIC AND ROCKY REACH HYDRO-ELECTRIC SYSTEMS

The Board asked questions on the nine new positions included in the 2008 budget. Staff noted that full-time regular positions are down from the equivalent of 751 this year to 743 for 2008. The number of District employees at the end of November 2007 is down more than 30 from November 2006, and monthly payroll savings are about \$93,000. Commissioner Bolz requested that further discussion be held during the January 7, 2008 business meeting on the Staff Attorney position. Malaga resident Rich Cole expressed his concerns with the new positions included in the 2008 budget.

The PURPA Hearing held November 19, 2007 was continued. Staff reviewed their recommendation that the District take a "wait and see" approach on the fuel diversity standard required by federal regulation (PURPA) and not adopt the fossil fuel efficiency standard because it does not apply to the District, which uses clean, renewable hydropower to generate almost all

MINUTES OF REGULAR MEETING OF THE COMMISSION

December 3, 2007

Page 4

of its electricity. Staff presented the following resolutions with these recommendations for Board approval:

RESOLUTION NO. 07-13202 REGARDING FUEL SOURCE DIVERSITY CONSIDERATION AS REQUIRED UNDER SECTION 111(d)(12) OF THE PUBLIC UTILITY REGULATORY POLICIES ACT, AS AMENDED BY THE ENERGY POLICY ACT OF 2005

RESOLUTION NO. 07-13203 REGARDING FOSSIL FUEL GENERATION EFFICIENCY UNDER SECTION 111(d)(13) OF THE PUBLIC UTILITY REGULATORY POLICIES ACT, AS AMENDED BY THE ENERGY POLICY ACT OF 2005

Motion was made by Commissioner Janssen and seconded by Commissioner Congdon to adopt Resolution Nos. 07-13198 through 07-13203. The question was called for and the motion carried unanimously to adopt Resolution Nos. 07-13198 through 07-13203, which are on file in the office 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 November 19, 2007 and the regular meeting (study session) held on November 26, 2007 were presented for approval.

The Auditor's memorandum, dated November 27, 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 \$4,620,180.88;
2. Payroll for the period ending November 11, 2007 in the amount of \$1,404,878.36 as certified by the Auditor's memorandum; and

MINUTES OF REGULAR MEETING OF THE COMMISSION

December 3, 2007

Page 5

3. Customer Deposit Returns payment and Bank of America District Credit Card payment dated November 27, 2007 in the amount of \$4,562.14 and \$4,663.64 respectively.

RESOLUTION NO. 07-13204 ACCEPTING THE BID OF P.O.W. CONTRACTING, INC. OF PASCO, WASHINGTON TO PROVIDE CHELAN HATCHERY WELLFIELD – CONSTRUCTION (BID NO. 07-40)

RESOLUTION NO. 07-13205 ACCEPTING THE BIDS OF IRRIGATION TECHNOLOGY AND CONTROL INC. OF EAST WENATCHEE WA, BOART LONGYEAR OF MILTON WA, AND PIPKIN CONSTRUCTION OF WENATCHEE WA TO PROVIDE UNIT PRICE WATER WORK CONSTRUCTION (BID 07-58)

RESOLUTION NO. 07-13206 ACCEPTING THE BID OF FERGUSON ENTERPRISES OF WOODINVILLE, WASHINGTON FOR BID PRICE SCHEDULE “A” AND WESCO, INC. OF PORTLAND, OR FOR BID PRICE SCHEDULE “B” FOR BID 07-49 TO PROVIDE CONDUIT FOR CONSTRUCTION OF UTILITY INFRASTRUCTURE

RESOLUTION NO. 07-13207 APPROVING FIELD WORK ORDER NO. 3 TO CONTRACT 02-44 WITH NORTHWEST TELEPHONE, INC. TO PROVIDE LOCAL TELEPHONE EXCHANGE SERVICES

Motion was made by Commissioner Smith, seconded by Commissioner Bolz and unanimously carried adopting the Consent Agenda consisting of the minutes of the November 19, 2007 and November 26, 2007 Commission meetings, the above-listed vouchers and Resolution Nos. 07-13204 thru 07-13207.

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

RESOLUTION NO. 07-13208 AUTHORIZING EXTENSION OF THE PROFESSIONAL SERVICES AGREEMENT (PSA NO. 02-112) WITH PARKER CORPORATE SERVICES, INC. D/B/A MERCHANT PATROL SECURITY TO PROVIDE UNARMED SECURITY GUARD SERVICES FOR THE DISTRICT THROUGH DECEMBER 31, 2008

RESOLUTION NO. 07-13209 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO AN AGREEMENT WITH QUANTEC, LLC OF PORTLAND, OREGON FOR PURCHASE OF ENERGY RESOURCE PORTFOLIO MODELING SOFTWARE AND IMPLEMENTATION SERVICES (RFP NO. 07-57)

MINUTES OF REGULAR MEETING OF THE COMMISSION

December 3, 2007

Page 6

RESOLUTION NO. 07-13210 AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT (SA-TA NO. 07-201) WITH CH2M HILL OF BELLEVUE, WASHINGTON FOR PROFESSIONAL ENGINEERING SERVICES RELATED TO HCP HATCHERY SERVICES

RESOLUTION NO. 07-13211 RESCINDING THE DISTRICT'S ELECTRIC SERVICE REGULATIONS AND THE DISTRICT'S WATER/WASTEWATER SERVICE REGULATIONS AND ADOPTING THE UTILITY SERVICE REGULATIONS

Motion was made by Commissioner Bolz and seconded by Commissioner Janssen to adopt Resolution Nos. 07-13208 through 07-13211. The question was called for and the motion carried unanimously to adopt Resolution Nos. 07-13208 through 07-13211, 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 19, 2007 and November 26, 2007.

Commissioner Smith discussed the need for a letter from the Board in response to the City of Wenatchee's September 27, 2007 letter regarding the make up of the regional water coordinating committee's recommendation to add one member from each of the legislative bodies to the committee. Commissioner Smith moved to approve the sending of this letter under the signature of the Board President. The motion was seconded by Commissioner Congdon and unanimously approved. Commissioner Janssen requested that the Board be kept informed on the process.

A motion was made by Commissioner Smith and seconded by Commissioner Bolz to approve the Terms of Reference Document between Chelan County/Chelan County PUD/Port of Chelan County. Commissioner Janssen asked for time to review the document and moved to table the motion to the December 10, 2007 Board meeting. The motion to table was unanimously approved.

President Gutzwiler noted that the Board received a petition from the property owners of the Camas Acres area to form a local utility district "LUD" to bring power to the Camas Acres area. The Board will review the petition and schedule a discussion for a future meeting.

Commissioner Bolz made a motion to change start time of December 17, 2007 business meeting to 10:00 a.m. and to allow Commissioner Janssen to join the meeting via the telephone. The motion was seconded by Commissioner Smith and unanimously approved. The Board will discuss their balanced scorecard during the morning session. Regular District business will occur at 1:00 p.m.

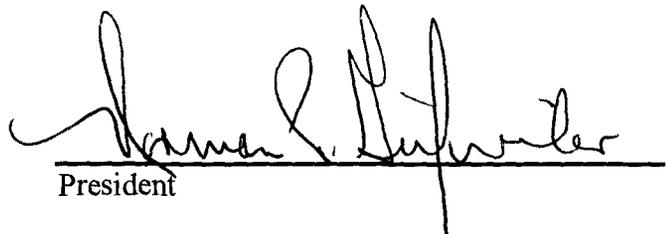
MINUTES OF REGULAR MEETING OF THE COMMISSION

December 3, 2007

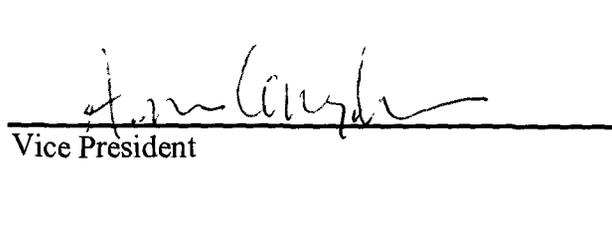
Page 7

General Counsel Carol Wardell mentioned that 4 board members would be attending the Washington PUD Association Annual meeting in Seattle December 5-7, 2007. According to RCW 42.30.070 and discussions with the State Auditor, it is not necessary to declare and notice this as a public meeting since Commissioners will not be discussing official District business and making no decisions.

There being no further business, the meeting was adjourned at 3:09 p.m.



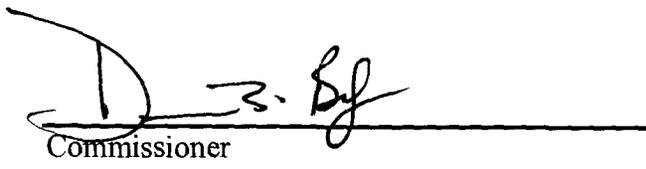
President



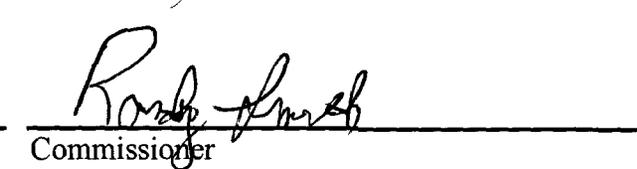
Vice President



Secretary



Commissioner



Commissioner