

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

March 24, 2008

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 March 24, 2008, at the hour of 9:00 a.m., pursuant to proper notice thereof.

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

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

Chief Financial Officer Joe Jarvis suggested discussing this month's strategic topic on Rate Design into three topics: conservation and how that plays into rate design; senior low-income disabled discounts; and revenue requirement for the various systems.

Current conservation programs include ResourceSmart, commercial energy code review, weatherization loans and customer care programs. John Stoll, Director of Customer Service stated the passing of Initiative I-937 in 2006 requires the District to develop a 10-year conservation plan as of January 2010. Initiative I-937 opportunities will be fully evaluated and incorporated into rates and fees where appropriate. There are opportunities in the commercial class for additional conservation strategies. All classes will be evaluated for appropriate rate design, class makeup and conservation strategies. Electric low-income discount programs include tiered residential rates, Helping Hand, customer service arrangements and program information, low-income senior and low-income disabled; and low-income weatherization.

Strategic Financial Planning Analyst Mark O'Bryan gave an overview of the rate-setting process. Policies and objectives identified previously include targeting a combined positive Change in Net Assets by 2011, an overall operation ratio of 80%-100% by 2011, a minimum debt coverage of 1.25 or under, limiting the potential surcharge to 14% or under, and moving the Water and Wastewater Systems toward combined system "postage stamp rates" to reduce costs. Preliminary revenue requirements were introduced for each utility system which compared the rate base revenues and costs to determine the revenue adjustment required. Next step to be completed in May is the development of the cost of service study/analysis. Rate design options will be presented to the Board and public this summer for input. Board decision on rate changes is targeted for August in time for the annual budget process.

President Gutzwiler announced a five minute recess.

After reconvening into regular session at 11:10 a.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. Commissioner Janssen asked if the conduit system

MINUTES OF REGULAR MEETING OF THE COMMISSION

March 24, 2008

Page 2

installation in the resolution accepting Bid 08-14 includes fiber. Andrew Wendell of Utility Services confirmed that the conduit system installation does include fiber as well as electric. The system will give conductivity between the Lake Wenatchee and Plain substations.

No items were requested to be transferred to the Regular Agenda. President Gutzwiler presented the Consent Agenda items for adoption as follows:

The minutes of the regular meeting held on March 10, 2008 and the regular meeting (study session) held on March 17, 2008 were presented for approval.

The Auditor's memorandum, dated March 18, 2008, 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 \$5,120,336.55;
2. Customer Deposit Returns payment dated March 18, 2008 in the amount of \$5,226.42; and
3. Payroll for the period ending March 2, 2008 in the amount of \$1,360,733.65 as certified by the Auditor's memorandum.

RESOLUTION NO. 08-13285 ACCEPTING THE BID OF SAFETY ONE OF SEDALIA, COLORADO TO PROVIDE A SNOW CAT (BID 08-27)

RESOLUTION NO. 08-13286 ACCEPTING THE BID OF MAGIC VALLEY HELI-ARC & MANUFACTURING OF TWIN FALLS, IDAHO TO PROVIDE LIVE HAUL FISH TRANSPORT TANK (BID 08-20)

RESOLUTION NO. 08-1287 APPROVING BIDDING DOCUMENTS FOR THE CHELAN SUBSTATION RECONSTRUCTION AND WALLA WALLA AVENUE SUBSTATION CONSTRUCTION PROJECT (BID 08-26) AND AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT

MINUTES OF REGULAR MEETING OF THE COMMISSION

March 24, 2008

Page 3

RESOLUTION NO. 08-13288 PREQUALIFYING PERSONS, FIRMS AND CORPORATIONS FOR THE YEAR 2008 AS BIDDERS FOR ELECTRICAL WORK FOR THE DISTRICT

RESOLUTION NO. 08-13292 ACCEPTING THE BID OF MICHELS CORPORATION OF TUMWATER, WA TO PROVIDE BEAVER VALLEY CONDUIT SYSTEM INSTALLATION (BID 08-14)

Motion was made by Commissioner Congdon, seconded by Commissioner Janssen and unanimously carried adopting the Consent Agenda consisting of the minutes of the March 10, 2008 and March 17, 2008 Commission meetings; and the above-listed vouchers and Resolution Nos. 08-13285 through 08-13288 and 08-13292.

The Commissioners reported on the various meetings each attended during the last few weeks as well as a look ahead at what is coming up. Commissioners Bolz, Congdon and Gutzwiler attended the March 13, 2008 meeting of the Chelan Customer Partnership Group at Campbell's Resort. Discussion topics included the Lake Chelan level, Chelan Falls powerhouse and Reach IV construction, temporary closure of Powerhouse Park, private docks on PUD property, the General Manager's performance review and salary increase, and the District's long-term debt.

The meeting recessed at 11:47 a.m. for the purpose of lunch and reconvened at 1:00 p.m. for the purpose of conducting the business of the District.

Reconvening at 1:00 p.m., Andrew Wendell of Utility Services led the Pledge of Allegiance and provided a safety minute.

The Commission considered the matters listed in the Regular Agenda.

RESOLUTION NO. 08-13289 EXTENDING THE PURCHASE TERM OF WIRELESS MOBILE COMMUNICATION EQUIPMENT (I.E. CELL PHONE, BLACKBERRY DEVICES AND SIMILAR COMMUNICATIONS EQUIPMENT) AND SERVICE THROUGH VERIZON WIRELESS THROUGH OCTOBER 9, 2010, UTILIZING THE WASHINGTON STATE DEPARTMENT OF INFORMATION SERVICES (DIS) AND WESTERN STATES CONTRACT ALLIANCE (WSCA) CONTRACTS

RESOLUTION NO. 08-13290 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO FUNDING AND FUNCTIONAL AGREEMENTS WITH COLUMBIAGRID

President Gutzwiler publicly announced that the Commission would convene an executive session commencing at 1:37 p.m. to consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a

MINUTES OF REGULAR MEETING OF THE COMMISSION

March 24, 2008

Page 4

likelihood of increased price, as authorized by RCW 42.30.110(1)(b) and to discuss with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i).

By motion made by Commissioner Congdon, seconded by Commissioner Janssen and carried unanimously, an executive session was convened. The notice of such executive session, including the purpose of the session and the estimated time the session would conclude was properly posted by the Clerk of the Board.

Reconvening into regular session at 1:57 p.m., President Gutzwiler reported that they discussed the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price, as authorized by RCW 42.30.110(1)(b) and to discuss with legal counsel litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i) No action was taken.

RESOLUTION NO. 08-13291 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A PURCHASE AND SALE AGREEMENT AND COMMIT TO THE PURCHASE OF REAL PROPERTY OWNED BY RICHARD LEE SCAMAN ("SCAMAN") FOR THE EXPANSION OF THE HAWLEY STREET UTILITY SERVICES CENTER

Director of Operations for Utility Services Kirk Hudson reported on current operations at the Hawley Street location. He stated the purchase of the Scaman property will provide more room for the Distribution Service Center shop, storage and staging area.

Lisa Graves of Real Estate Services stated the agreement with Richard L. Scaman includes a purchase price of \$425,000, but is contingent on the results of an environmental assessment of the former auto repair shop site and potential cleanup costs. The property was appraised at \$400,000. Staff told commissioners the negotiated price reflects the benefit to the PUD of joining the separate parcels. Steve Currit stated the purchase of the property would be contingent on the cost of the study and that cleanup not exceeding \$50,000 without further Board approval.

Motion was made by Commissioner Congdon and seconded by Commissioner Bolz to adopt Resolution Nos. 08-13289 through 08-13291. The question was called for and the motion carried unanimously to adopt Resolution Nos. 08-13289 through 08-13291, which are on file in the office of the District.

President Gutzwiler led discussion on their 2008 Balanced Scorecard Evaluate Item of Governance Positions specifically Governance Policy No. 6 titled Board Members' Code of Conduct. Items discussed were Board members represent the interests of Chelan County PUD

MINUTES OF REGULAR MEETING OF THE COMMISSION

March 24, 2008

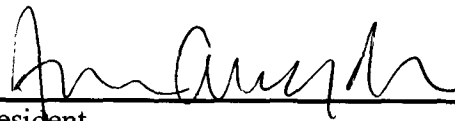
Page 5

Customer/owners should supersede any conflicting interests; Board members are to recognize that until formal action is taken by the Board as a whole, individual members do not speak for the Board; and the Open Public Meetings Act, RCW Title 42.30 and Robert's Rules of Order. The Board asked Attorney Wardell to draft language about telephonic appearances and voting participation. Commissioner Congdon asked Board members to consider modification of their mission statement to read "Provide value to our customer owners through effective governance".

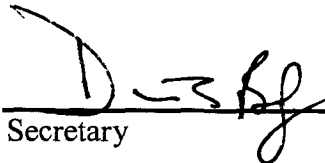
There being no further business, the meeting was adjourned at 3:09 p.m.



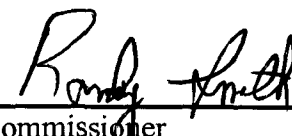
President



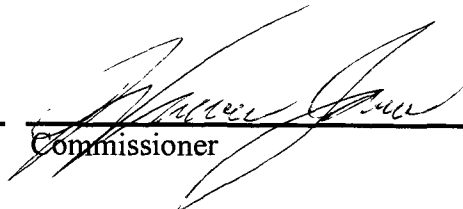
Vice President



Secretary



Commissioner



Commissioner