

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

June 30, 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 June 30, 2008, at the hour of 11:00 a.m., pursuant to proper notice thereof.

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

Others in attendance: Carnan Bergren, Jim Baxter, Darryl Wilcox and Christine Pratt (Wenatchee World).

Rocky Reach Hydro Engineering Department Manager John Sagerser 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 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 June 16, 2008 and regular meeting (study session) held on June 23, 2008 were presented for approval.

The Auditor's memorandum, dated June 24, 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 \$7,392,209.28;
2. Customer Deposit Returns payment and Bank of America District Credit Card payment dated June 24, 2008 in the amount of \$5,949.80 and \$5,514.54 respectively; and
3. Net Payrolls, Warrant Nos. 219358 through 219477 and Advice Nos. 475131 through 475823 for the period ending June 8, 2008 in the amount of \$1,467,918.54 as certified by the Auditor's memorandum.

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4. Charge-offs to Uncollectible Accounts in the Amount of \$4,098.78 – May 2008

RESOLUTION NO. 08-13344 APPROVING FIELD WORK ORDER NOS. 1 AND 2, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 07-27 WITH CENTRISYS CORPORATION OF KENOSHA, WISCONSIN AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE PESHASTIN SLUDGE DEWATERING SYSTEM

RESOLUTION NO. 08-13345 APPROVING FIELD WORK ORDER NO. 2, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 06-11 WITH MOE ASPHALT PATCHING AND SEALCOATING, INC. OF WENATCHEE, WA AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE ASPHALT PAVEMENT REPAIRS AND MISCELLANEOUS CONCRETE REPAIRS FOR A TWO YEAR PERIOD

RESOLUTION NO. 08-13346 APPROVING FIELD WORK ORDER NOS. 1, 2 AND 3, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 07-34 WITH CANYON INDUSTRIES, INC. OF DEMING, WASHINGTON AND AUTHORIZING PAYMENT OF RETAINAGE DUE FOR THE NEW PELTON TURBINE AT STEHEKIN POWERHOUSE

Motion was made by Commissioner Janssen, seconded by Commissioner Congdon and unanimously carried adopting the Consent Agenda consisting of the minutes of the June 16, 2008, and June 23, 2008 Commission meetings, the above listed vouchers and Resolution Nos. 08-13344 through 08-13346, which are on file in the offices of the District.

President Gutzwiler lead a discussion on the Board's Strategic Objective "Approve Strategy and Business Plan" as outlined in the Board's Balanced Scorecard. Commissioners asked staff for clarification of the District planning timeline. Director of the Strategic Financial Planning Division Kelly Boyd outlined the planning cycle explaining it begins with the Board's look forward to policy planning for the next year which would then be communicated to the Executive Team, giving them direction as they put together more detailed plans to be given to individual groups for operational planning in preparation for the start of the budgeting process in September each year. Ms. Boyd also stated that the decisions made by the Board as part of the rate design process fall under the strategic planning objective. President Gutzwiler said they will continue defining their strategic direction at future meetings.

Entiat Customer Darryl Wilcox asked the Board for help in obtaining his line extension and was directed to Jack Winter of Utility Services.

The Commissioners reported on the various meetings each attended during the weeks of June 16, 2008 and June 23, 2008.

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Commissioner Janssen thanked Joe Jarvis, Kelley Boyd and Mark O'Bryan of the Financial Planning Division for participating in a discussion with a small group of Upper Valley rate payers held to answer questions about the rate-setting process and cost-of-service study at the Leavenworth office on June 27, 2008. Commissioner Janssen stated the small group discussion was valuable to those who attended. Commissioner Bolz expressed concern that the Leavenworth meeting was not properly noticed to other Commissioners and rate payers. Other Commissioners agreed with Commissioner Bolz's concerns. Commissioners stated in the future they would ask that in the future this type of meeting be communicated by Commissioner Janssen to all Board members.

Commissioner Bolz presented the draft of a letter to be signed by the entire Board of Commissioners and sent to the Mayor and City Council of Wenatchee (City) expressing their disappointment regarding the decision to grant to the Riverwalk Condo development, developed by Randy Zielinski of Whitebird Construction, alternative compliance to the 20-foot perimeter landscape buffer for development adjacent to public parks. The letter supports District staff's list of recommendations of amendment to the new City zoning code to include as written in the previous zoning code the requirement of the 20-foot perimeter landscape buffer adjacent to public parks for all sections of the waterfront mixed-use zoning. Commissioners also recognized past cooperative projects and encouraged future cooperative and coordinated efforts between the City and the District.

Motion was made by Commissioner Bolz, seconded by Commissioner Smith and unanimously passed to cancel the July 7, 2008 study session.

The meeting recessed at 12:08 p.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., General Counsel Carol Wardell opened a joint public hearing held simultaneously via teleconference in Chelan County at the office of the District and in the Snohomish County Conference Room TC2E at the Snohomish County Public Utility District, 2320 California Street, Everett, Washington. RCW 39.33.020 requires a public hearing be held to declare 371.8 acres of property on Miner's Ridge in Snohomish County surplus to the District's needs and enter into a land exchange with the United States Forest Service. Becky Jaspers stated there are no members of the public in attendance at the Snohomish County. Tim Larson states no response has been received locally.

RESOLUTION NO. 08-13347 DECLARING A 371.8 ACRE PARCEL OF LAND LOCATED ON MINER'S RIDGE IN THE GLACIER PEAK WILDERNESS AREA TO BE SURPLUS TO THE DISTRICT'S NEEDS AND AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A LAND EXCHANGE AGREEMENT WITH THE UNITED STATES FOREST SERVICE

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Staff Attorney Erik Wahlquist reported to the Board that the District has been working on this property exchange for several years. Attorney Wahlquist summarized that the Forest Service is interested in acquiring the Miner's Ridge Property and including the property within the Glacier Peak Wilderness. In exchange, the Forest Service is willing to grant the District a permanent easement right to maintain and access the Lyman Lake SNOTEL site for the purpose of obtaining data used to forecast water runoff in the Chelan Basin. Attorney Wahlquist explained the provision of the proposed Exchange Agreement. In April 2008 the Forest Service's exchange of rights was approved by the United States Congress as part of the Consolidated Natural Resource Act of 2008. As part of the bill, Congress specifically required that the District offer the Miner's Ridge Property to the Forest Service within ninety (90) days of the effective date of the Bill. President Bush signed the Bill into Law on May 8, 2008. A decision regarding environmental remediation of the site, if any is required, will be made at a later date.

Motion was made by Commissioner Smith, seconded by Commissioner Janssen and unanimously carried adopting Resolution No. 08-13347 declaring a 371.8 acre parcel of land located on Miner's Ridge in the Glacier Peak Wilderness area to be surplus to the District needs and authorizing the General manger to enter into a land exchange agreement with the United States Forest Service, which is on file in the offices of the District.

The Commission considered the matters listed in the Regular Agenda.

RESOLUTION NO. 08-13348 ADOPTING PROCEDURES AND GUIDELINES FOR PROCUREMENT OF ARCHITECTURAL, ENGINEERING, LAND SURVEYING AND LANDSCAPE ARCHITECT SERVICES PURSUANT TO RCW 39.80

RESOLUTION NO. 08-13349 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO FUNDING AND FUNCTIONAL AGREEMENTS WITH THE NORTHWEST POWER POOL CORPORATION

Motion was made by Commissioner Janssen and seconded by Commissioner Congdon to adopt Resolution Nos. 08-13348 and 08-13349. The motion unanimously carried to adopt Resolution Nos. 08-13348 and 08-13349. Resolutions Nos. 08-13348 and 08-13349 are on file in the office of the District.

Director of the Strategic Financial Planning Division Kelly Boyd asked if the Commissioners would like to make changes to the rate design draft presented to the Board at the June 23, 2008 study session. Commissioners discussed seven draft electric rate design concepts including an incremental increase for 2009 of approximately 4%, adjusting the tiered rates to promote conservation and to assist a broader range of low-income customers, incremental progress in aligning rates components with cost of service, incremental progress in aligning rates with cost of service between customer classes, eliminating the minimum charge, eliminating the demand ratchet and modifying the irrigation season. The Board also discussed changing the effective

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date of any new rates to April 1, 2009 rather than Jan. 1. Potential variations on the draft rate design were discussed including a request from Commissioners Janssen and Smith that staff provide a revised draft that included no incremental rate increase for 2009. By majority, Commissioners subsequently decided that the current draft design was sufficient, but did request staff to quantify the effects of an April 1, 2009 implementation date.

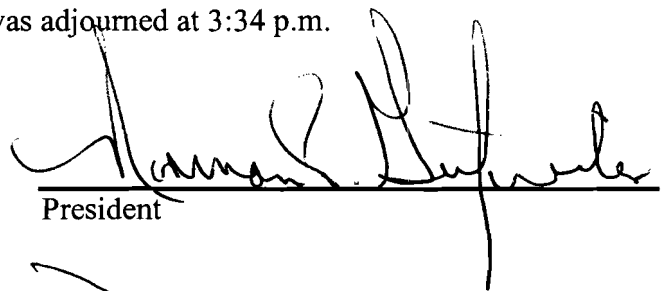
Director of Customer Service John Stoll reminded the Board of the PURPA requirement of three (3) informational meetings and a public hearing to be held to discuss changes to rates.

Customer Carnan Bergren spoke toward the issue of the meeting held in Leavenworth and asked in the future meetings would be publicized so other people could attend.

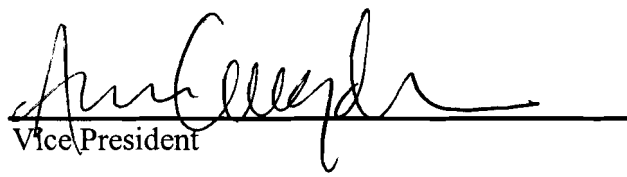
Executive Manger of Utility Services Jack Winter reported on an outage in the Wenatchee Heights area caused by a truck hitting a pole. The outage affects several irrigation pumps and the District reservoir pumps. Reservoir pumps are currently being powered by generators installed as part of the District emergency response plan. Fiber cable that serves Malaga and Three lakes is also down. Power restoration is expected to be 4:00 p.m. today.

Water Resource Engineer John Goodwill and Staff Attorney Erik Wahlquist updated the Board tow proposed changes to the Monitor LUD resolution. The first proposed change would include some adjacent parcels in the LUD boundary. These properties front the LUD boundaries and do not require any additional system infrastructure. A second proposed change would be to allow properties outside the boundaries to connect to the system and pay a charge in lieu of assessment. Staff is proposing that the charge in lieu of assessment be based on an equivalent meter unit. Staff will return to the Board on July 14, 2008 with the proposed amendment.

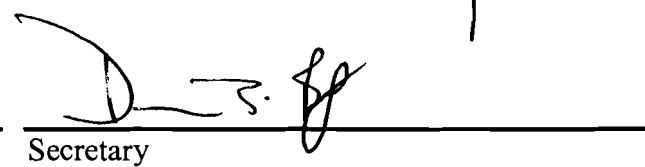
There being no further business, the meeting was adjourned at 3:34 p.m.



President



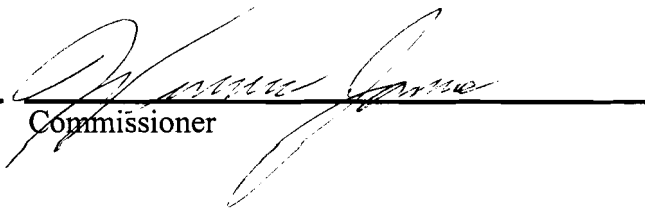
Vice President



Secretary



Commissioner



Commissioner