

PUBLIC UTILITY DISTRICT NO. 1 of CHELAN COUNTY
P.O. Box 1231, Wenatchee, WA 98807-1231 • 327 N. Wenatchee Ave., Wenatchee, WA 98801
(509) 663-8121 • Toll free 1-888-663-8121 • www.chelanpud.org

April 28, 2006

Kristi M. Wallis
716 – 39th Avenue
Seattle, Washington 98122
(206) 726-1699

Kristi,

On April 24, 2006, the Chelan County PUD Board of Commissioners, via the enclosed Resolution, voted to assume the role of a Member in ColumbiaGrid as provided in Section 5.1 of the ColumbiaGrid bylaws.

The primary and alternate representative for the District will be Steve Fisher, Power Manager and Chad Bowman, Senior Operations Engineer, respectively.

Primary Representative

Steve Fisher
327 N. Wenatchee Ave.
Wenatchee WA, 98801
(509) 661-4347
steve.fisher@chelanpud.org

Alternate Representative

Chad Bowman
327 N. Wenatchee Ave.
Wenatchee WA, 98801
(509) 661-4605
chad.bowman@chelanpud.org

For further information or to discuss this matter in greater detail, please contact Steve Fisher.

Sincerely,

Wayne W. Wright
Interim General Manager

RESOLUTION NO. **06-12896**

A RESOLUTION AUTHORIZING THE DISTRICT TO BECOME A MEMBER OF THE NONPROFIT CORPORATION "COLUMBIAGRID" AND TO ENTER INTO FUNDING AND FUNCTIONAL AGREEMENTS

FACTUAL BACKGROUND AND REASONS FOR ACTION

Public Utility District No. 1 of Chelan County ("District) owns and operates generation and transmission facilities that are an integral part of the regional transmission grid. Access to transmission is important to the District both to deliver energy as required by long-term power sales contracts and to enable the District to sell surplus energy to others in the region as needed. Impaired access to transmission may diminish the value of the District's generating resources.

Over the last decade the use of the transmission grid has changed and the flexibility of the hydro system to accommodate the changing use of transmission has diminished. The Federal Energy Regulatory Commission, following passage of the Energy Policy Act of 1992, required utilities to provide open access to their transmission systems. As a result, the way electricity flows from generation to load across the grid has changed. In addition, northwest loads are expected to grow 12% by 2014. The net result is the regional transmission grid is now operated closer to its limits. There is a need to improve both reliability and efficiency.

A broad-based consensus has emerged among the regional transmission system operators and customers that, in order to make better use of the transmission system and maintain an acceptable level of reliability, the transmission system must be managed on a regional basis.

The current proposal for addressing regional transmission problems is called "ColumbiaGrid." ColumbiaGrid is a nonprofit corporation, incorporated in Washington on March 31, 2006 under the Washington Nonprofit Corporation Act, RCW Chapter 24.03. As a Member of ColumbiaGrid, the District would participate in the election of directors; establish budgets for start-up and on-going operations; admit new Members; identify services to be offered pursuant to Functional Agreements; and other matters of the corporation. A Member may withdraw from ColumbiaGrid by giving written notice to the secretary of the corporation.

ColumbiaGrid will provide transmission services to its members and other entities through a variety of Functional Agreements. These Functional Agreements will provide for transmission system planning and expansion, redispatch coordination, common OASIS, and other services as may be directed by the Members of ColumbiaGrid.

District staff anticipates that the ColumbiaGrid Members will complete a Funding Agreement for ColumbiaGrid start-up costs in June 2006. The District's initial allocation of start-up costs should be under \$300,000, of which about \$100,000 would be due and payable in the second half of 2006.

The District staff recommends that it is in the best interests of the District to become a Member of ColumbiaGrid as specified in the ColumbiaGrid Bylaws.

The Interim General Manager has reviewed District staff's recommendation and concurs in the same.

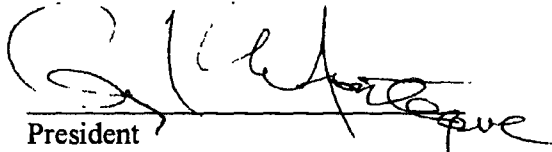
ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. The District's General Manager or his designee is hereby directed to communicate that the District agrees to its membership in the ColumbiaGrid as provided in Section 5.1 of the ColumbiaGrid Bylaws.

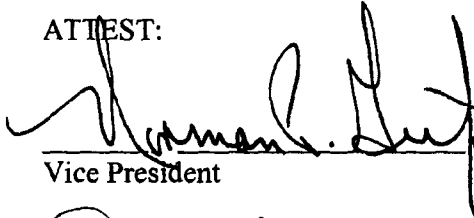
Section 2. The District's General Manager is hereby authorized to enter into a ColumbiaGrid Funding Agreement and Functional Agreement as they become available, provided that such agreements are in the best interest of the District.

Dated this 24th day of April 2006.

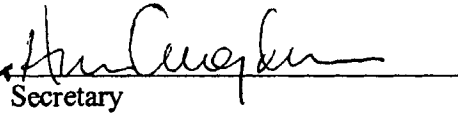


President

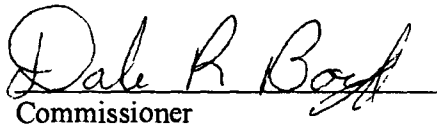
ATTEST:



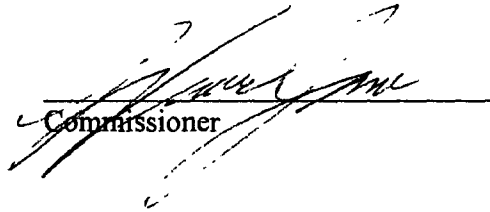
Vice President



Secretary



Commissioner



Commissioner

Seal