

RESOLUTION NO. 07-13164

A RESOLUTION ESTABLISHING THE PUBLIC
NOTICE POLICY FOR SURCHARGE HEARINGS
AND APPROVING SURCHARGE PROCEDURE

FACTUAL BACKGROUND AND REASONS FOR ACTION

The District, in compliance with RCW 54.24.080, is required to establish, maintain, and collect rates or charges for electric energy and water and other services, facilities, and commodities sold, furnished, or supplied by the district. The rates and charges shall be fair, nondiscriminatory, and shall be adequate to provide revenues sufficient for the payment of the principal of and interest on such revenue obligations for which the payment has not otherwise been provided and all payments which the district is obligated to set aside in any special fund or funds created for such purpose, and for the proper operation and maintenance of the public utility and all necessary repairs, replacements, and renewals thereof.

In a strategic effort that began in August 2006, the General Manager and District staff analyzed and discussed with the Commission the costs and revenues in each area of operation of the District. Financial analyses and policy discussions were held during a series of public meetings. The information, analyses and discussions were designed to set the utility's course through 2012. The General Manager recommended rate increases for electric, water and wastewater, and telecommunication services to narrow the operational gaps and reduce potential surcharges.

As an outcome of this effort, on June 11, 2007 the Board adopted guiding principles. Guiding principle No. 4 stated that "a surcharge is an appropriate way to manage risk and volatility if necessary." Furthermore, the Board prescribed that the surcharge would be considered with the stipulation that the potential "surcharge should be limited to 14% at a 90% confidence level (and 0% at a 50% confidence level) to meet a 1.25 debt coverage requirement."

Resolution No. 80-6286 dated April 28, 1980, adopted the Notice Policy for Rate Proceedings. Pursuant to this policy, the District is required to provide public notice regarding rate change proceedings considered by the Board, and hold at least three separate informational meetings about the proposed rate changes within prescribed time limitations.

Staff recommends that a surcharge proceeding follow a separate notice and meeting policy than prescribed for traditional rate proceedings as outlined in resolution No. 80-6286.

On July 30, 2007, District staff discussed and recommended a suggested surcharge public notice process that would include the following steps:

- a. When appropriate, the surcharge potential shall be initiated during the District's annual budget preparation and evaluated through the first quarter of each year.
- b. If a surcharge is to be considered, one public meeting will be held in Wenatchee in March or April (or other month as approved by the Board).
- c. Notice of the meeting will be advertised through local media for the two weeks prior to the meeting.
- d. A formal resolution would be presented at a regularly scheduled Commission meeting for final determination of the surcharge.

The 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 Commission reaffirms its commitment to the general terms and purpose of the surcharge as contained in the guiding principles and policies as stated on June 11, 2007.

Section 2. Staff will review surcharge requirements annually to determine if the surcharge is necessary to manage risk and volatility. This resolution sets forth the public notice process for potential surcharges as follows:

- a. When appropriate, the surcharge potential shall be initiated during the District's annual budget preparation and evaluated through the first quarter of each year.
- b. If a surcharge is to be considered, one public meeting will be held in Wenatchee in March or April (or other month as approved by the Board).
- c. Notice of the meeting will be advertised through local media for the two weeks prior to the meeting.
- d. A formal resolution would be presented at a regularly scheduled Commission meeting for final determination of the surcharge.

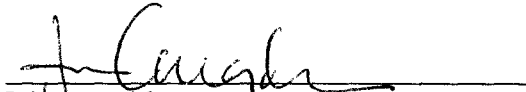
Section 4. The Board of Commissioners has determined it is appropriate that the surcharge rate proceeding follow a separate notice policy than prescribed for traditional rate proceedings as outlined in Resolution No. 80-6286. Resolution No. 80-6286 is superseded by this resolution as to surcharge proceedings. Resolution No. 80-6286 remains in full force and effect for rate proceedings.

DATED this 10th day of September 2007.




President

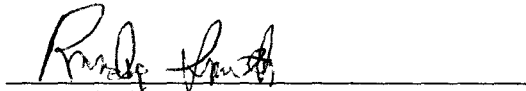
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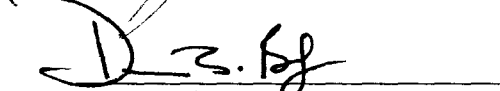
Vice President



Secretary



Commissioner



Commissioner

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