

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

January 24, 2007

The special meeting of the Commission of Public Utility District No. 1 of Chelan County, Washington, was held at the Leavenworth PUD Auditorium, 222 Chumstick Highway, Leavenworth, Washington, on January 24, 2007, at the hour of 5:30 p.m., pursuant to proper notice thereof.

Commissioners present were Werner Janssen, Randy Smith and Dennis Bolz. In attendance were General Manager Richard Riazzi, Power Management Director Randy Lowe and Customer Service Director John Stoll.

Others in attendance: Various staff members and members of the public were also in attendance.

General Manager Richard Riazzi explained the pressures on District finances for four Leavenworth-area residents and why a temporary electric rate surcharge may be necessary starting March 1, 2007.

Mr. Riazzi outlined the issues with Power Management Director Randy Lowe and Customer Service Director John Stoll which led to a surcharge being considered. He presented charts and graphs that illustrated the volatility of market power prices and the uncertainty of this year's river flows in the Columbia River. The latest estimates place river flow between 85 and 107 percent of average, depending on snowfall in remaining winter months.

The District relies on revenues from surplus power sales on the open market to provide much of the income for its annual budget. This year those revenues are expected to be lower than 2006 due to lower market power price and lower water runoff. A surcharge is being considered as a temporary measure while the District goes through a long-term strategic planning process that will put in place permanent measures to strengthen the District's long-term financial picture.

The community meeting in Leavenworth was the third in a series leading to a formal rate hearing by the board on February 12, 2007 and a decision on February 20, 2007 as to whether a temporary surcharge should be adopted for the rest of the year.

Questions from customers in Leavenworth included whether the District considered adding a surcharge to water and fiber bills and how much government aid the District expects to receive to help cover the estimated \$2 million in damage from the January 7, 2007 wind storm.

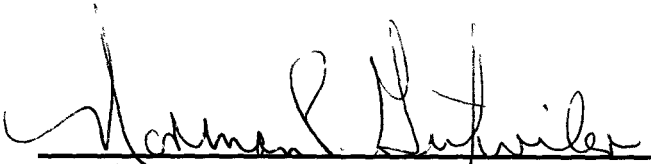
Mr. Riazzi said changes in water and sewer rates and the fiber build-out plan are being discussed for the long-term in the community strategic planning sessions. The next meeting is March 19, 2007 in Wenatchee. Chief Financial Officer Joe Jarvis said it may be several months before the District knows how much government aid and insurance is available to cover storm costs.

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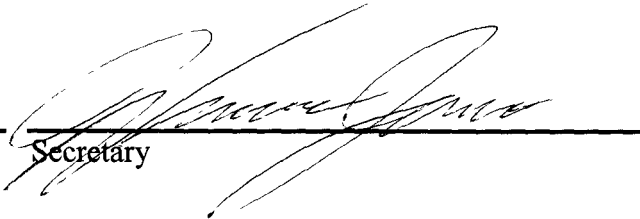
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There being no further business, the meeting was adjourned at 6:50 p.m.



President

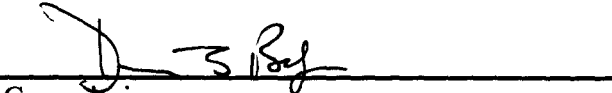
Vice President



Secretary



Commissioner



Commissioner