

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

March 19, 2007

The regular meeting (study session) of the Commission of Public Utility District No. 1 of Chelan County, Washington, was held at the Confluence Technology Center, 285 Technology Center Way, Wenatchee, Washington, on March 19, 2007, at the hour of 5:30 p.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Werner Janssen, Randy Smith and Dennis Bolz. In attendance were General Manager Richard Riazzi, General Counsel Carol Wardell and Clerk of the Board Melisa McPherren.

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

General Counsel Carol Wardell led the Pledge of Allegiance and Electric Transmission and Distribution Director Kirk Hudson provided a safety minute.

The meeting on March 19, 2007 was the third in a series of community strategic planning sessions hosted by Commissioners to develop policies and principles for the future direction of Chelan County PUD. General Manager Richard Riazzi outlined for Commissioners three possible approaches to Chelan County PUD's finances for the next five years. The approaches included detailed analysis of the impacts from choices ranging from raising electric, water and sewer rates to slowing the fiber build-out and what effect the choices would have on key financial measurements through 2012. Mr. Riazzi said he welcomed the chance to discuss the choices with Commissioners and the community. "We think we have heard some clear preferences expressed (at earlier meetings)," he said. "We will now choose wisely based on the best information, the best analysis and the best input from our customer-owners. "As a result, the PUD's financial future will be more certain, and we will be able to serve the community better as it changes." About 100 people attended the meeting. At earlier strategic meetings, Mr. Riazzi reviewed the PUD's financial past and looked at forecasts for the future. He discussed gaps in revenue that have developed and how those gaps will likely grow if the PUD continues to rely so heavily on revenue from surplus wholesale power sales. The action plans presented during the meeting reflected different approaches to managing risk. The plans were developed based on assumptions about possible policy decisions Commissioners could make and the financial impacts that would result. The plans are:

- Continuing to rely heavily on wholesale revenue – which is what the PUD does now - to cover revenue gaps but which will result in greater financial uncertainty and higher risk for the PUD.
- Relying more on retail rates – less risky for the District but which will require higher rates.
- Taking a balanced approach – with limited risk and moderate electric rate increases from 5 percent to 9 percent a year, along with other impacts.

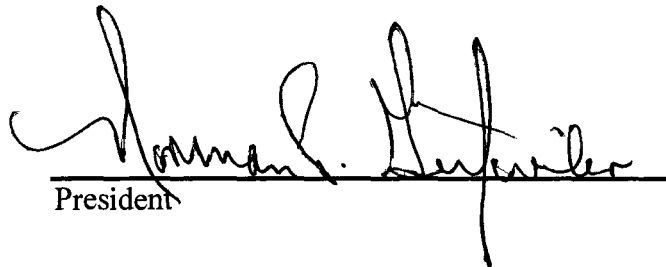
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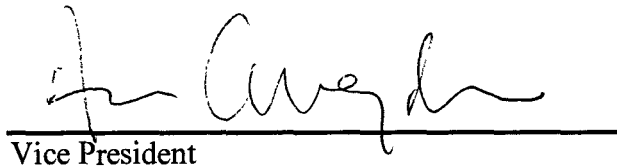
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Mr. Riazzi said aligning policy and action is critical. Managers will watch indicators such as operating ratio, debt coverage ratio, cash reserves, debt levels and cash flow volatility to monitor the impact of future decisions. Comments from the public included questions about PUD finances after 2012 when long-term contracts for power produced at Rocky Reach and Rock Island dams expire; support for continuing the fiber network build-out; concern about line extension costs; and a request for uniform rate increases so businesses can plan for them. Industrial customer representatives, from a group working with the PUD on possible rate changes for large power users, presented a set of principles for discussion and will provide more details at a future board meeting. Commissioners will discuss the aspects of each plan in detail at study sessions in April. Commissioners will be asked to establish initial governing policies, guiding principles and actions plans at a fourth strategic session in mid-May.

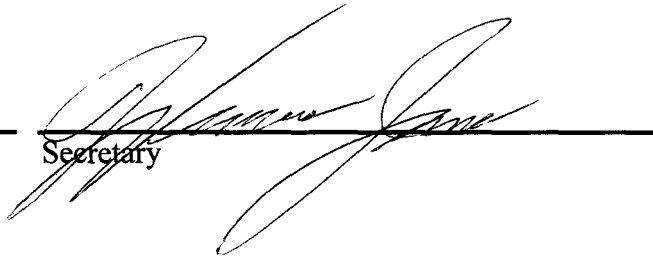
There being no further business, the meeting was adjourned at 8:30 p.m.



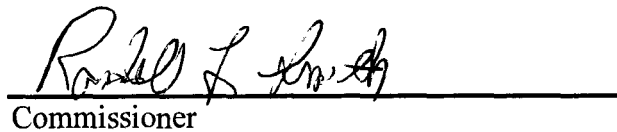
Norman L. Berwick  
President



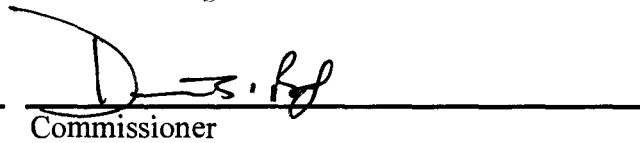
Jim Averda  
Vice President



John J. Jones  
Secretary



Ronald L. Smith  
Commissioner



D. S. Bell  
Commissioner