

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

November 26, 2007

The regular meeting (study session) 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 November 26, 2007, at the hour of 1:00 p.m., pursuant to proper notice thereof.

Commissioners present were Ann Congdon, Werner Janssen, Randy Smith and Dennis S. Bolz. President Gutzwiler was excused from the meeting. In attendance were General Manager Richard Riazzi, General Counsel Carol Wardell and Clerk of the Board Melisa McPherrren. Various staff members were also in attendance.

Others in attendance: Bill Stokes, Rick Tyler, Jim Baxter and Christine Pratt (Wenatchee World).

Treasury Analyst Ingrid Miller led the Pledge of Allegiance and provided a safety minute.

The budget hearing convened. Treasury Analysts Ingrid Miller and Kevin White began the budget discussion with a proposal to save the District money and lower risk by restructuring internal debt and transferring funds to a rate-stabilization fund. That fund can be used to help avoid surcharges on customer bills in years with less water flows or low power prices or other events resulting in decreased revenues or increased costs. Staff will present resolutions which incorporate these funding strategies at the December 3, 2007 business meeting for Board approval. Director of Strategic Financial Planning Kelly Boyd and Budget Manager TJ Farrell then shared with Commissioners the latest look at the proposed 2008 budget, showing a 2-percent reduction in overall spending compared with the 2007 budget. The \$297 million spending plan holds increases in next year's operation, maintenance and tax expense to 3.7 percent over 2007 projected results, below the target of 5.3 percent. It also reflects 5-percent electric and 9-percent water and sewer rate increases. Nine new positions are included to meet needs in specific departments, but overall full-time regular employees are down from 751.3 (FTEs) this year to 743.2. Early water supply forecasts and market volatility require staff to plan for wholesale power sales revenues that could range from \$33 million to \$77 million in 2008. At this point, an average water year is expected. Capital spending is targeted at \$97.3 million, slightly below this year's \$98 million. Large projects will include ongoing modernization at Rock Island and Lake Chelan dams. Ms. Farrell noted challenges faced next year, including costs of putting the new Lake Chelan Hydro license into place and the new license for Rocky Reach, which is expected to be approved in 2008. Other spending will cover repairs needed for aging electric and water systems, hatcheries, parks and equipment at the dams, and increases in the cost

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of fuel, steel and copper. Ms. Boyd also walked Commissioners through forecasts of District finances through 2012. Strategic planning sessions completed earlier this year led to 2008 budget targets, which, as a whole, were met. Forecasts for 2009-2011 show the District will still be vulnerable and will have to rely on surplus power sales to cover financial gaps.

A motion was made by Commissioner Smith and seconded by Commissioner Bolz to continue the budget hearing to 1:00 p.m. on December 3, 2007 to consider adoption of the 2008 budget. The motion passed unanimously.

External Affairs Division Director Gregg Carrington, Natural Resources Division Director Tracy Yount and Governmental Affairs Manager Andrew Munro discussed efforts underway by External Affairs staff to help shape public policy and anticipate emerging issues and trends related to legislation and regulations affecting the utility. On the radar now are climate change policy and regulations, renewable portfolio standards (RPS), conservation requirements, state procurement statutes, federal fish recovery plans and treatment of hatchery populations, water quality compliance, and regional transmission planning and integration of renewable resources.

Commissioner Smith notified the Board that a discussion would be held during the December 3, 2007 business meeting to discuss the terms of reference document between Chelan County, Chelan County PUD and Port of Chelan County.

Commissioner Janssen made a motion to change the start time of the December 10, 2007 study session to 9:30 a.m. to conduct regular business in the board room. The meeting would then continue at 1:30 p.m. with Chelan County commissioners in the Chelan County Chambers. The motion was seconded by Commissioner Smith and unanimously passed.

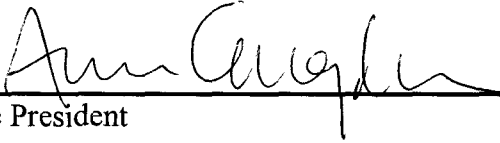
General Counsel Carol Wardell notified the Board that the District has been dismissed from a \$10-million lawsuit brought by Michael Ryan Pattison, who was injured in a May 2005 swimming accident at Don Morse Park in Chelan.

Commissioner Janssen noted that the Board received a petition from the Camas Acres area property owners to request the formation of a local utility district (LUD) to bring power to the Camas Acres area. Staff is currently undergoing a review of the LUD process and would advise the Board as to next steps upon completion of that review.

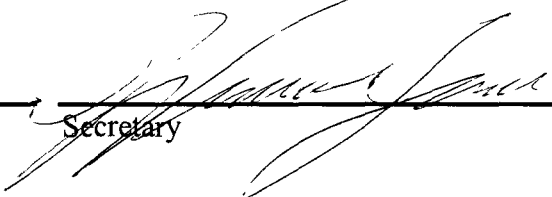
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There being no further business, the meeting was adjourned at 4:07 p.m.

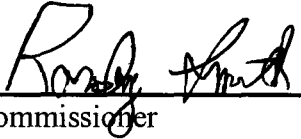
President



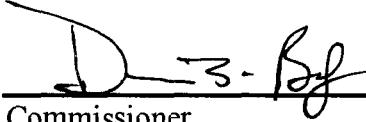
Vice President



Secretary



Commissioner



Commissioner