

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

May 29, 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 May 29, 2007, at the hour of 10:00 a.m., pursuant to proper notice thereof.

Commissioners present were Norm Gutzwiler, Ann Congdon, Werner Janssen, Randy Smith and Dennis S. Bolz. In attendance were General Manager Richard Riazzi, Staff Attorney, Karen Wiggum and Acting Clerk of the Board Lisa Everhart. Various staff members were also in attendance.

Others in attendance: Bill Stokes, Jim Baxter, West Mathison (Stemilt), David Reed (Keyes Fiber), Robert McDougal (McDougal & Sons), Stewart McDougal (McDougal & Sons), Doug England (Manson Fruit Cooperative), and Tom Mathison (Stemilt)

A special meeting of the Commission was officially noticed for May 24, 2007 for the Entiat Customer Partnership Group meeting. Commissioner Janssen attended the meeting but no quorum was present and thus no minutes required.

Energy Resources Group Executive Manager Randy Lowe led the Pledge of Allegiance and provided a safety minute.

General Manager Rich Riazzi recommended a series of 9% rate increases for electric, water and sewer services to stabilize District finances through 2012. The recommended increases would begin January 1, 2008, and last through 2011 for electric bills and through 2012 for water and sewer services. Commissioners could revise the plan each year, if water conditions were better than expected. Even after four years of increases, electric rates would still be well below regional and national levels. As part of the strategy, more than \$100 million in reserves would be used to pay off internal and external debt and future capital expenses.

The meeting recessed at 12:28 p.m. for the purpose of lunch and reconvened at 1:00 p.m. for the purpose of conducting the business of the District.

Commissioners heard from fruit packing and shipping customers regarding electric rates. They asked commissioners to create an agricultural rate class and submitted a proposal asking that rate increases for that class be limited to 4% annually through 2011. Commissioners will consider the request as they move forward with strategic planning.

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Staff presented the following items for Board approval:

RESOLUTION NO. 07-13114 ACCEPTING THE BID OF GENERAL PACIFIC, INC. OF PORTLAND, OREGON FOR BID PRICE SCHEDULES A & C; AND ACCEPTING THE BID OF ERMCO TRANSFORMERS OF DYERSBURG, TENNESSEE FOR BID PRICE SCHEDULE B TO PROVIDE DISTRIBUTION TRANSFORMERS (BID 07-23)

Motion to approve capital budget revision in the amount of \$2,400,000 for Distribution Transformers.

Motion to approve capital budget revision in the amount of \$1,130,000 for the Walla Walla Street Substation relocation.

Motion was made by Commissioner Smith and seconded by Commissioner Bolz to adopt Resolution No. 07-13114 and the motions to approve capital budget revision in the amount of \$2,400,000 for Distribution Transformers and to approve capital budget revision in the amount of \$1,130,000 for the Walla Walla Street Substation relocation. The question was called for and the motion carried unanimously to adopt Resolution No. 07-13114 and the motions to approve capital budget revision in the amount of \$2,400,000 for Distribution Transformers and to approve capital budget revision in the amount of \$1,130,000 for the Walla Walla Street Substation relocation.

Randy Lowe provided an update to Commissioners that wholesale surplus power revenues are \$38.8 million through April. This is \$3 million more than budgeted for all of 2007. Chief Financial Officer Joe Jarvis told commissioners that the extra funds would be used for projects, like tree trimming, that were postponed when the PUD expected less water and lower wholesale power prices. The funds will also cover items not anticipated in 2007, like the Cashmere electric system offer and the Walla Walla Substation relocation.

Such other matters of general business as may necessarily come before the Commission

President Gutzwiler publicly announced that the Commission would convene an executive session commencing at 2:00 p.m. to review the performance of a public employee, as authorized by RCW 42.30.110(1)(g). He stated that he anticipated the executive session would conclude at approximately 2:45 p.m.

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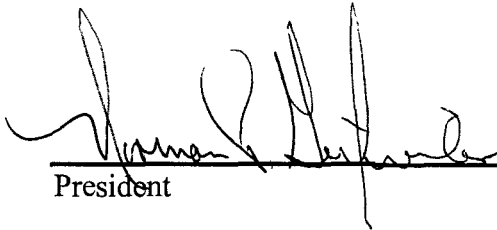
By motion made by Commissioner Congdon, seconded by Commissioner Bolz and carried unanimously, an executive session was convened. The notice of such executive session, including the purpose of the session and the estimated time the session would conclude was properly posted by the Acting Clerk of the Board.

Reconvening into regular session at 2:40 p.m., the Commissioners reported that they reviewed the performance of a public employee, as authorized by RCW 42.30.110(1)(g). Motion was made by Commissioner Bolz and seconded by Commissioner Janssen to present to Mr. Riazzi a performance review as compiled by the Board of Commissioners and couple that with a 4.5% raise for the remaining part of 2007 beginning June 1. The question was called for and the motion carried unanimously.

Motion was made by Commissioner Congdon and seconded by Commissioner Smith to recess and continue the meeting to 7:00 p.m. at the Monitor United Methodist Church to attend the Monitor Community meeting. The question was called for and the motion carried unanimously.

There being no further business, the meeting was adjourned at 2:43 p.m.

The meeting was continued on Tuesday, May 29, 2007 at 7:00 p.m. at the Monitor United Methodist Church to attend the Monitor Community meeting. Commissioners Janssen, Smith, Congdon and Bolz attended and listened to questions and input from Monitor citizens. There being no further business, the meeting concluded at 8:50 p.m.



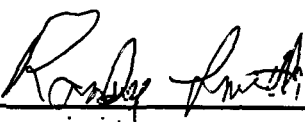
President




Vice President



Secretary



Commissioner



Commissioner