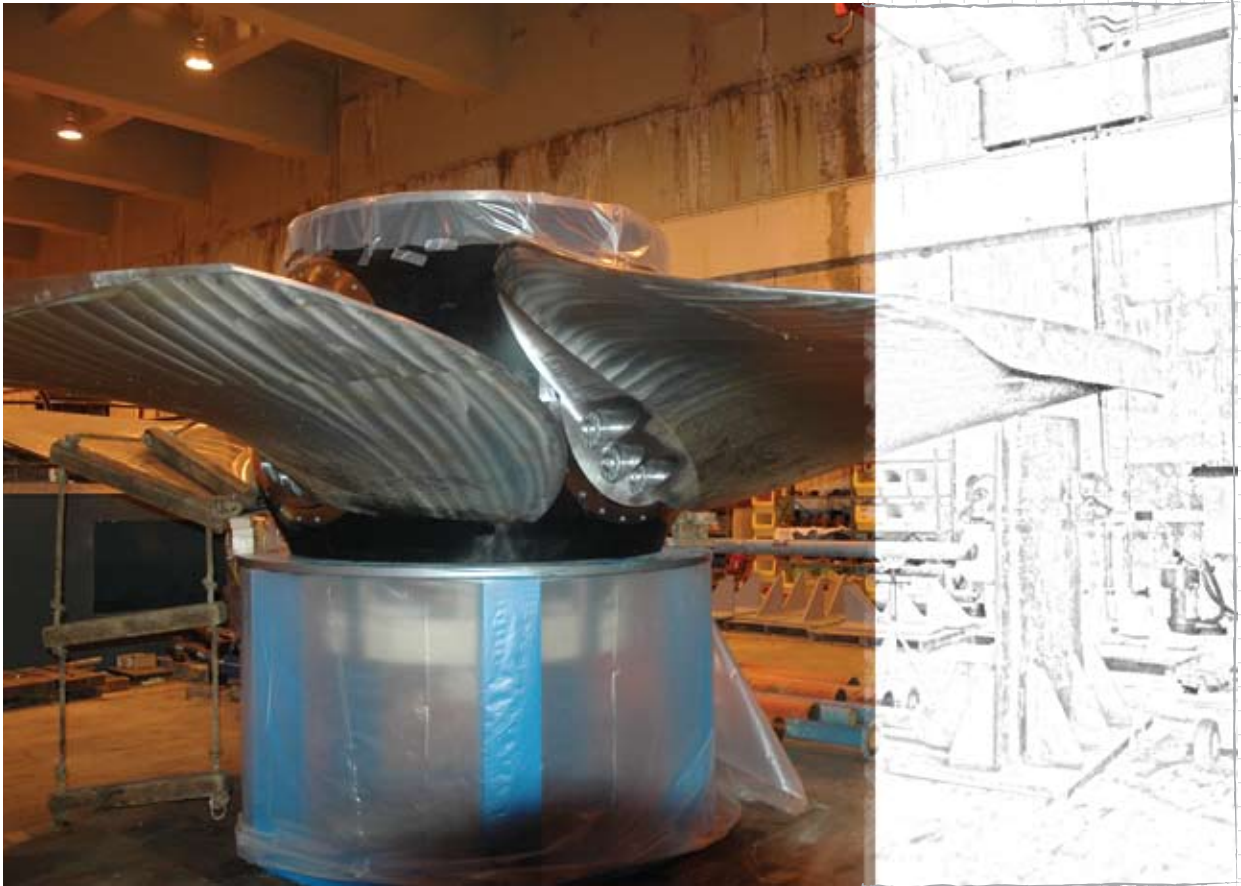


# ROI

## Return on ideas



2007  
annual report

Chelan County Public Utility District No. 1

# Hydro Profile

## Hydropower: Renewable returns

Making electricity from water is an old idea.

Making more power from the same amount of water and protecting fish at the same time is an example of the fresh ideas that are generated at Chelan County PUD.

Hydropower from the District's three dams supplies clean, renewable, affordable energy to our customer-owners and others across the Pacific Northwest.

The locally owned dams can generate up to 2,000 megawatts of power. Forty-four percent is used to meet local electric demand, including a portion of the load for Alcoa's Wenatchee aluminum smelter. The balance is delivered through the Pacific Northwest to long-term power purchasers Puget Sound Energy, Avista, PacificCorp, Douglas County PUD and Portland General Electric.

The hydro projects delivered 9.4 million megawatt hours of electricity in 2007

The District continues to invest in modernization and relicensing at the dams to ensure reliable, locally controlled operation for future generations.

Lake Chelan is the focus of both projects. After receiving a new, 50-year license in 2006, implementation of the license articles, estimated at \$65 million to \$70 million, took center stage in 2007. Trail and fishery enhancements support the Chelan Valley's tourist economy. Plans to modernize the 1920s powerhouse were set, with the four-year project estimated at \$42 million to \$45 million.

With modernization finished at Rocky Reach, licensing is in the spotlight as we await action on the new license submitted to federal regulators in 2006, while operating with an annual license.

Modernization at Rock Island Dam continued in 2007. The project to rebuild six units in the original powerhouse and upgrade the four remaining generators will continue through 2014 and is estimated to cost \$200 million. The project is licensed through 2028.

**Rocky Reach Dam**  
11 generators  
1,300 megawatts\*  
6.3 million megawatt hours generated  
\$73 million in revenue



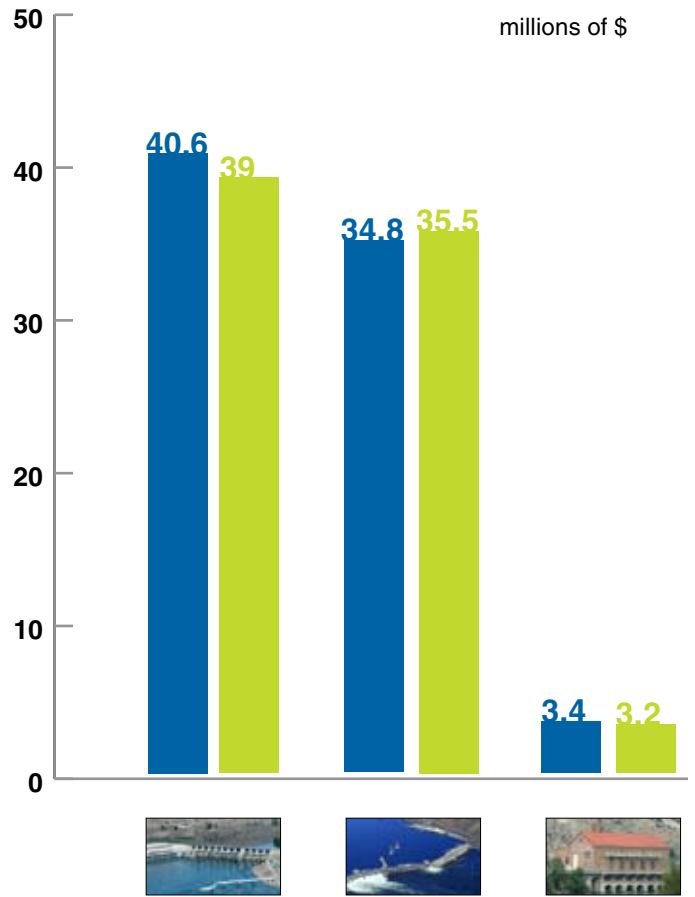
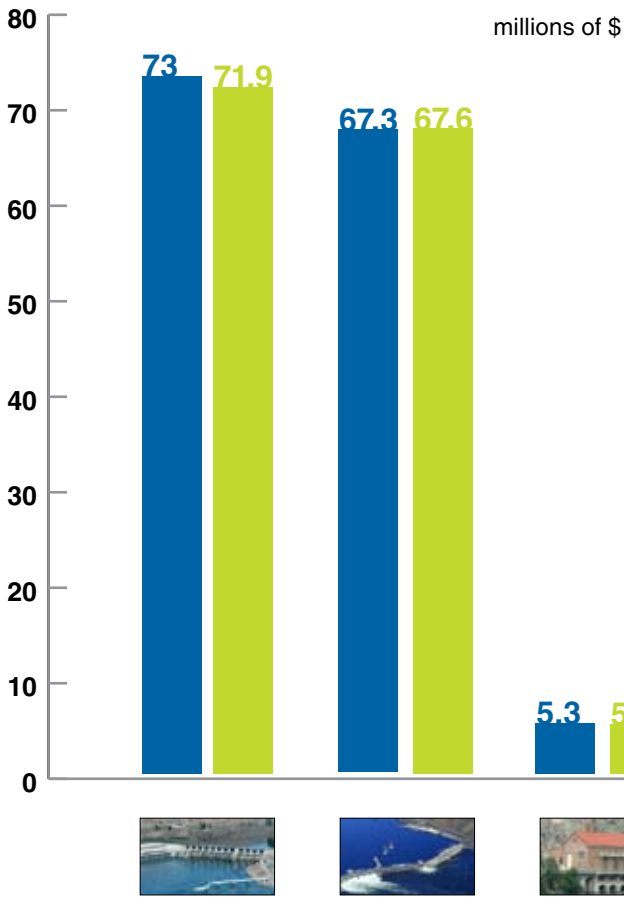
**Rock Island Dam**  
2 powerhouses  
19 generators  
624 megawatts\*  
2.6 million megawatt hours generated  
\$67.3 million in revenue



**Lake Chelan Dam**  
2 generators  
48 megawatts\*  
438,707 megawatt hours generated  
\$5.3 million in revenue



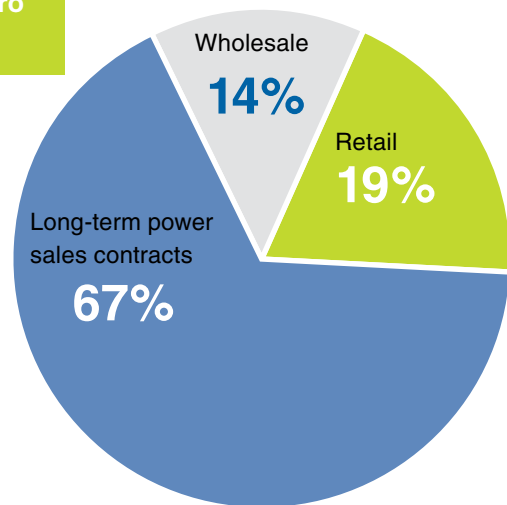
# District highlights



Hydroelectric Operating Revenue

Hydroelectric Operation and Maintenance Expense

## 2007 Allocation of Hydro Resources (MWh)



# Combining schedule of revenues, expenses and changes in net assets - schedule 3

For the year ended December 31, 2006, with comparative totals for the year ended December 31, 2005

(amounts in thousands)	Rocky Reach	Columbia River-Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions(t)	2006	2005
<b>OPERATING REVENUES</b>	\$ 71,985	\$ 67,679	\$ 5,216	\$ 145,172	\$ -	\$ 14,393	\$ (82,893)	\$ 221,552	\$ 220,702
<b>OPERATING EXPENSES</b>									
Purchased power and water	-	-	-	84,279	-	-	(66,515)	17,764	31,593
Generation	39,074	35,529	3,282	-	-	-	(10,132)	67,753	61,800
Utility Services	-	-	-	33,833	-	-	(5,438)	28,395	25,273
Taxes	1,285	545	96	4,003	-	-	-	5,929	5,599
Depreciation and amortization	16,049	9,346	782	11,689	-	4,901	-	42,767	35,528
Other operation and maintenance	-	-	-	-	-	8,802	(808)	7,994	6,647
<b>OPERATING INCOME</b>	15,577	22,259	1,056	11,368	-	690	-	50,950	54,262
<b>OTHER INCOME (EXPENSE)</b>									
Interest on long-term debt	(747)	(17,133)	-	(86)	(35,120)	-	607	(52,479)	(52,835)
Interest on intersystem loans	(20,016)	(7,904)	(1,418)	(3,454)	35,120	(1,721)	(607)	-	-
Amortization of deferred debt costs	(282)	(235)	(9)	(161)	-	(15)	-	(702)	(720)
Investment income	715	3,013	364	9,132	3,958	653	-	17,835	10,022
Other	2,299	283	(11)	76	(3,527)	58	-	(822)	(1,234)
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(2,454)	283	(18)	16,875	431	(335)	-	14,782	9,495
<b>CAPITAL CONTRIBUTIONS</b>	6	120	-	4,131	-	-	-	4,257	4,782
<b>CHANGE IN NET ASSETS</b>	(2,448)	403	(18)	21,006	431	(335)	-	19,039	14,277
<b>TOTAL NET ASSETS</b>									
Beginning of year	177,295	(697)	12,959	259,624	3,940	3,417	-	456,538	442,261
Cumulative effect of change in accounting principle	(51,395)	(68,410)	-	-	-	-	-	(119,805)	-
Beginning of year, as adjusted	125,900	(69,107)	12,959	259,624	3,940	3,417	-	336,733	442,261
<b>TOTAL NET ASSETS</b>									
End of year	\$ 123,452	\$ (68,704)	\$ 12,941	\$ 280,630	\$ 4,371	\$ 3,082	\$ -	\$ 355,772	\$ 456,538

## NOTES TO SUPPLEMENTAL SCHEDULE:

(1) Eliminating entries reduce operating revenue and expense to account for intradistrict transactions.