



Chelan PUD
Energy Resources and Finance
Quarterly Update

Board Meeting
February 4, 2008

Discussion Topics

- Energy Resources Update
- 2007 Operational Highlights
- 2007 Financial Highlights

- No action required today

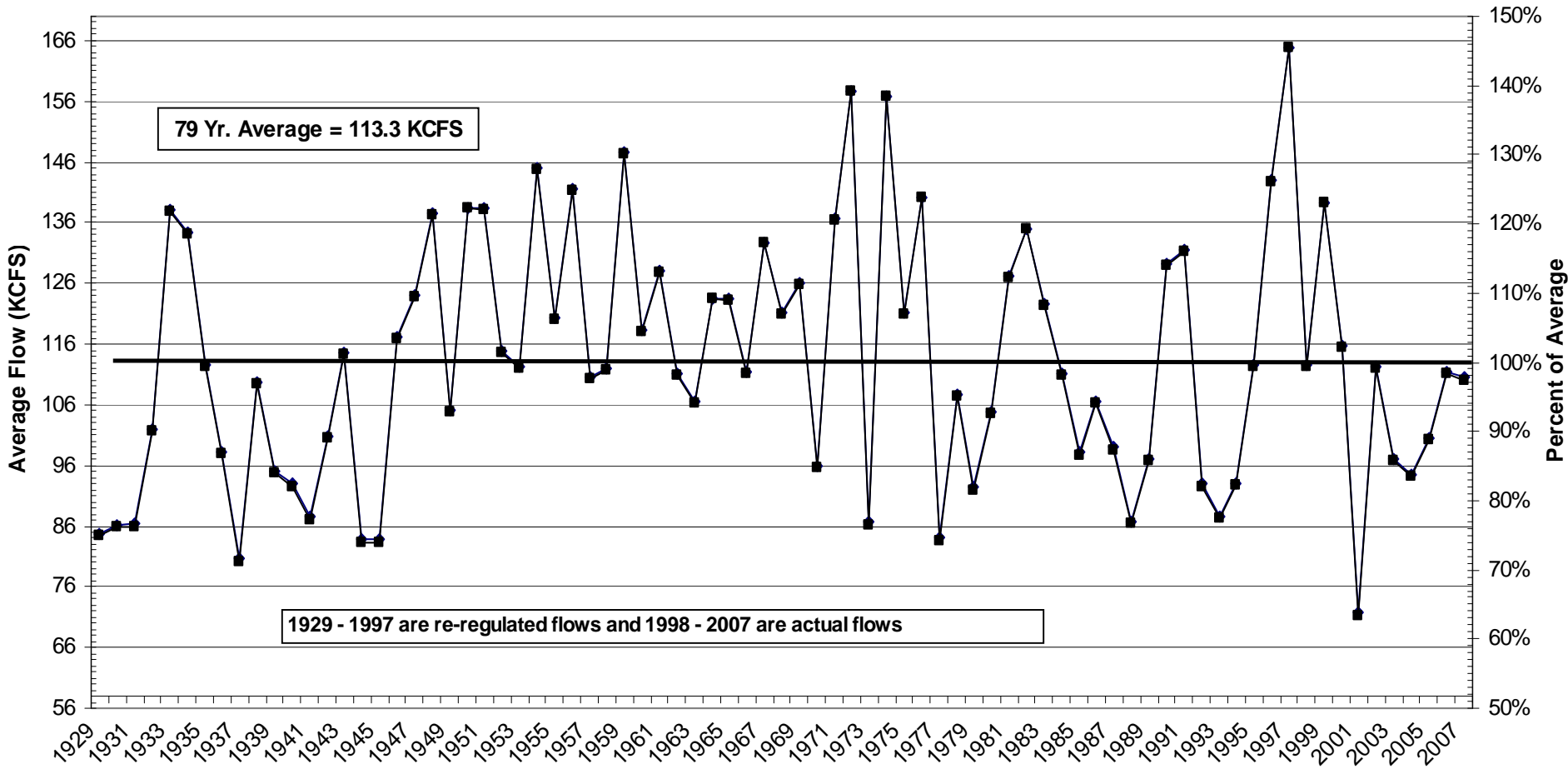


Energy Resources Quarter in Review

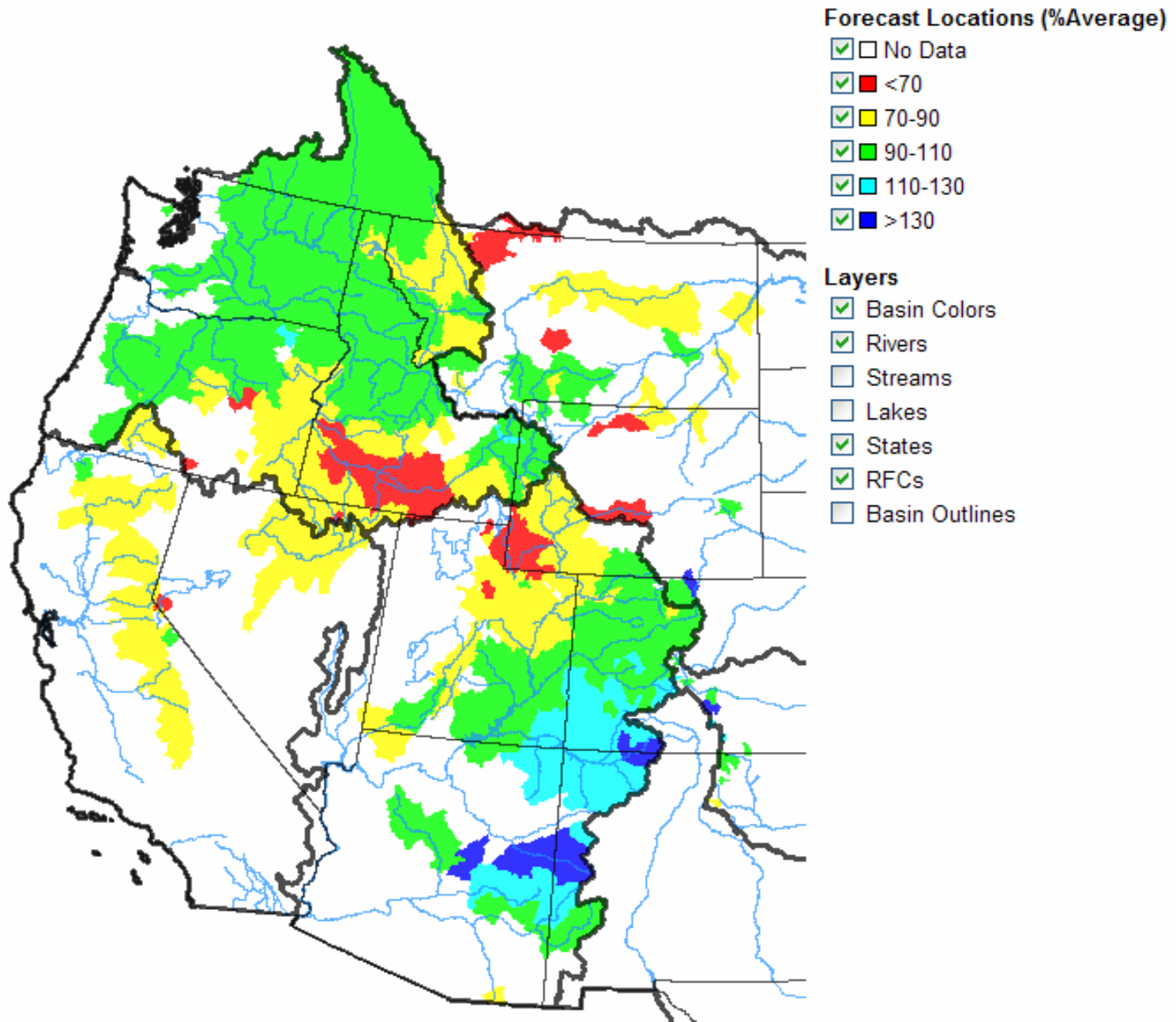
- 2007 net wholesale revenue new record high \$63.9M
- Good water year – 98% of 30 yr avg.
- webSAS implemented for USF
- Sale of 1st RECs from 9 Canyon complete
- IRP modeling tool acquired



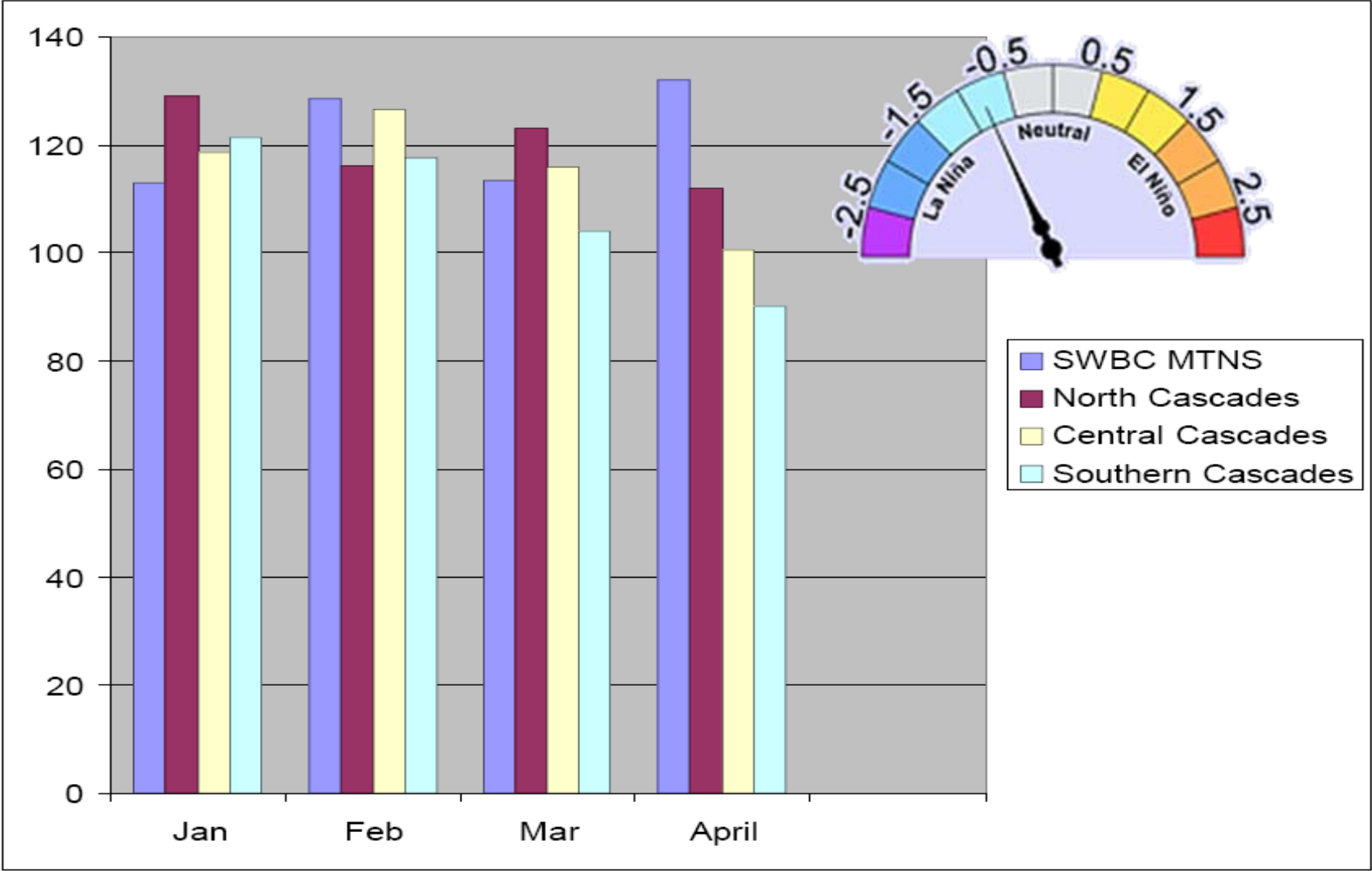
Rocky Reach Average Yearly Flows 1929 through 2007



Seasonal Runoff Volume Forecasts 2008

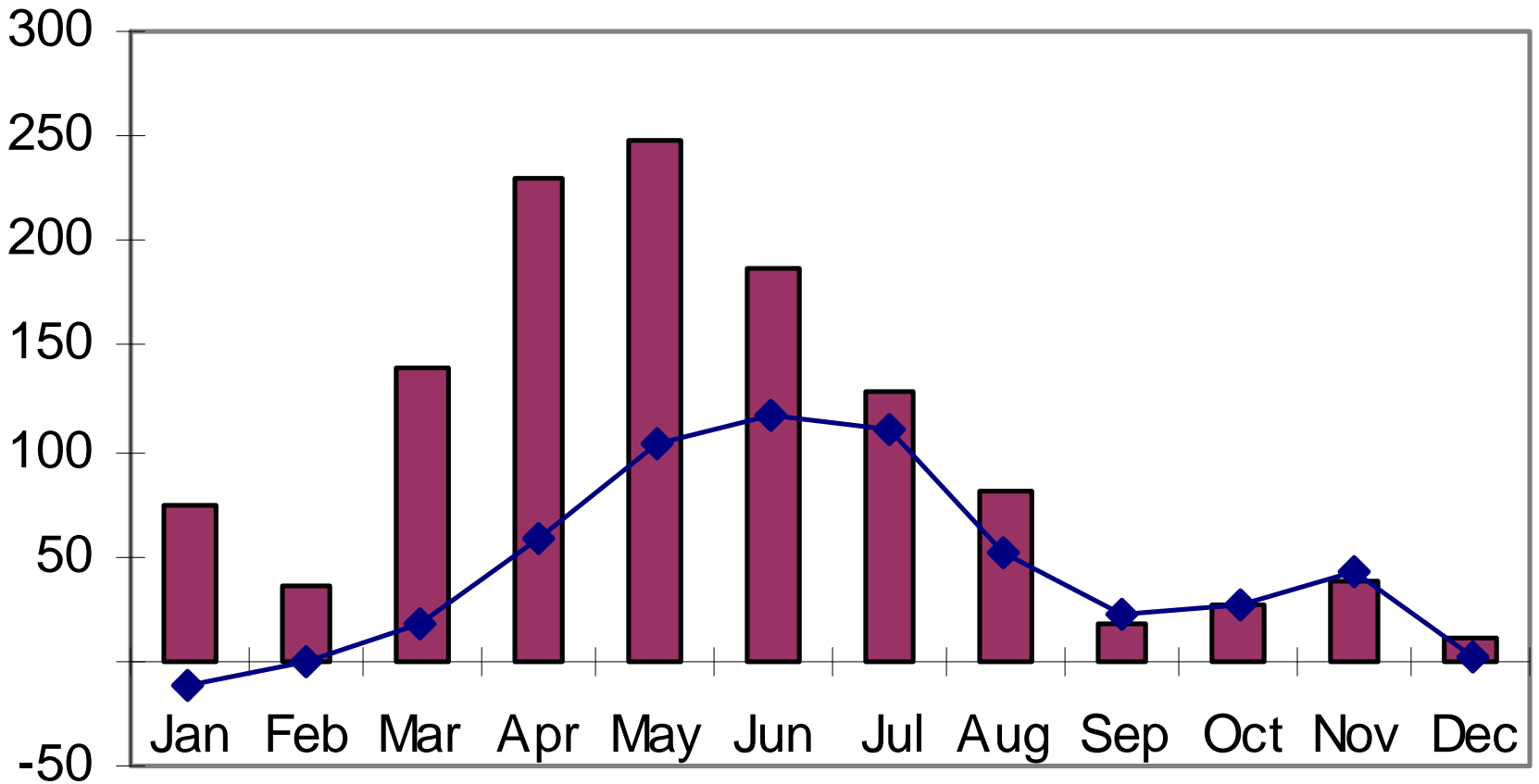


4000' SNOWFALL PREDICTION BY MONTH AS A PERCENTAGE OF AVERAGE WASHINGTON CASCADES

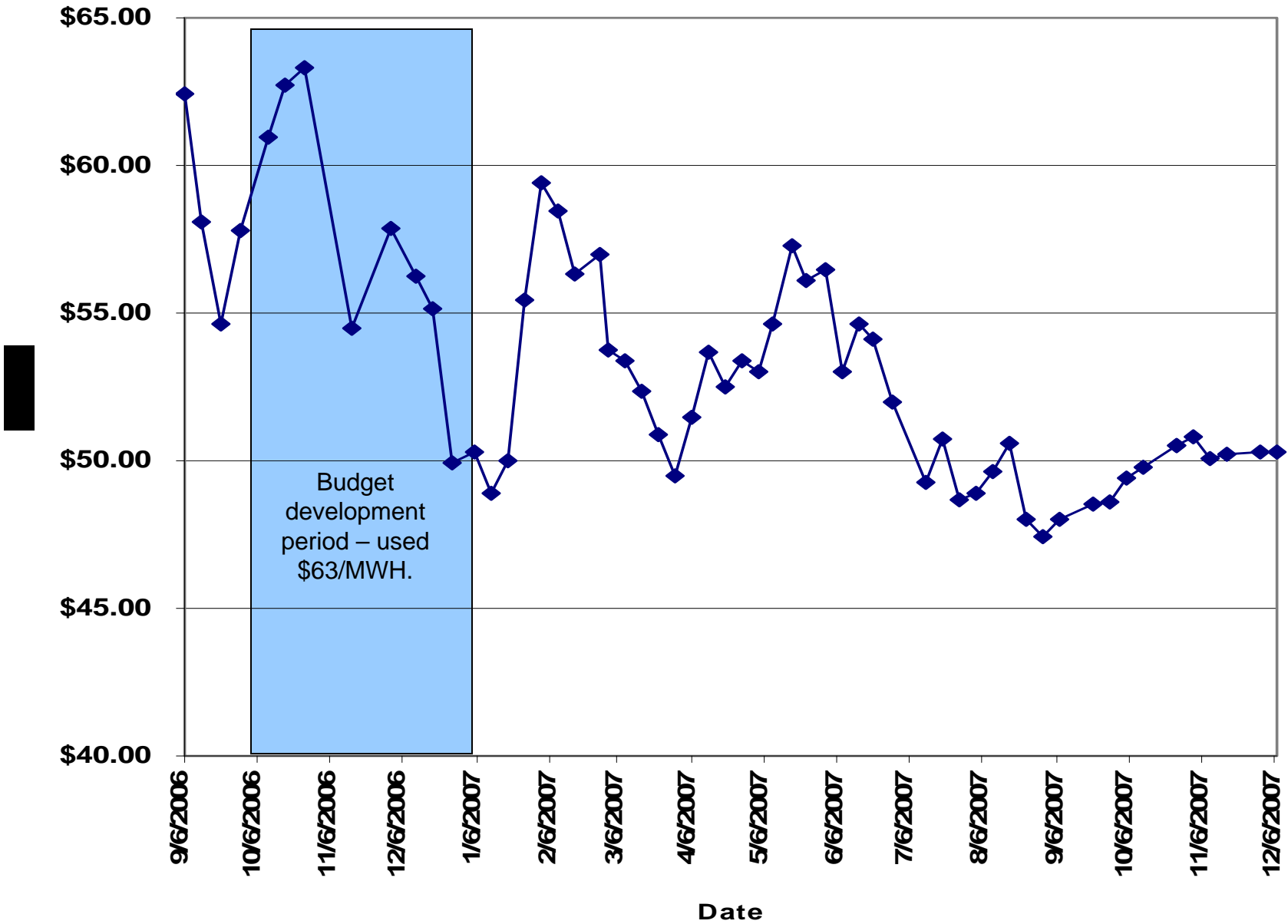


2008

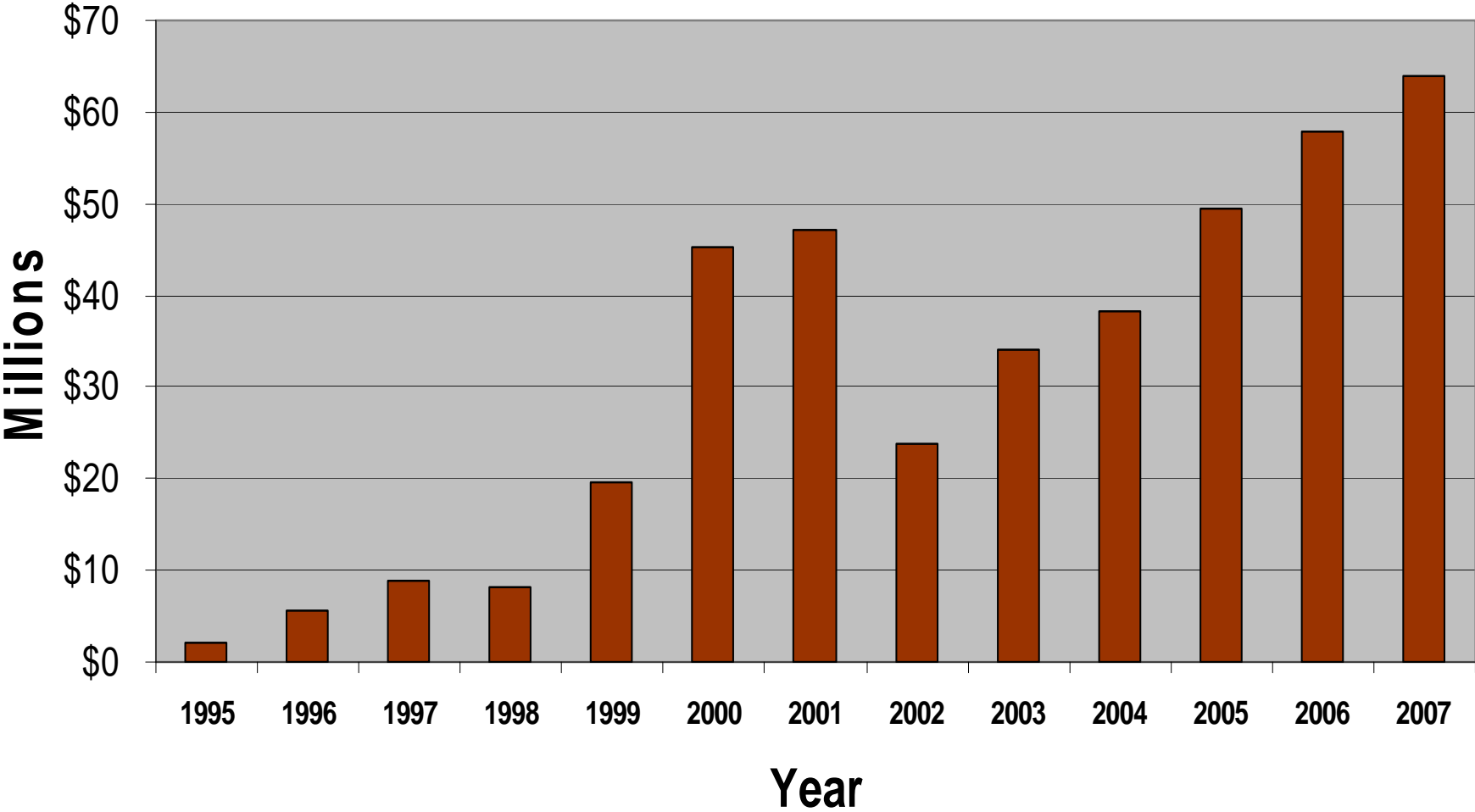
2007 Surplus MWh (000)



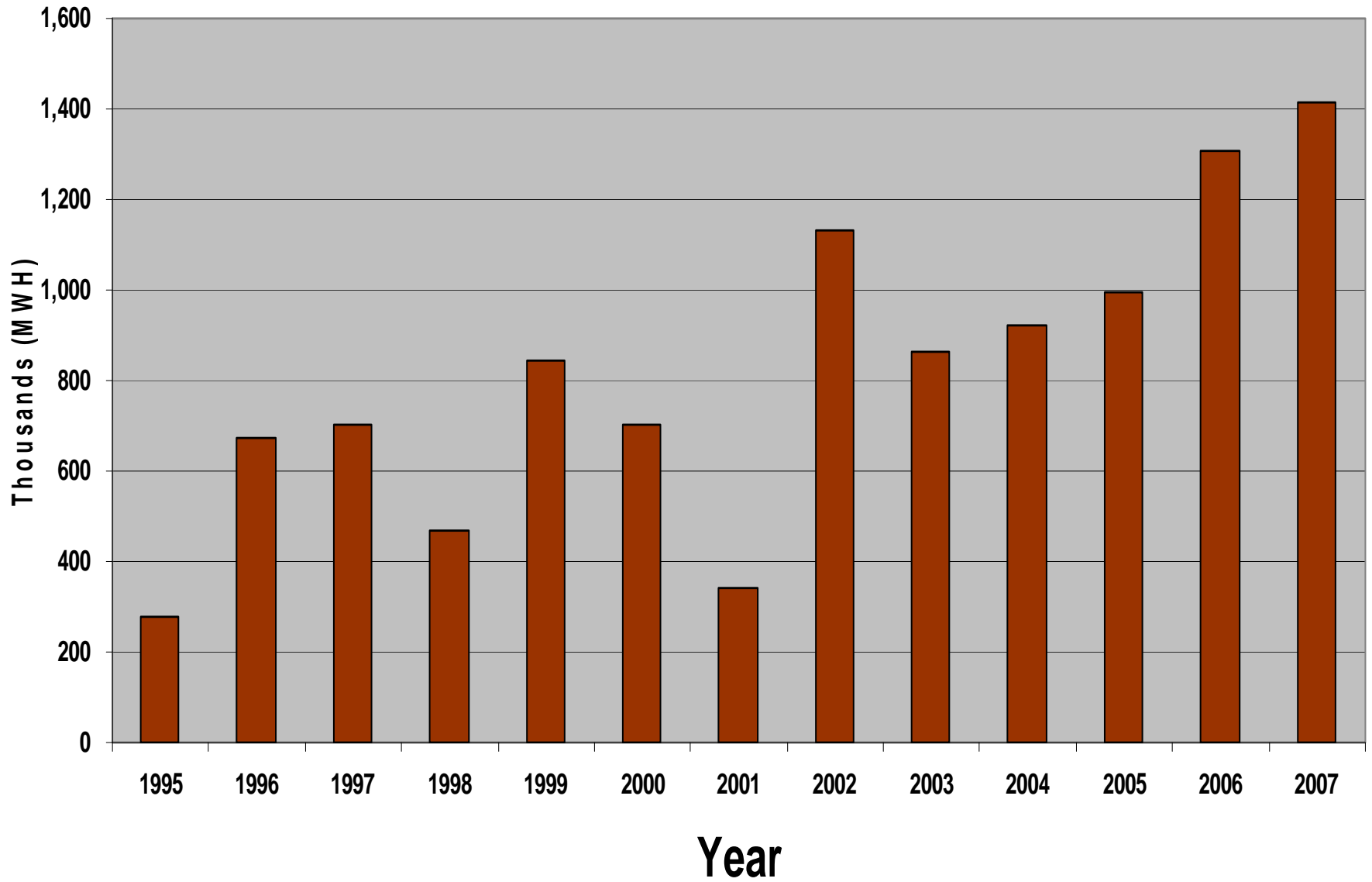
Calendar Flat Mid-C Prices for 2007



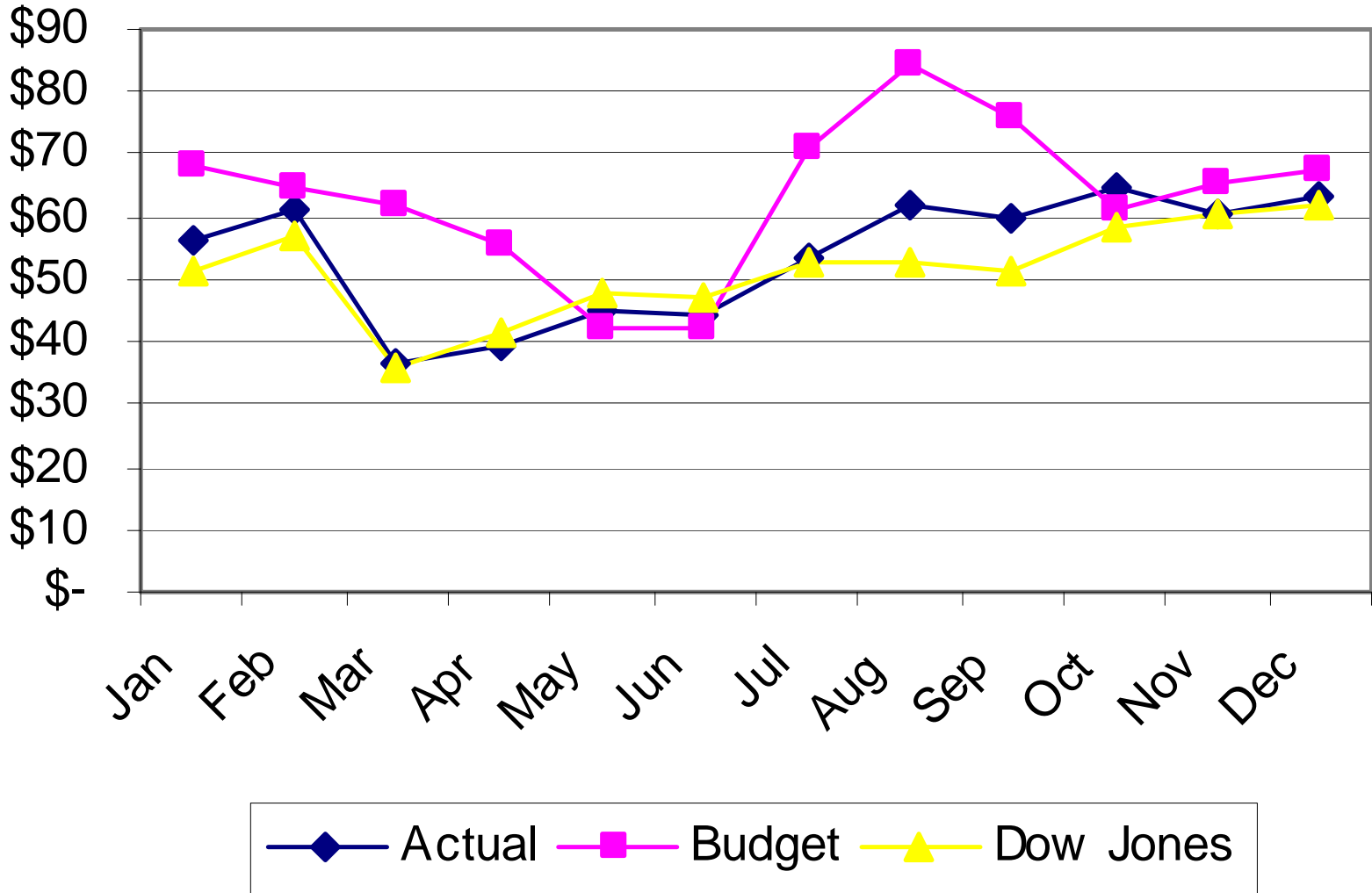
History of Net Wholesale Revenue



Amount of Surplus by Year

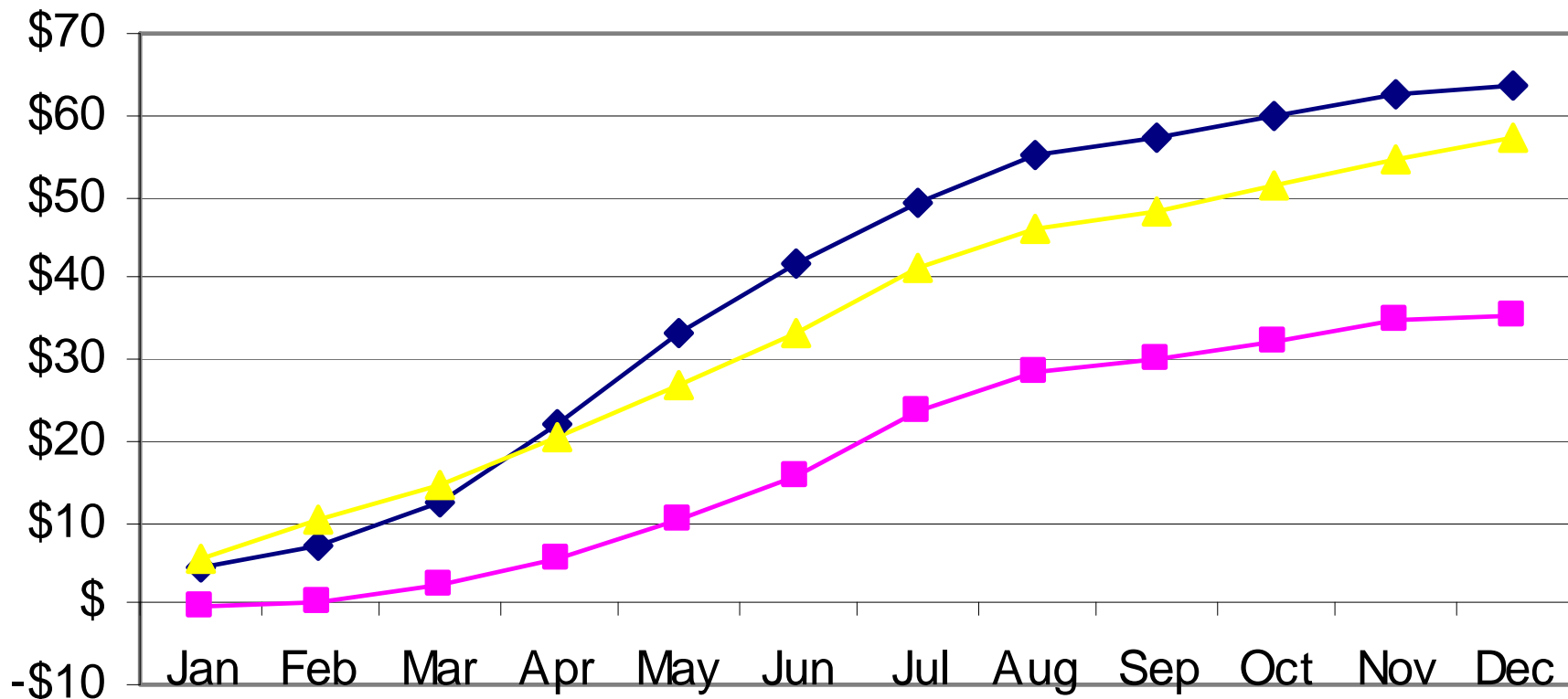


2007 Monthly Flat Price (\$/MWh)



2007 Cumulative Net Wholesale Revenue

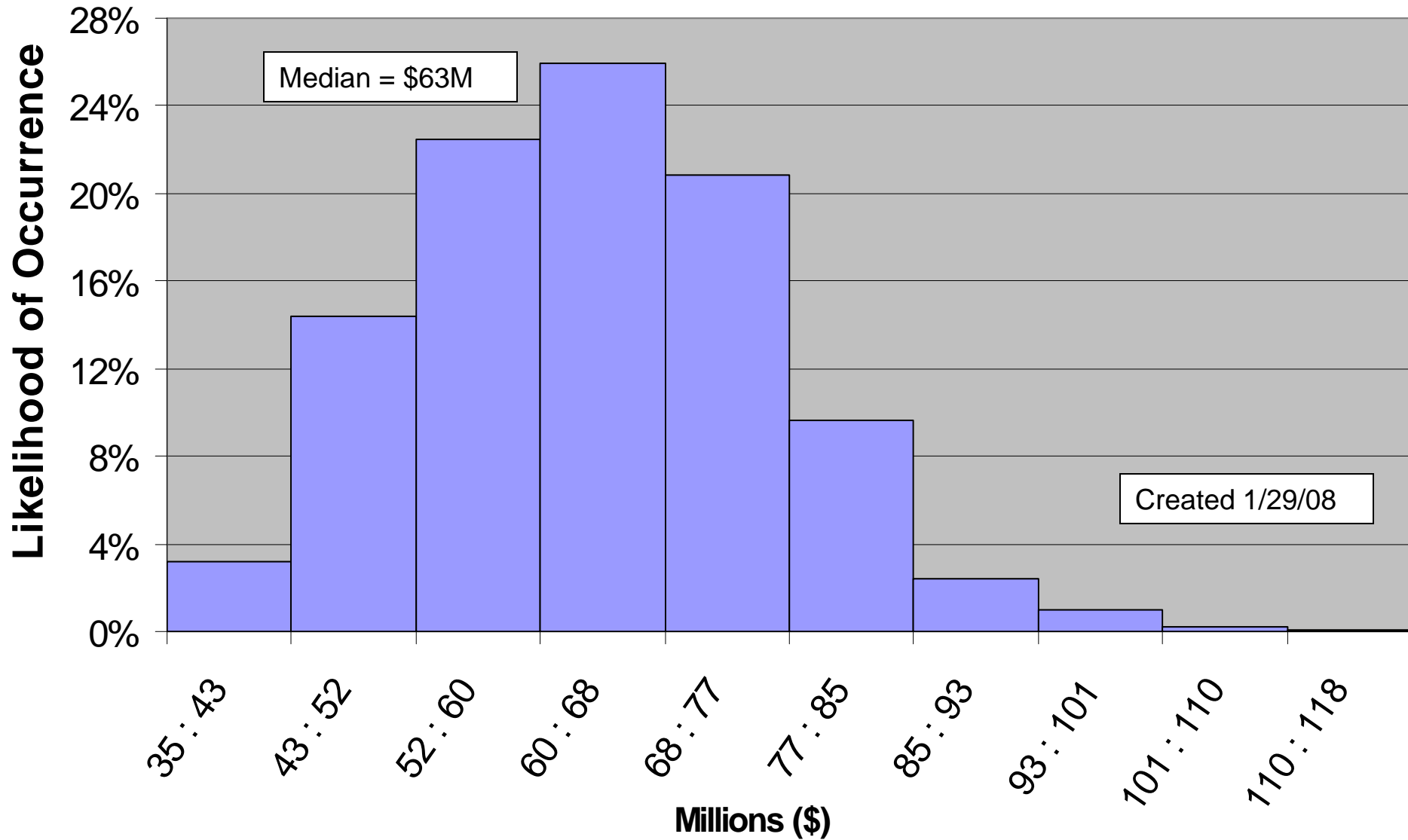
\$Millions



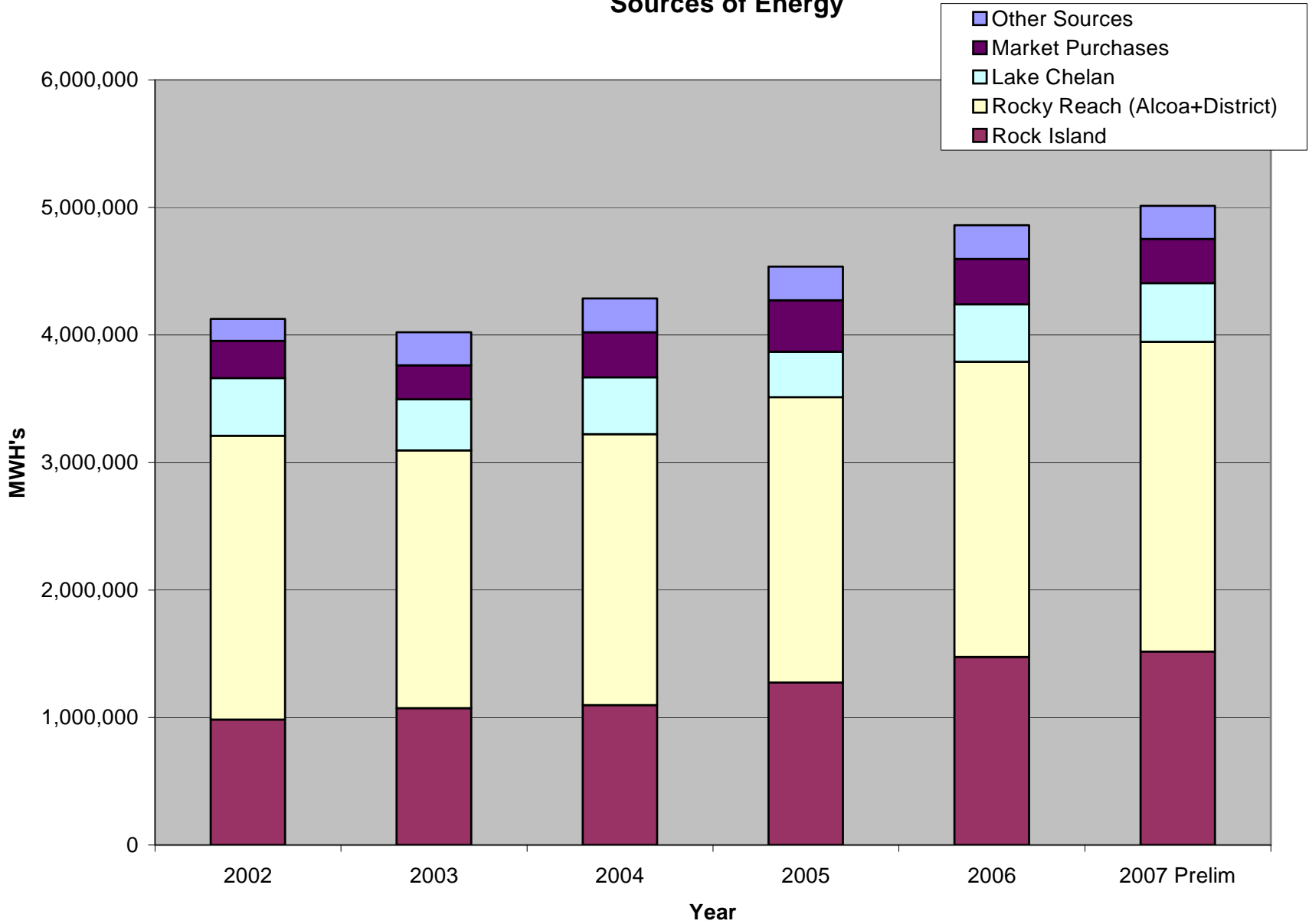
—◆— Actual —■— Budget —▲— 2006

Possible 2008 Net Wholesale Revenue Outcomes

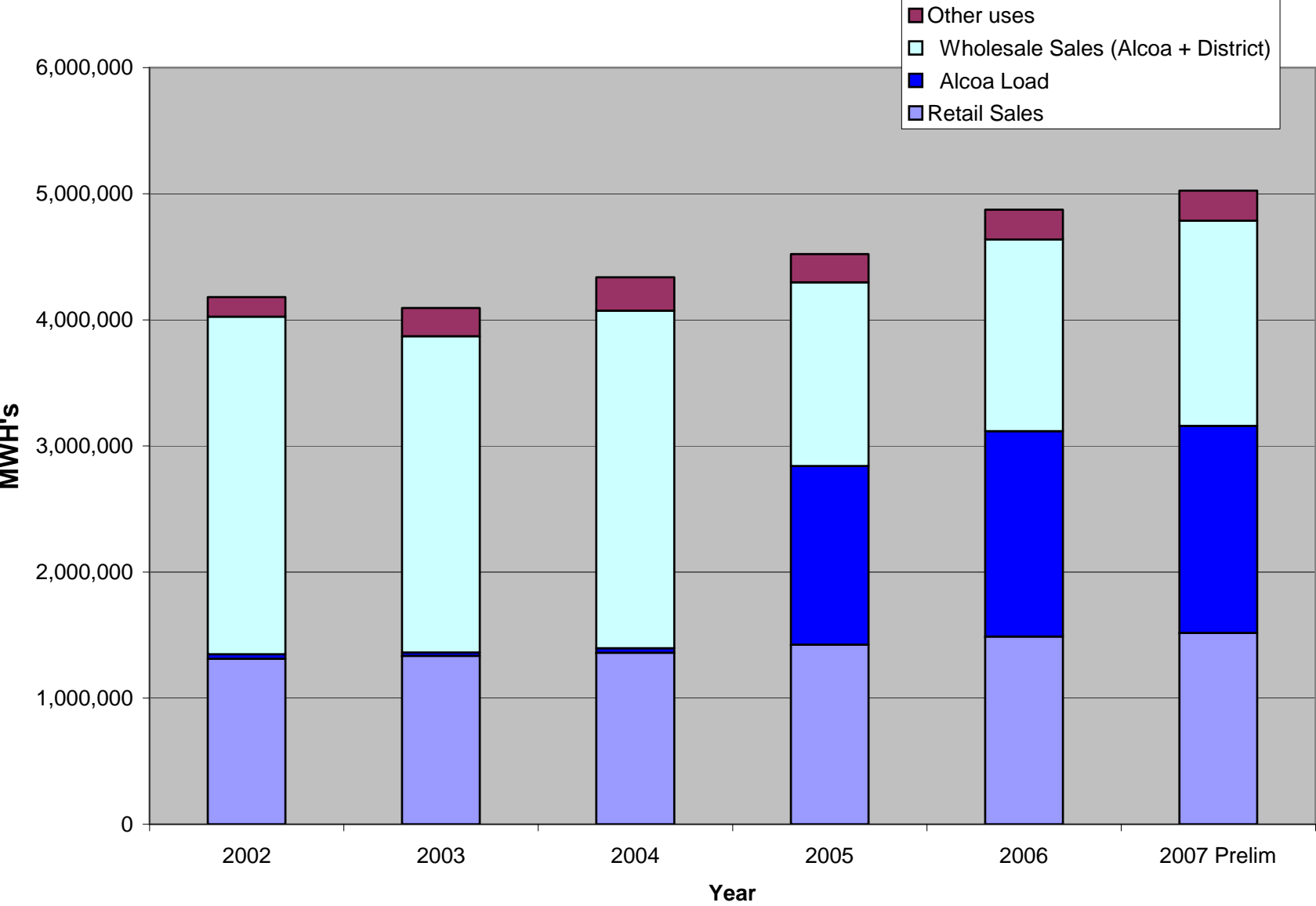
(A Probabilistic View)



Sources of Energy



Uses of Energy





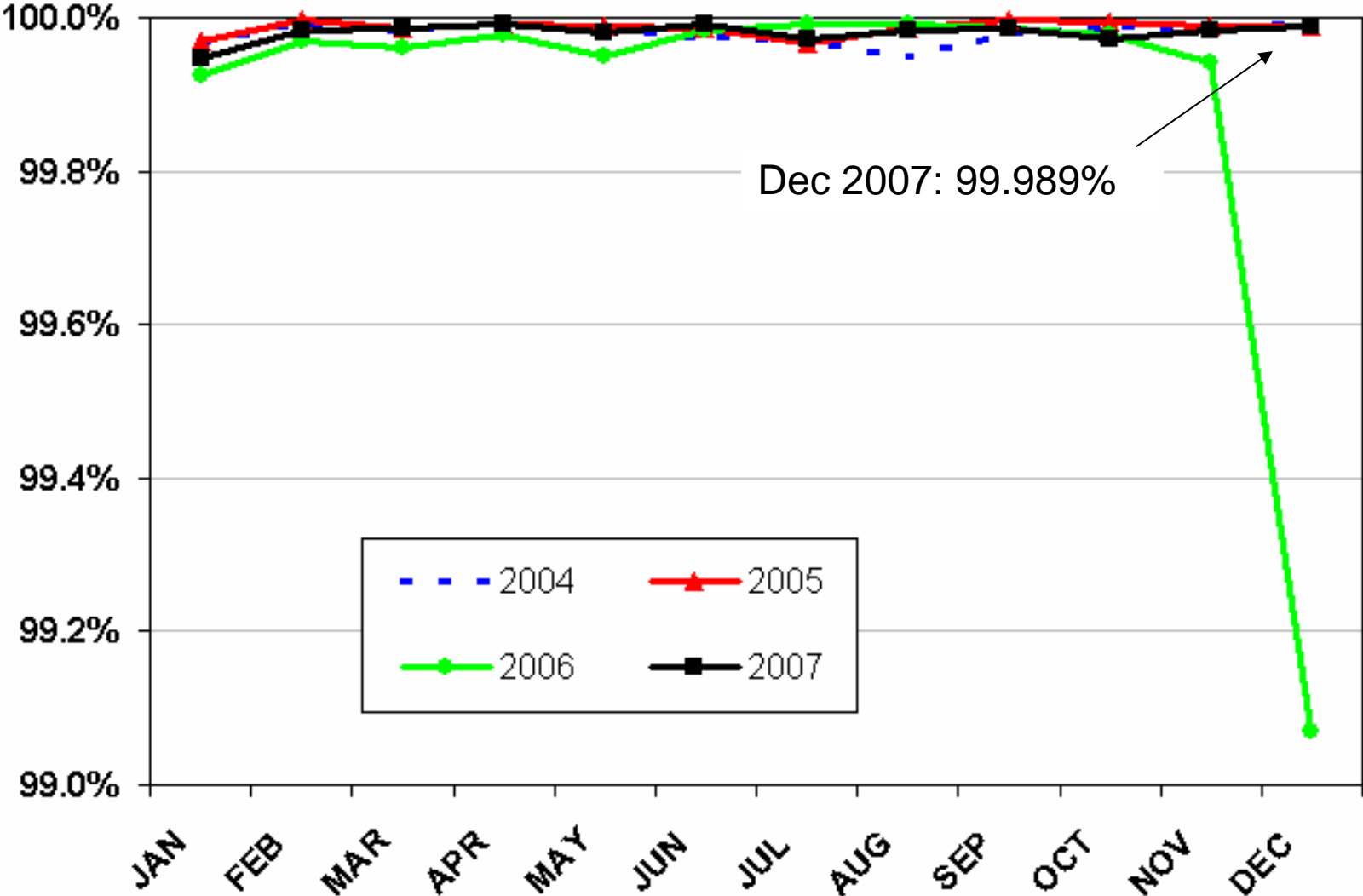
Questions ...?

2007 Fourth Quarter Operational Highlights



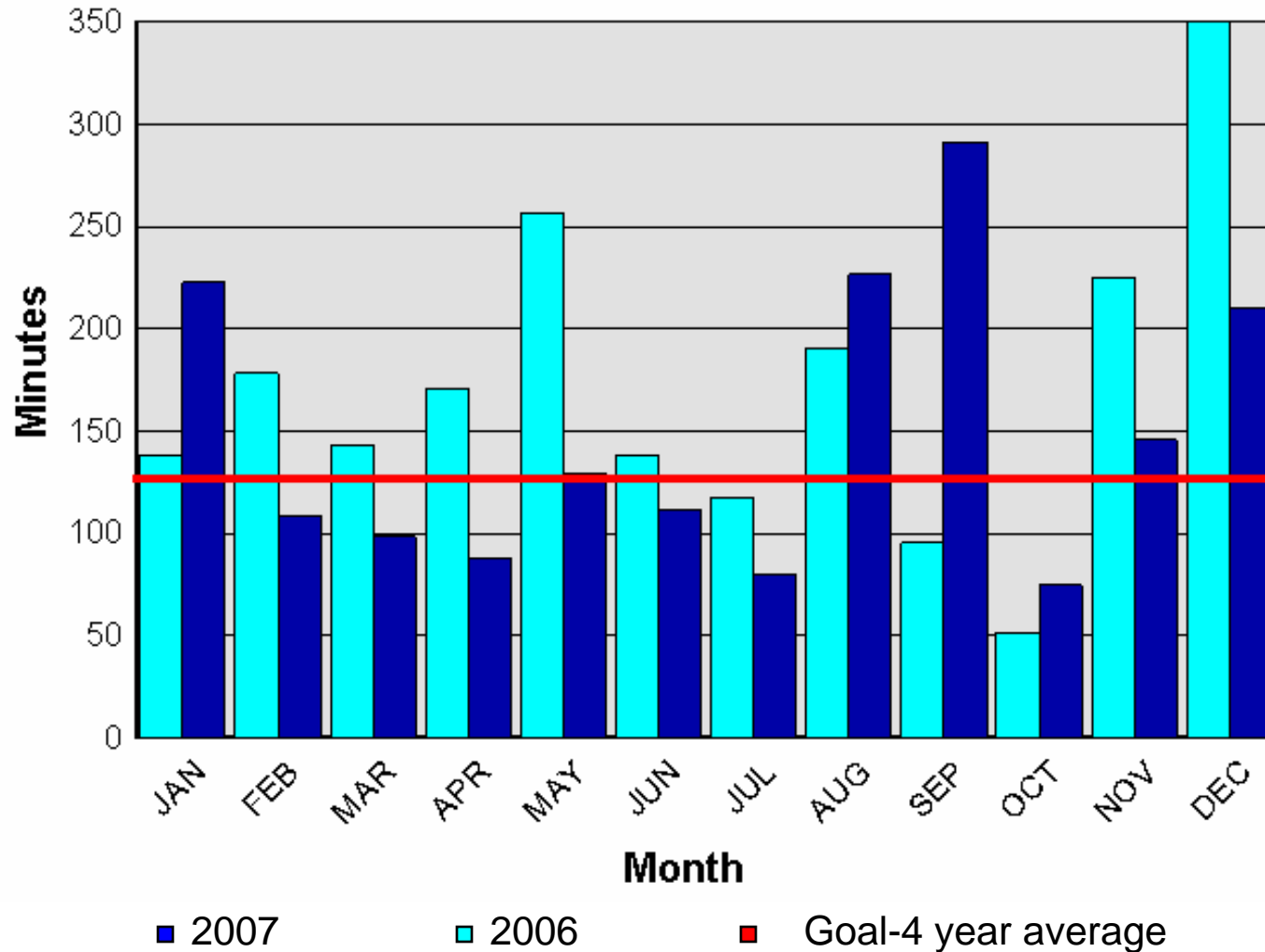
Distribution Reliability (ASAI)

YTD 12/31/07 - 99.98%

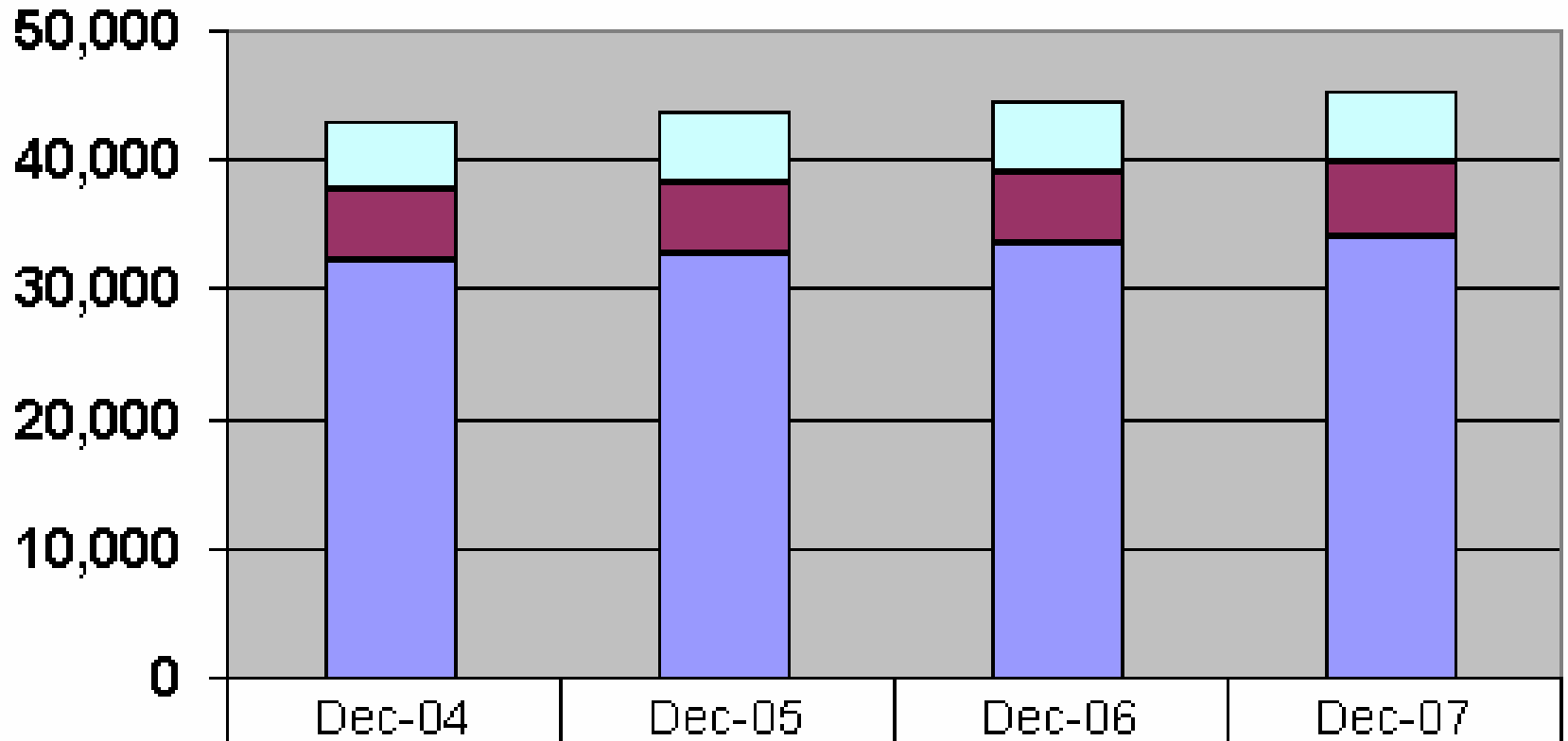


Distribution Outages

CAIDI - (Minutes/Customer)

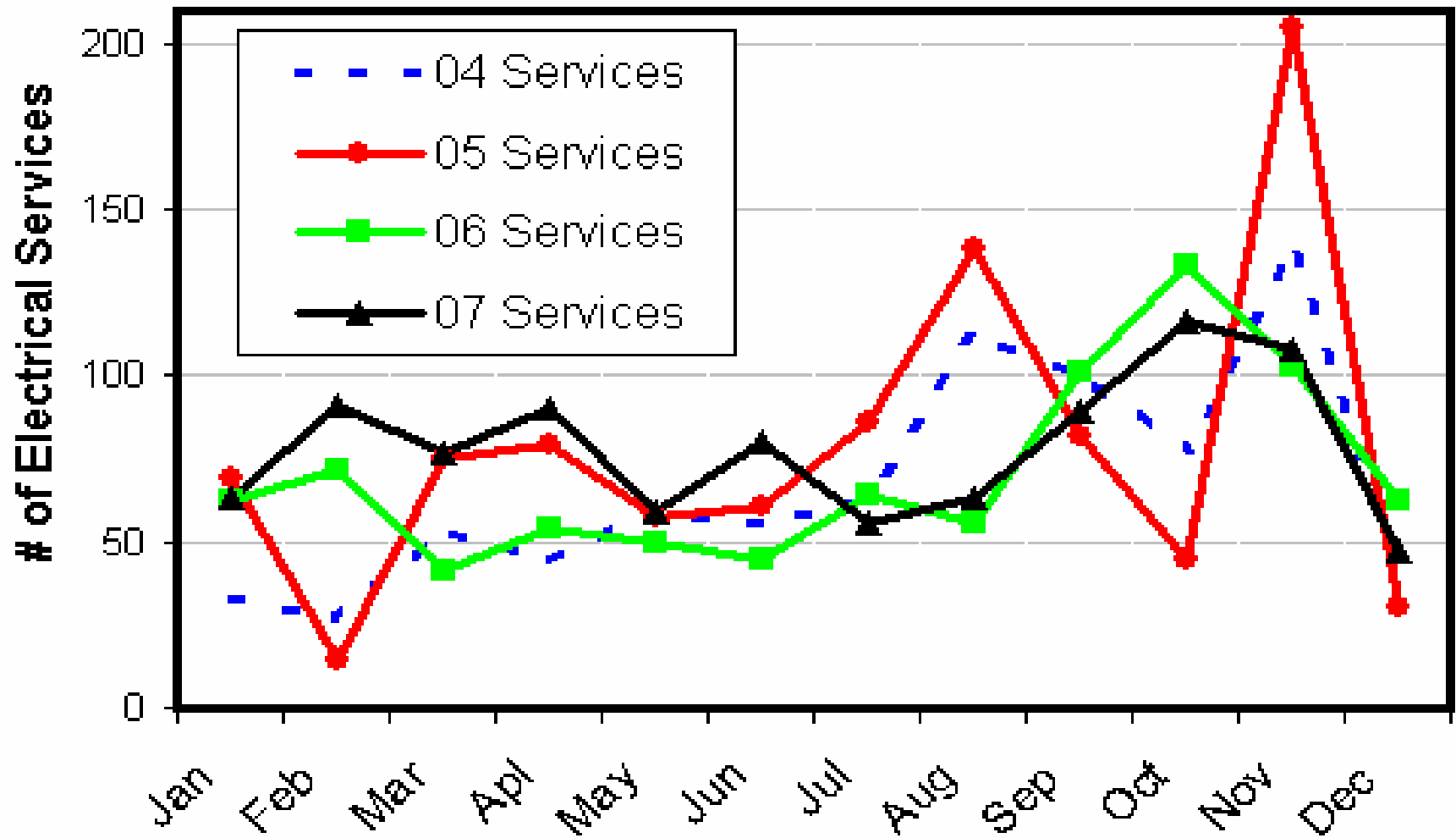


Retail Electric Customers

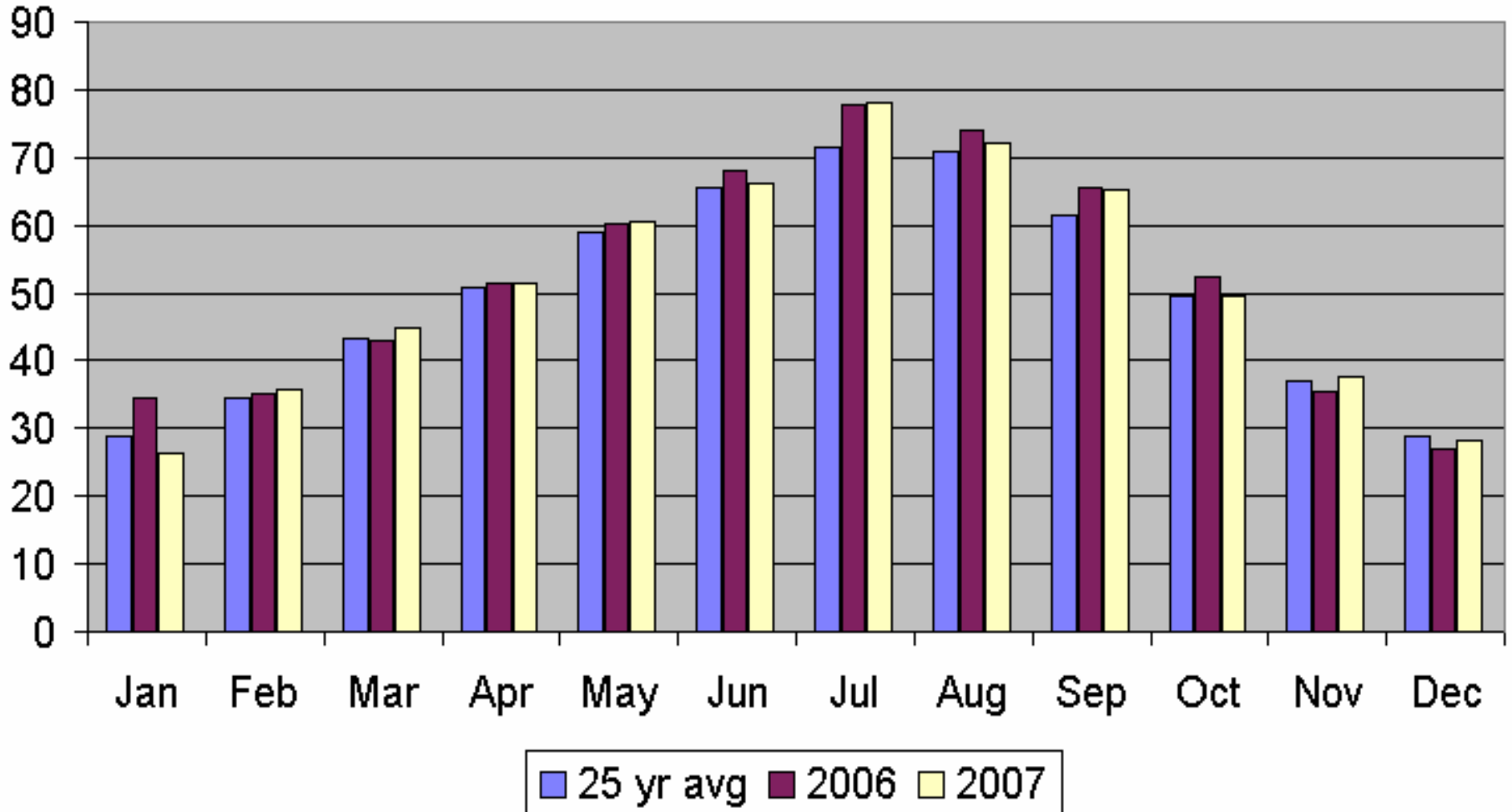


Other	5,416	5,411	5,396	5,486
Industrial	28	29	30	30
Commercial	5,430	5,496	5,563	5,666
Residential	32,145	32,769	33,442	34,129

New Electrical Services

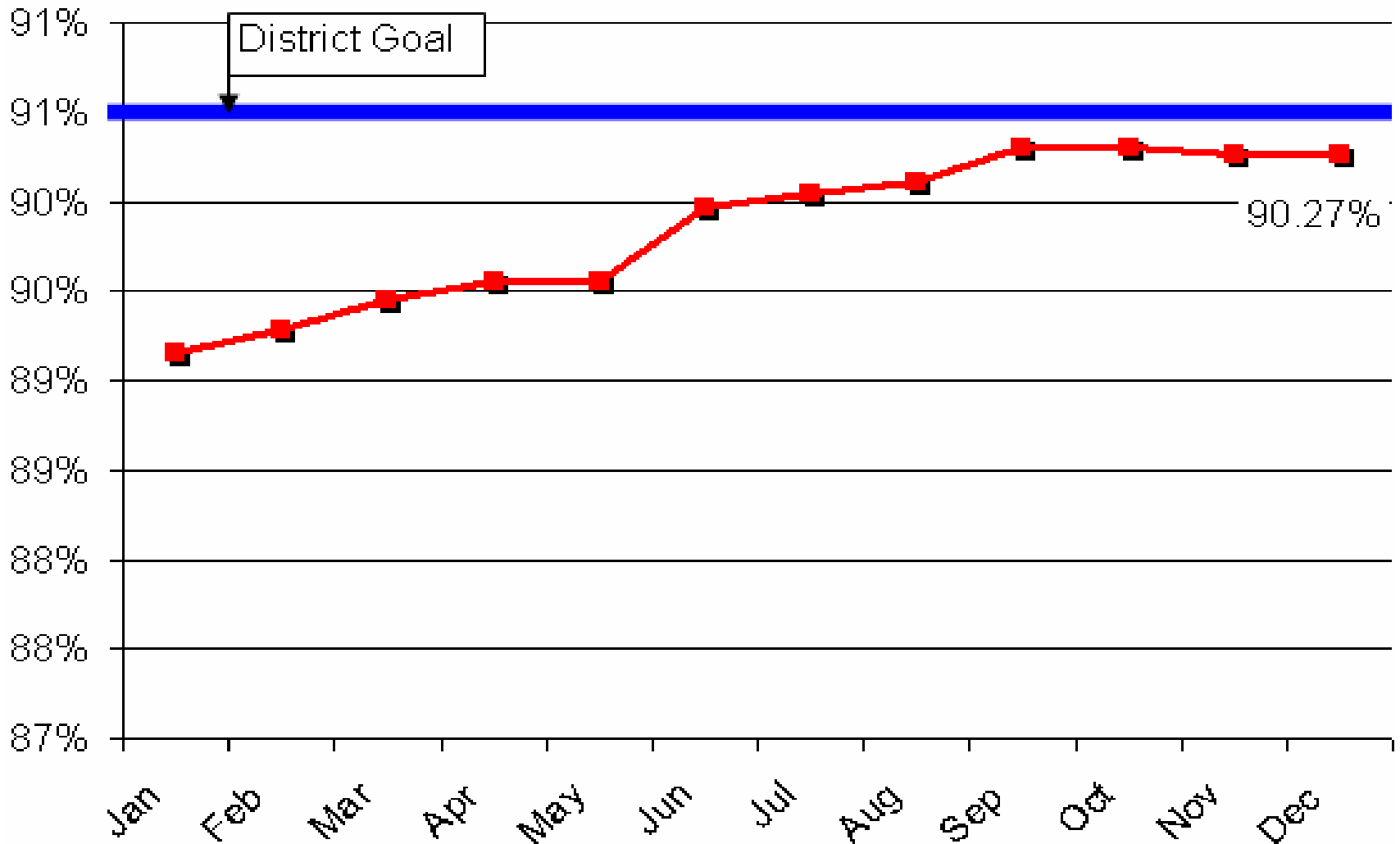


Average Monthly Temperature

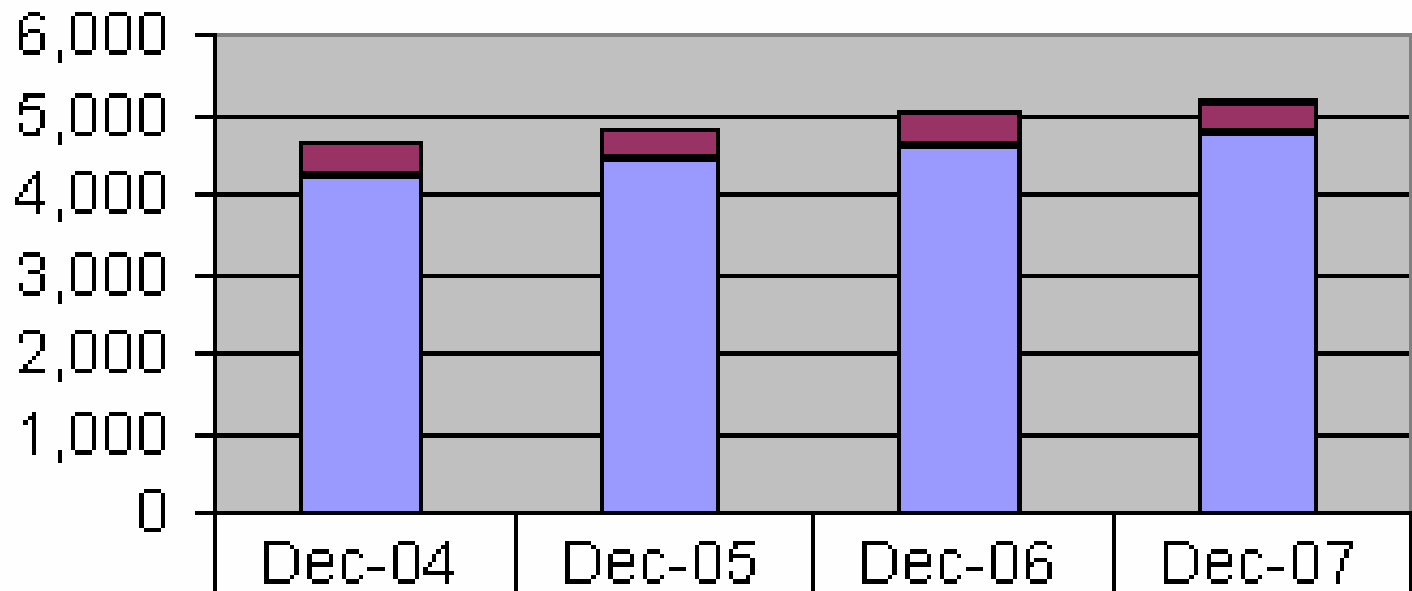


Line Extension/New Service Customer Satisfaction

January to December 2007



Water Customers

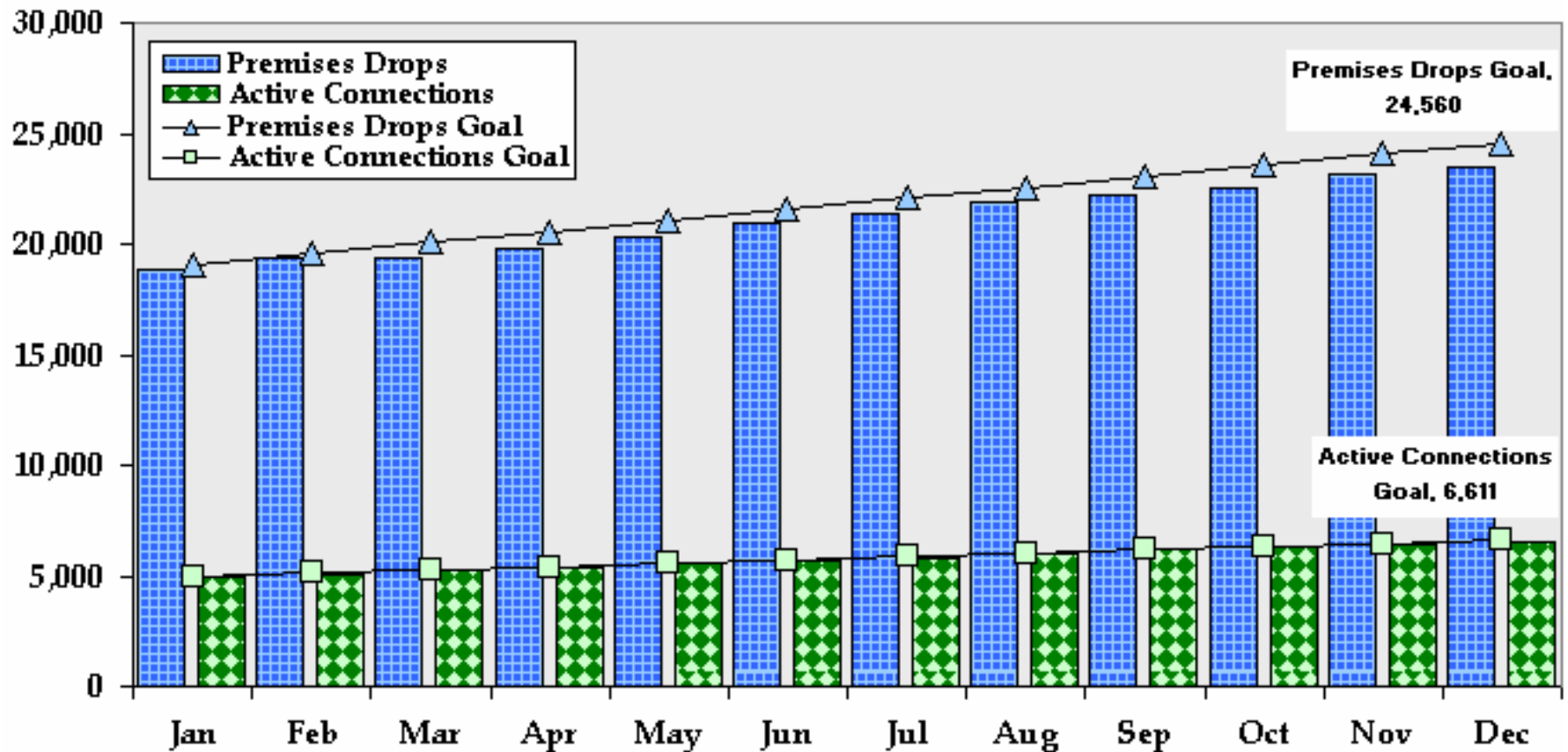


	Dec-04	Dec-05	Dec-06	Dec-07
Other	9	9	9	9
Industrial	9	9	9	9
Commercial	404	402	416	422
Residential	4,234	4,409	4,605	4,738

Networks

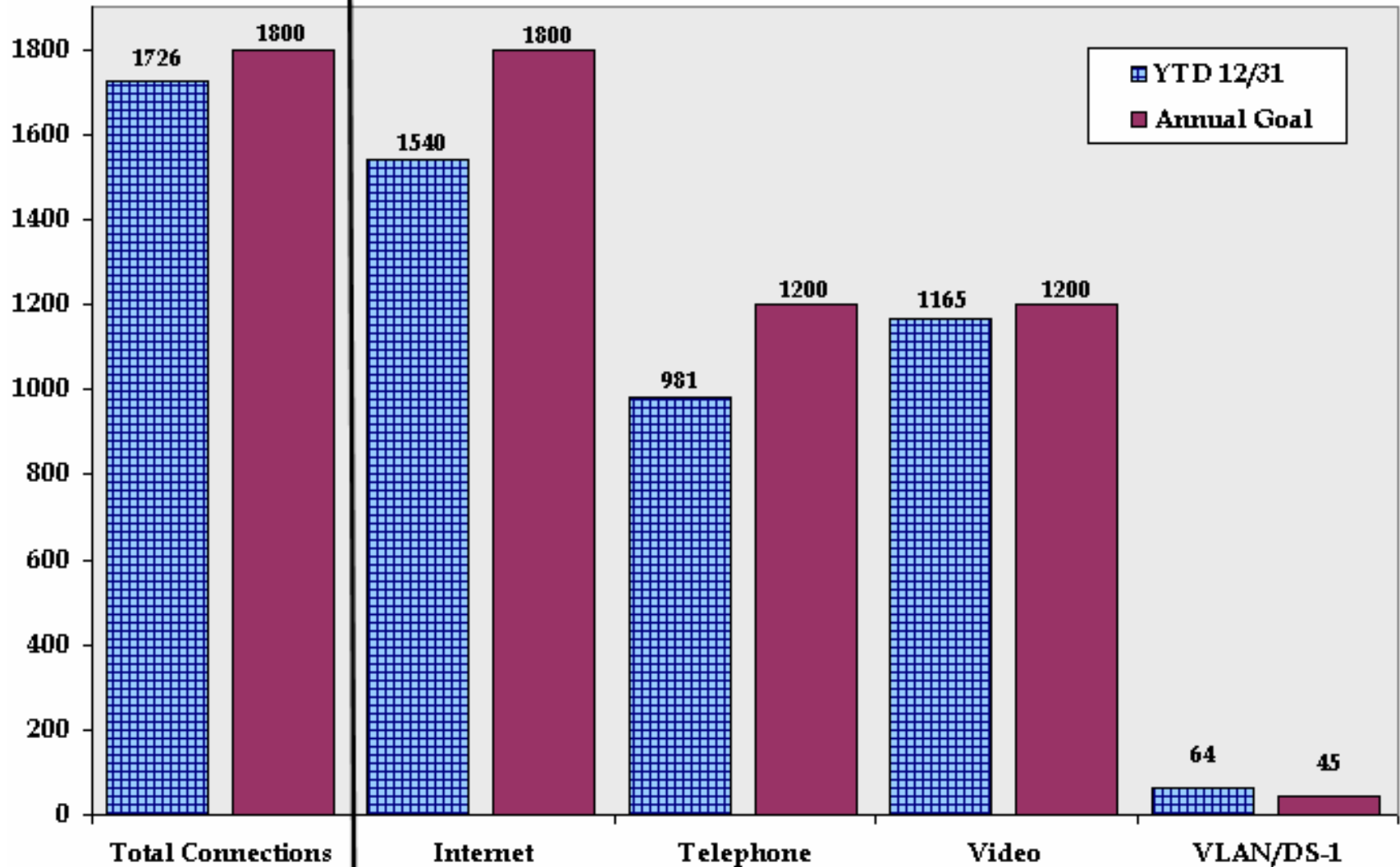
Drops/Connections at 12/31/2007

ITD Premises Drops & Connections vs. ITD Goals



Networks

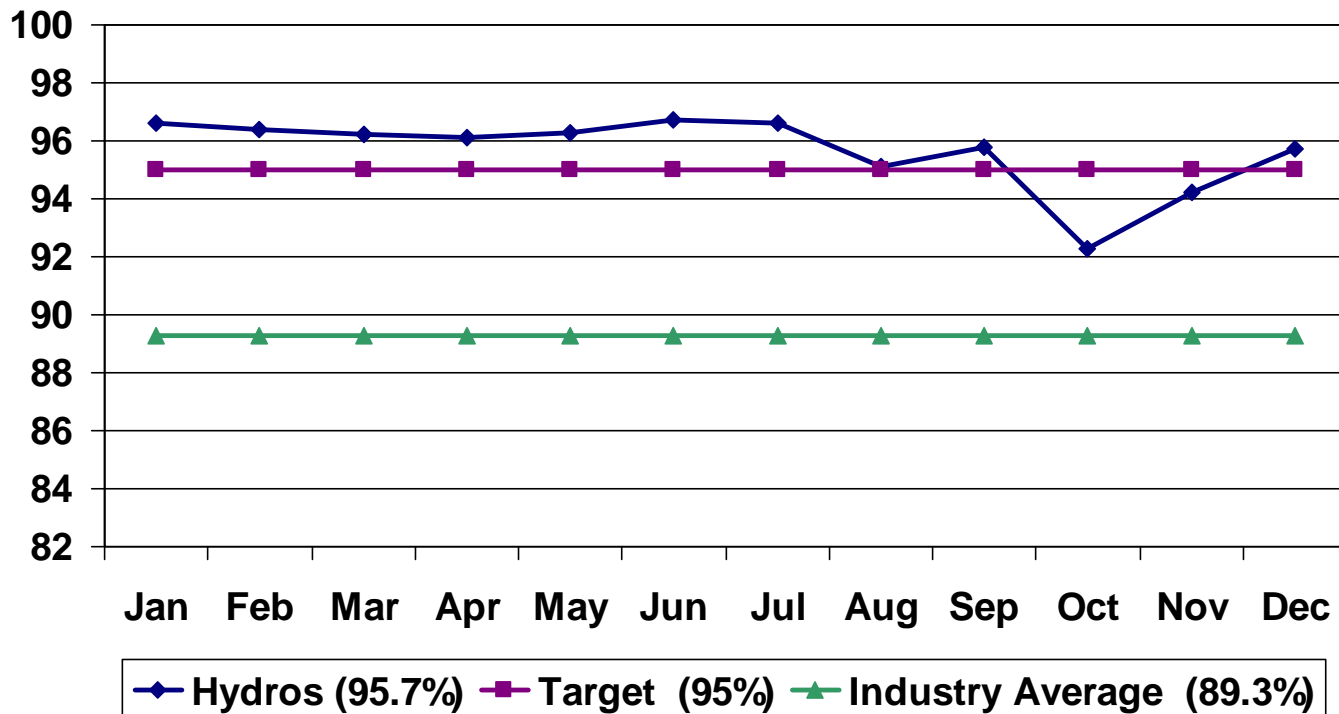
2007 New Connections by Service



Hydro Availability

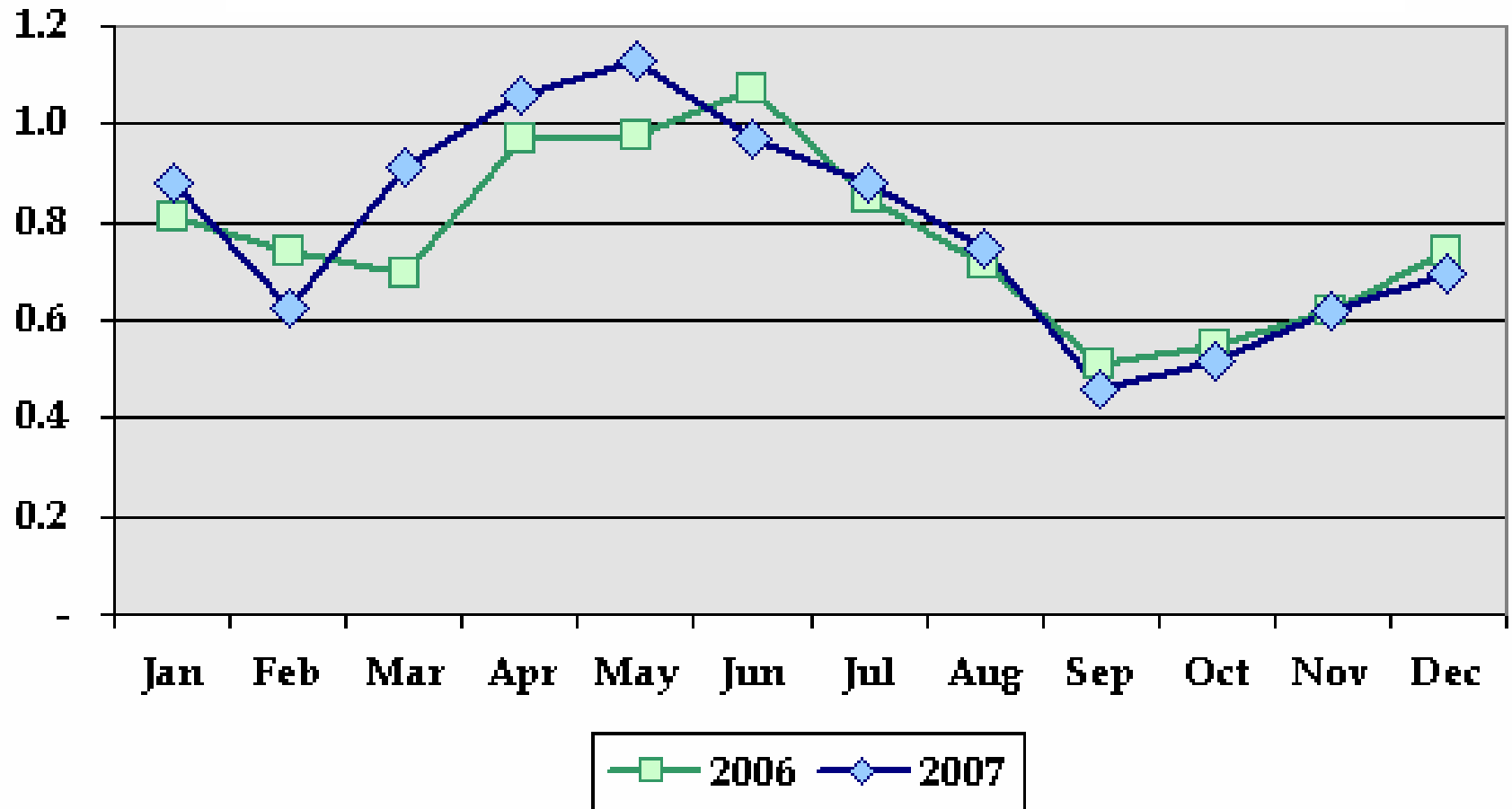
as of 12/31/2007

- Rocky Reach – 98.9%
- Lake Chelan – 99.3%
- Rock Island – 93.9%



Net Power Delivered

(Million MWh)





2007 District Financial Highlights (unaudited)

This information is provided for general information only and is not intended for and should not be relied upon for making investment decisions by current or prospective investors.

Combined Hydros

(\$000s)

	2007 Actual	2007 Budget	Variance
Operating Revenue	145,727	156,577	(10,850)
Operating Expenses	80,792	86,582	(5,791)
Depreciation/Amort.	27,471	24,898	2,573
Operating Income	37,464	45,096	(7,632)
Non-Op Exp (Inc)	40,083	43,136	(3,053)
Change in Net Assets	(2,619)	1,960	(4,579)
<i>Cost per MWh</i>	<i>\$15.3</i>	<i>\$18.6</i>	

Retail Electric Distribution

(\$000s)

	2007 Actual	2007 Budget	Variance
Retail & Other Rev	45,154	44,171	984
Purchased Power	30,204	37,220	(7,015)
Operating Expenses	35,347	37,426	(2,080)
Operating Inc (Loss)	(20,396)	(30,475)	10,079
Non-Op Exp (Inc)	(10,745)	(6,976)	(3,769)
Change in Net Assets before CIAC	(9,652)	(23,499)	13,848
Cap Contributions	3,397	4,168	(770)
	(6,255)	(19,331)	13,077
Interfund Equity Transfer	53,641	0	53,641
Change in Net Assets	47,387	(19,332)	66,719
<i>Operating Ratio</i>	<i>145%</i>	<i>169%</i>	

Purchased Power expense allocated based on retail load and Distribution's hydro mil rate.

Wholesale Activity

(\$000s)

	2007 Actual	2007 Budget	Variance
Sales for Resale (excl Cashmere)	102,735	65,555	37,181
Less: Douglas County Sales	(2,073)	(2,147)	74
Less: Alcoa Sales	(16,748)	(17,823)	1,075
Cost: External Purchased Power	(20,098)	(10,251)	(9,847)
Net Wholesale Revenue	63,817	35,335	28,482
Cost: Internal Purch Power, other	(22,079)	(20,583)	(1,496)
Net Wholesale Margin	41,737	14,751	26,986

Networks

(\$000s)

	2007 Actual	2007 Budget	Variance
Operating Revenue	4,584	4,048	536
Operating Expenses	7,363	7,892	(529)
Operating Inc (Loss)	(2,779)	(3,844)	1,065
Non-Op Exp (Inc)	3,617	4,306	(689)
Change in Net Assets before CIAC	(6,396)	(8,150)	1,754
Cap Contributions	6	0	6
	(6,390)	(8,150)	1,760
Interfund Equity Transfer	18,000	0	18,000
Change in Net Assets	11,610	(8,150)	19,760
<i>Operating Ratio</i>	<i>161%</i>	<i>195%</i>	

Water

(\$000s)

	2007 Actual	2007 Budget	Variance
Operating Revenue	3,821	3,785	36
Operating Expenses	4,380	5,054	(674)
Operating Inc (Loss)	(559)	(1,269)	710
Non-Op Exp (Inc)	517	1,032	(515)
Change in Net Assets before CIAC	(1,076)	(2,301)	1,225
Cap Contributions	840	861	(21)
	(236)	(1,440)	1,204
Interfund Equity Transfer	21,000	0	21,000
Change in Net Assets	20,764	(1,440)	22,204
<i>Operating Ratio</i>	115%	134%	

Wastewater

(\$000s)

	2007 Actual	2007 Budget	Variance
Operating Revenue	398	400	(2)
Operating Expenses	788	1,015	(227)
Operating Inc (Loss)	(390)	(615)	224
Non-Op Exp (Inc)	(63)	36	(99)
Change in Net Assets before CIAC	(327)	(650)	323
Cap Contributions	91	78	13
	(236)	(572)	336
Interfund Equity Transfer	2,000	0	2,000
Change in Net Assets	1,764	(572)	2,336
<i>Operating Ratio</i>	<i>198%</i>	<i>253%</i>	

Treasury Services

(\$000s)

	2007 Actual	2007 Budget	Variance
Operating Revenue	0	0	0
Operating Expenses	11	2	9
Operating Inc (Loss)	(11)	(2)	(9)
Non-Op Exp (Inc)	(2,507)	(4,484)	1,977
Change in Net Assets before CIAC	2,495	4,482	(1,986)
Cap Contributions	0	0	0
	2,495	4,482	(1,986)
Interfund Equity Transfer	(94,641)	0	(94,641)
Change in Net Assets	(92,146)	4,482	(96,628)

Combined Utility Services

(\$000s, including Wholesale)

	2007 Actual	2007 Budget	Variance
Operating Revenue	53,957	52,404	1,553
Net Wholesale Margin	41,737	14,751	26,986
Operating Expenses	(78,093)	(88,609)	10,516
Operating Inc (Loss)	17,602	(21,454)	39,055
Non-Op Exp (Inc)	(9,180)	(6,085)	(3,095)
Change in Net Assets before CIAC	26,781	(15,369)	42,150
Cap Contributions	4,334	5,107	(773)
	31,116	(10,262)	41,378
Interfund Equity Transfer	0	0	0
Change in Net Assets	31,116	(10,262)	41,378
<i>Operating Ratio</i>	<i>89%</i>	<i>118%</i>	

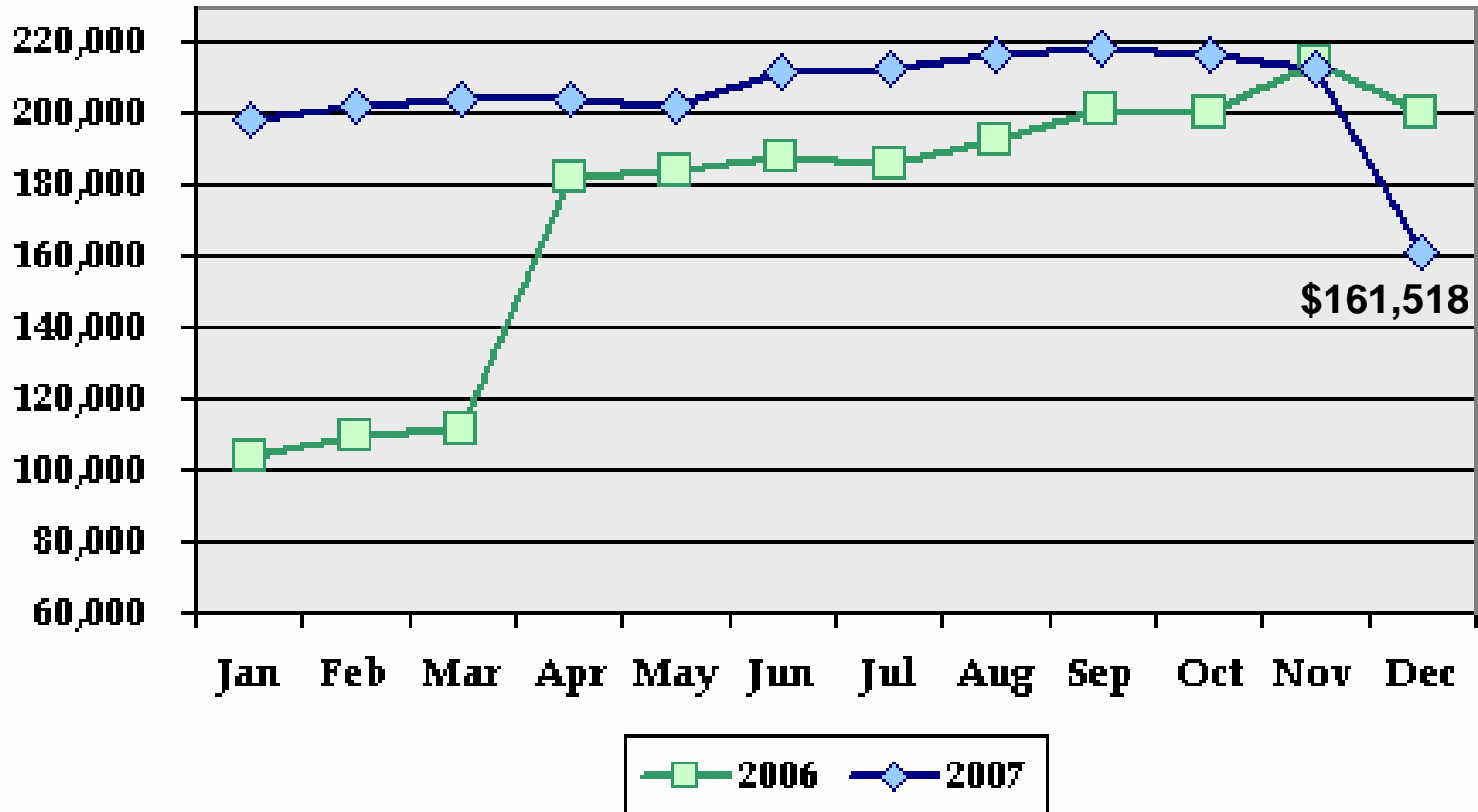
2007 Capital Expenditures

(\$000s)

	2007 Actual	2007 Budget	Unspent	% Spent
Distribution	19,120	22,808	3,688	84%
Networks	12,204	12,204	0	100%
Water/WW	2,883	5,338	2,455	54%
Hydros	31,689	55,406	23,717	57%
Internal Service	1,975	3,980	2,005	50%
Total	67,871	99,680	31,809	68%

Includes Deferred (Relicensing) Costs

Utility Services Operating Reserves (\$000s)



\$89M capacity reservation payment received from Puget Sound Energy Apr 06 for its new power sales contract with the District, which was transferred to Utility Services systems July 2007.

That was the look back, now
for the look forward...

Board Governing Financial Policies

- Provide integrated utility services
- Target an overall operating ratio of 80%-100% by 2011
- Target a positive Change in Net Assets (bottom line) by 2011
- Limit the potential surcharge to 14% under unusual circumstances (10% probability of this outcome or worse in any year)

Board Directed Strategic Actions

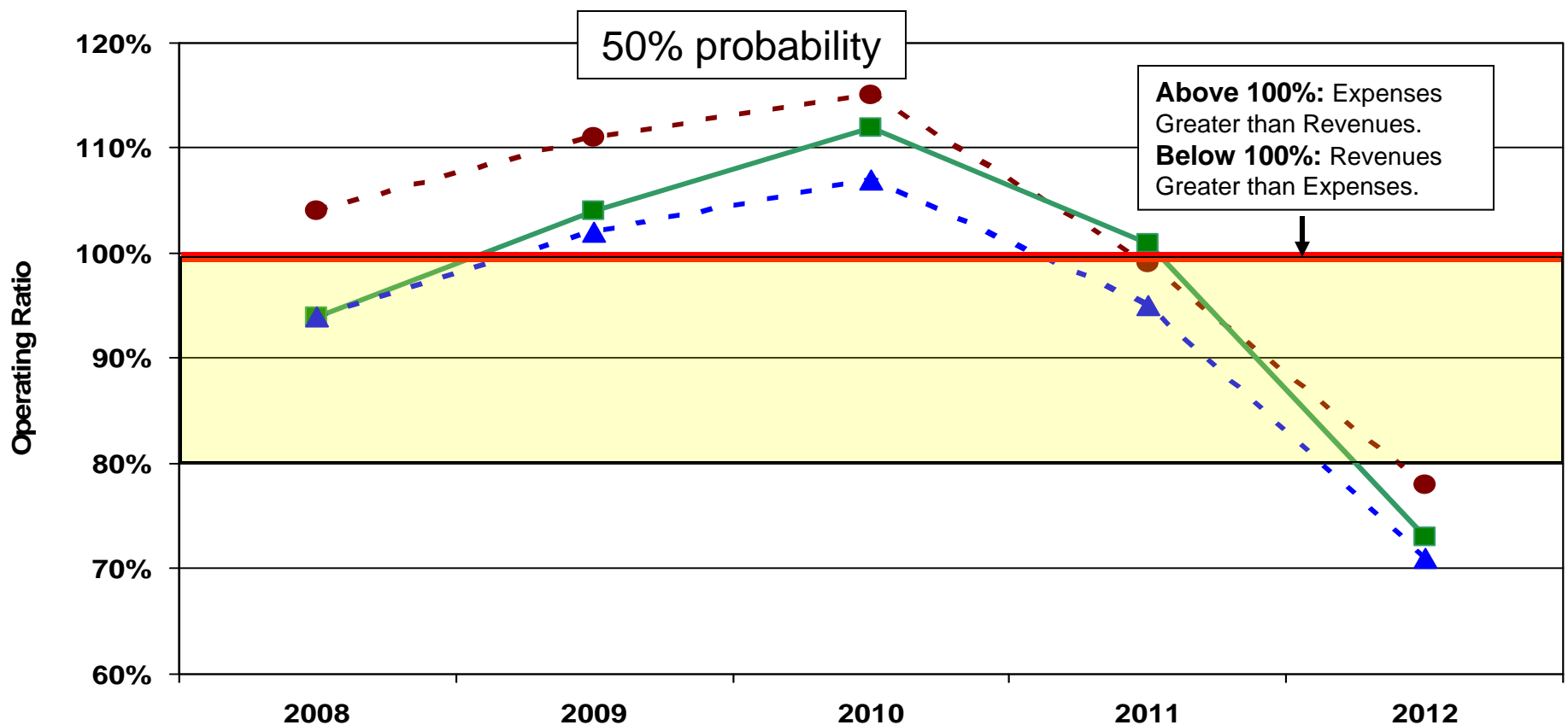
- Implemented rate increases effective January 1, 2008:
 - 5% for Electric
 - 9% for Water
 - 9% for Wastewater
- Implemented rate increases effective October 29, 2007:
 - 2% on average for Networks service providers
- Implemented the financing plan including rate stabilization fund in December 2007
- Allocated capacity reservation funds in July 2007
- Proceeding with the Networks business line using the current build with an emphasis on deployment in rural areas
- Proceeding with the Electric, Water and Wastewater business lines using the balanced strategy

Forecast Assumptions – What's Changed?

Updated assumptions since final 2008 Budget presentation:

- System load growth adjusted for bi-annual update (reduced from 3.0% to 2.4%)
- Net wholesale probabilistic outcomes have improved (estimate as of January 29th)
- Beginning cash balances are higher

Utility Services Operating Ratio at a 50% confidence level



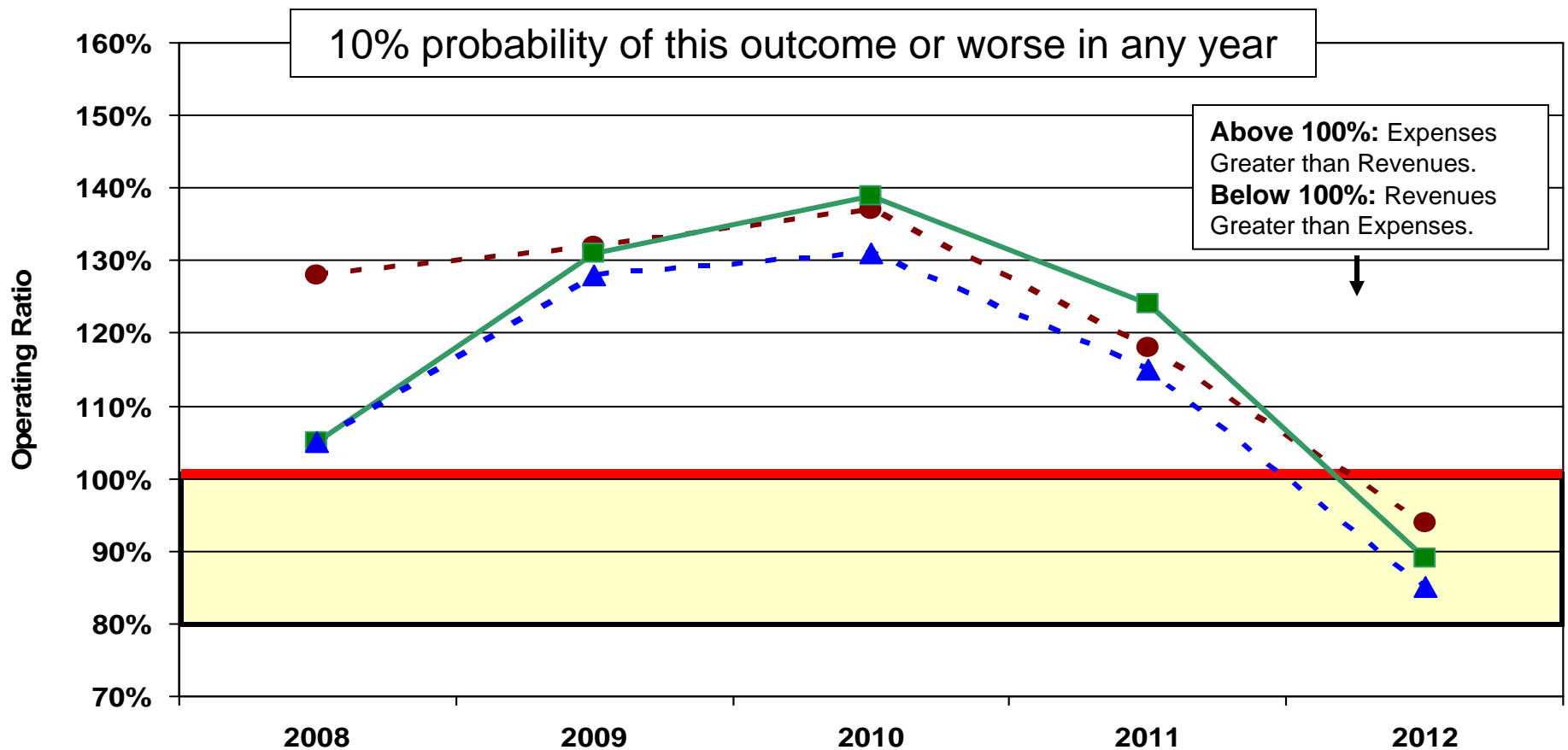
- ● - Board Balanced Strategy -■- Current State: No Future Rate Increases -▲- Current State: Future Rate Increases

Board "Balanced"
(5% Electric 2008-11, 9% W & WW 2008-12, implemented 1/1/08, NW focus on rural buildout)

Current state as of 01/08
(2007 actuals, 2008 budget, ER wholesale est. 1/28/08, no rate increases post 2008)

Current state as of 01/08
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Utility Services Operating Ratio at a 90% confidence level



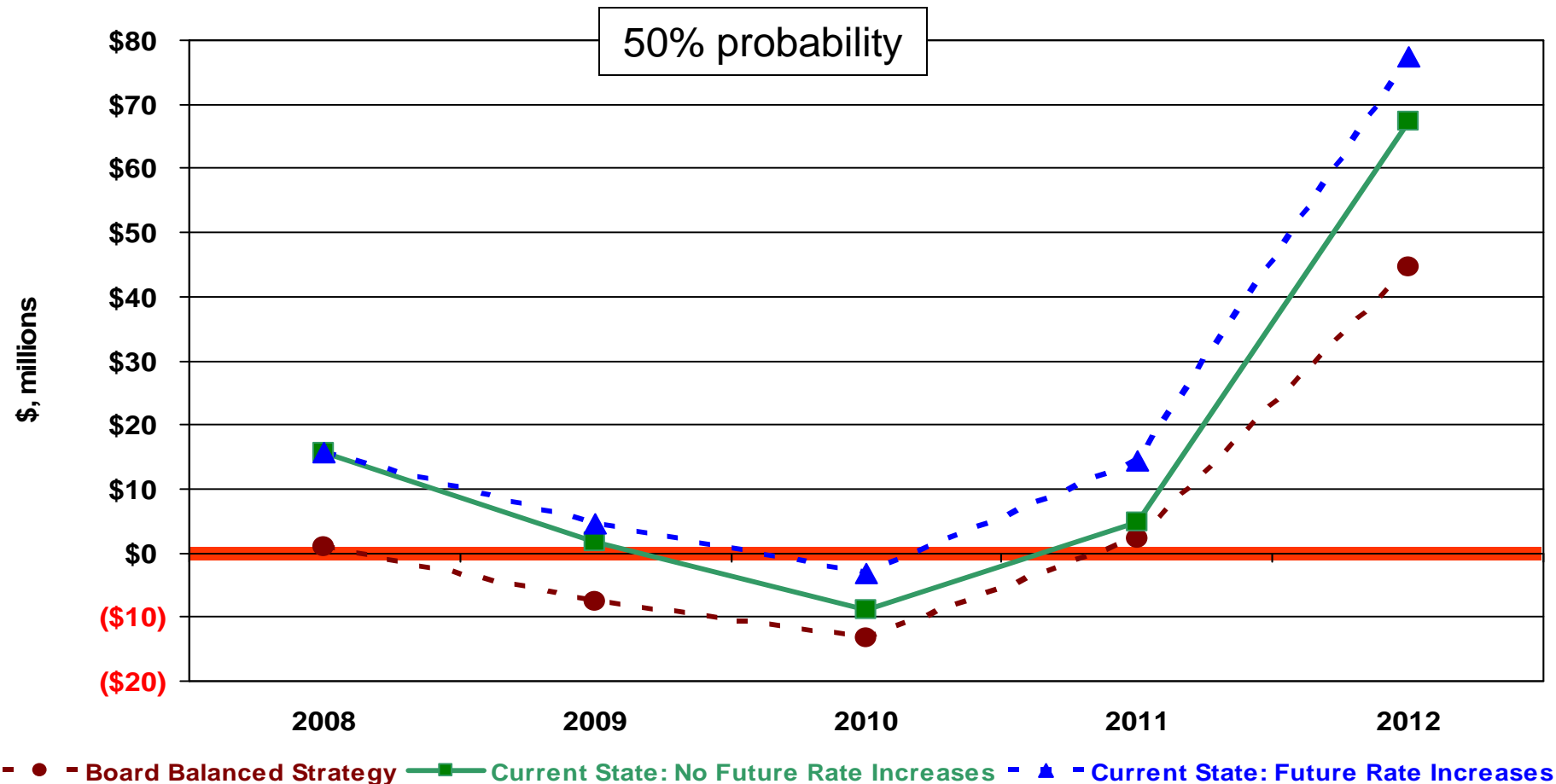
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Utility Services Change in Net Assets at a 50% confidence level

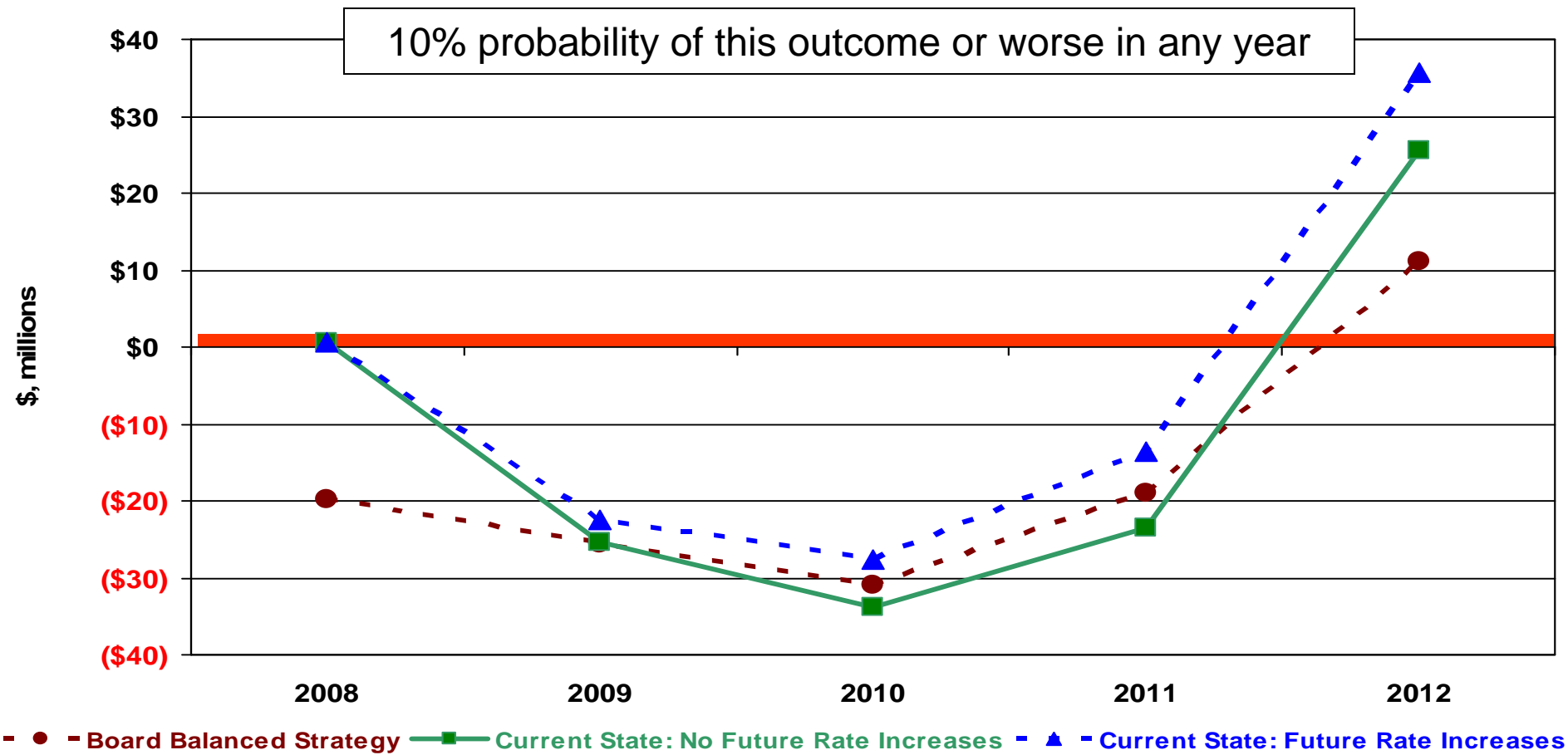


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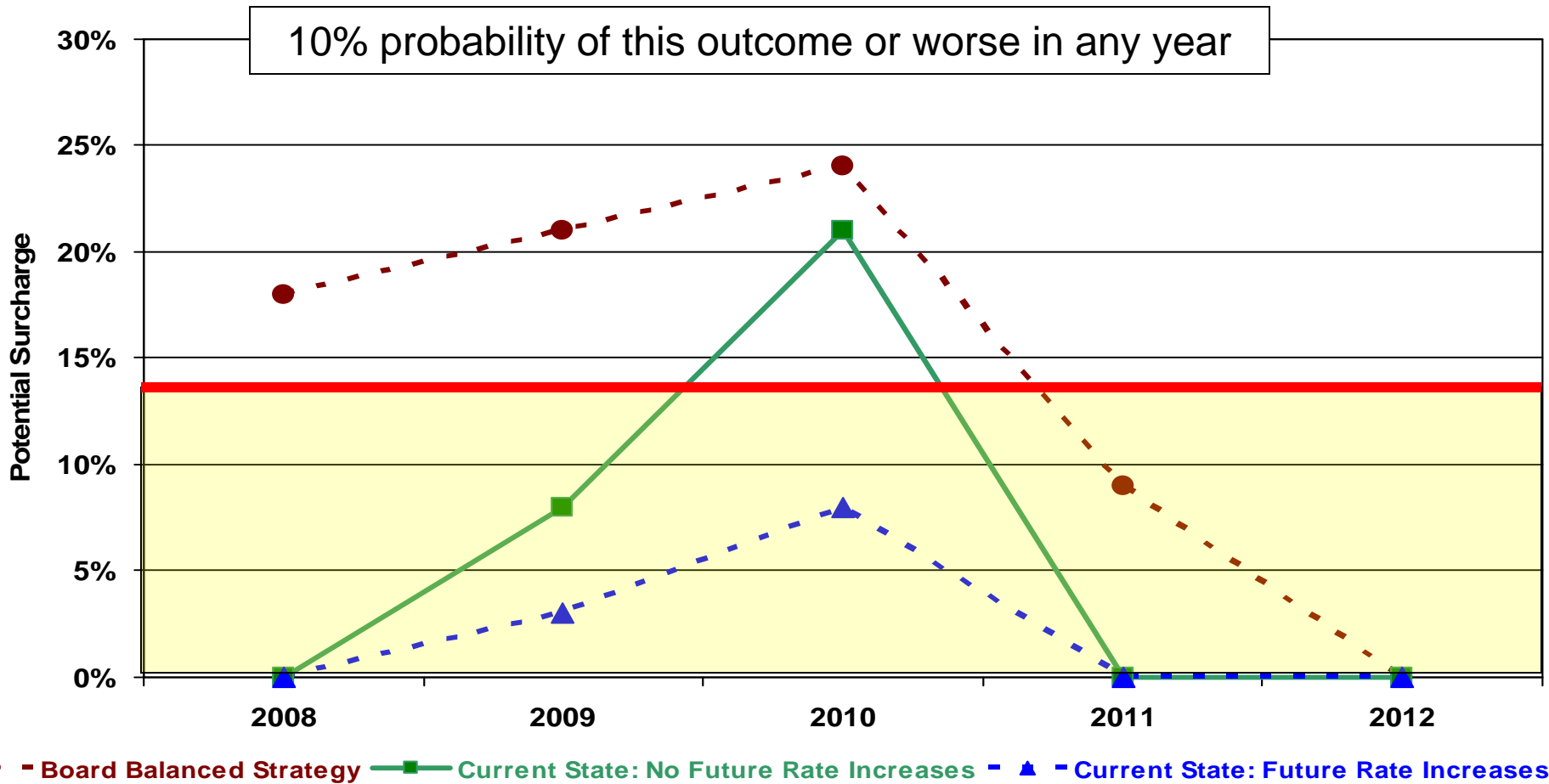


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Utility Services Surcharge Potential at a 90% confidence level to meet 1.25 debt coverage



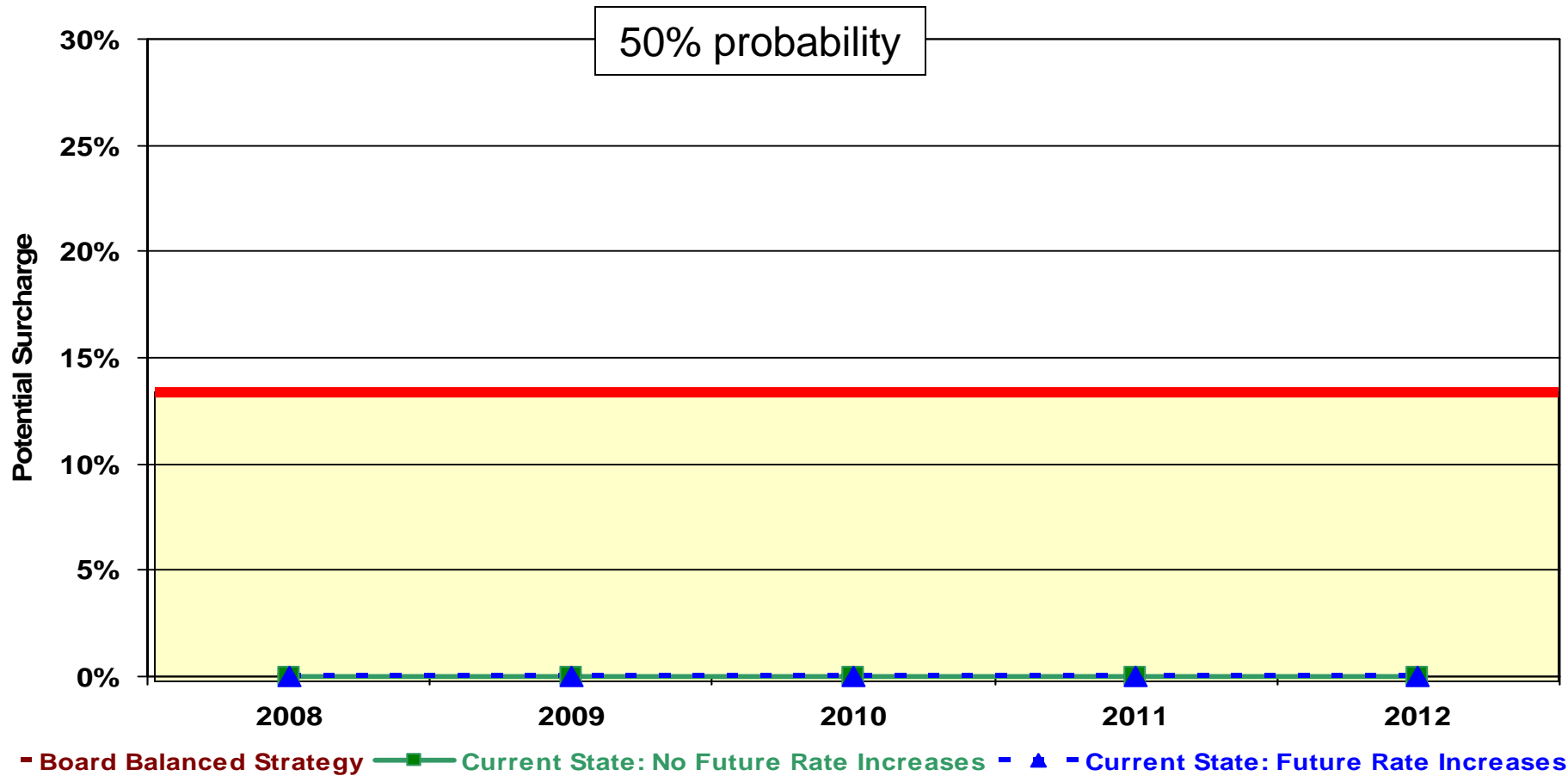
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Utility Services Surcharge Potential

at a 50% confidence level to meet 1.25 debt coverage

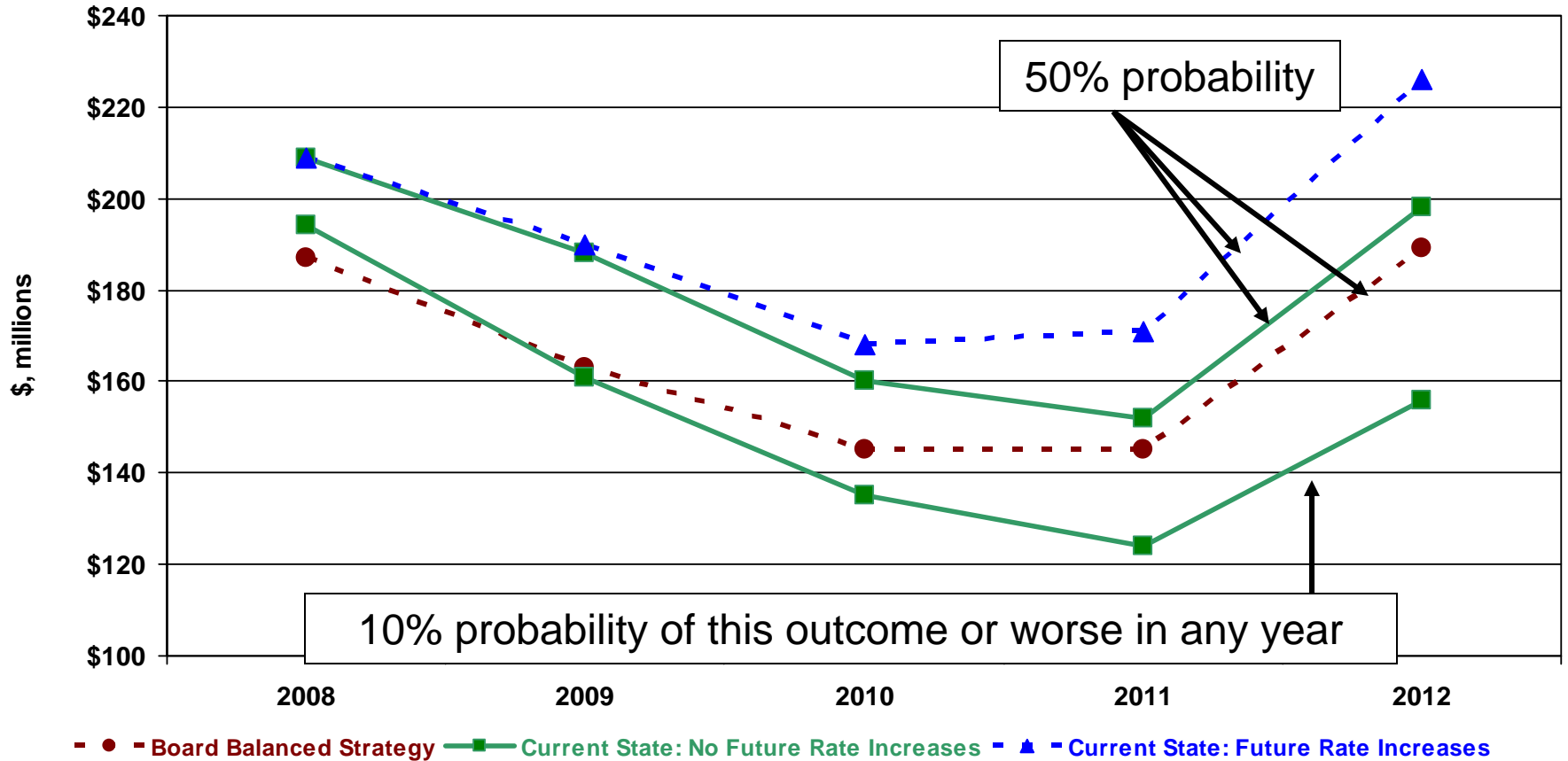


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Utility Services Projected Cash Reserves



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Surcharge Potential for 2008?

	<u>Wholesale Sales</u>	<u>Utility Services Change Net Assets</u>	<u>Debt Cover</u>
<i>High</i>	\$78M,	\$30.9M,	10.4
<i>2008 Forecast</i>	\$63M,	\$15.6M,	7.6
<i>Low</i>	\$48M,	\$0.6M,	4.8

“High” revenue has a 10% probability of occurring

“2008 Forecast” revenue has a 50% probability of occurring

“Low” revenue has a 10% probability of occurring

Are we on track with targets and strategic financial planning forecasts?

2008 - on track

2009 to 2012 - need to keep “eyes on path”

- Still reliant on wholesale sales to fill gaps
- Vulnerable to low wholesale outcomes
- Increasing upward pressure on costs
- Continue to develop and implement contingency plans
- Actions still required to maintain future financial health

Summary

Wholesale sales have been strong

- Water year was near normal, higher than budgeted
- Wholesale prices were above average, but lower than budgeted
- Strong prices during the major run-off period helped push up revenues
- Good forward sales also helped contribute to increase in wholesale revenues

Capital spending deferred on some projects

Retail sales of electricity were slightly higher than projected

- Cold weather in final quarter
- Slightly offset by lower industrial customer use

Projected results in 2008-2012 indicate we need to continue to refine our strategies to meet financial targets