



# Chelan PUD Energy Resources and Finance Quarterly Update

*Board Meeting  
August 6, 2007*

# Discussion Topics

- Energy Resources Update
  - 2007 Operational Highlights
  - 2007 Financial Highlights
  - Current Finance Activities
- 
- No action required today



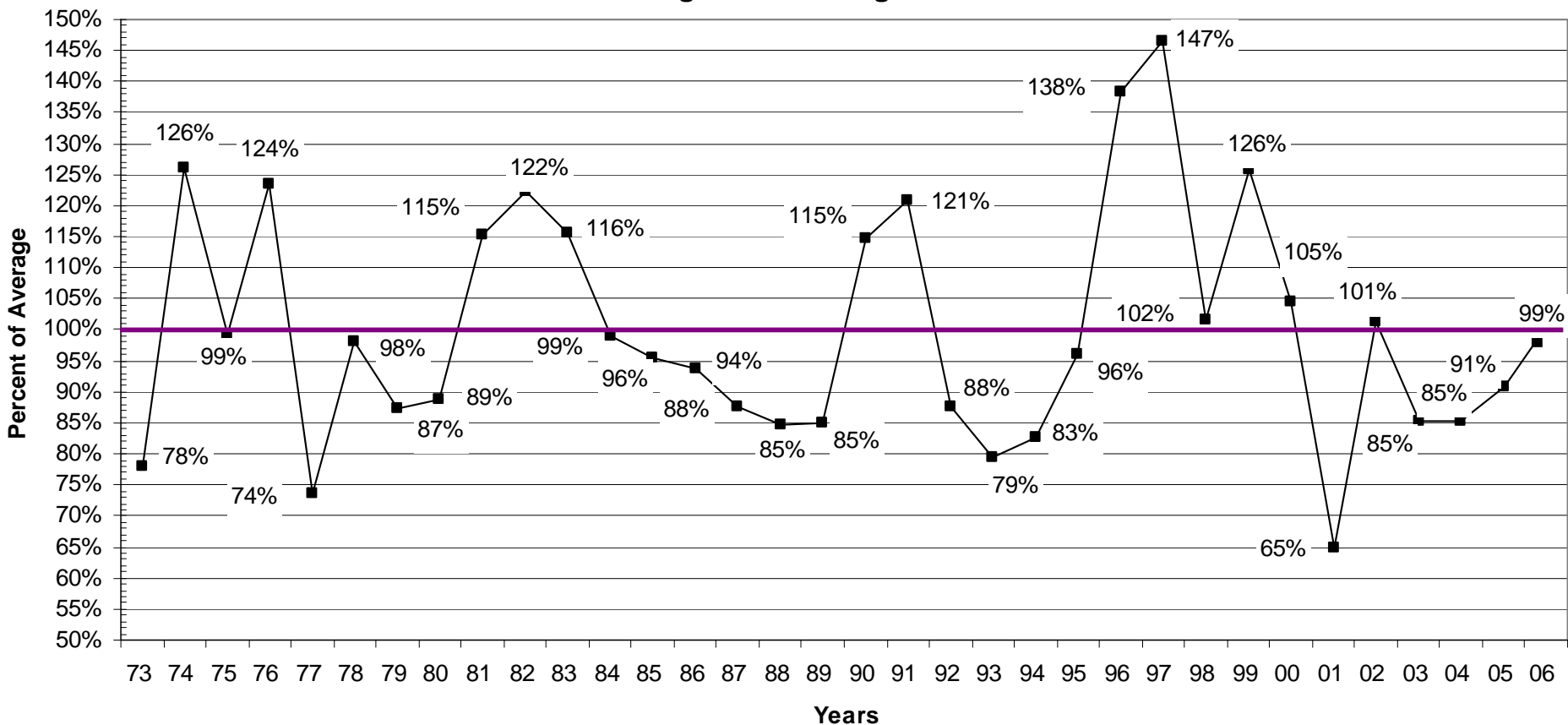
# Energy Resources Quarter in Review

- High Q2 flows
- No fish spill at RR in May
- Prices have remained strong
- Preparing for WECC compliance audit in August
- Coral Energy purchased Avista Energy effective July 1, 2007



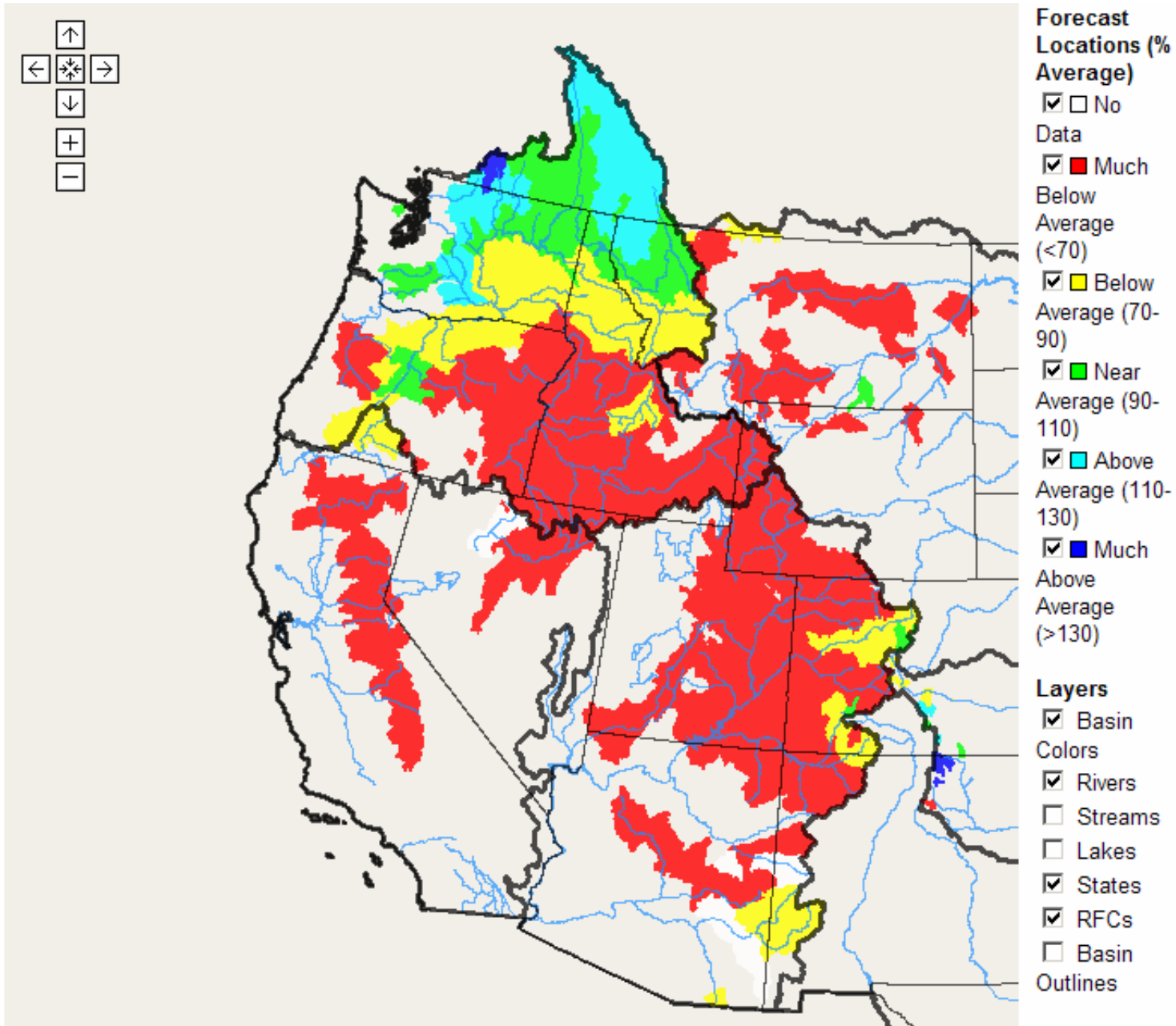
## Rocky Reach Average Yearly Flows 1973-2006

### 1973 through 2006 Average of 110.8 KCFS

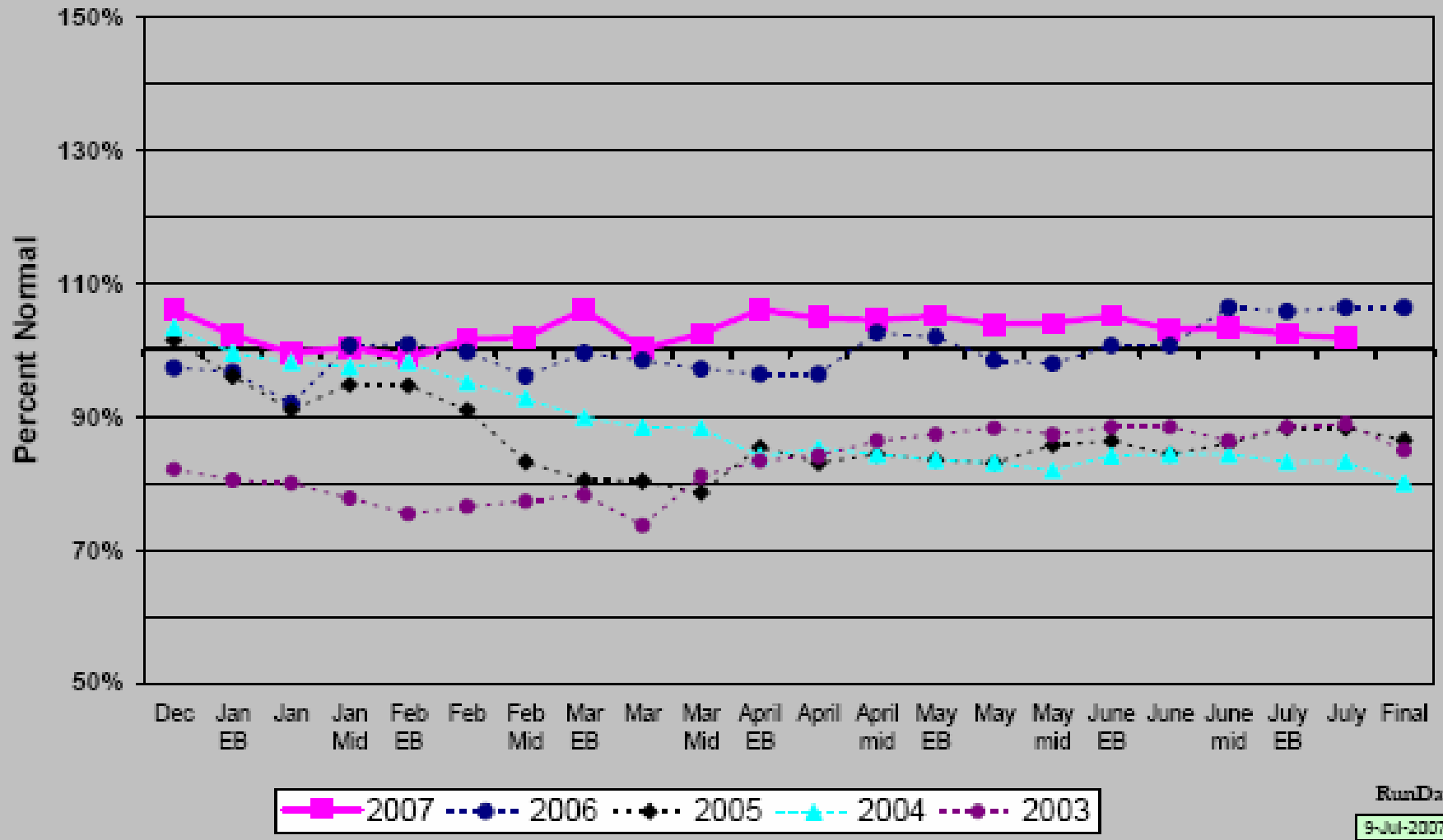


■ RR Actual Annual (Jan-Dec) Flows

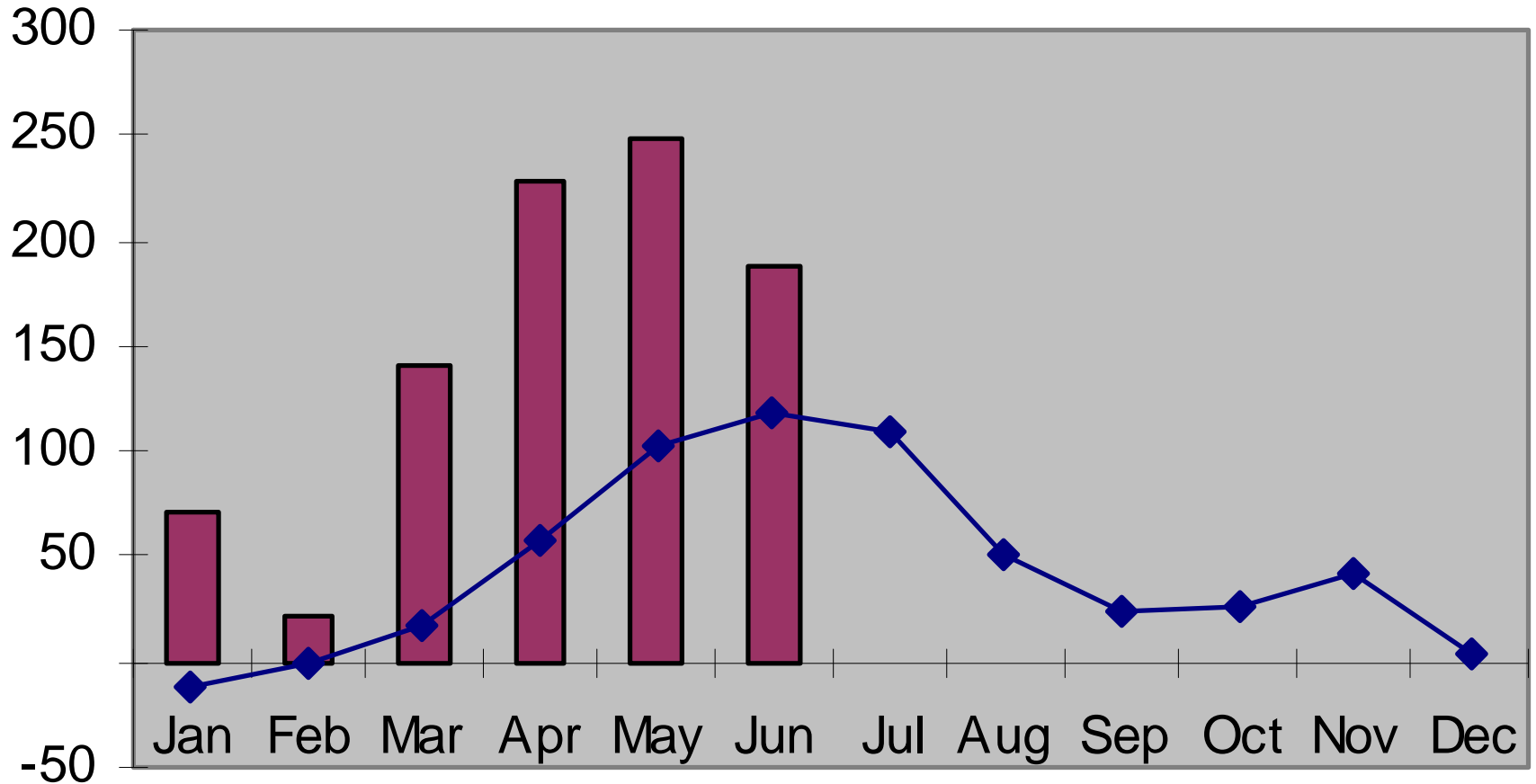
# Seasonal Runoff Volume Forecasts 2007



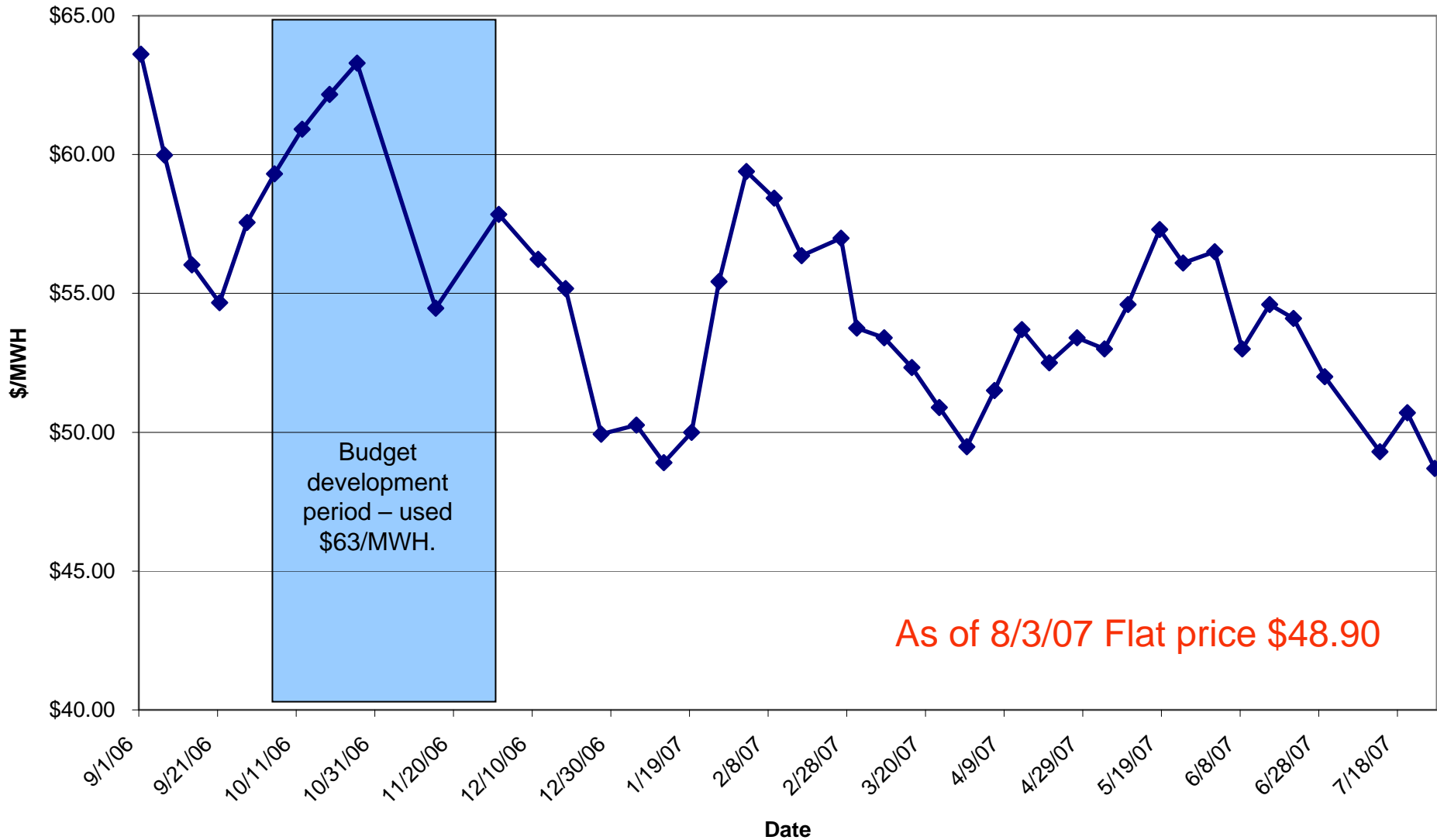
# Grand Coulee Forecasts of Jan-July Inflows



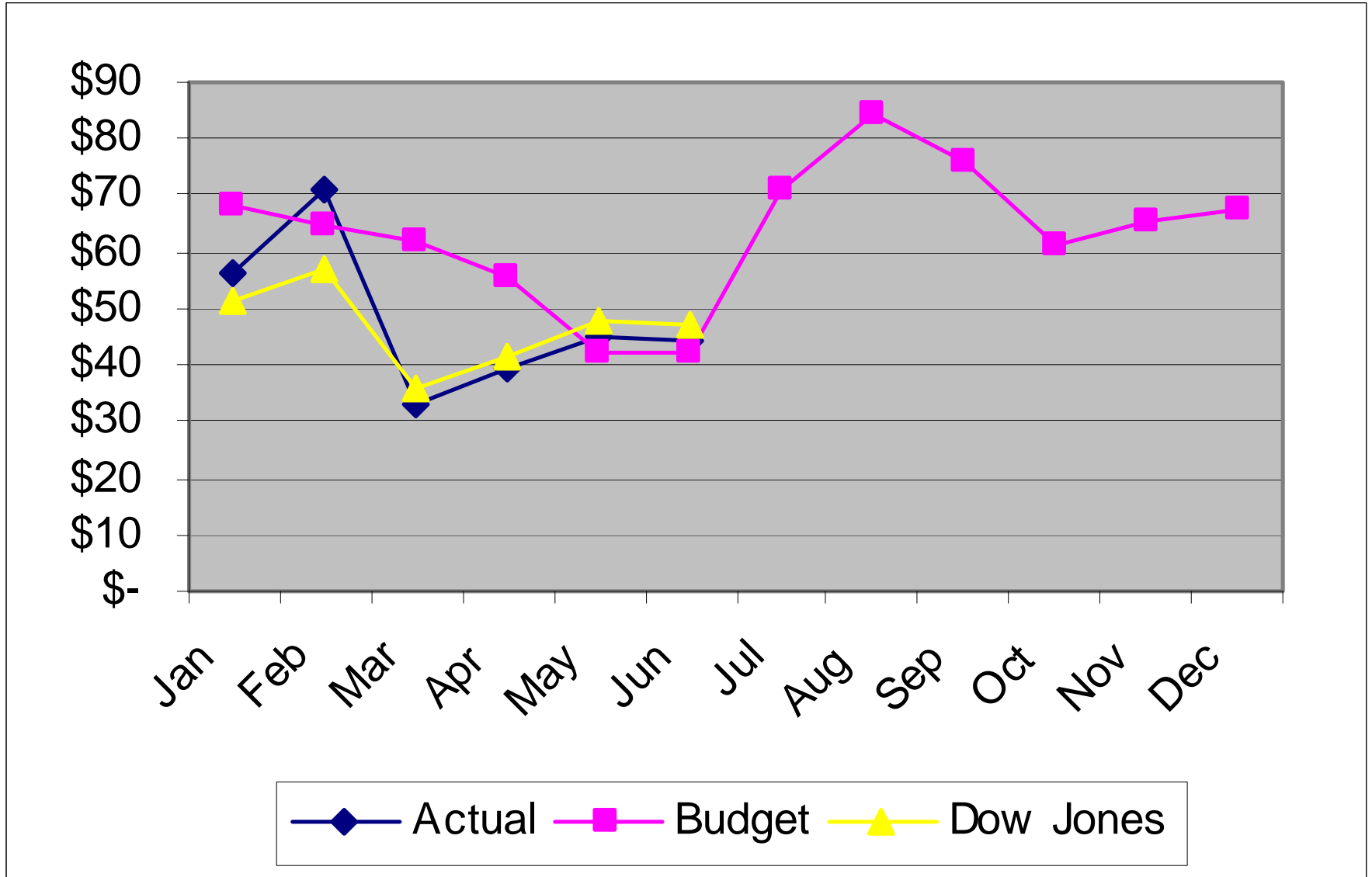
# 2007 Surplus MWh (000)



# Calendar 2007 Flat Mid-C Price

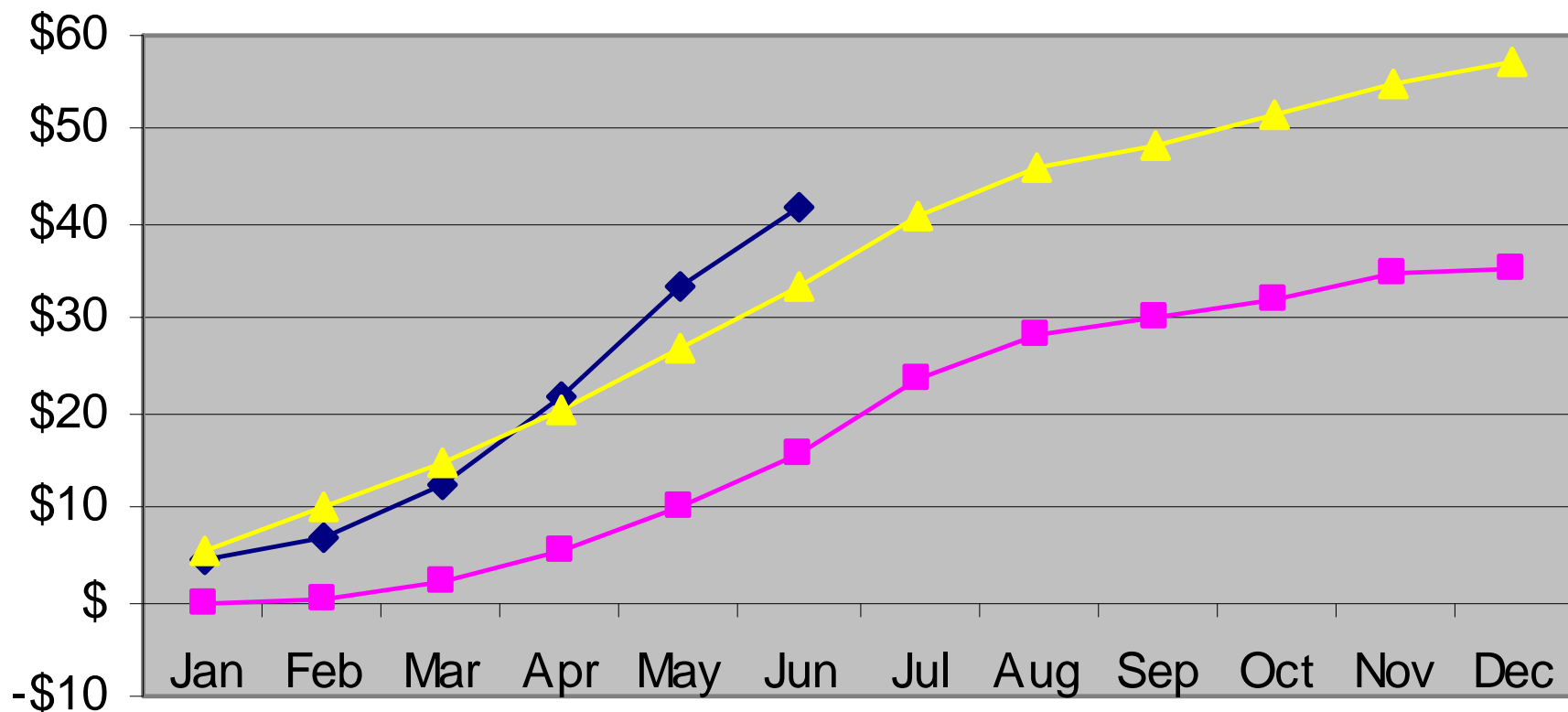


# 2007 Monthly Flat Price (\$/MWh)



# 2007 Cumulative Net Wholesale Revenue

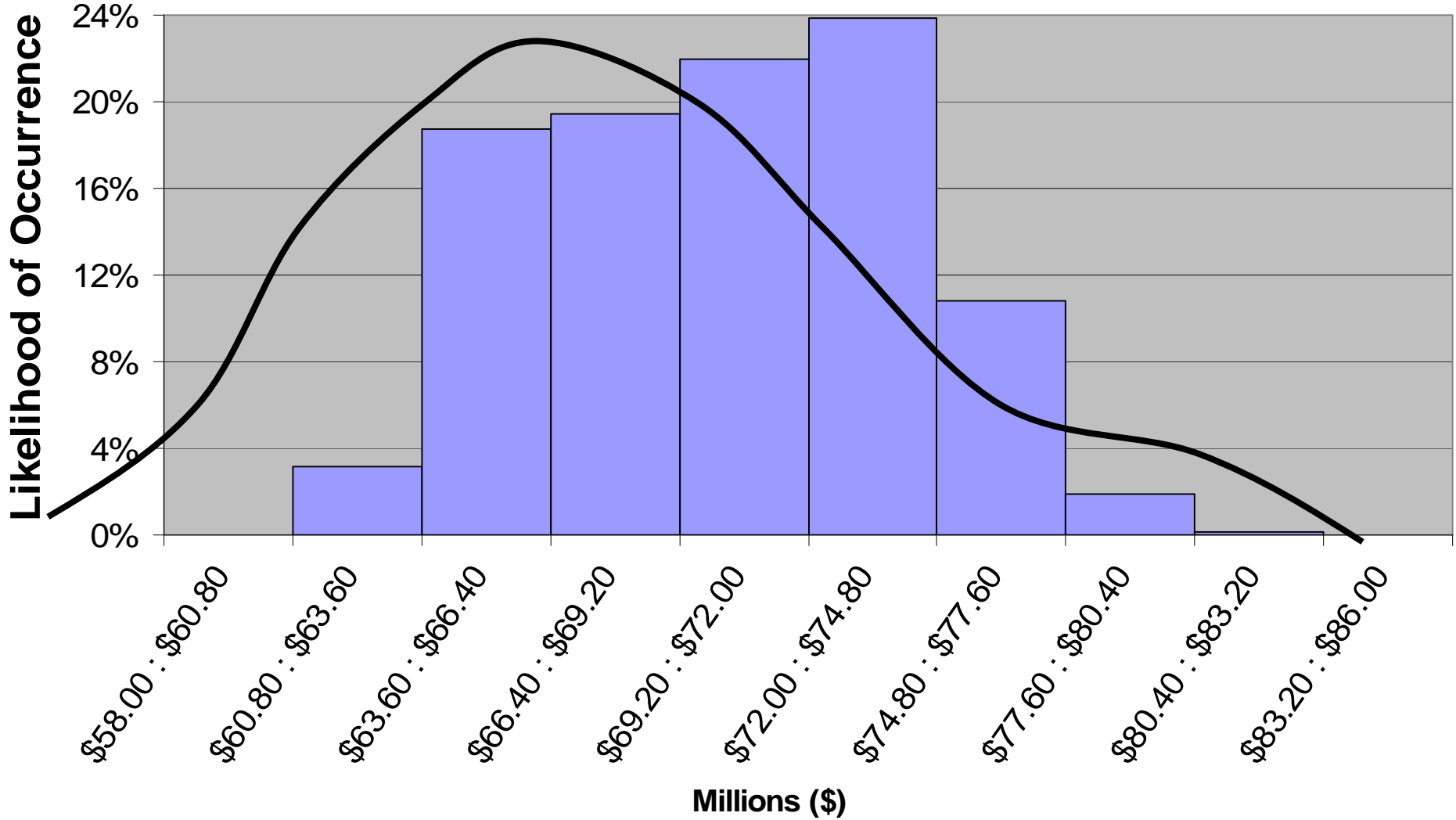
\$Millions



—◆— Actual —■— Budget —▲— 2006

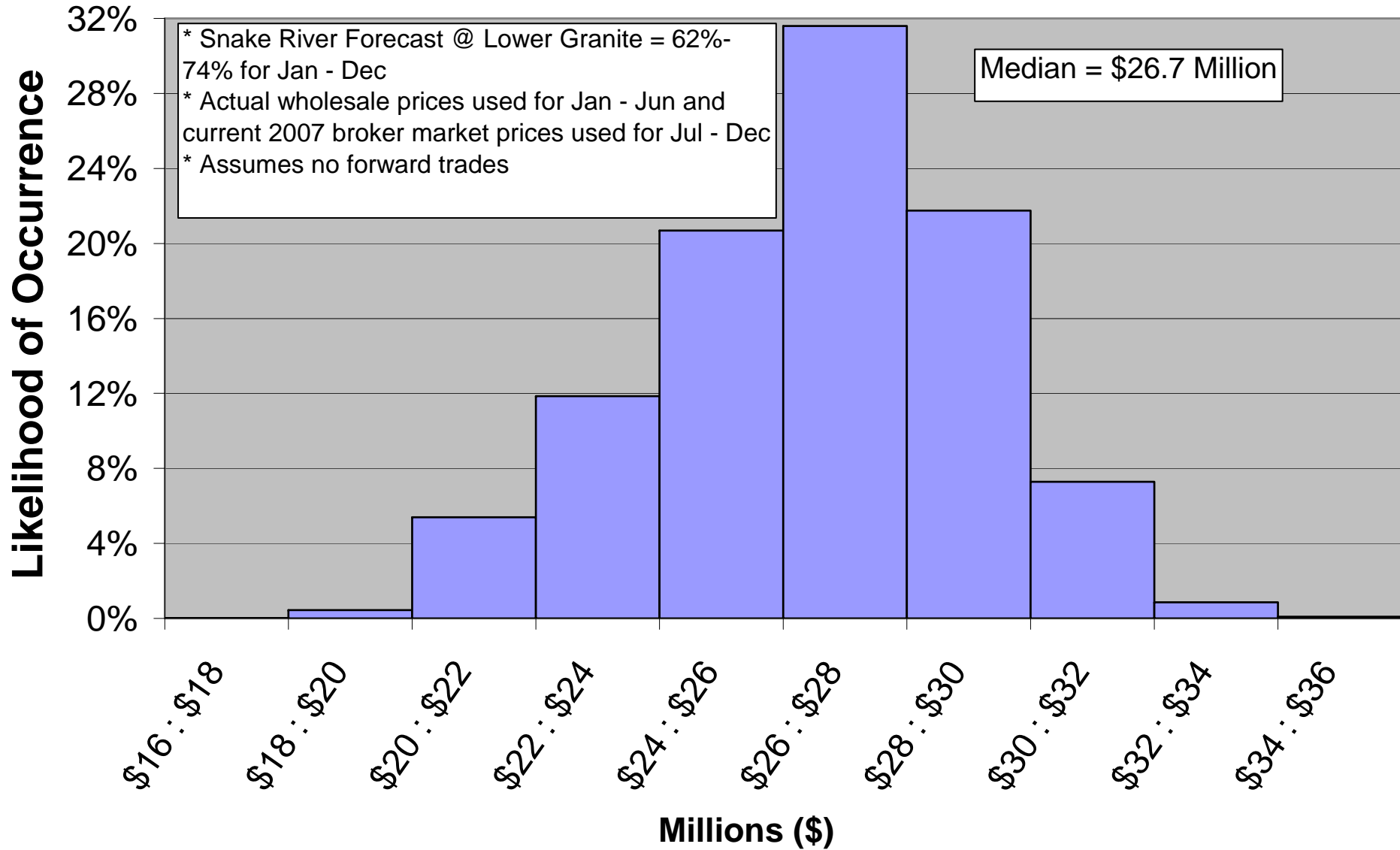
# Possible 2007 Wholesale Revenue Outcomes

(A Probabilistic View)

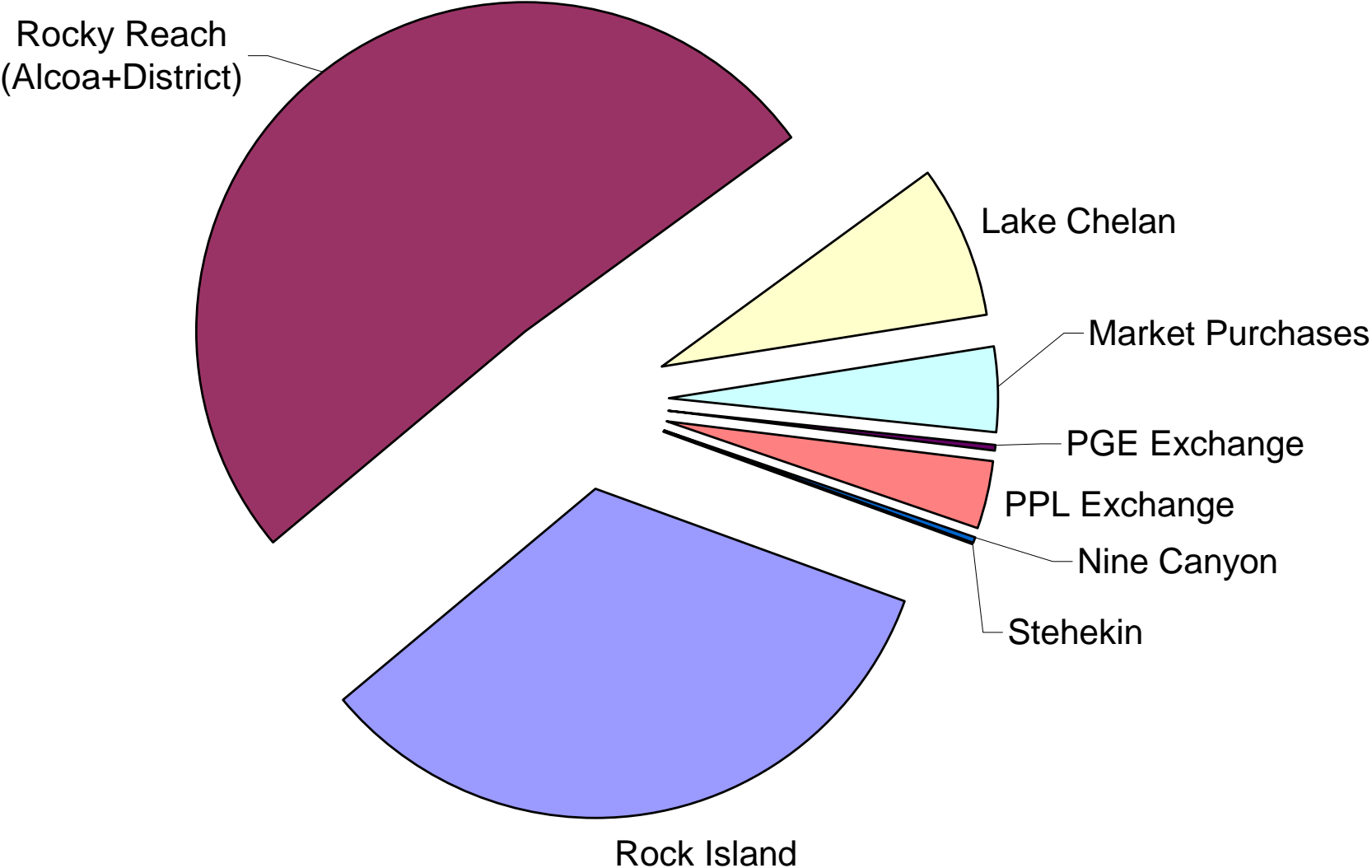


# What if the Columbia was as dry as the Snake this year?

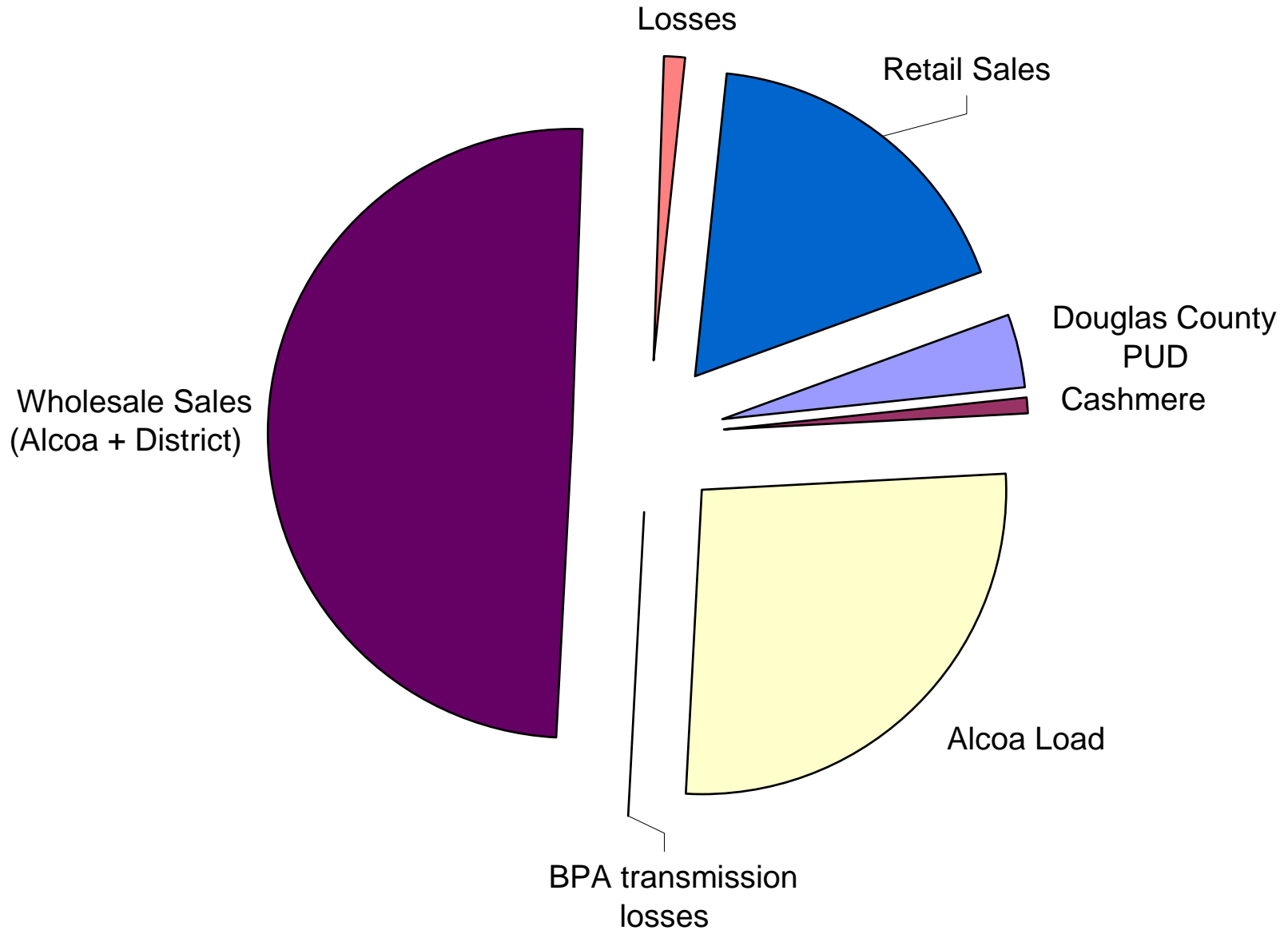
("What if" possible 2007 Wholesale Revenue Outcomes)



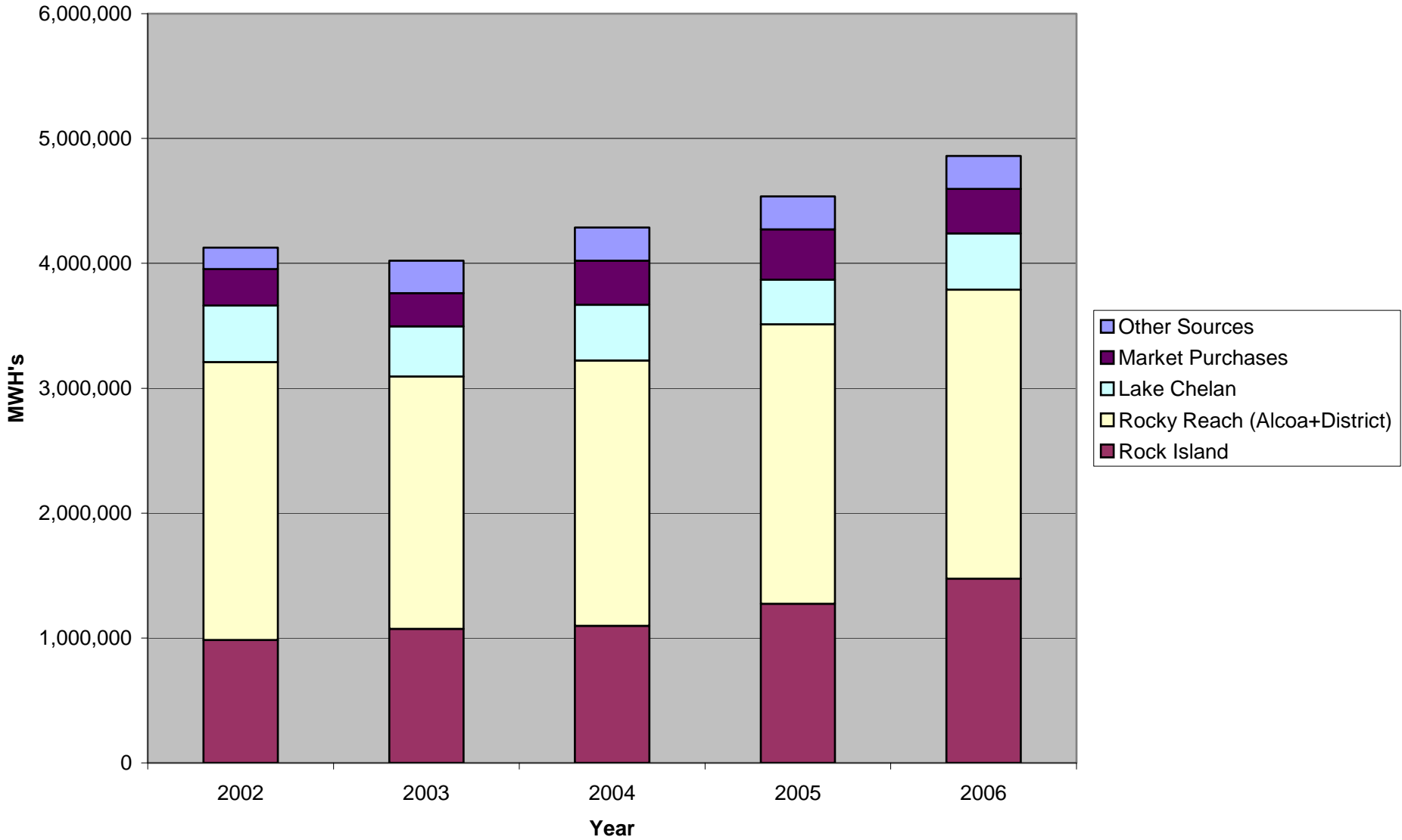
# Sources of Electricity (Q207)



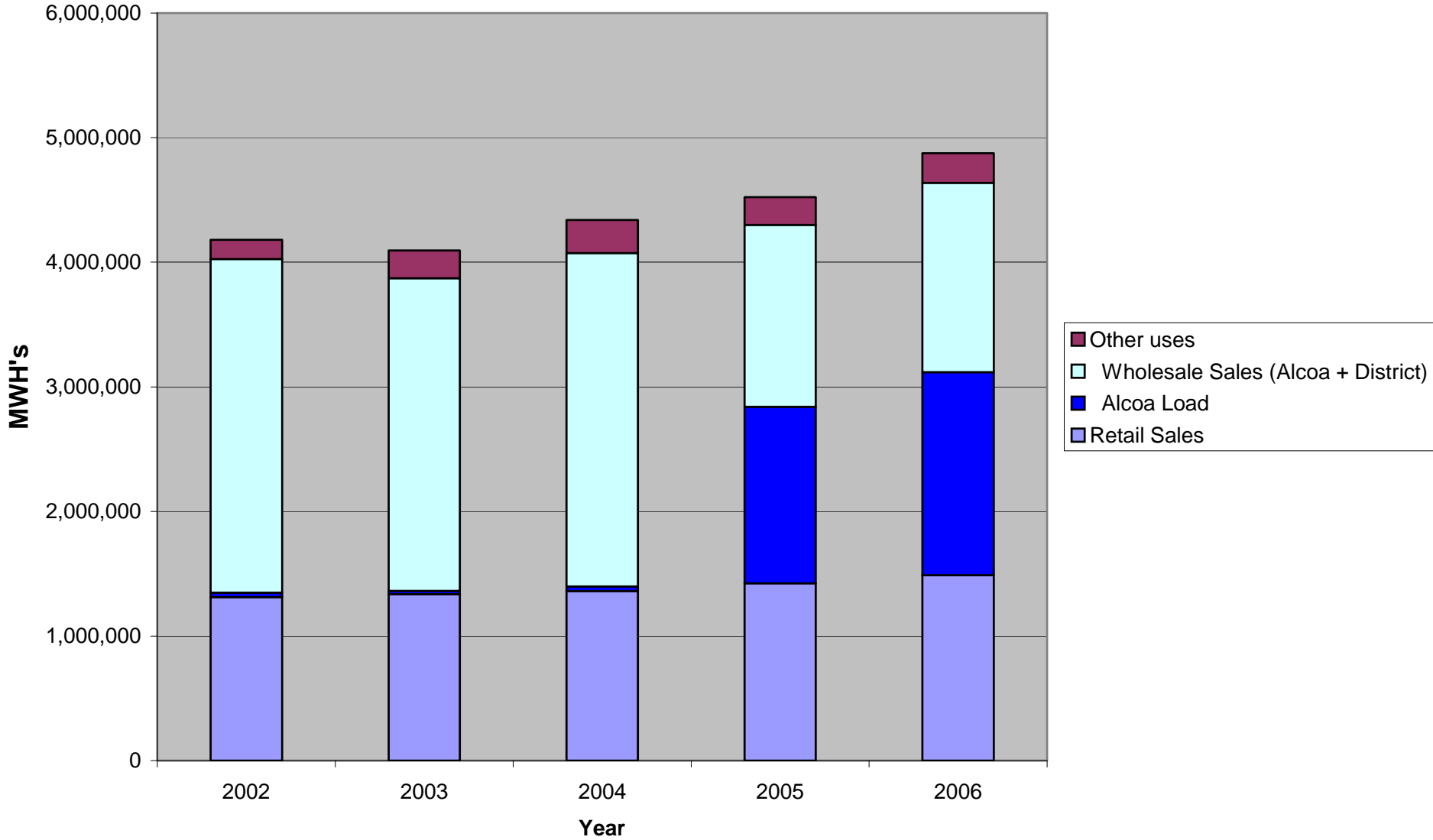
# Uses of Electricity (Q207)



# Sources of Energy



# Uses of Energy





Questions ...?

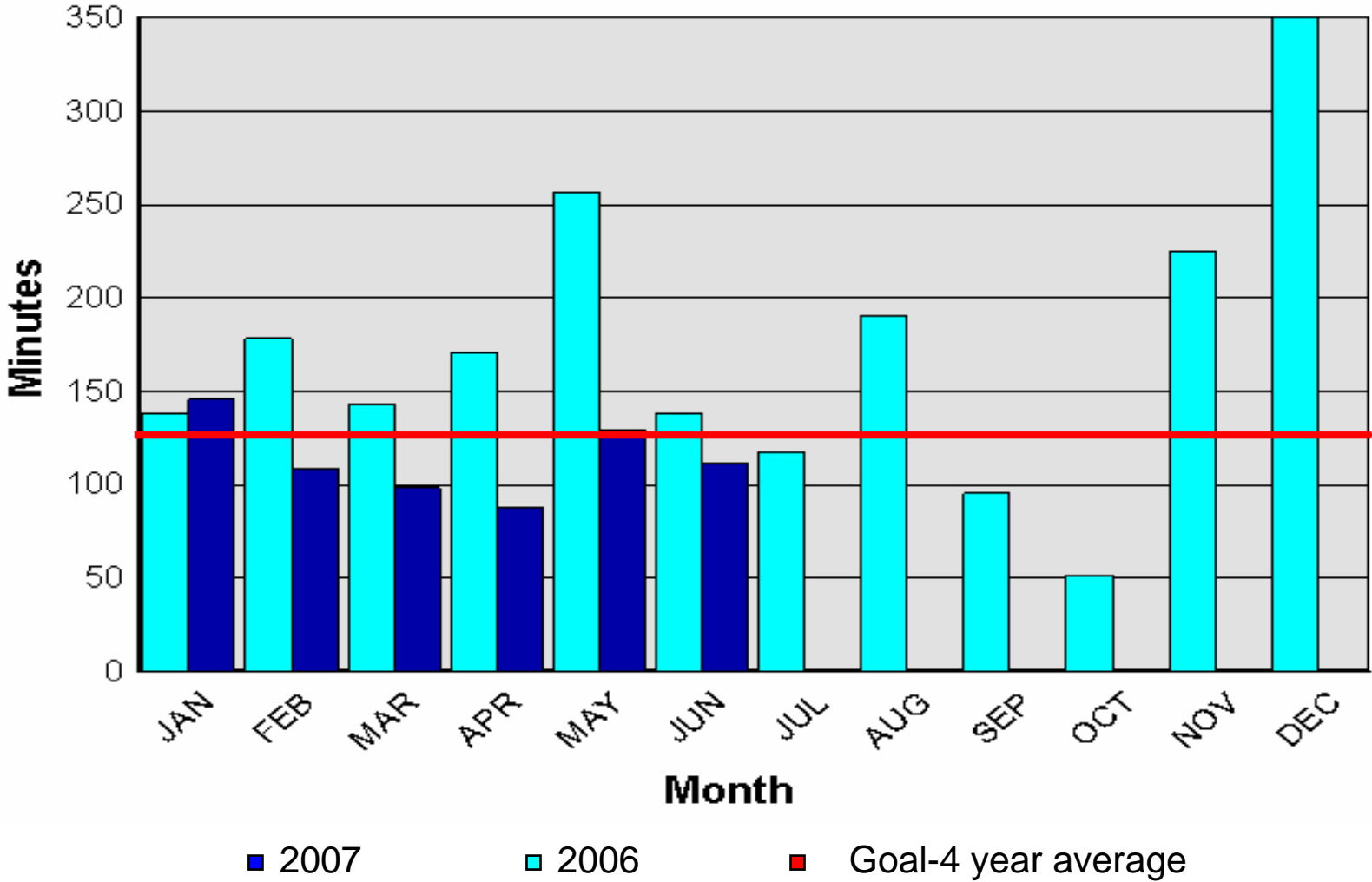
# 2007 Second Quarter Operational Highlights



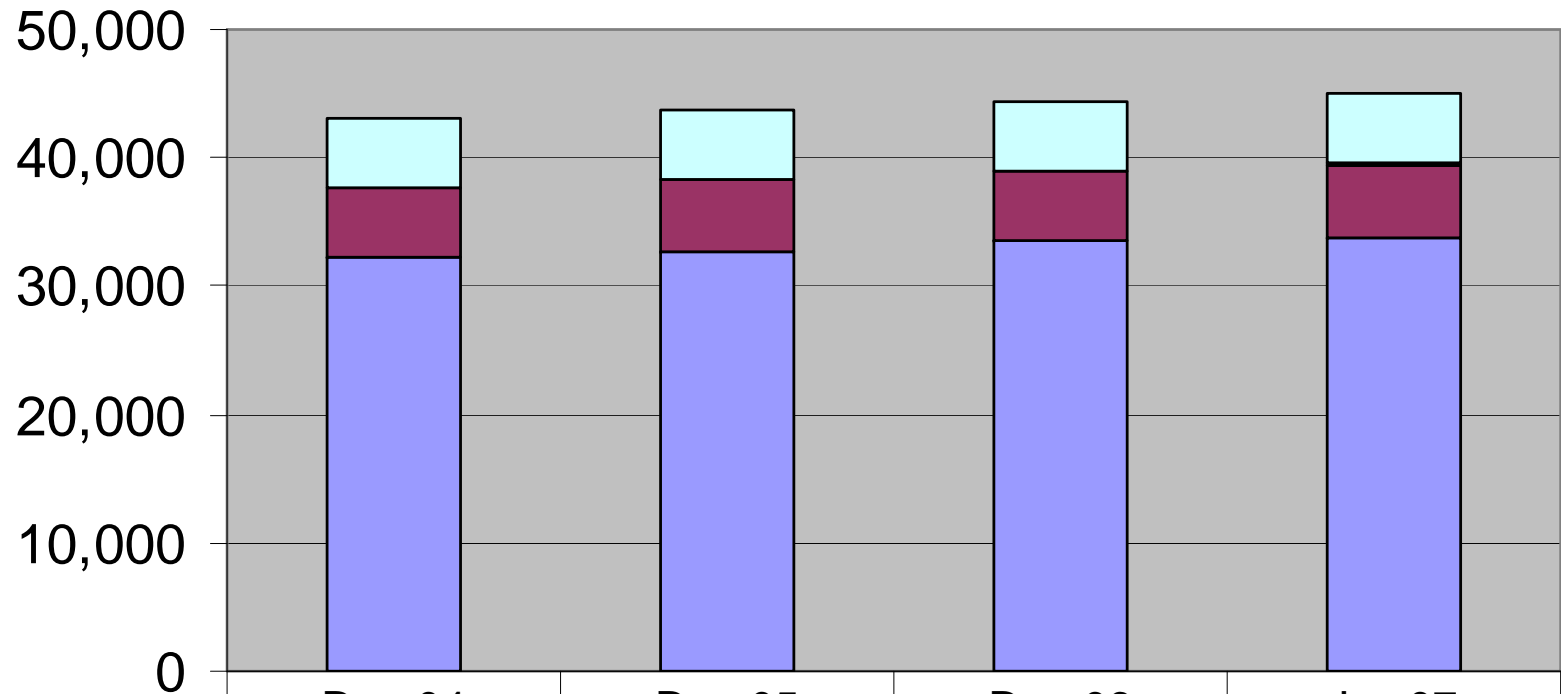


# Distribution Outages

**CAIDI - (Minutes/Customer)**

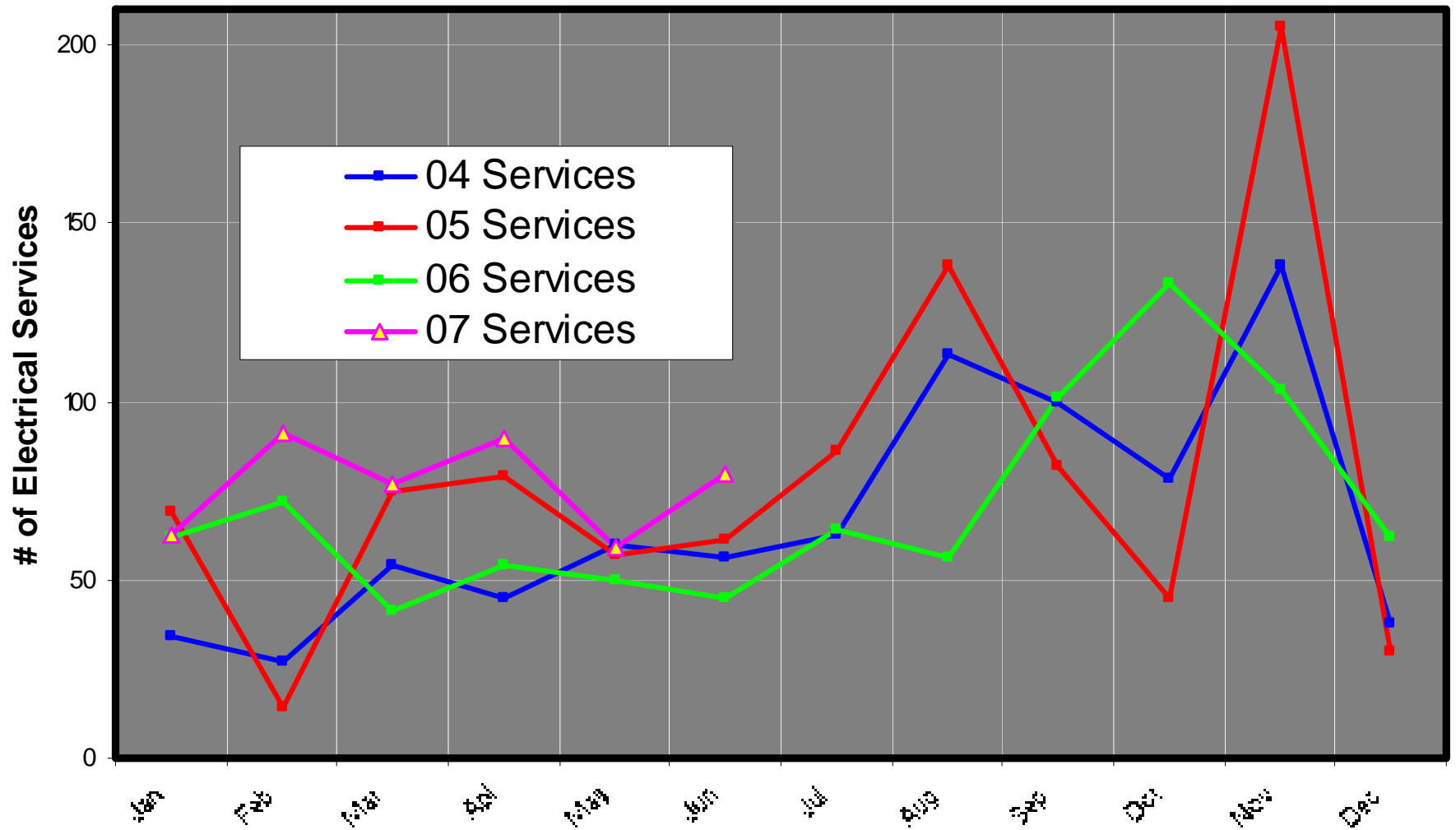


# Retail Electric Customers

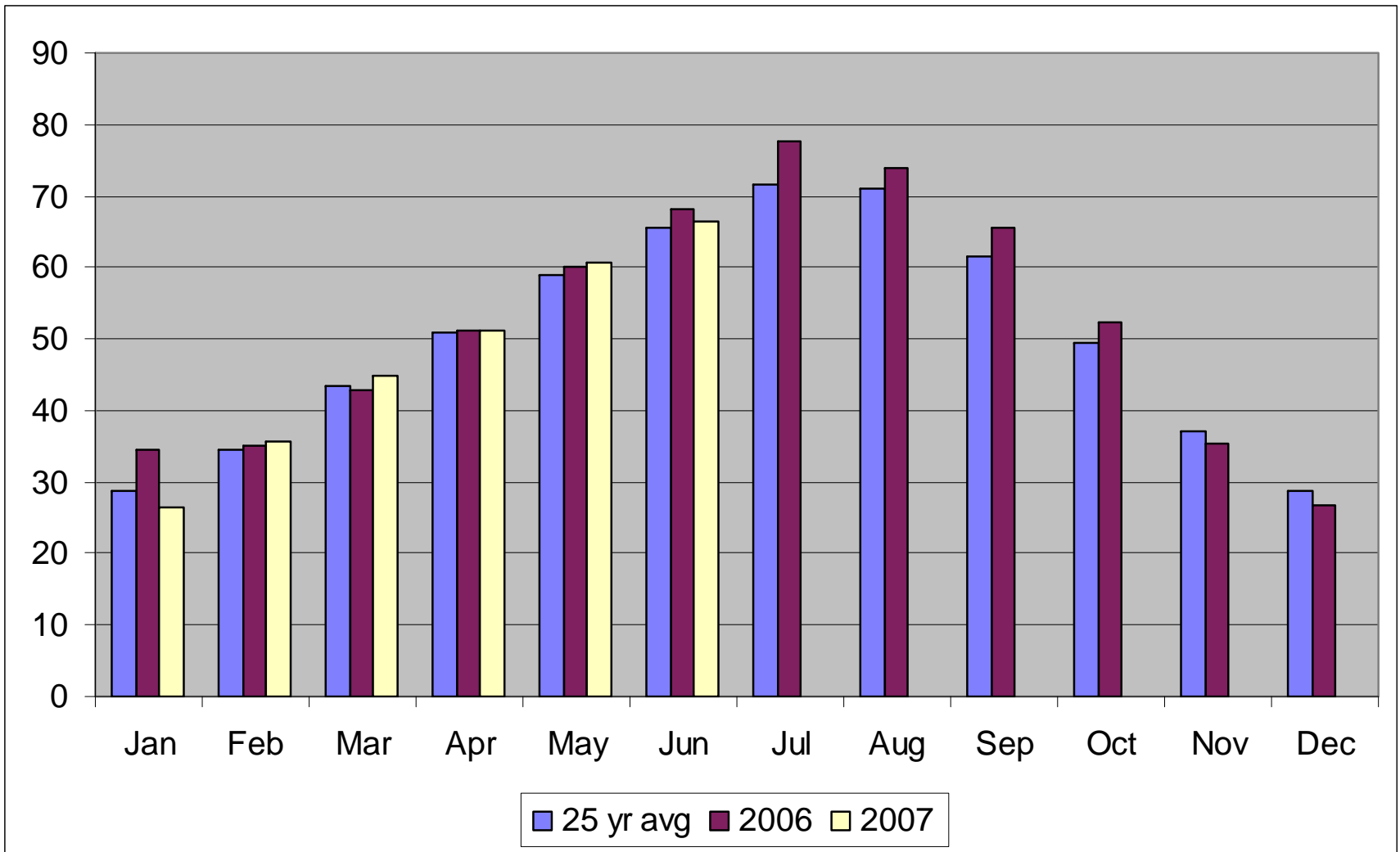


Other	5,416	5,411	5,396	5,415
Industrial	28	29	30	30
Commercial	5,430	5,496	5,563	5,623
Residential	32,145	32,769	33,442	33,861

# New Electrical Services

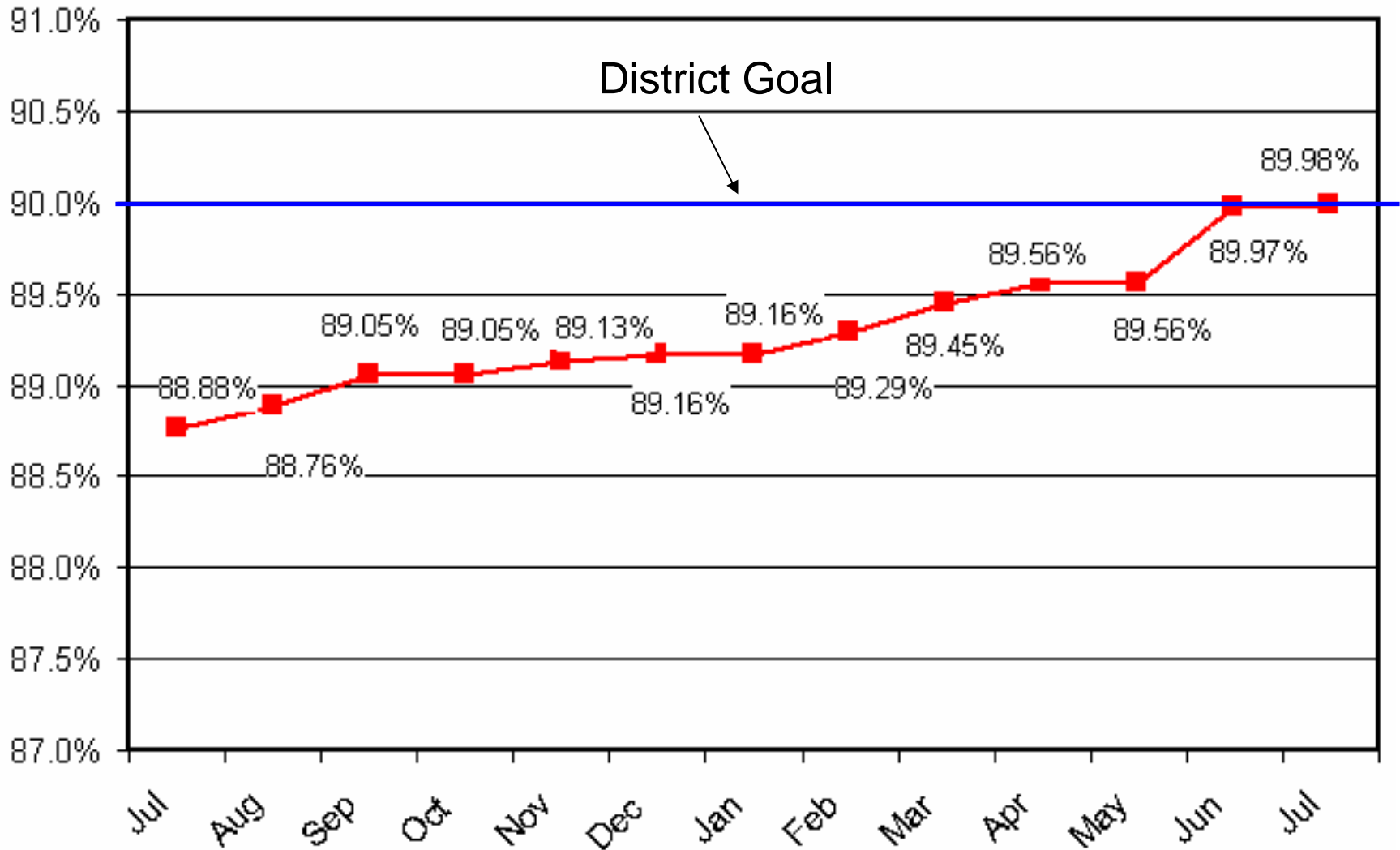


# Average Monthly Temperature

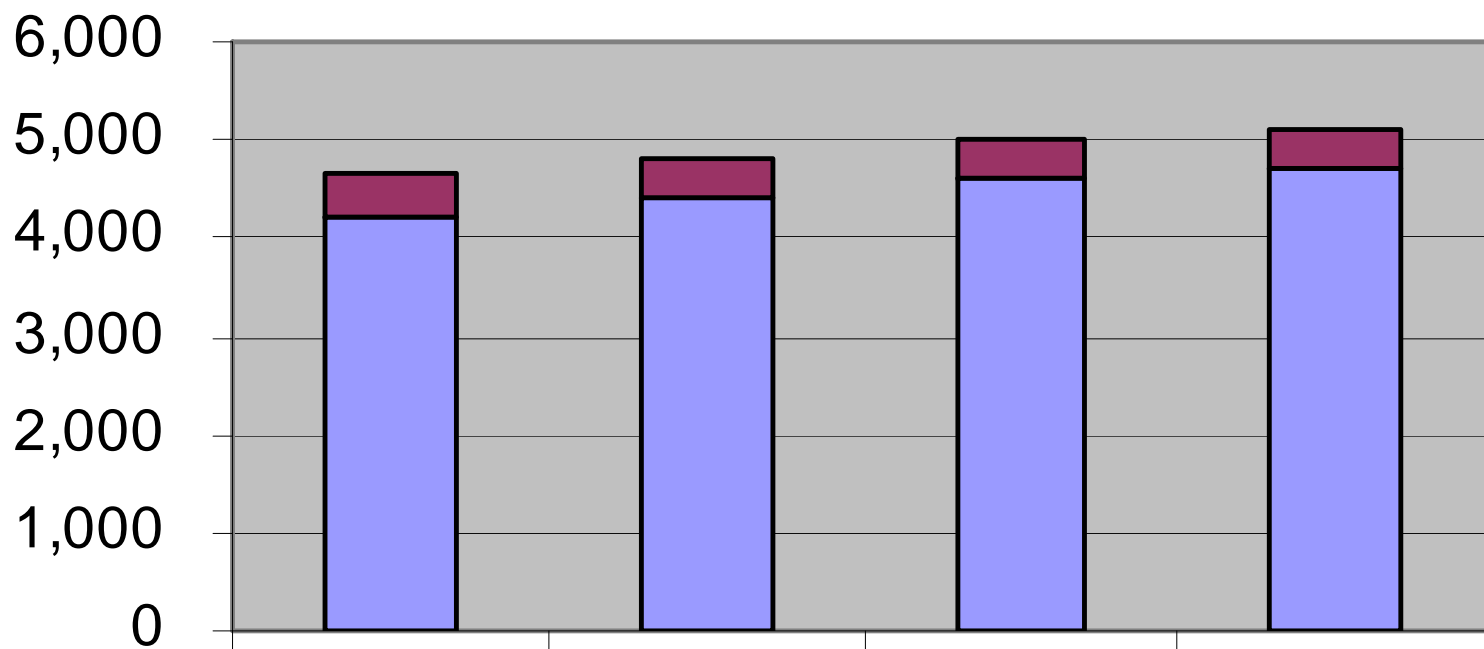


# Line Extension/New Service Customer Satisfaction

July 2006 to July 2007



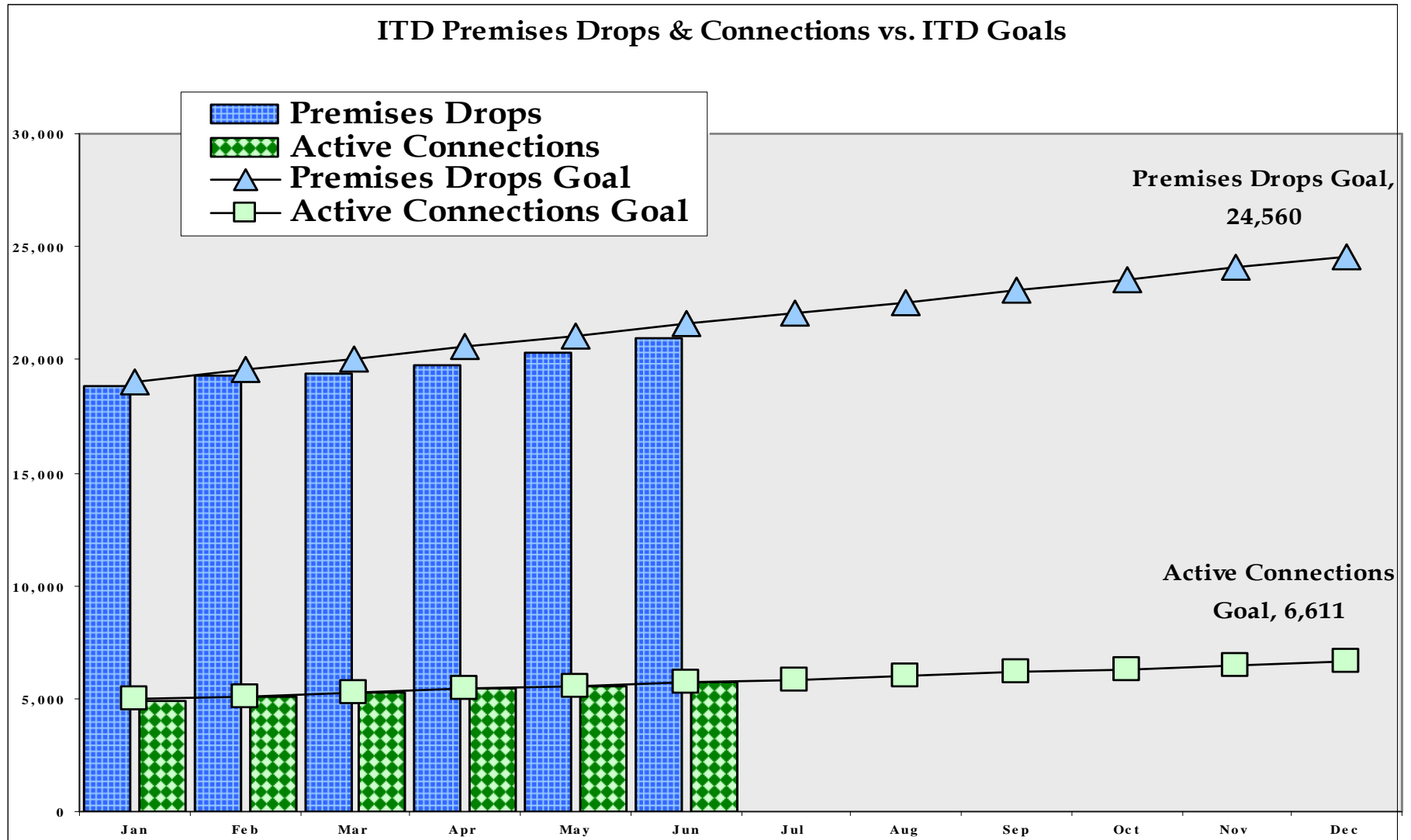
# Water Customers



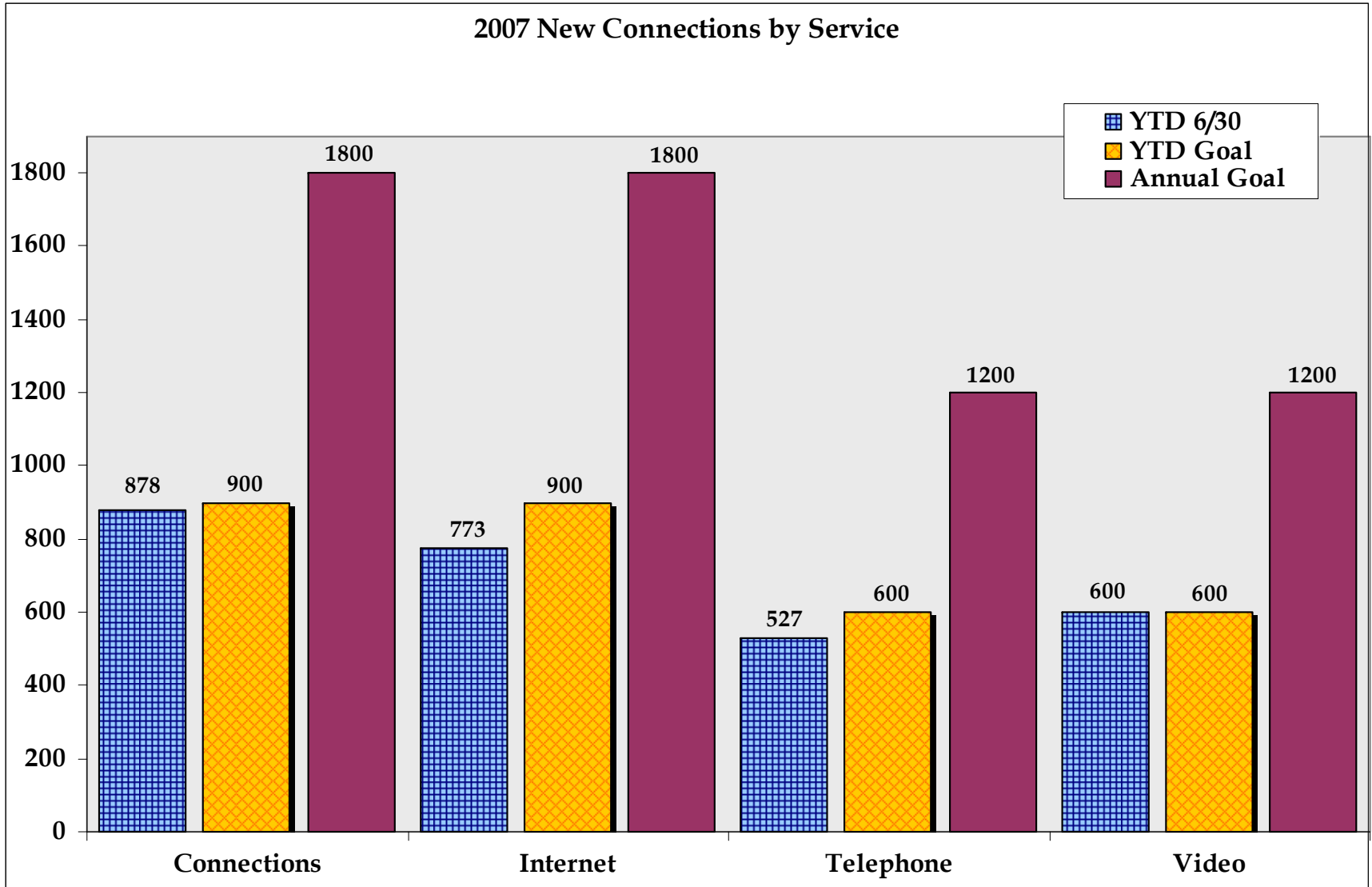
	Dec-04	Dec-05	Dec-06	Jun-07
Commercial	413	411	425	421
Residential	4,234	4,409	4,605	4,711

# Networks

## Drops/Connections at 6/30/2007



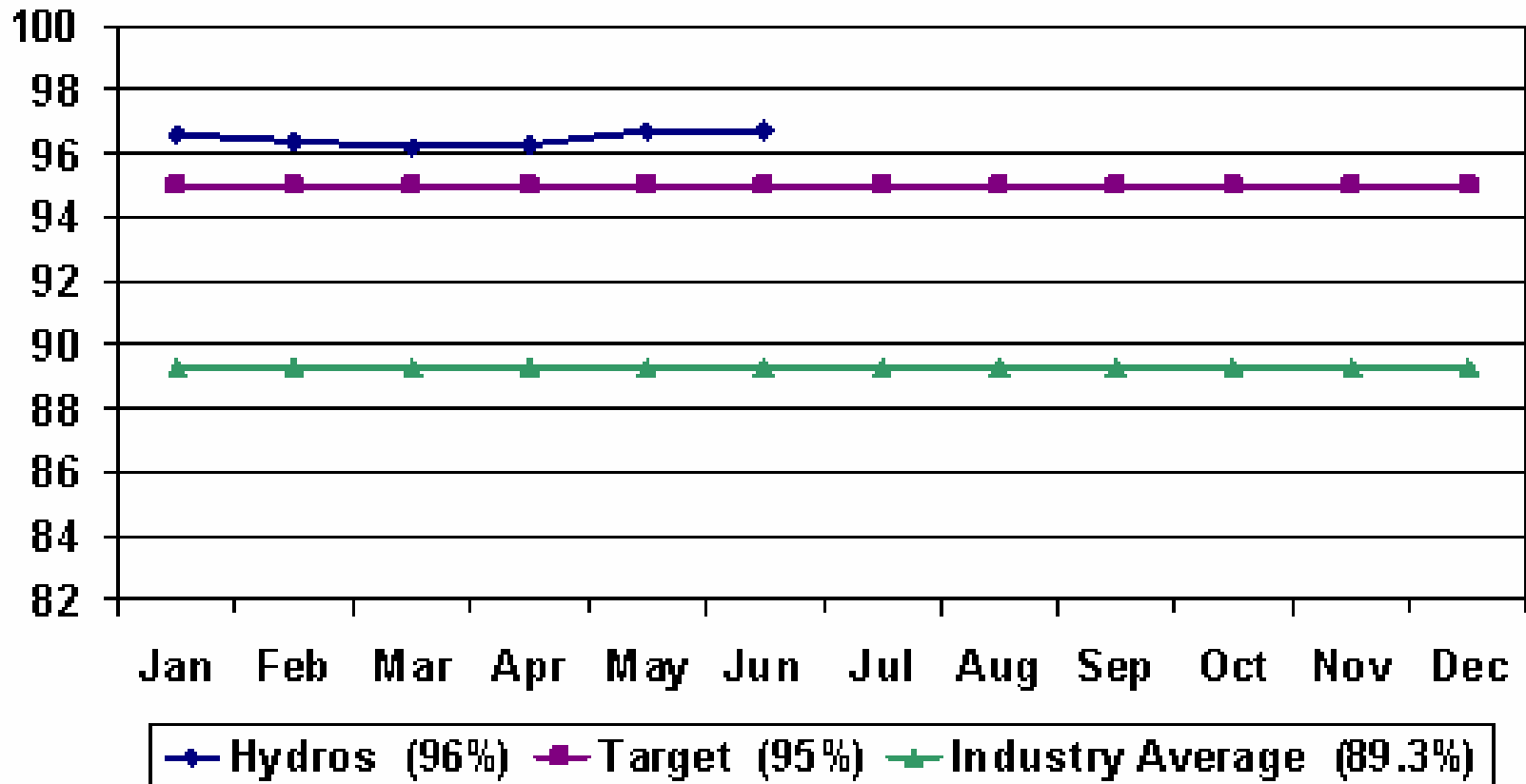
# Networks



# Hydro Availability

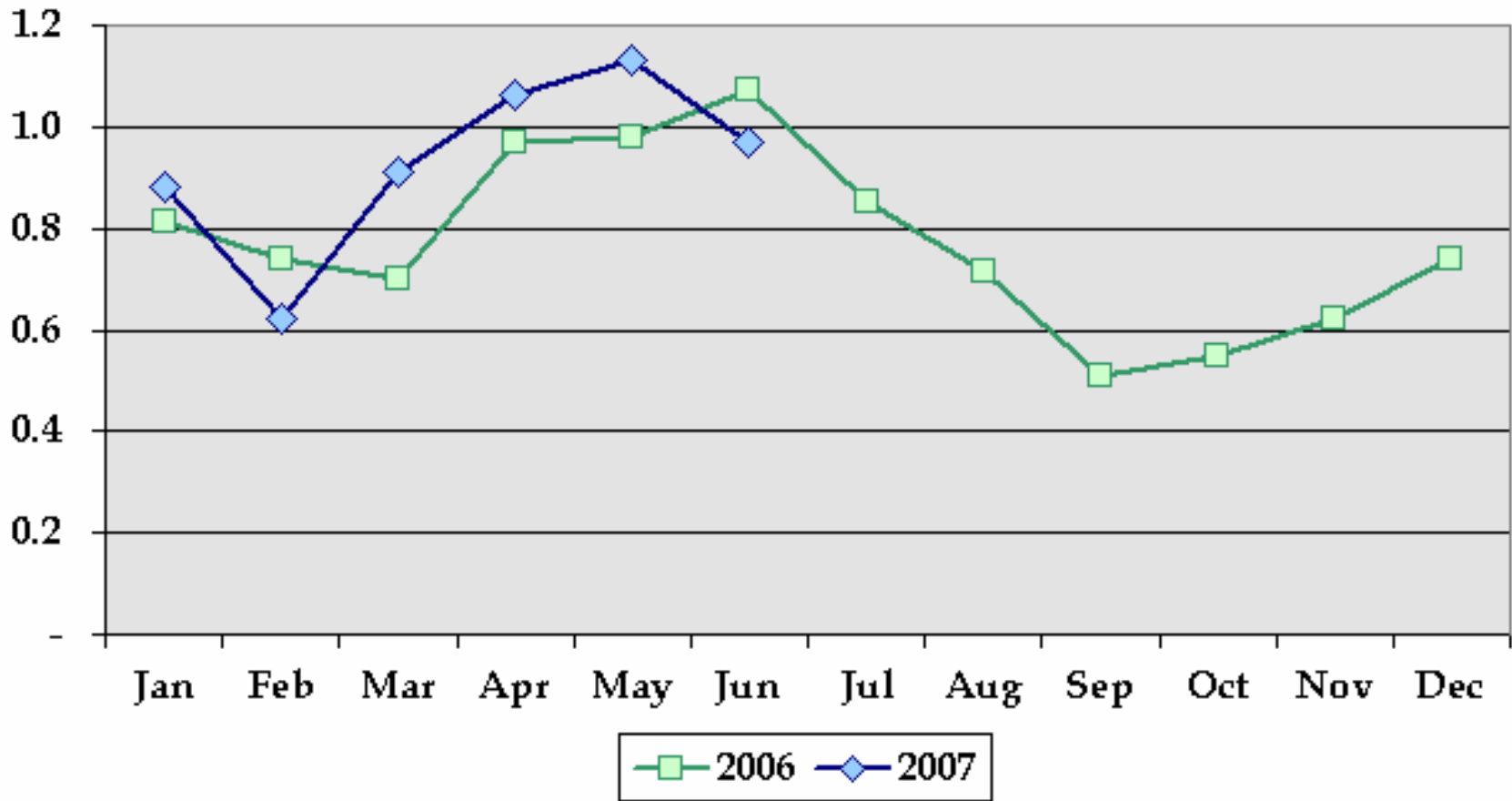
YTD as of 6/30/07

- Rocky Reach - 99.3%
- Lake Chelan – 97.5%
- Rock Island – 95%



# Net Power Delivered

(Million MWh)



# Organizational Efficiency Gains

An April PUD press release reported that we would save over \$600,000 during the next two years through organizational realignment.

In April 2007, the District realigned its organization with expected net annual savings of:

3 FTEs                      \$371,564

Since April, District management have continued to improve organizational efficiency. Current total expected net annual savings of:

11.6 FTEs                \$1,107,114





# 2007 District Financial Highlights

*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.*

# Consolidated District Revenue and Expense

*Unaudited*

(Year to Date in millions)

	YTD 6/30/07 Actual	YTD 6/30/06 Actual
Operating Revenue	128.0	112.0
Operating Expense	89.3	78.7
Net Operating Income	38.7	33.3
Non-Operating Expense	17.6	20.0
Income (loss) before CIAC	21.1	13.3
Capital Contributions	1.9	1.9
Change in Net Assets	23.0	15.2

*Includes Hydros, Internal Service, Treasury and Financing Systems*

# Combined Hydros

(Year to Date in \$000s)

	YTD 6/30/07 Actual	YTD 6/30/07 Budget	Variance
Operating Revenue	73,788	78,710	(4,922)
Operating Expenses	40,093	43,723	(3,630)
Depreciation/Amort.	13,625	12,445	1,180
Operating Income	20,070	22,542	(2,472)
Non-Op Exp (Inc)	20,353	21,560	(1,207)
Change in Net Assets	(283)	982	(1,265)
<i>Cost per MWh</i>	<i>\$13.2</i>	<i>\$18.6</i>	

# Combined Hydros

(Projected vs. Budget in \$000s)

	2007 Projected	2007 Budget	Variance
Operating Revenue	153,420	156,679	(3,259)
Operating Expenses	82,477	84,492	(2,015)
Depreciation/Amort/Tax	28,750	27,106	1,644
Operating Income	42,193	45,081	(2,888)
Non-Op Exp (Inc)	41,892	43,136	(1,244)
Change in Net Assets	301	1,945	(1,644)
<i>Cost per MWh</i>	<i>\$16.2</i>	<i>\$18.6</i>	

# Retail Electric Distribution

(Year to Date in \$000s)

	YTD 6/30/07 Actual	YTD 6/30/07 Budget	Variance
Retail & Other Rev	22,933	24,253	(1,320)
Purchased Power	15,003	20,270	(5,267)
Operating Expenses	18,288	18,485	(197)
Operating Inc (Loss)	(10,358)	(14,502)	4,144
Non-Op Exp (Inc)	(3,111)	(3,204)	93
Cap Contributions	1,639	1,635	4
Change in Net Assets	(5,608)	(9,663)	4,055
<i>Operating Ratio</i>	<i>145%</i>	<i>160%</i>	

# Retail Electric Distribution

(Projected vs. Budget in \$000s)

	2007 Projected	2007 Budget	Variance
Retail & Other Rev	44,171	44,171	0
Purchased Power	32,183	37,220	(5,037)
Operating Expenses	38,304	37,175	1,129
Operating Inc (Loss)	(26,316)	(30,224)	3,908
Non-Op Exp (Inc)	(10,549)	(6,976)	(3,573)
Cap Contributions	4,028	3,468	560
Change in Net Assets	(11,739)	(19,780)	8,041
<i>Operating Ratio</i>	<i>160%</i>	<i>168%</i>	

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

# Wholesale Activity

(Year to Date in \$000s)

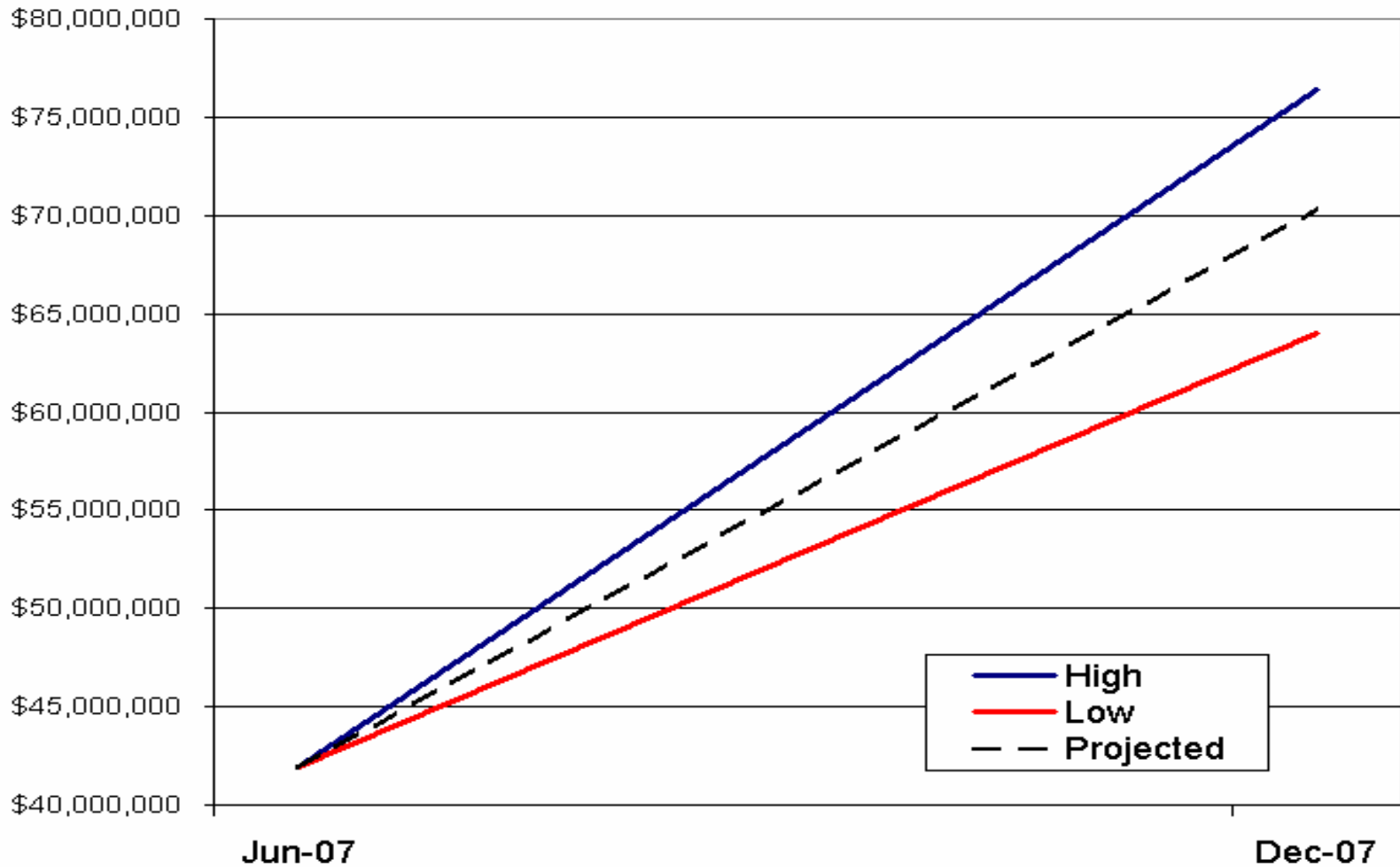
	YTD 6/30/07 Actual	YTD 6/30/07 Budget	Variance
Sales for Resale	63,526	31,832	31,694
Less: Cashmere/Douglas Sales	(1,510)	(1,495)	(15)
Less: Alcoa Sales	(10,125)	(10,951)	826
Cost: External Purchased Power	(9,981)	(3,615)	(6,366)
Net Wholesale Revenue	41,910	15,771	26,139
Cost: Green Power, Interchg/Storage	(881)	(408)	(473)
Cost: Internal Purchased Power	(10,646)	(8,185)	(2,461)
Net Wholesale Margin	30,383	7,178	23,205

# Wholesale Activity

(Projected vs. Budgeted \$000s)

	2007 Projected	2007 Budget	Variance
Sales for Resale	107,021	66,401	40,620
Less: Cashmere/Douglas Sales	(2,969)	(2,969)	0
Less: Alcoa Sales	(21,435)	(21,925)	490
Cost: External Purchased Power	(12,176)	(6,172)	(6,004)
Net Wholesale Revenue	70,441	35,335	35,106
Cost: Green Power, Interchg/Storage	(836)	(828)	(8)
Cost: Internal Purchased Power	(23,902)	(19,771)	(4,131)
Net Wholesale Margin	45,703	14,736	30,967

# Possible Outcomes of Net Wholesale Revenue by 12/31/2007



# Networks

(Year to Date in \$000s)

	YTD 6/30/07 Actual	YTD 6/30/07 Budget	Variance
Operating Revenue	1,979	1,922	57
Operating Expenses	3,915	3,942	(27)
Operating Inc (Loss)	(1,936)	(2,020)	84
Non-Op Exp (Inc)	1,814	2,085	(271)
Cap Contributions	6	0	6
Change in Net Assets	(3,744)	(4,105)	361
<i>Operating Ratio</i>	<i>198%</i>	<i>205%</i>	

# Networks

(Projected vs. Budget in \$000s)

	2007 Projected	2007 Budget	Variance
Operating Revenue	4,048	4,048	0
Operating Expenses	7,889	7,892	(3)
Operating Inc (Loss)	(3,841)	(3,844)	3
Non-Op Exp (Inc)	3,633	4,306	(673)
Cap Contributions	6	0	6
Change in Net Assets	(7,468)	(8,150)	682
<i>Operating Ratio</i>	<i>195%</i>	<i>195%</i>	

# Water

(Year to Date in \$000s)

	YTD 6/30/07 Actual	YTD 6/30/07 Budget	Variance
Operating Revenue	1,738	1,632	106
Operating Expenses	2,315	2,560	(245)
Operating Inc (Loss)	(577)	(928)	351
Non-Op Exp (Inc)	521	513	8
Cap Contributions	257	202	55
Change in Net Assets	(841)	(1,239)	398
<i>Operating Ratio</i>	<i>133%</i>	<i>157%</i>	

# Water

(Projected vs. Budget in \$000s)

	2007 Projected	2007 Budget	Variance
Operating Revenue	4,001	3,785	216
Operating Expenses	4,867	5,054	(187)
Operating Inc (Loss)	(866)	(1,269)	403
Non-Op Exp (Inc)	305	1,032	(727)
Cap Contributions	901	861	40
Change in Net Assets	(270)	(1,440)	1,170
<i>Operating Ratio</i>	<i>122%</i>	<i>134%</i>	

# Wastewater

(Year to Date in \$000s)

	YTD 6/30/07 Actual	YTD 6/30/07 Budget	Variance
Operating Revenue	196	177	19
Operating Expenses	444	506	(62)
Operating Inc (Loss)	(248)	(329)	81
Non-Op Exp (Inc)	9	23	(14)
Cap Contributions	28	46	(18)
Change in Net Assets	(229)	(306)	77
<i>Operating Ratio</i>	<i>227%</i>	<i>286%</i>	

# Wastewater

(Projected vs. Budget in \$000s)

	2007 Projected	2007 Budget	Variance
Operating Revenue	400	400	0
Operating Expenses	1,011	1,015	(4)
Operating Inc (Loss)	(611)	(615)	4
Non-Op Exp (Inc)	(41)	36	(77)
Cap Contributions	48	78	(30)
Change in Net Assets	(522)	(573)	51
<i>Operating Ratio</i>	<i>253%</i>	<i>254%</i>	

# Combined Utility Services

(Year to Date in \$000s, including Wholesale)

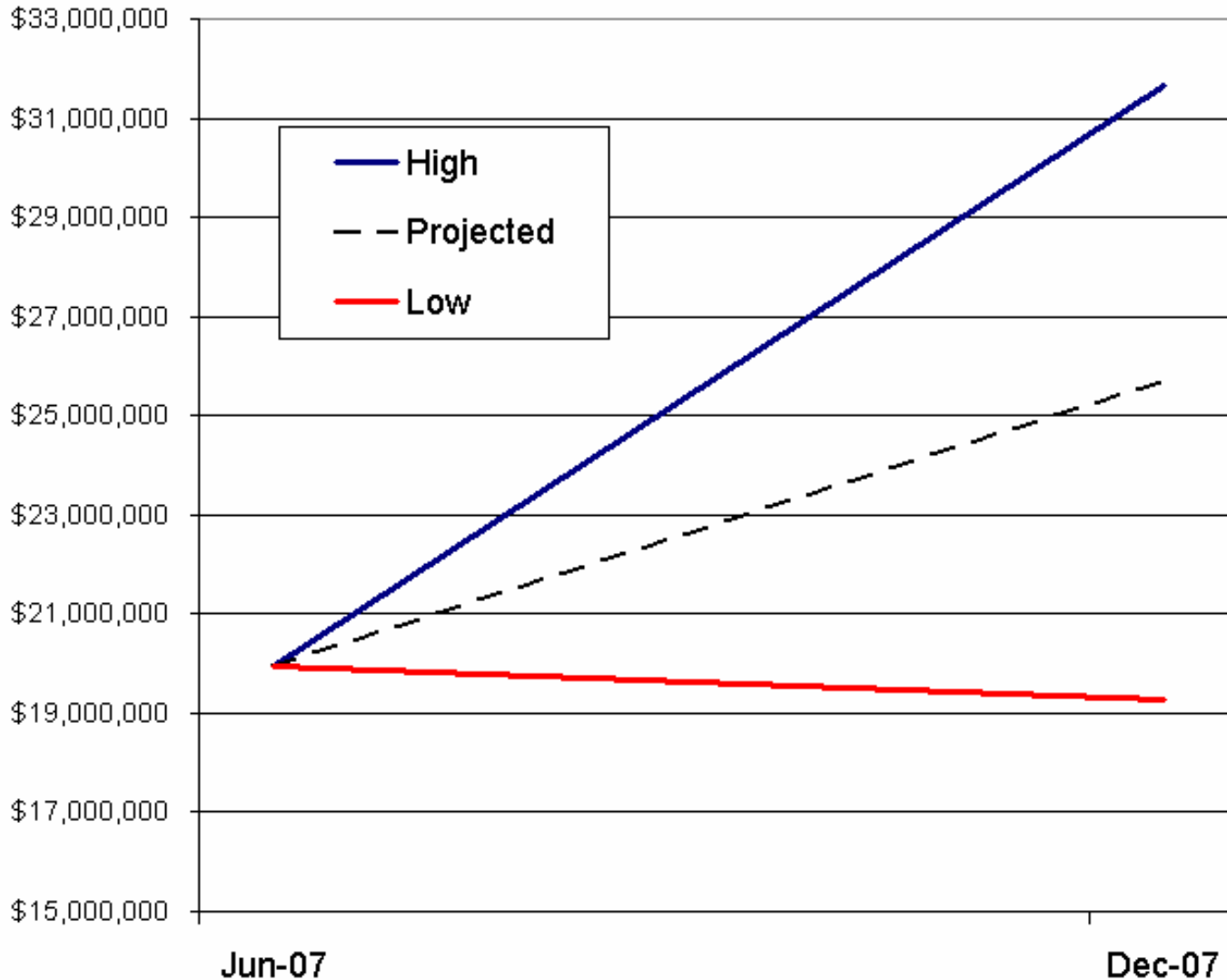
	YTD 6/30/07 Actual	YTD 6/30/07 Budget	Variance
Operating Revenue	26,846	27,984	(1,138)
Plus Net Wholesale Margin	30,383	7,178	23,205
Less Operating Expenses	39,965	45,763	(5,798)
Operating Inc (Loss)	17,264	(10,601)	27,865
Non-Op Exp (Inc)	(767)	(583)	(184)
Cap Contributions	1,930	1,883	47
Change in Net Assets	19,961	(8,135)	28,096
<i>Operating Ratio</i>	<i>79%</i>	<i>115%</i>	

# Combined Utility Services

(Projected vs. Budget in \$000s, including Wholesale)

	2007 Projected	2007 Budget	Variance
Operating Revenue	52,620	52,404	216
Plus Net Wholesale Margin	45,703	14,736	30,967
Less Operating Expenses	84,254	88,356	(4,102)
Operating Inc (Loss)	14,069	(21,216)	34,285
Non-Op Exp (Inc)	(6,652)	(1,602)	(5,050)
Cap Contributions	4,983	4,407	576
Change in Net Assets	25,704	(15,207)	40,911
<i>Operating Ratio</i>	<i>89%</i>	<i>115%</i>	

# Possible Changes in Utility Services Net Assets by 12/31/2007



# Change In Net Asset Forecast (Utility Services)

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
50% Probability	\$ 13M	\$ 0M	(\$ 7M)	\$ 2M	\$ 46M
90% Probability	(\$ 18M)	(\$ 21M)	(\$ 26M)	(\$ 21M)	\$ 18M

- Rate increases assumed in 2008, but not 2009-2012
- Includes interest income, assumes operating reserves will be spent as currently planned
- Includes wholesale activity

# Operating Ratio Forecast

## (Utility Services)

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
50% Probability	93%	104%	110%	100%	77%
90% Probability	126%	135%	141%	130%	94%

- Rate increases assumed in 2008, but not 2009-2012
- Includes wholesale activity

# 2007 Capital Expenditures

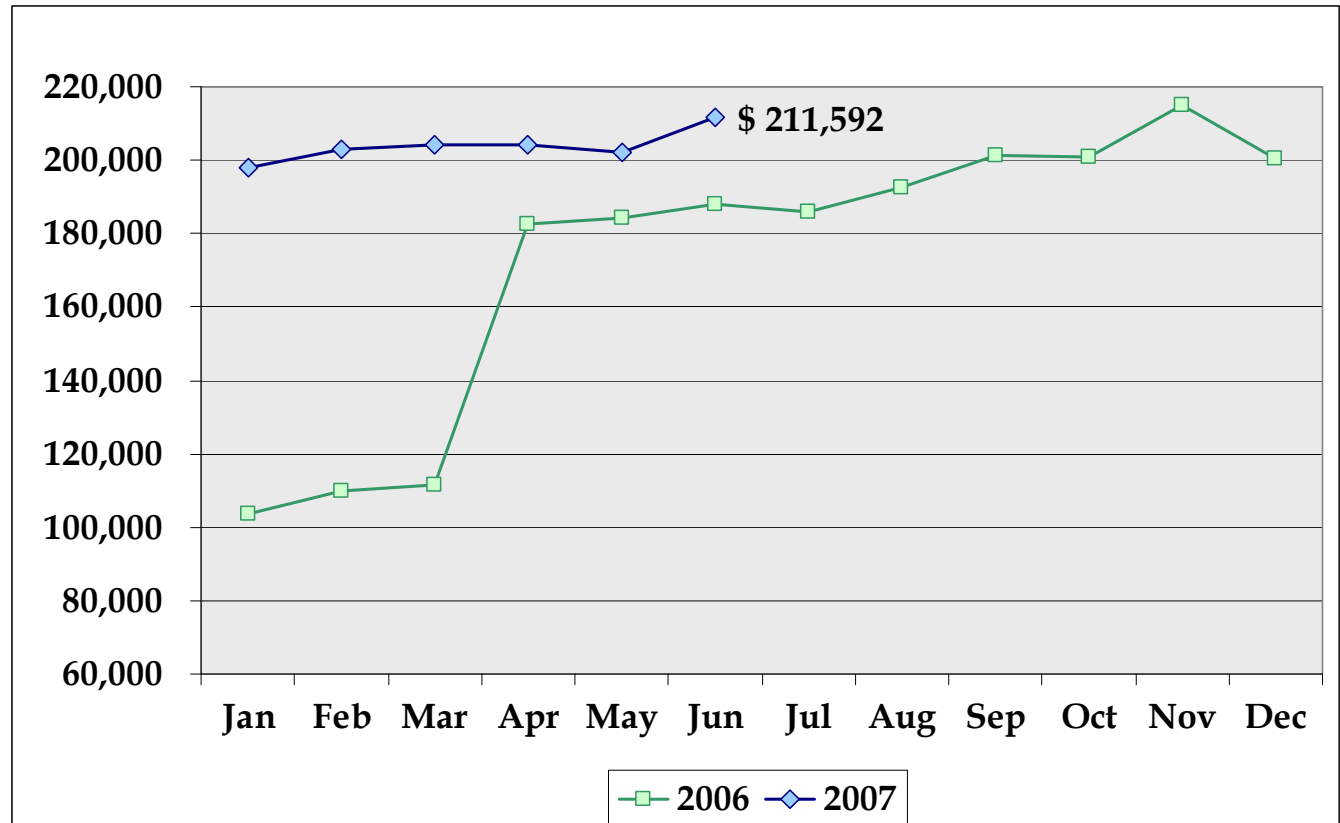
(\$000s)

	6/30/07 Actual	2007 Budget	Unspent	% Spent	2007 Projected
Distribution	5,617	22,108	16,491	25%	25,313
Networks	5,774	11,199	5,425	52%	11,199
Water/WW	1,228	4,258	3,030	29%	4,831
Hydros	11,430	55,295	43,865	21%	44,595
Internal Service	1,211	3,957	2,746	31%	3,645
Total	25,260	96,817	71,557	26%	89,583

*Includes Deferred (Relicensing) Costs*

# Utility Services Cash Reserves

(\$000)



\* \$89M capacity reservation payment received from Puget Sound Energy in April 2006.

# Finance Activities

- 2006 State Audit in progress
- Bond Issue
- Strategic Planning Process
  - Updating Balanced Scorecard
  - Developing Group Action Plans
- 2007 Forecast
- 2008 Budget Planning
  - Developing targets

