



Chelan PUD
Energy Resources and Finance
Quarterly Update

Board Meeting
November 13, 2007

Discussion Topics

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

- No action required today

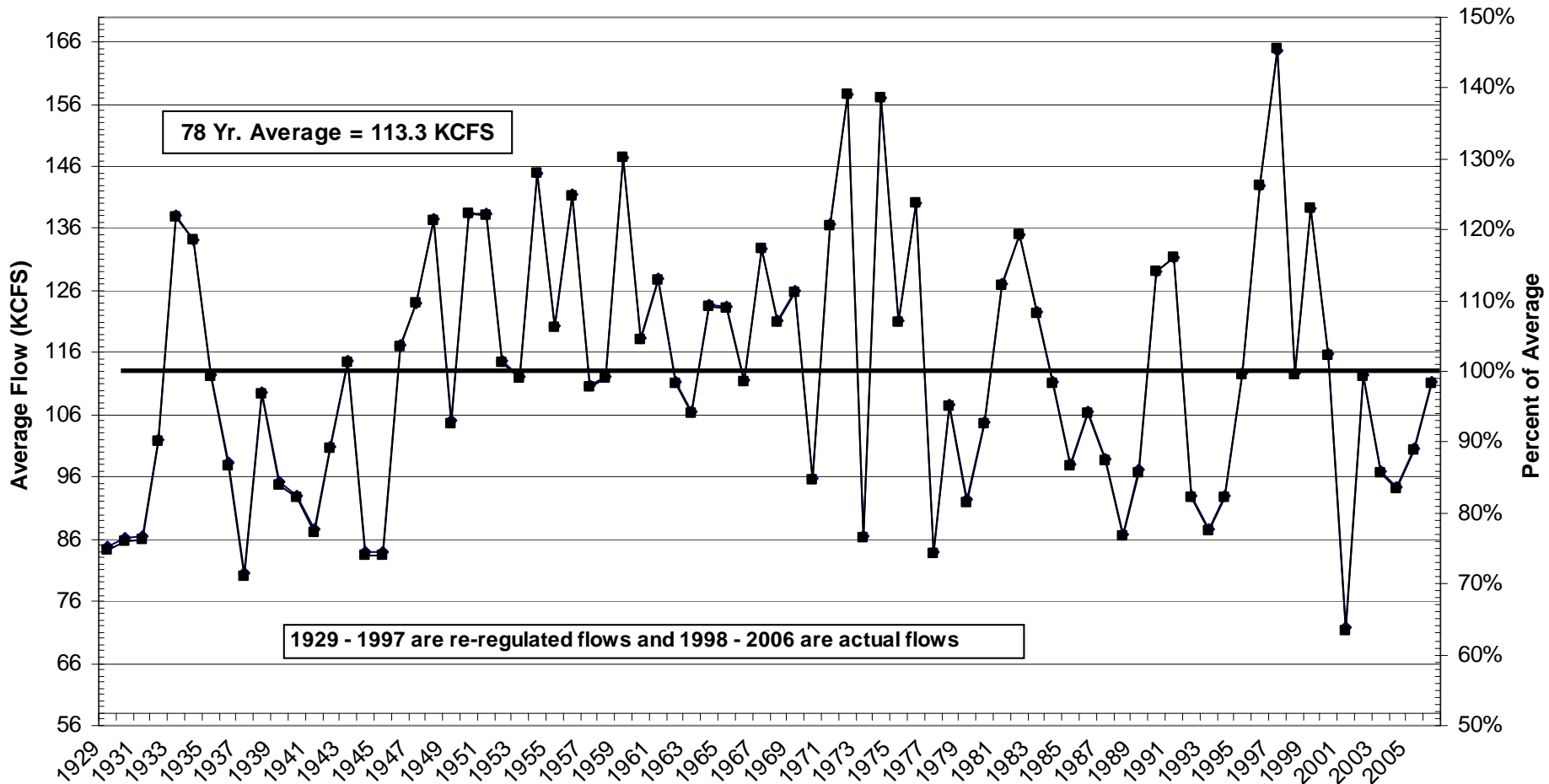


Energy Resources Quarter in Review

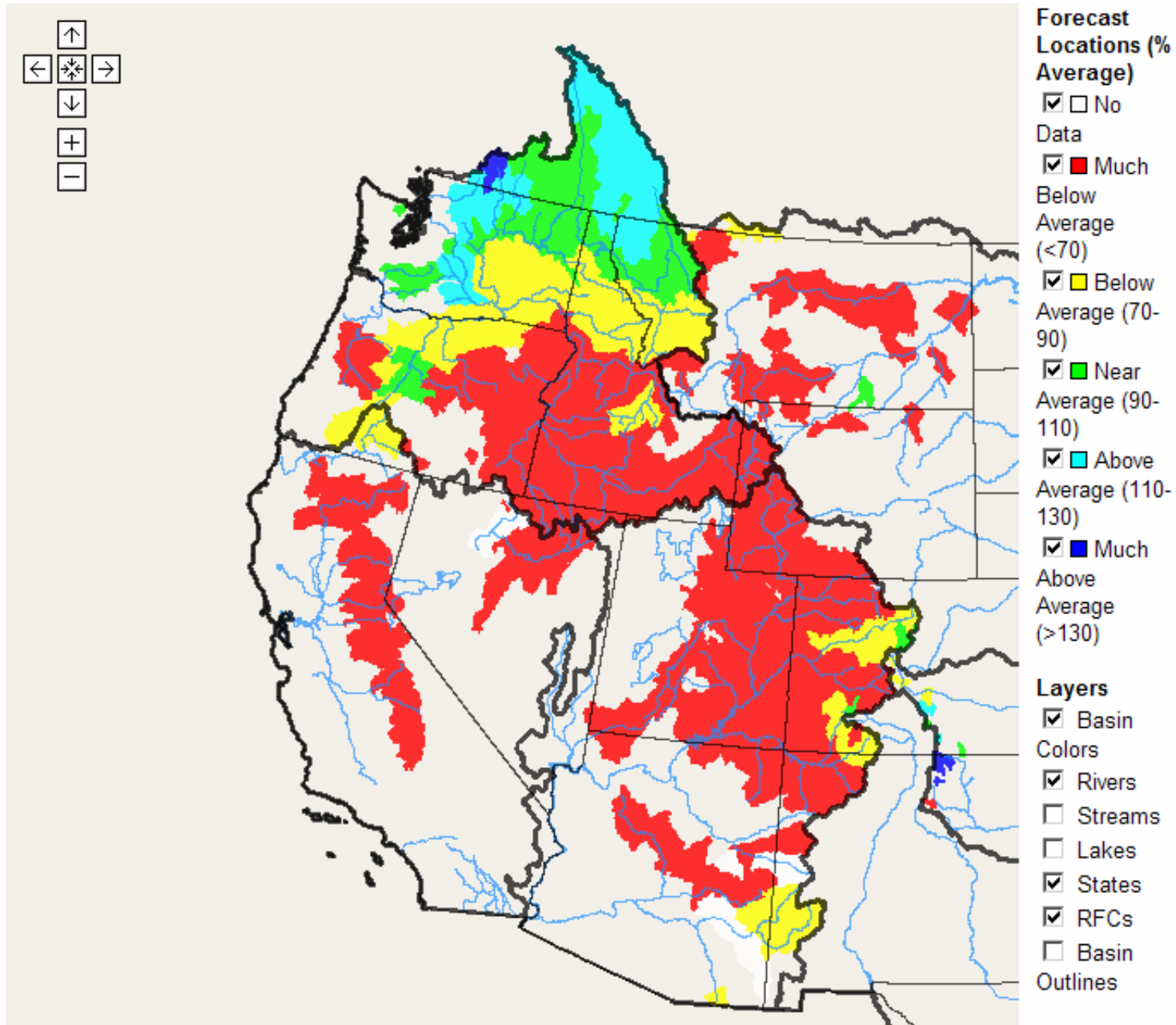
- Prices have remained strong
- NERC readiness audit complete
- WECC compliance audit complete
- WIT phase II implemented
- CCX application for RR offset credits
- Implemented new Chelan license elevation targets for end of Sept (1097.2')



Rocky Reach Average Yearly Flows 1929 through 2006

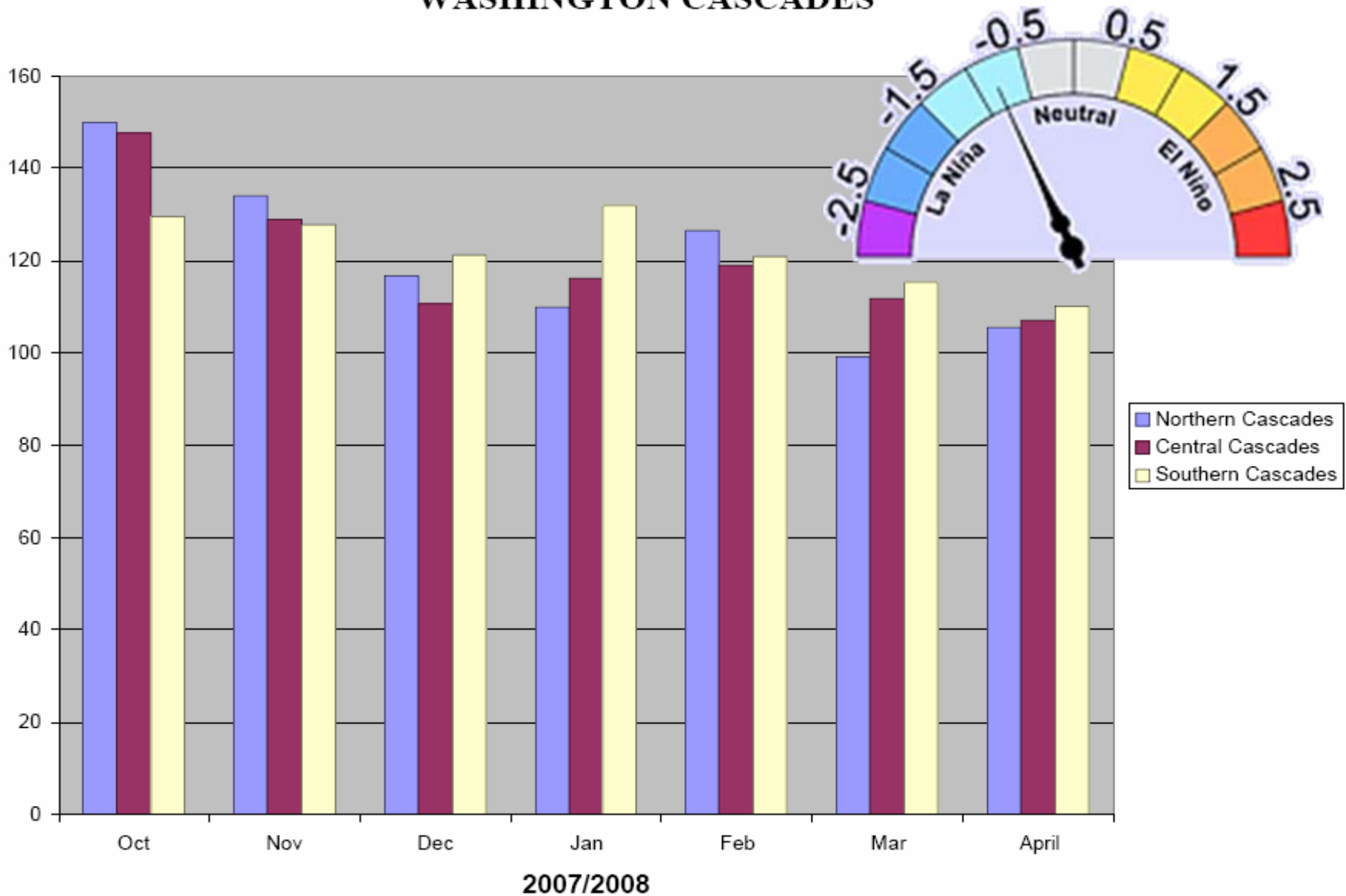


Seasonal Runoff Volume Forecasts 2007

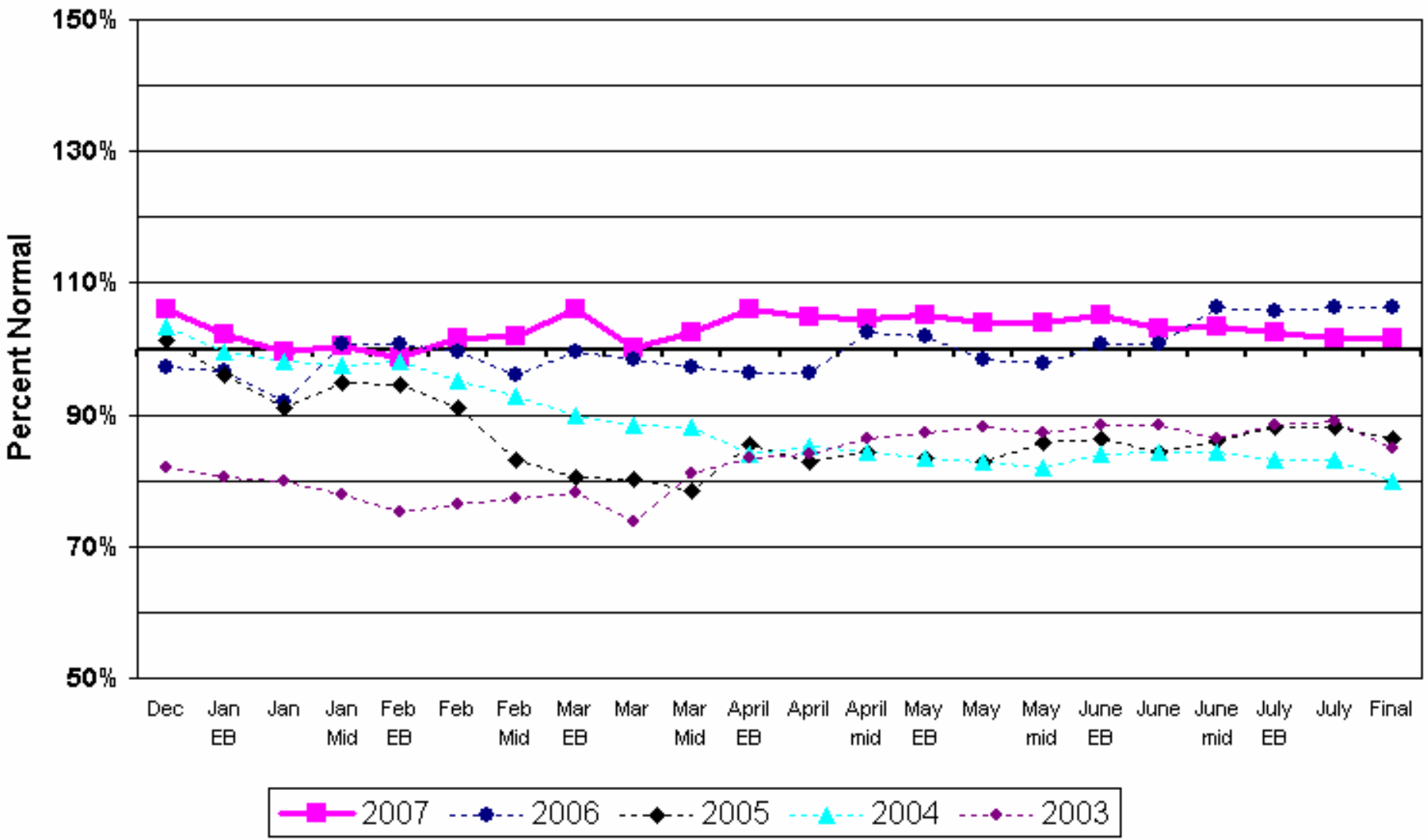


4000' SNOWFALL PREDICTION BY MONTH AS A PERCENTAGE OF AVERAGE

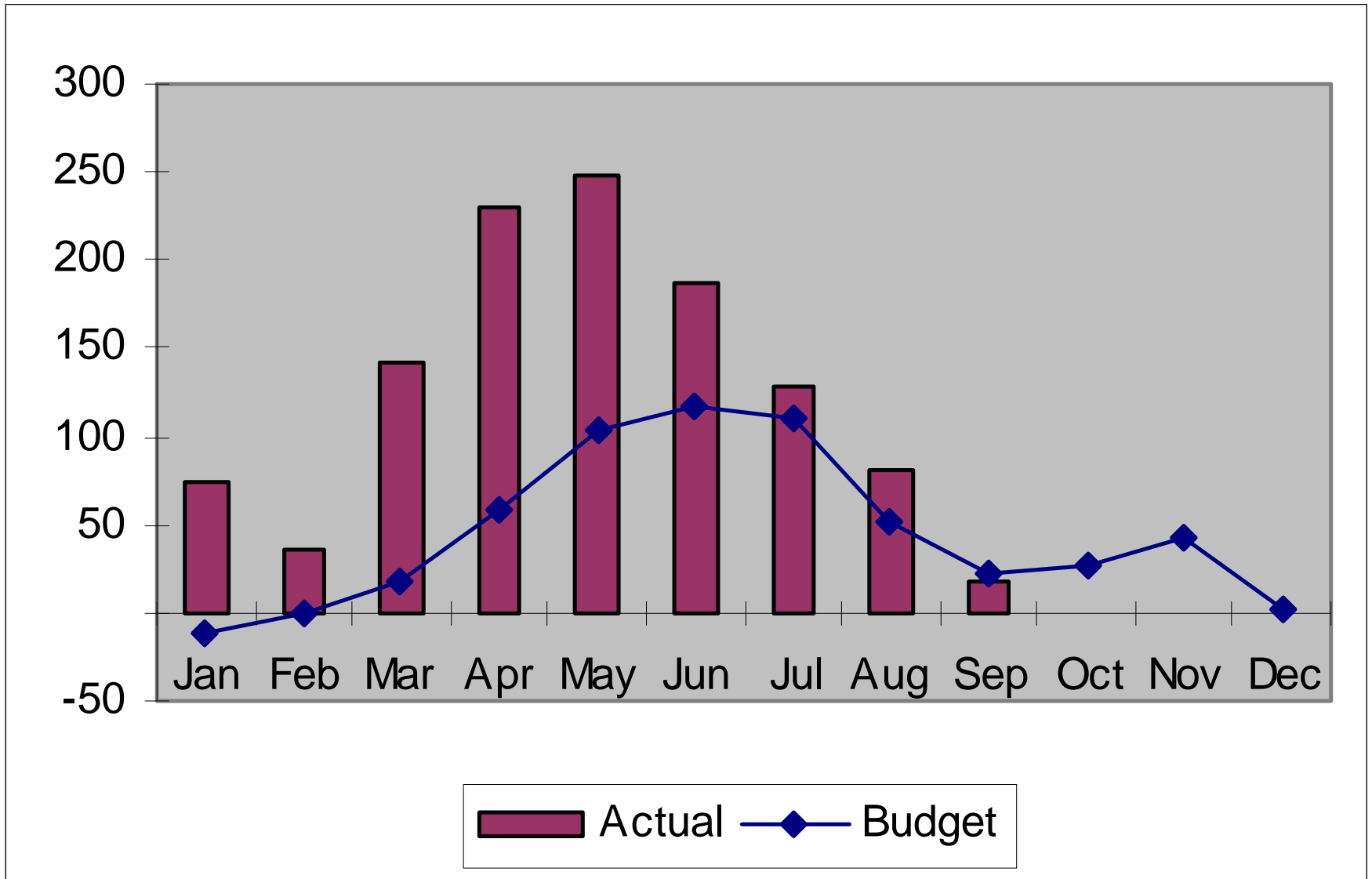
WASHINGTON CASCADES



Grand Coulee Forecasts of Jan-July Inflows

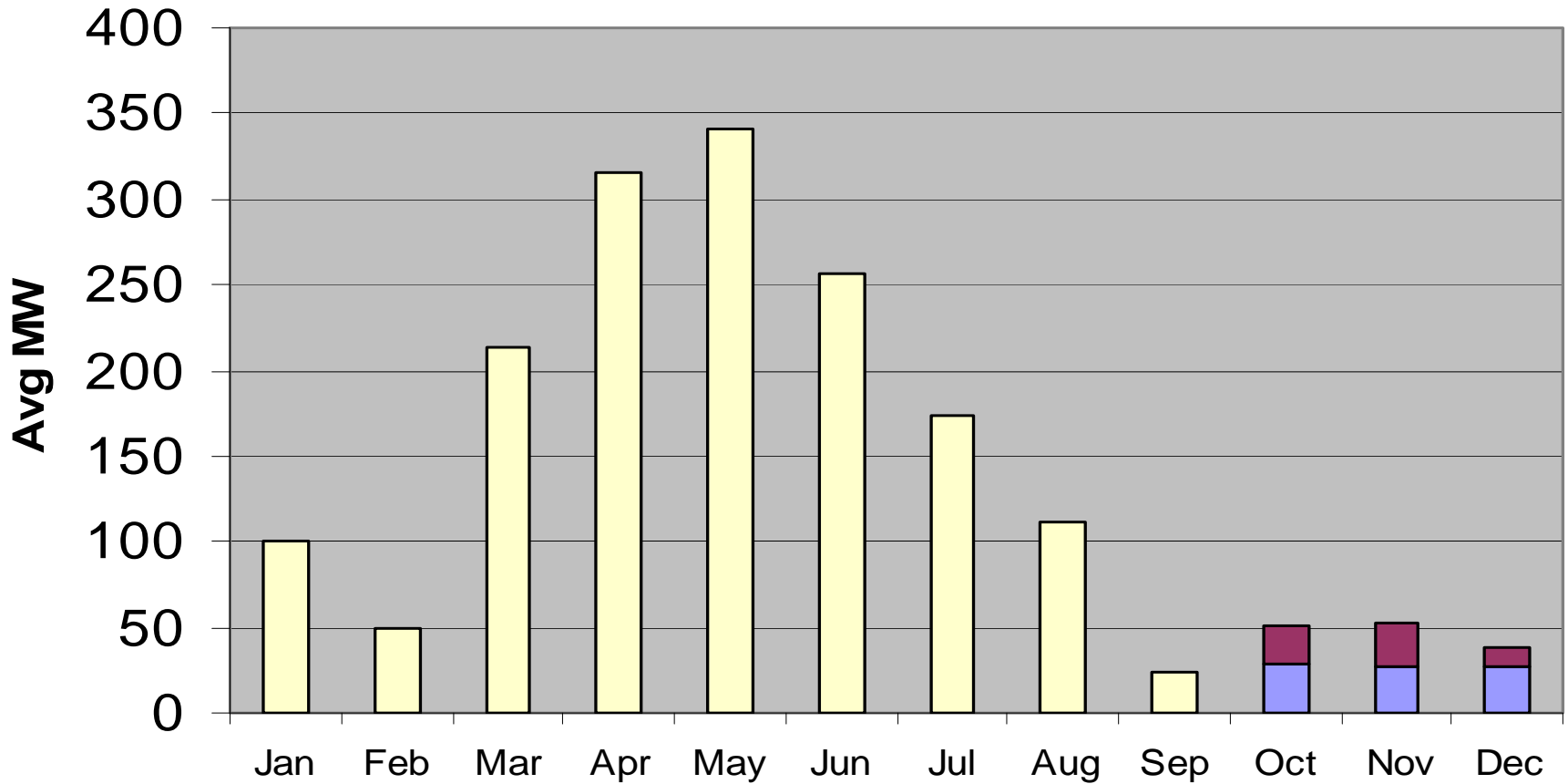


2007 Surplus MWh (000)



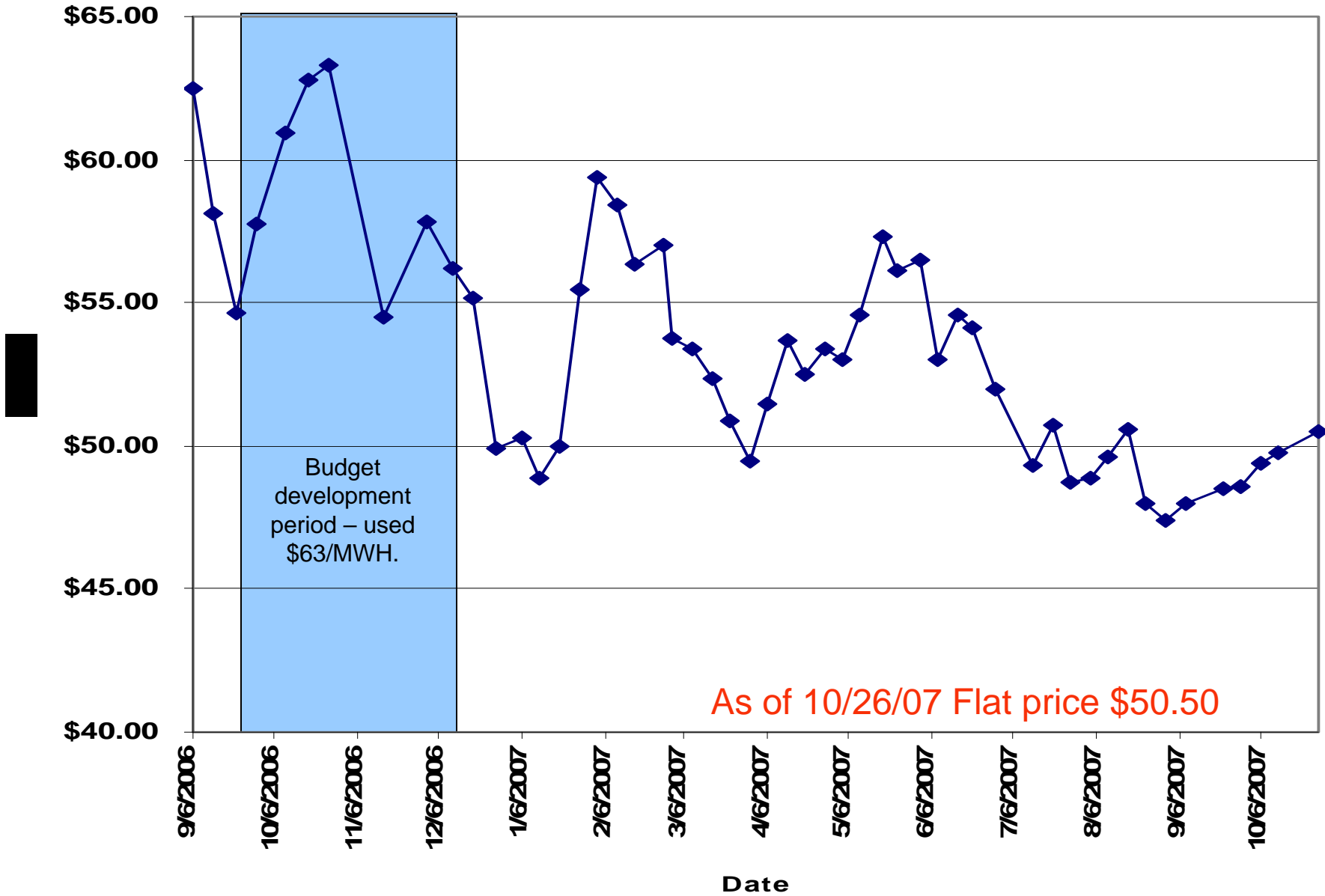
2007 Surplus MWh (000)

Estimated Surplus 2007 @ 102% Water

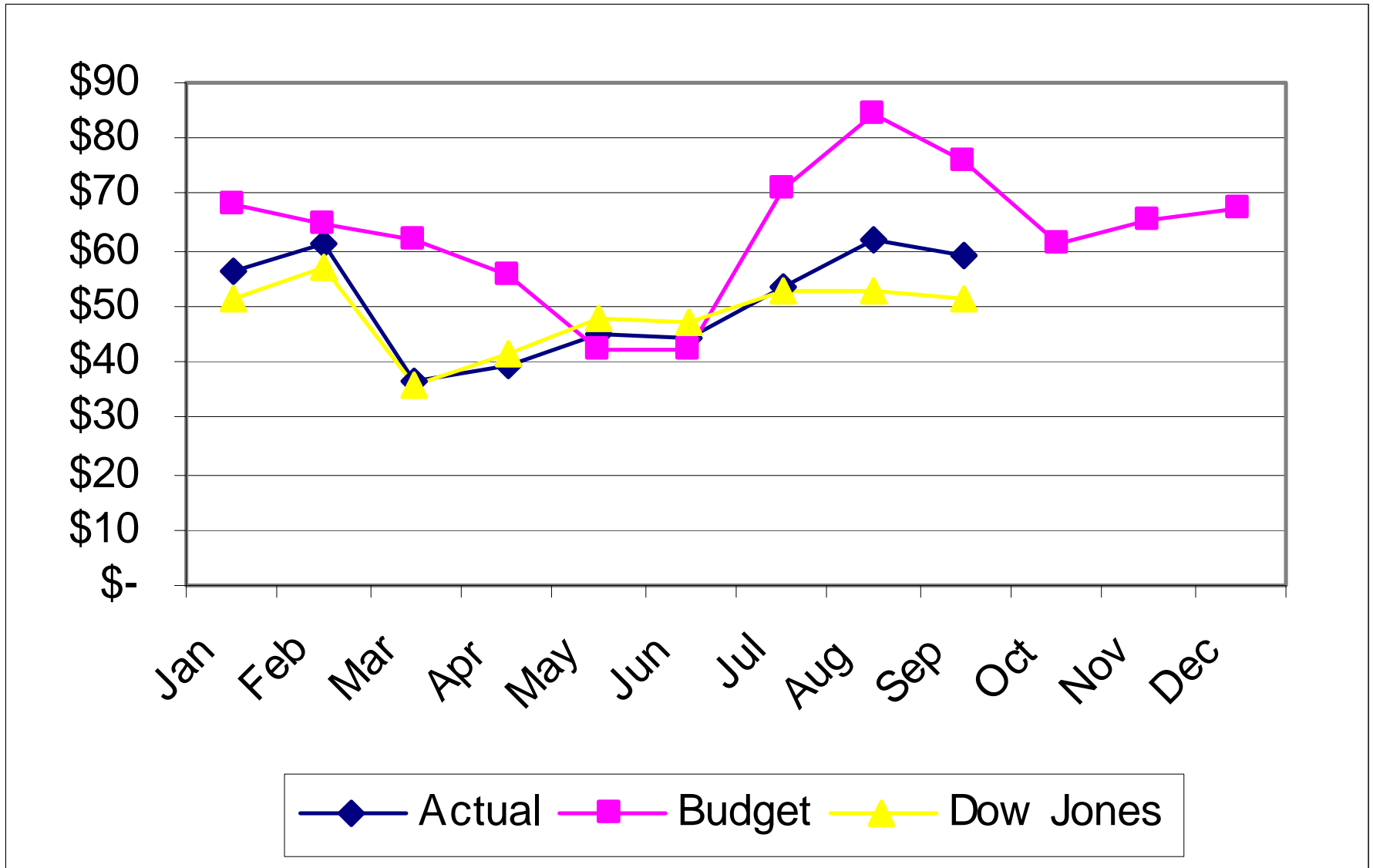


■ Sold Forward ■ Expected Surplus ■ Actual

Calendar Flat Mid-C Prices for 2007

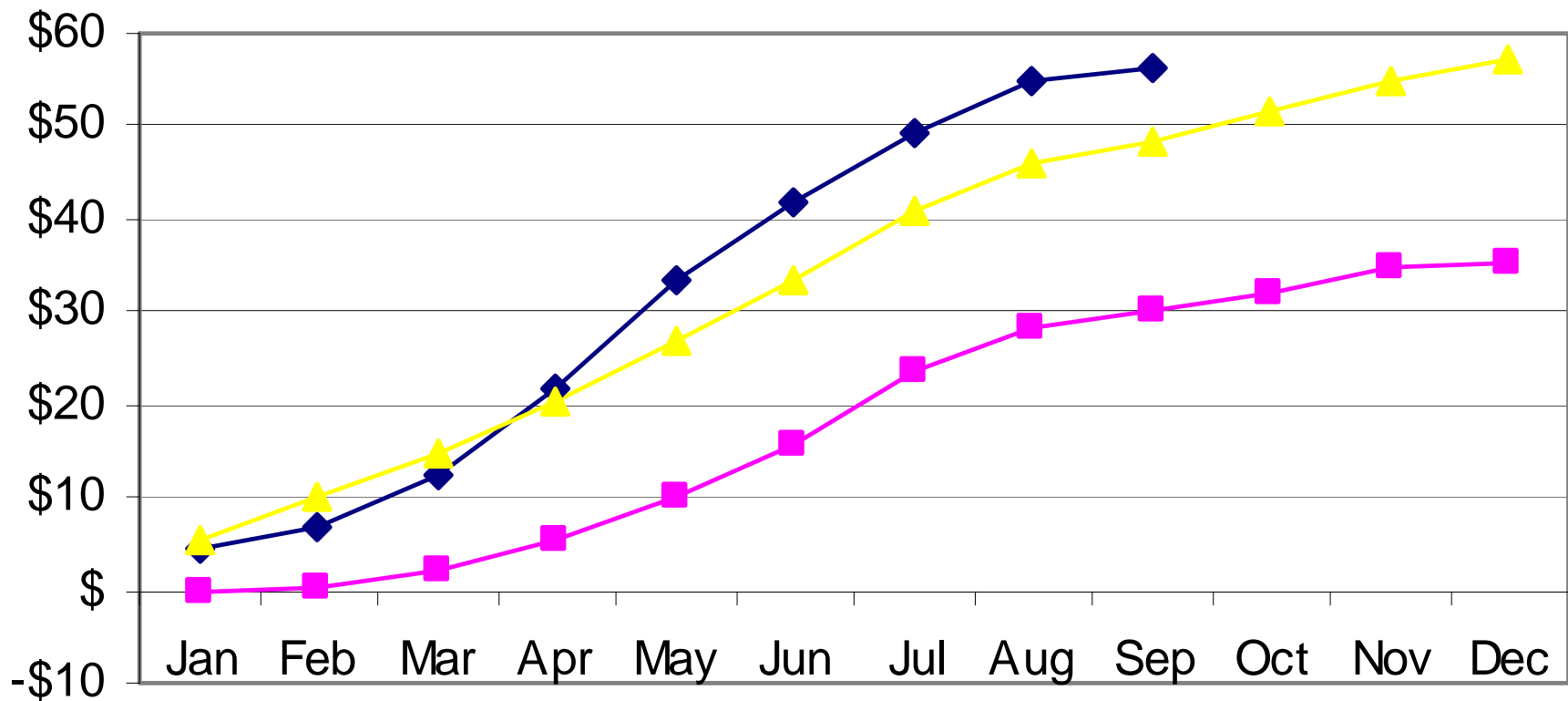


2007 Monthly Flat Price (\$/MWh)



2007 Cumulative Net Wholesale Revenue

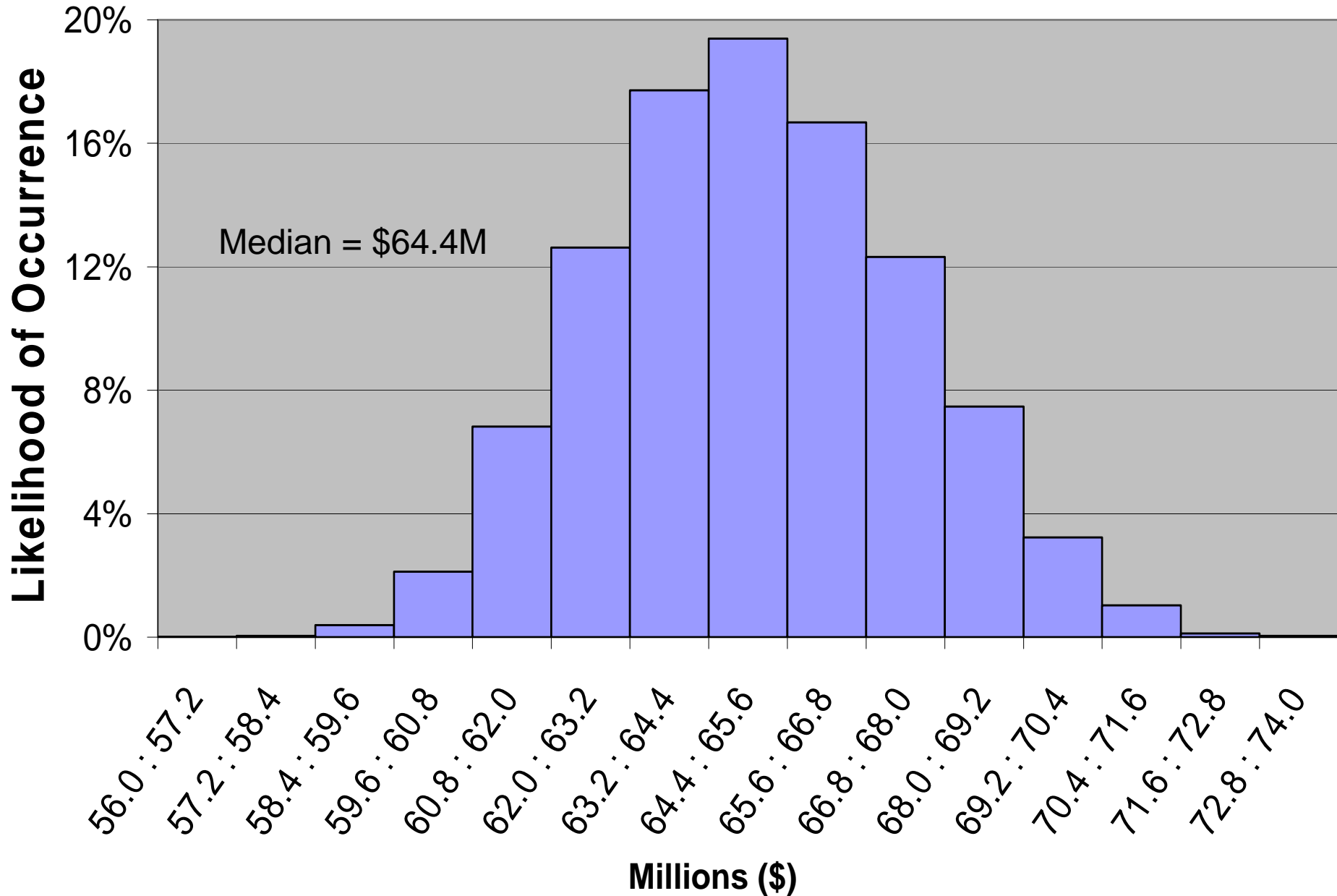
\$Millions



—◆— Actual —■— Budget —▲— 2006

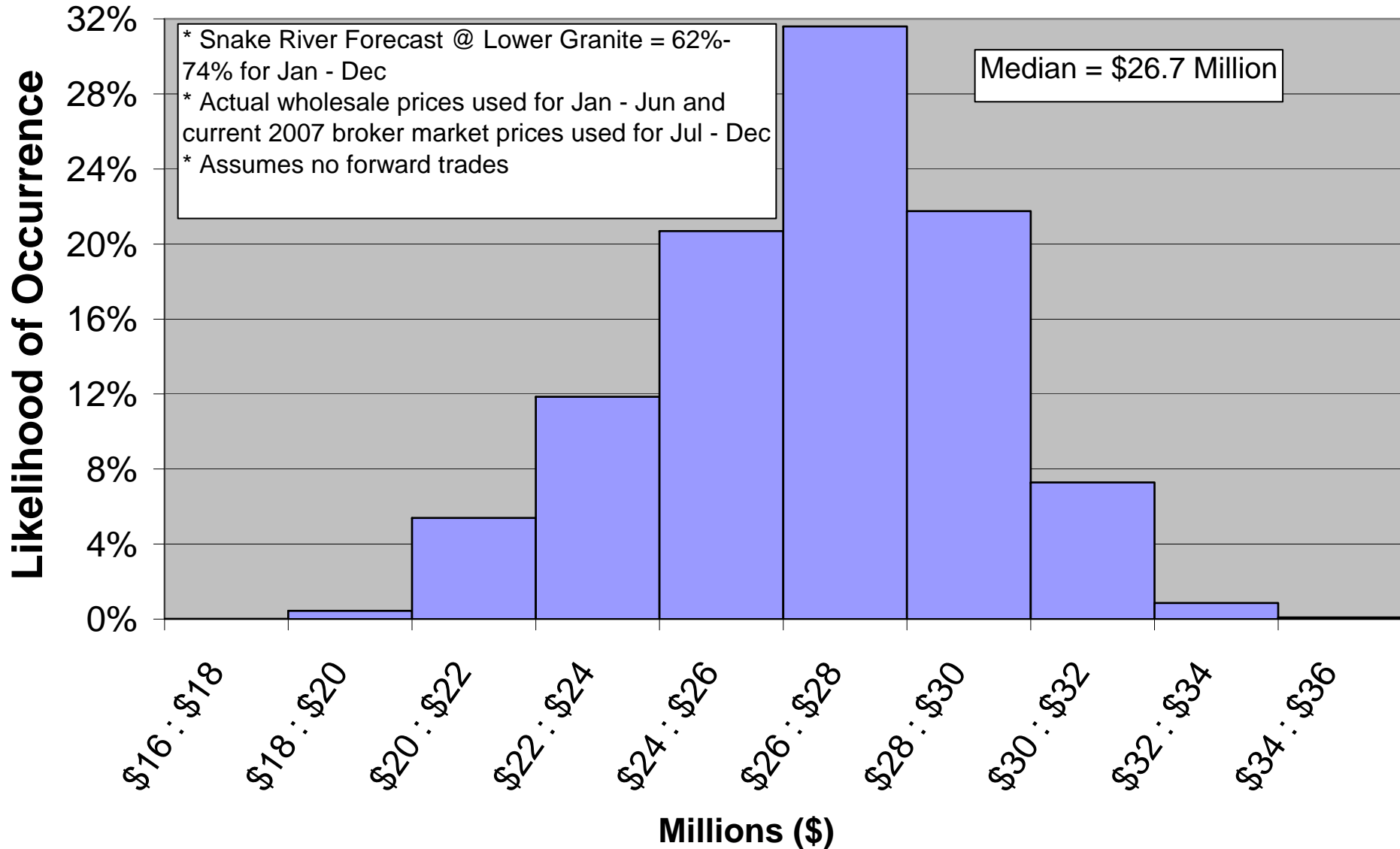
Possible 2007 Wholesale Revenue Outcomes

(A Probabilistic View)

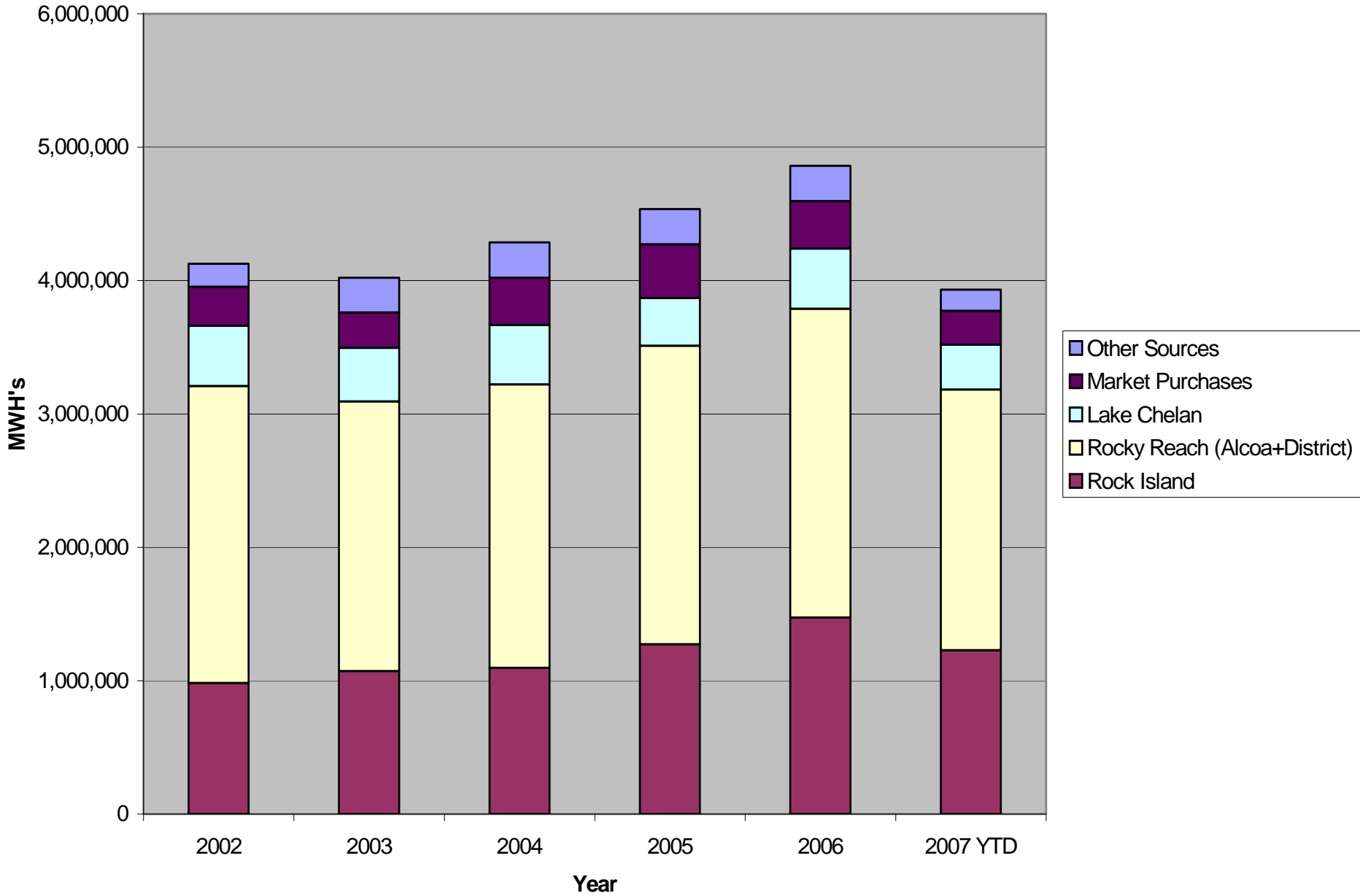


What if the Columbia was as dry as the Snake this year?

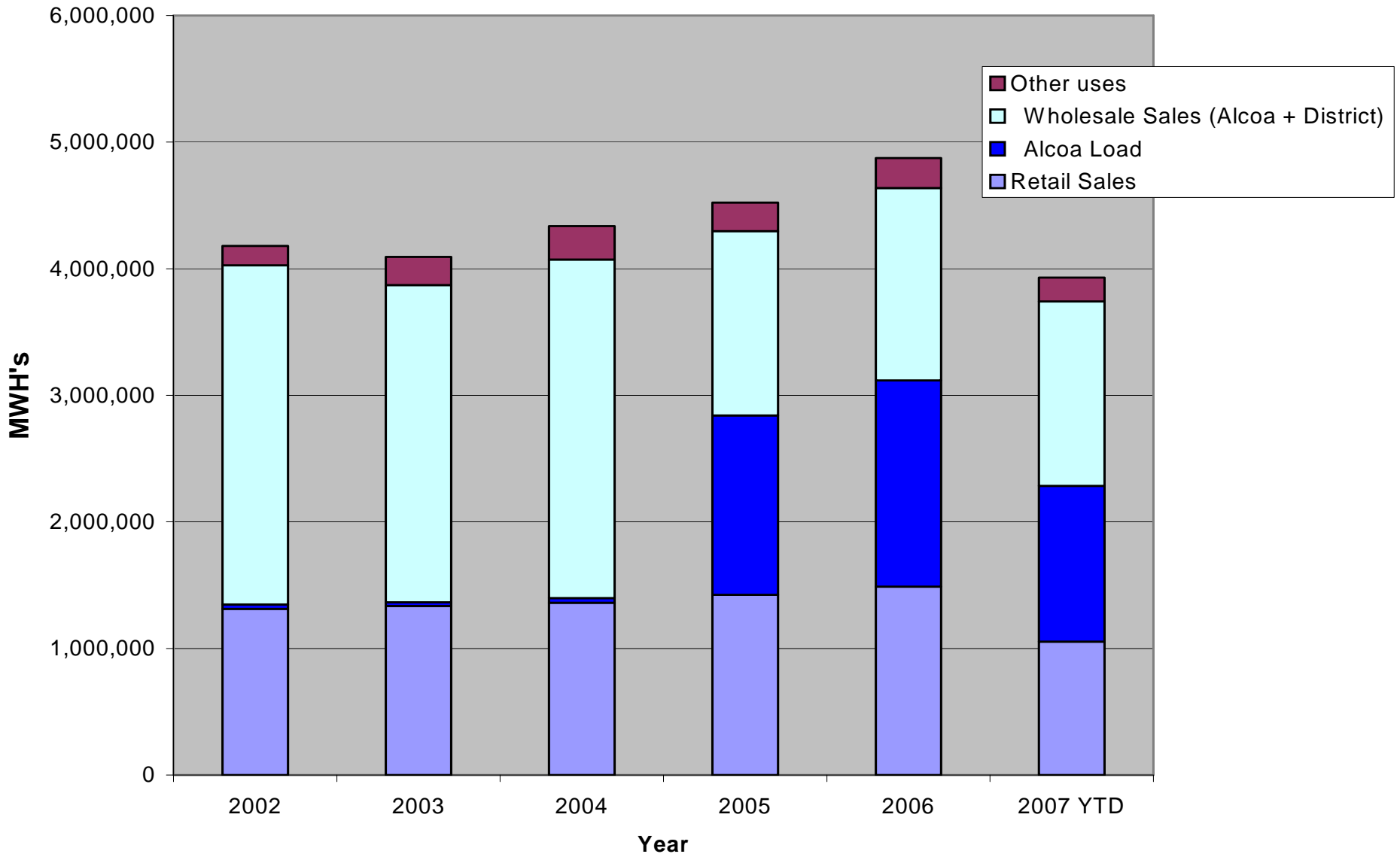
("What if" possible 2007 Wholesale Revenue Outcomes)



Sources of Energy



Uses of Energy





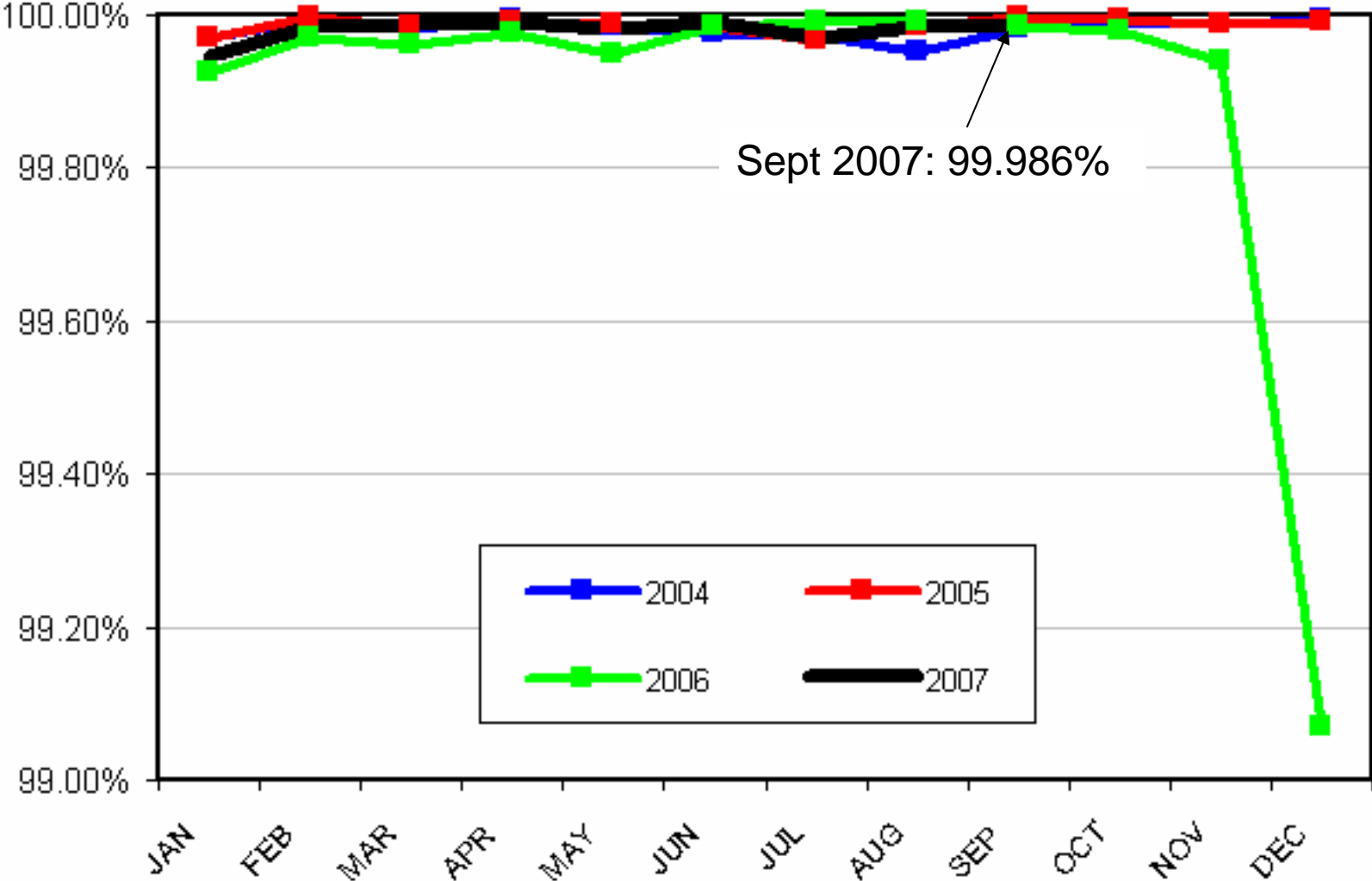
Questions ...?

2007 Third Quarter Operational Highlights



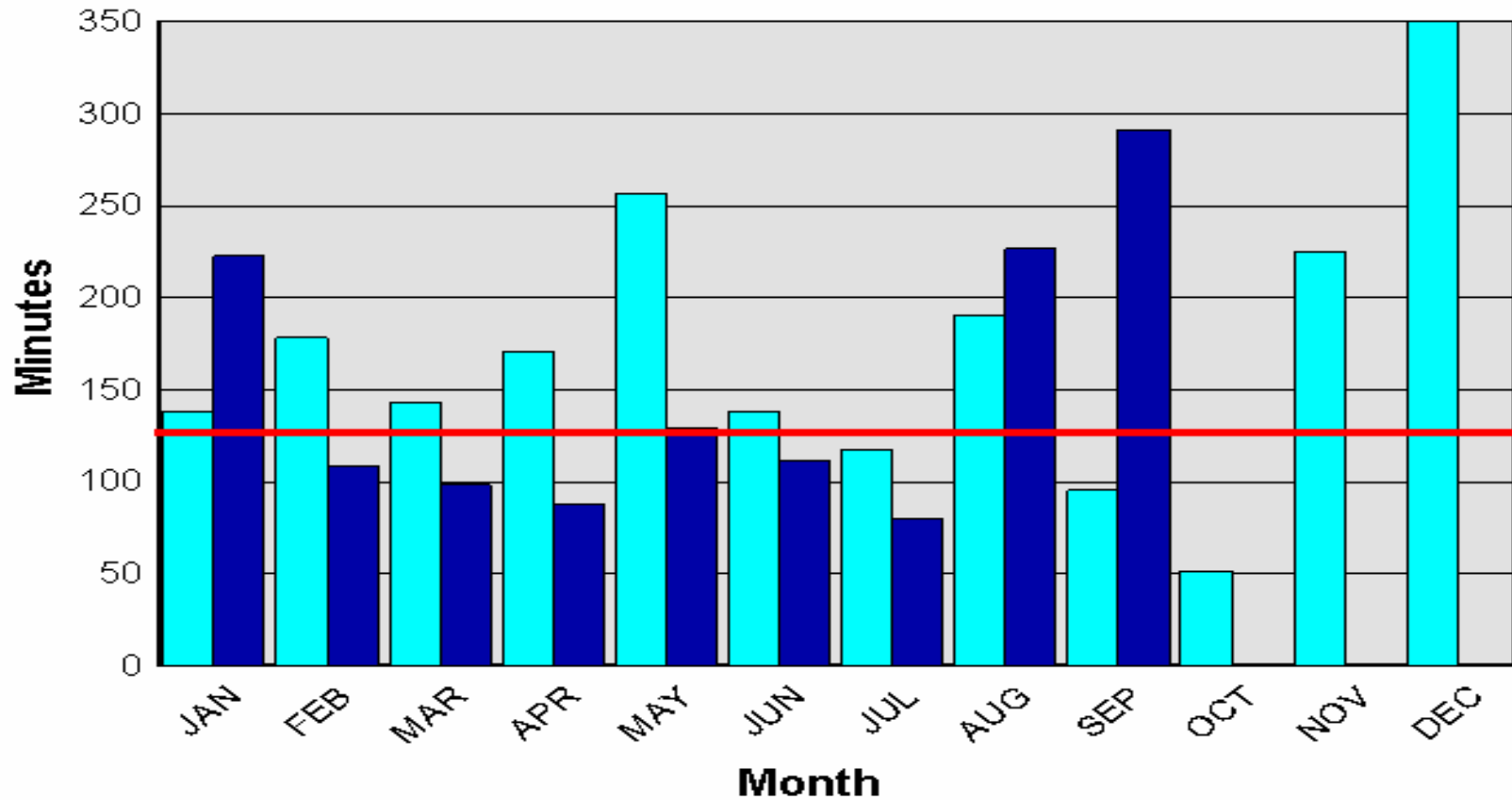
Distribution Reliability (ASAI)

YTD 9/30/07 - 99.980%



Distribution Outages

CAIDI - (Minutes/Customer)

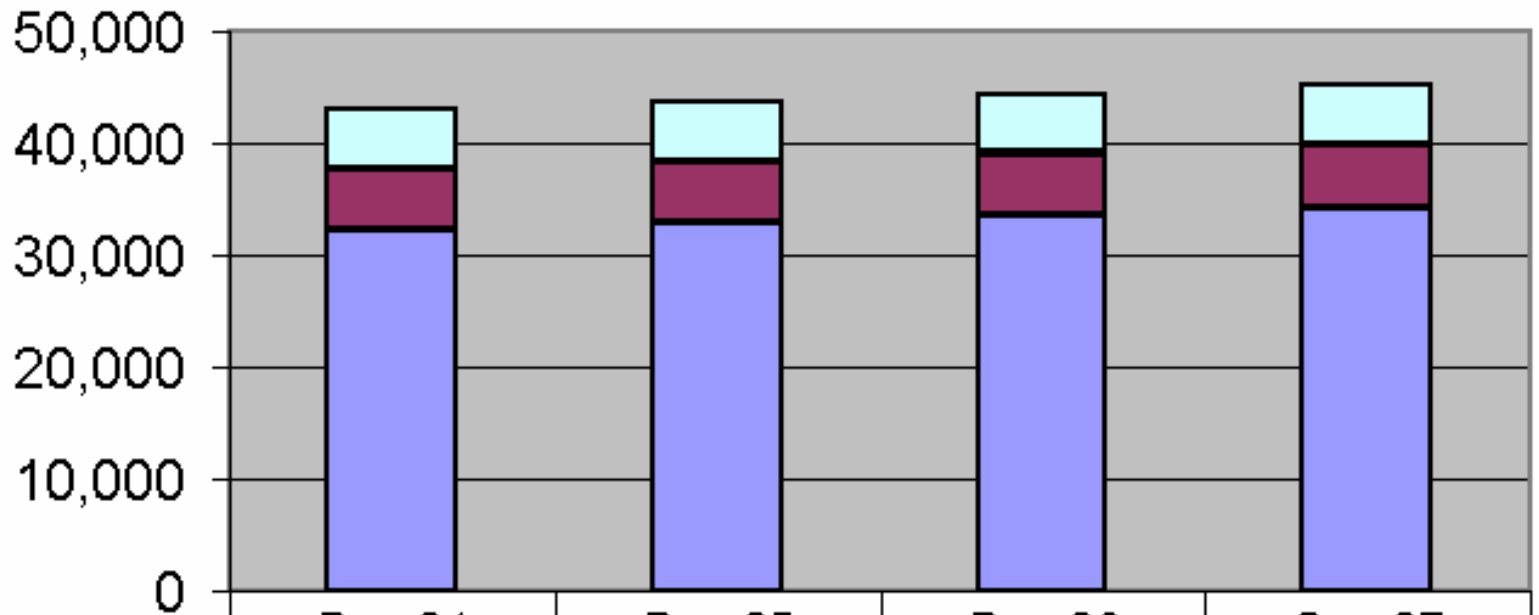


■ 2007

■ 2006

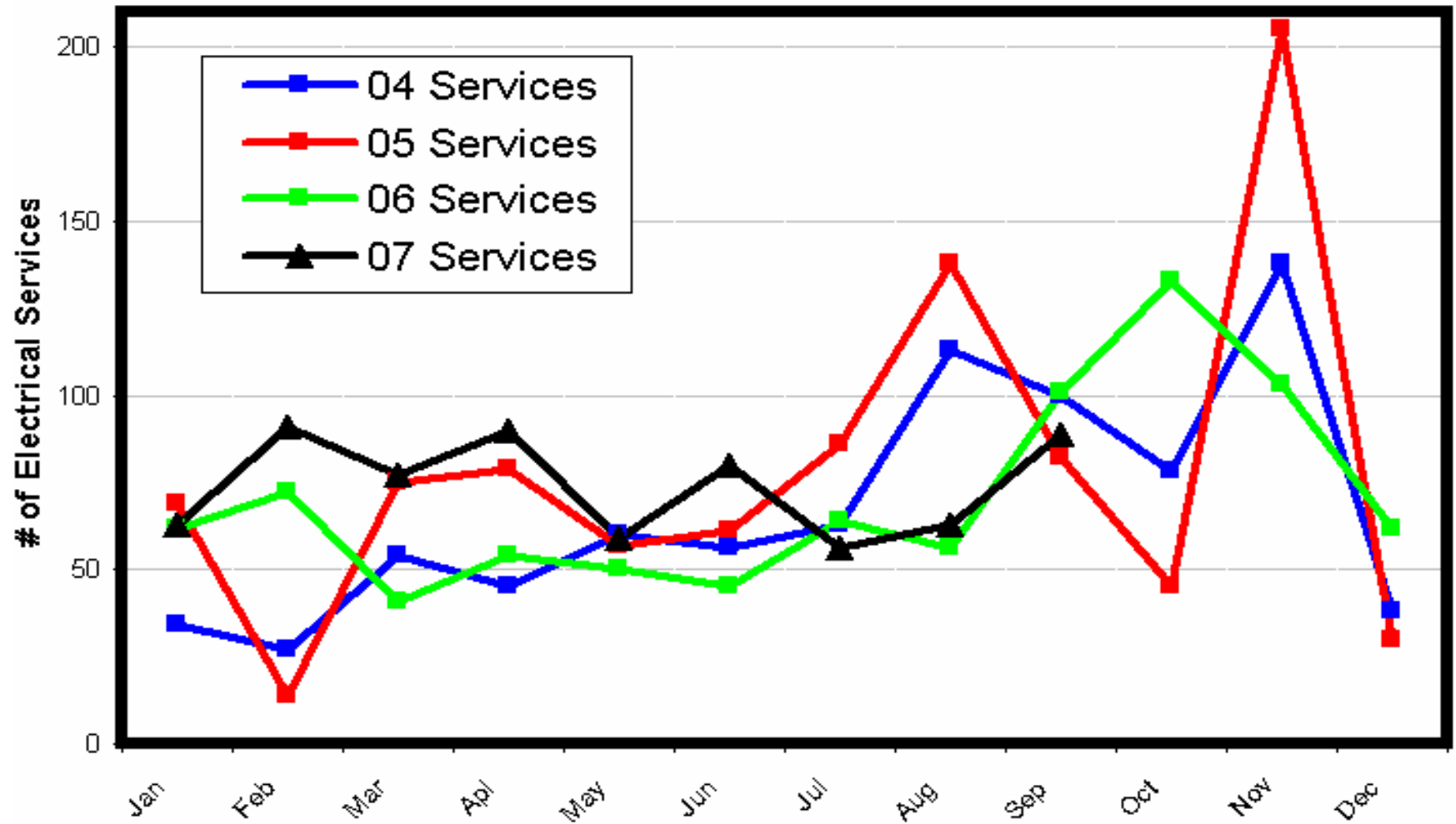
■ Goal-4 year average

Retail Electric Customers

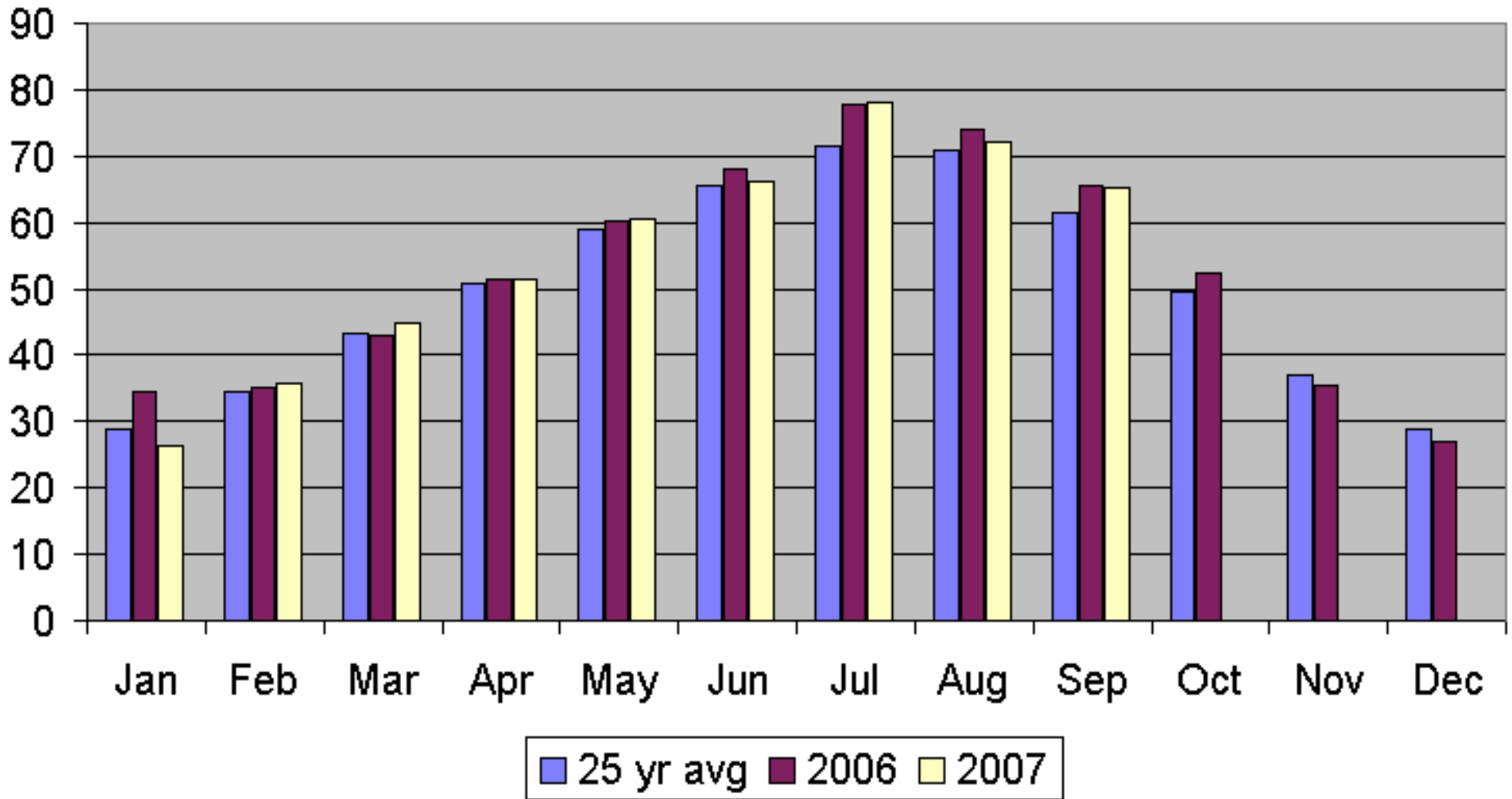


	Dec-04	Dec-05	Dec-06	Sep-07
Other	5,416	5,411	5,396	5,408
Industrial	28	29	30	28
Commercial	5,430	5,496	5,563	5,646
Residential	32,145	32,769	33,442	34,039

New Electrical Services

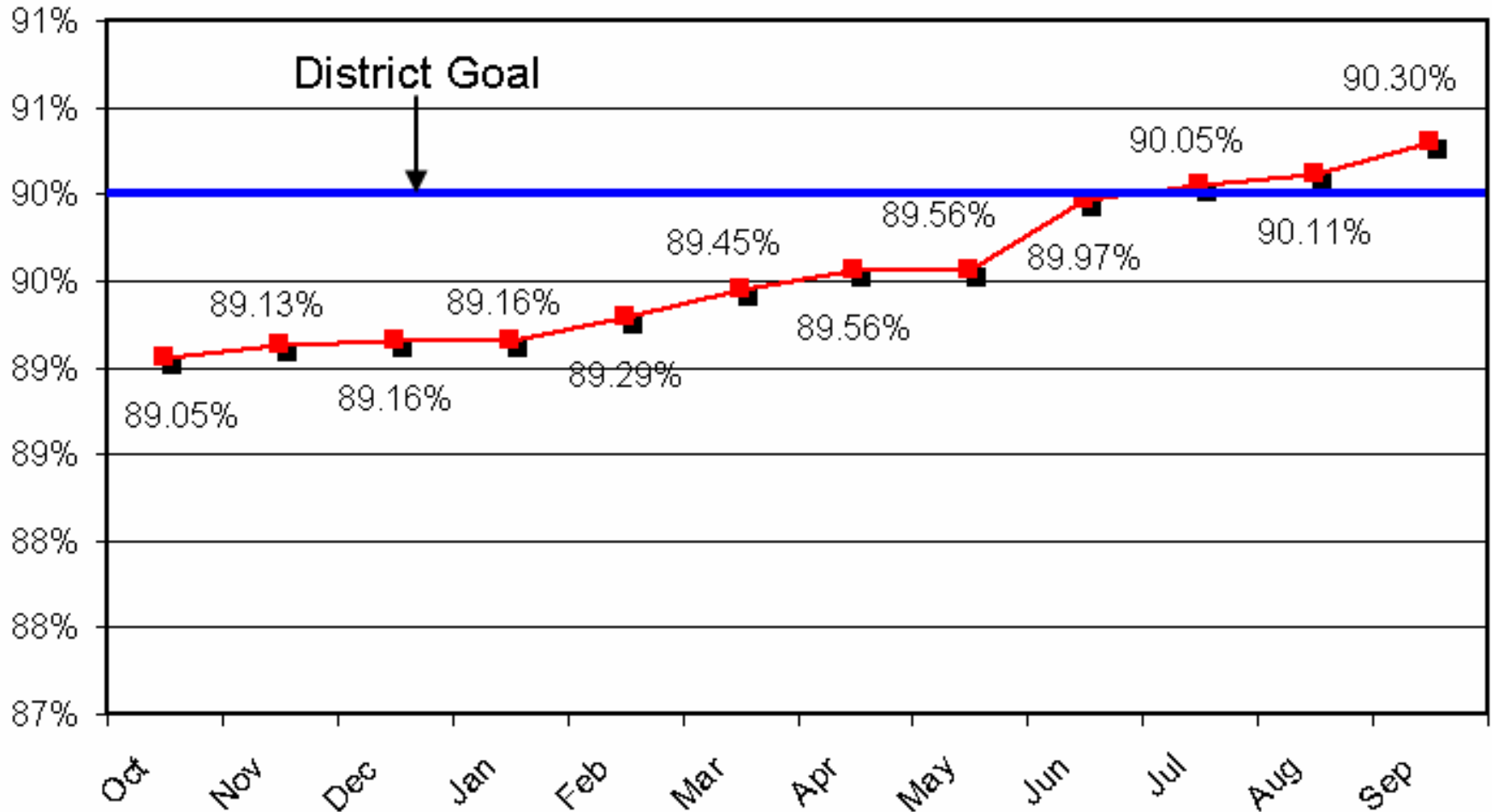


Average Monthly Temperature

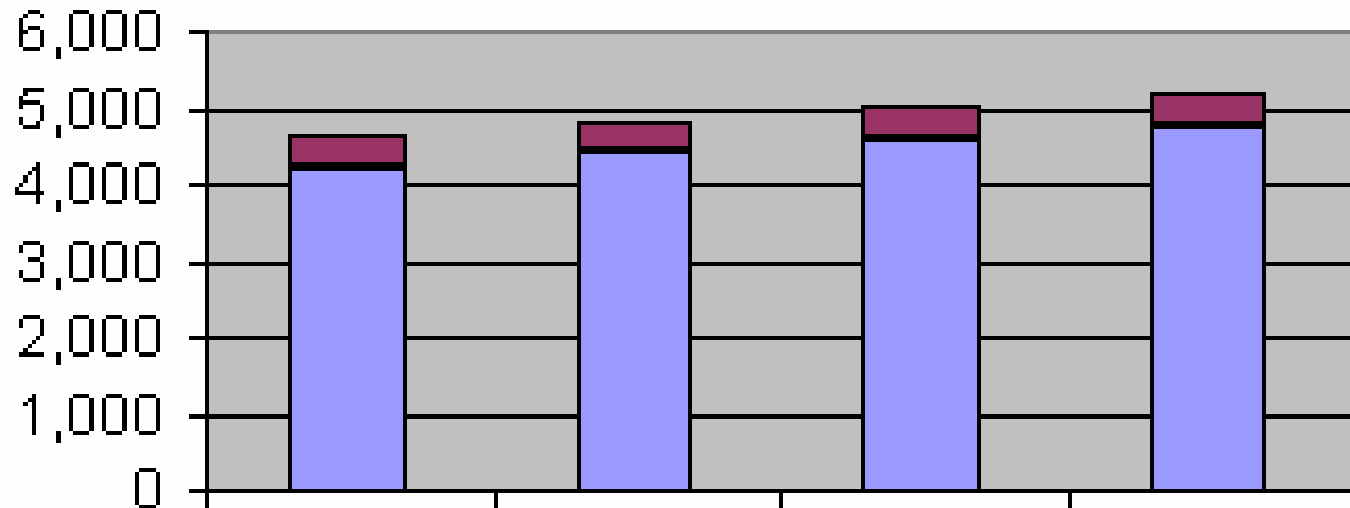


Line Extension/New Service Customer Satisfaction

October 2006 to September 2007



Water Customers

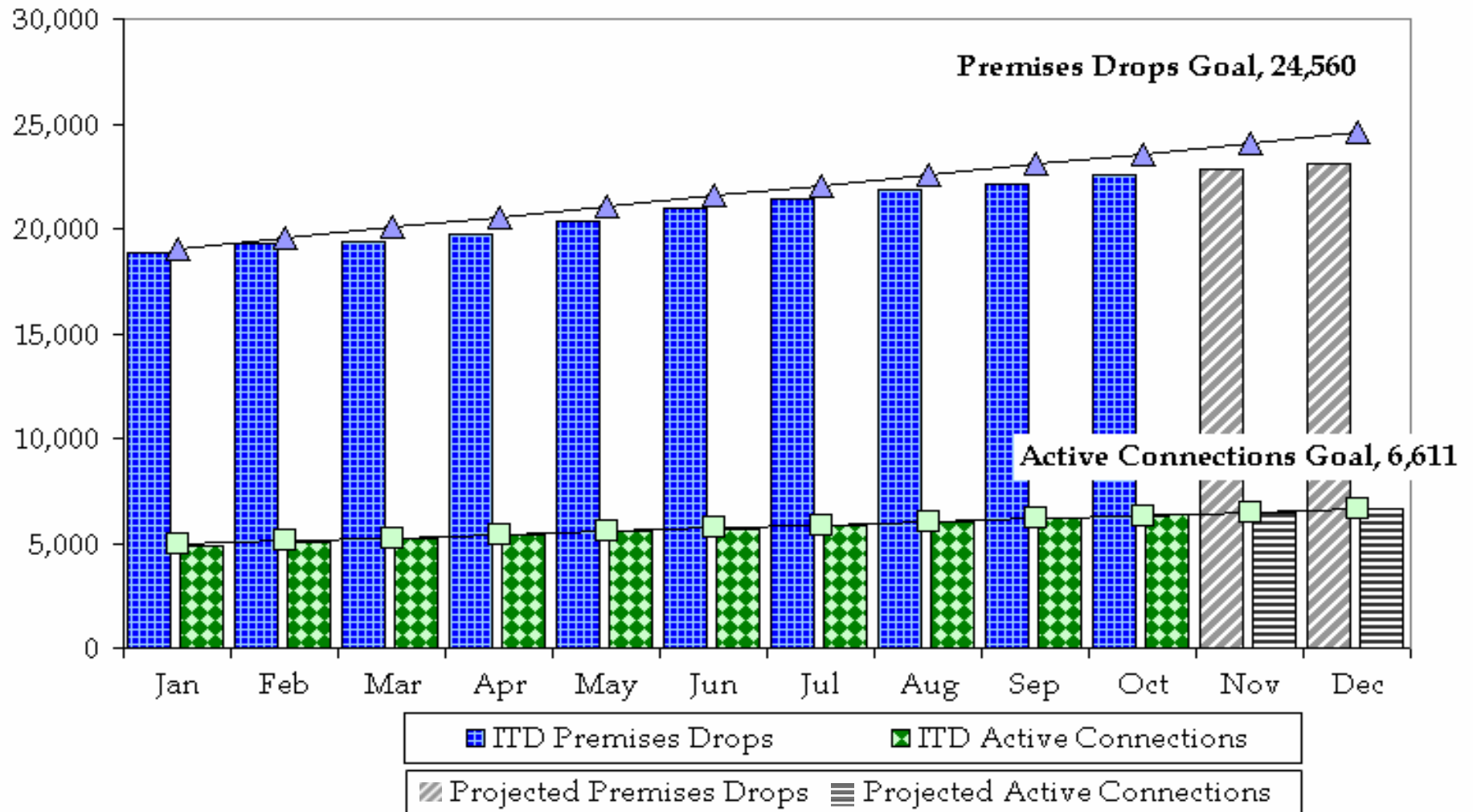


	Dec-04	Dec-05	Dec-06	Sep-07
Other	9	9	9	9
Industrial	9	9	9	9
Commercial	404	402	416	422
Residential	4,234	4,409	4,605	4,749

Networks

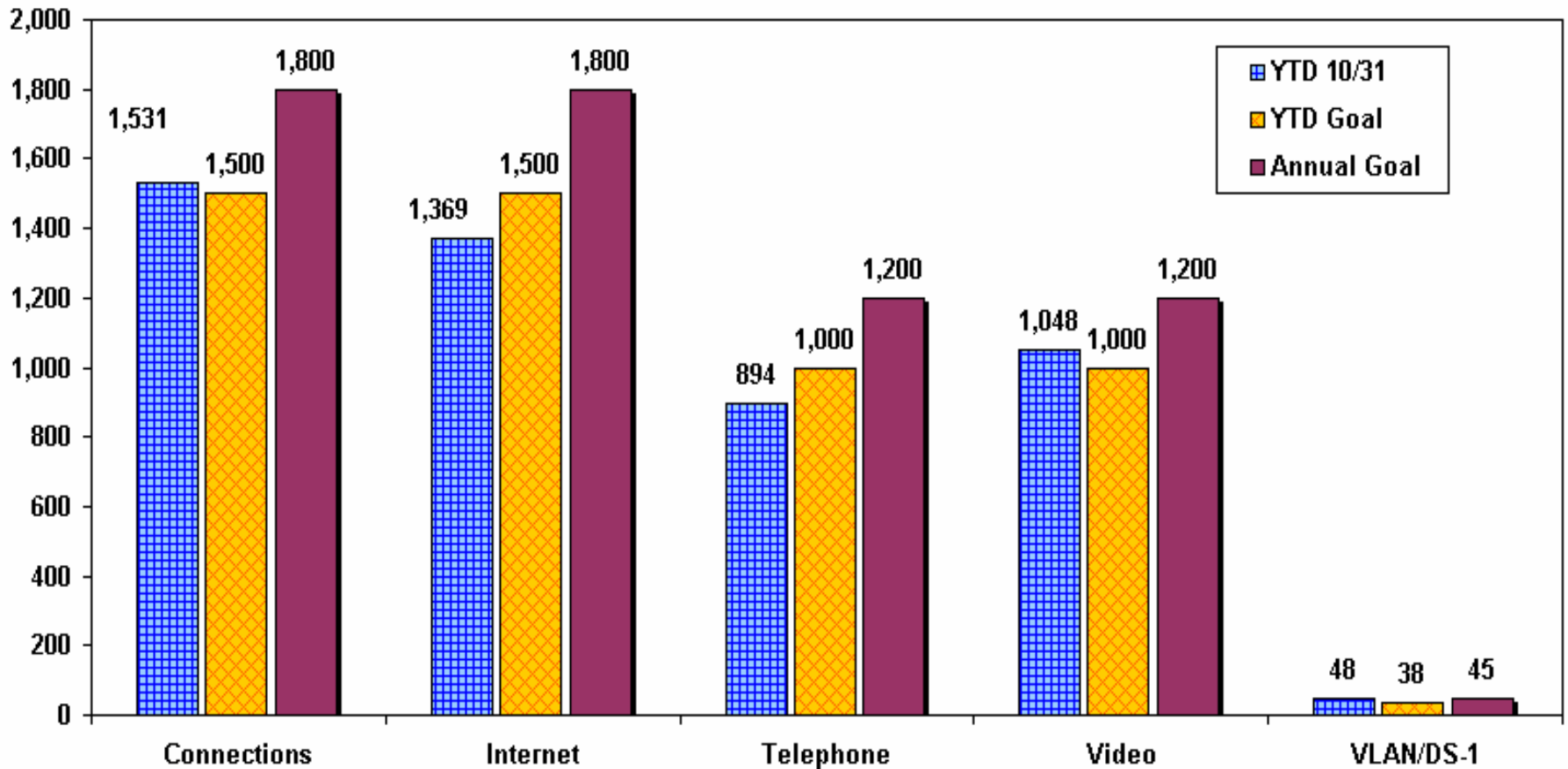
Drops/Connections at 9/30/2007

2007 Premises Drops & Connections



Networks

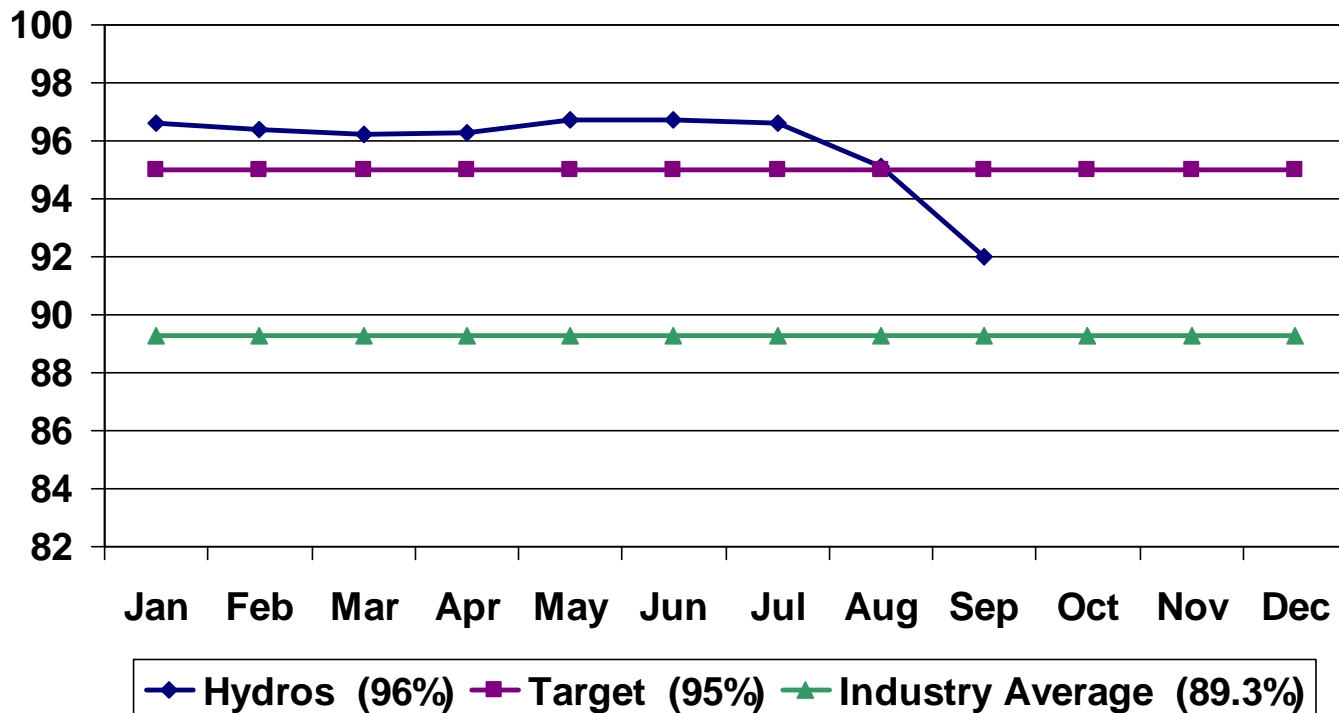
2007 Connections by Service



Hydro Availability

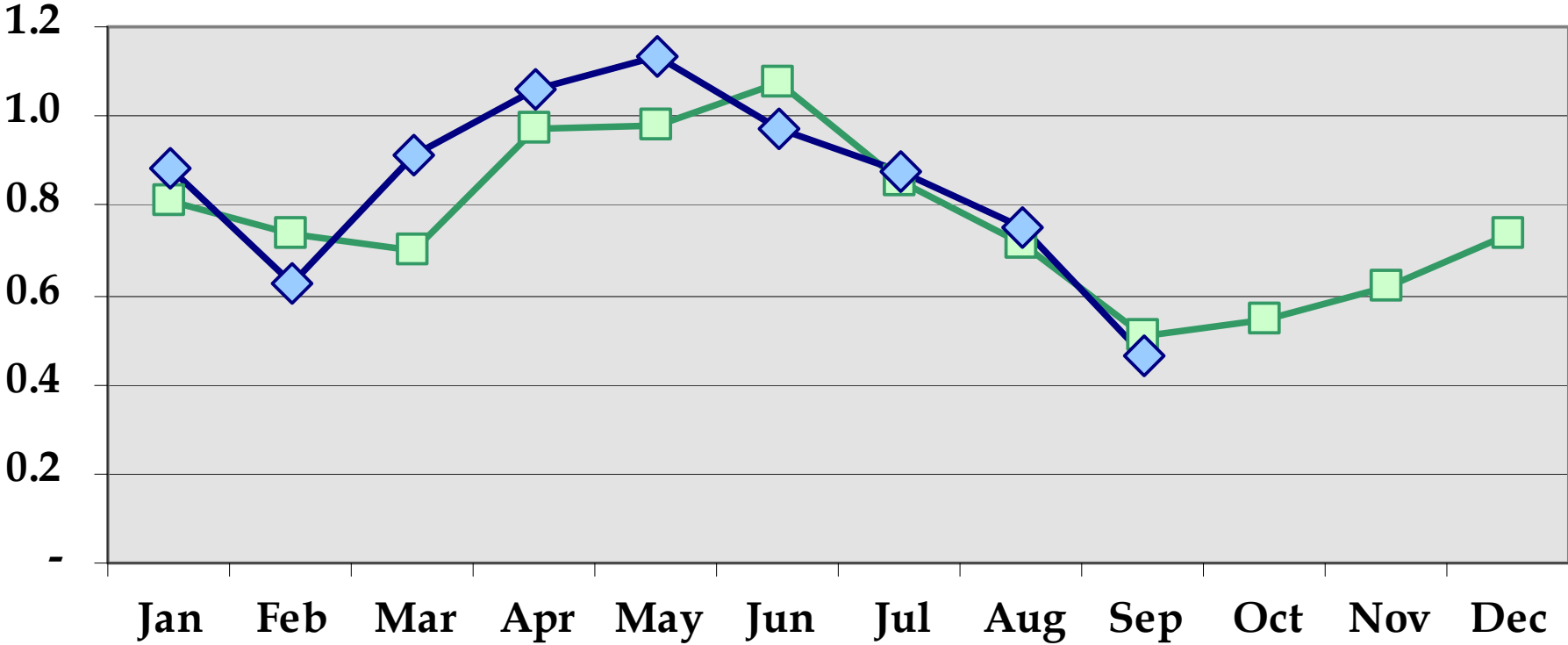
YTD as of 9/30/07

- Rocky Reach – 98.7%
- Lake Chelan – 99.1%
- Rock Island – 93.7%



Net Power Delivered

(Million MWh)



—■— 2006 —◆— 2007



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.

Combined Hydros

(Year to Date in \$000s)

	YTD 9/30/07 Actual	YTD 9/30/07 Budget	Variance
Operating Revenue	107,917	117,115	(9,198)
Operating Expenses	59,352	64,398	(5,046)
Depreciation/Amort.	20,439	18,672	1,767
Operating Income	28,126	34,045	(5,919)
Non-Op Exp (Inc)	30,304	32,582	(2,277)
Change in Net Assets	(2,179)	1,463	(3,641)
<i>Cost per MWh</i>	<i>\$14.0</i>	<i>\$18.6</i>	

Combined Hydros

(Projected vs. Budget in \$000s)

	2007 Projected	2007 Budget	Variance
Operating Revenue	151,569	156,577	(5,007)
Operating Expenses	83,099	86,597	(3,498)
Depreciation/Amort/Tax	27,057	24,898	2,159
Operating Income	41,413	45,081	(3,668)
Non-Op Exp (Inc)	41,626	43,136	(1,509)
Change in Net Assets	(214)	1,945	(2,159)
<i>Cost per MWh</i>	<i>\$16.0</i>	<i>\$18.6</i>	

Retail Electric Distribution

(Year to Date in \$000s)

	YTD 9/30/07 Actual	YTD 9/30/07 Budget	Variance
Retail & Other Rev	32,539	33,653	(1,114)
Purchased Power	21,483	28,272	(6,789)
Operating Expenses	26,958	27,740	(782)
Operating Inc (Loss)	(15,902)	(22,359)	6,457
Non-Op Exp (Inc)	(7,252)	(4,977)	(2,274)
Change in Net Assets before CIAC	(8,650)	(17,382)	8,731
Cap Contributions	2,509	2,701	(192)
	(6,141)	(14,681)	8,539
Interfund Equity Transfer	53,424	0	53,424
Change in Net Assets	47,282	(14,681)	61,963
<i>Operating Ratio</i>	<i>149%</i>	<i>166%</i>	

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

Retail Electric Distribution

(Projected vs. Budget in \$000s)

	2007 Projected	2007 Budget	Variance
Retail & Other Rev	44,171	44,171	0
Purchased Power	31,825	37,220	(5,395)
Operating Expenses	37,602	37,426	175
Operating Inc (Loss)	(25,256)	(30,475)	5,220
Non-Op Exp (Inc)	(10,542)	(6,976)	(3,566)
Change in Net Assets before CIAC	(14,714)	(23,499)	8,786
Cap Contributions	3,468	3,468	0
	(11,246)	(20,032)	8,786
Interfund Equity Transfer	53,424	0	53,424
Change in Net Assets	42,178	(20,032)	62,210
<i>Operating Ratio</i>	<i>157%</i>	<i>169%</i>	

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

Wholesale Activity

(Year to Date in \$000s)

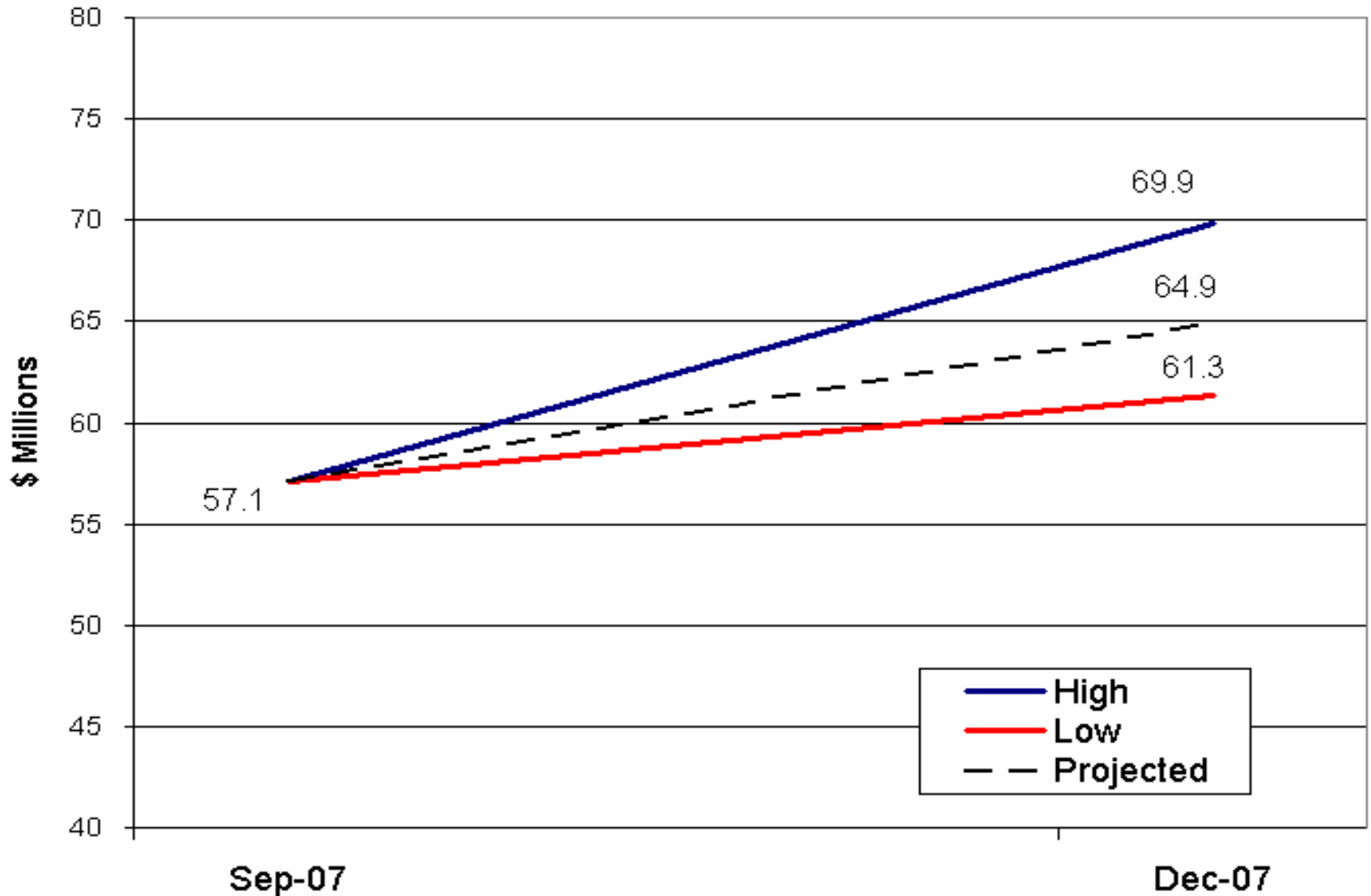
	YTD 9/30/07 Actual	YTD 9/30/07 Budget	Variance
Sales for Resale (excl Cashmere)	85,901	52,238	33,663
Less: Douglas County Sales	(1,448)	(1,604)	156
Less: Alcoa Sales	(12,548)	(13,317)	770
Cost: External Purchased Power	(14,819)	(7,210)	(7,609)
Net Wholesale Revenue	57,087	30,107	26,980
Cost: Internal Purch Power, other	(16,349)	(14,817)	(1,532)
Net Wholesale Margin	40,738	15,290	25,448

Wholesale Activity

(Projected vs. Budgeted \$000s)

	2007 Projected	2007 Budget	Variance
Sales for Resale (excl Cashmere)	108,247	65,555	42,693
Less: Douglas County Sales	(2,056)	(2,147)	91
Less: Alcoa Sales	(17,068)	(17,823)	755
Cost: External Purchased Power	(24,201)	(10,251)	(13,950)
Net Wholesale Revenue	64,923	35,335	29,589
Cost: Internal Purch Power, other	(25,874)	(20,583)	(5,291)
Net Wholesale Margin	39,049	14,751	24,298

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



Networks

(Year to Date in \$000s)

	YTD 9/30/07 Actual	YTD 9/30/07 Budget	Variance
Operating Revenue	3,067	2,960	107
Operating Expenses	5,912	5,877	35
Operating Inc (Loss)	(2,845)	(2,917)	72
Non-Op Exp (Inc)	2,689	3,123	(434)
Change in Net Assets before CIAC	(5,534)	(6,040)	506
Cap Contributions	6	0	6
	(5,529)	(6,040)	512
Interfund Equity Transfer	18,000	0	18,000
Change in Net Assets	12,471	(6,040)	18,512
<i>Operating Ratio</i>	<i>193%</i>	<i>199%</i>	

Networks

(Projected vs. Budget in \$000s)

	2007 Projected	2007 Budget	Variance
Operating Revenue	4,208	4,048	160
Operating Expenses	7,895	7,892	4
Operating Inc (Loss)	(3,688)	(3,844)	156
Non-Op Exp (Inc)	3,185	4,306	(1,121)
Change in Net Assets before CIAC	(6,873)	(8,150)	1,277
Cap Contributions	6	0	6
	(6,867)	(8,150)	1,283
Interfund Equity Transfer	18,000	0	18,000
Change in Net Assets	11,133	(8,150)	19,283
<i>Operating Ratio</i>	<i>188%</i>	<i>195%</i>	

Water

(Year to Date in \$000s)

	YTD 9/30/07 Actual	YTD 9/30/07 Budget	Variance
Operating Revenue	2,957	2,831	127
Operating Expenses	3,403	3,777	(373)
Operating Inc (Loss)	(446)	(946)	500
Non-Op Exp (Inc)	547	773	(226)
Change in Net Assets before CIAC	(993)	(1,719)	726
Cap Contributions	560	529	31
	(432)	(1,190)	757
Interfund Equity Transfer	21,000	0	21,000
Change in Net Assets	20,568	(1,190)	21,757
<i>Operating Ratio</i>	115%	133%	

Water

(Projected vs. Budget in \$000s)

	2007 Projected	2007 Budget	Variance
Operating Revenue	3,994	3,785	209
Operating Expenses	4,485	5,054	(570)
Operating Inc (Loss)	(491)	(1,269)	779
Non-Op Exp (Inc)	197	1,032	(836)
Change in Net Assets before CIAC	(687)	(2,301)	1,614
Cap Contributions	901	861	40
	214	(1,440)	1,654
Interfund Equity Transfer	21,000	0	21,000
Change in Net Assets	21,214	(1,440)	22,654
<i>Operating Ratio</i>	<i>113%</i>	<i>134%</i>	

Wastewater

(Year to Date in \$000s)

	YTD 9/30/07 Actual	YTD 9/30/07 Budget	Variance
Operating Revenue	305	295	9
Operating Expenses	682	752	(70)
Operating Inc (Loss)	(377)	(456)	79
Non-Op Exp (Inc)	(9)	18	(27)
Change in Net Assets before CIAC	(368)	(474)	106
Cap Contributions	60	62	(2)
	(308)	(412)	104
Interfund Equity Transfer	2,000	0	2,000
Change in Net Assets	1,692	(412)	2,104
<i>Operating Ratio</i>	<i>224%</i>	<i>255%</i>	

Wastewater

(Projected vs. Budget in \$000s)

	2007 Projected	2007 Budget	Variance
Operating Revenue	400	400	0
Operating Expenses	935	1,015	(80)
Operating Inc (Loss)	(535)	(615)	80
Non-Op Exp (Inc)	(30)	36	(66)
Change in Net Assets before CIAC	(505)	(651)	146
Cap Contributions	78	78	0
	(426)	(572)	146
Interfund Equity Transfer	2,000	0	2,000
Change in Net Assets	1,574	(572)	2,146
<i>Operating Ratio</i>	<i>234%</i>	<i>254%</i>	

Combined Utility Services

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

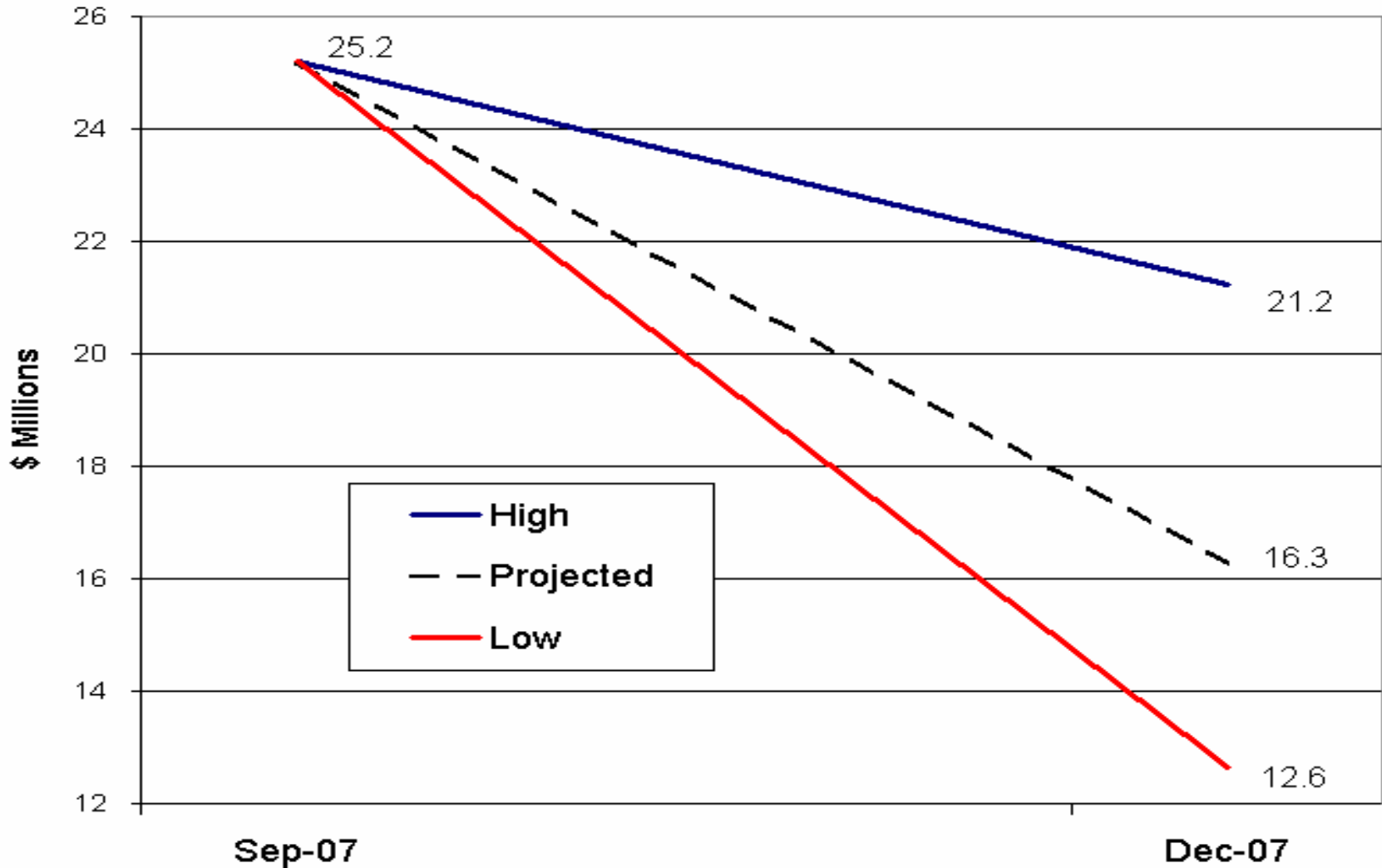
	YTD 9/30/07 Actual	YTD 9/30/07 Budget	Variance
Operating Revenue	38,868	39,739	(871)
Net Wholesale Margin	40,738	15,290	25,448
Operating Expenses	(58,438)	(66,417)	7,979
Operating Inc (Loss)	21,167	(11,389)	32,556
Non-Op Exp (Inc)	(4,024)	(1,063)	(2,961)
Change in Net Assets before CIAC	25,191	(10,326)	35,517
Cap Contributions	3,136	3,292	(157)
	28,327	(7,033)	35,360
Interfund Equity Transfer	94,424	0	94,424
Change in Net Assets	122,751	(7,033)	129,784
<i>Operating Ratio</i>	<i>83%</i>	<i>112%</i>	

Combined Utility Services

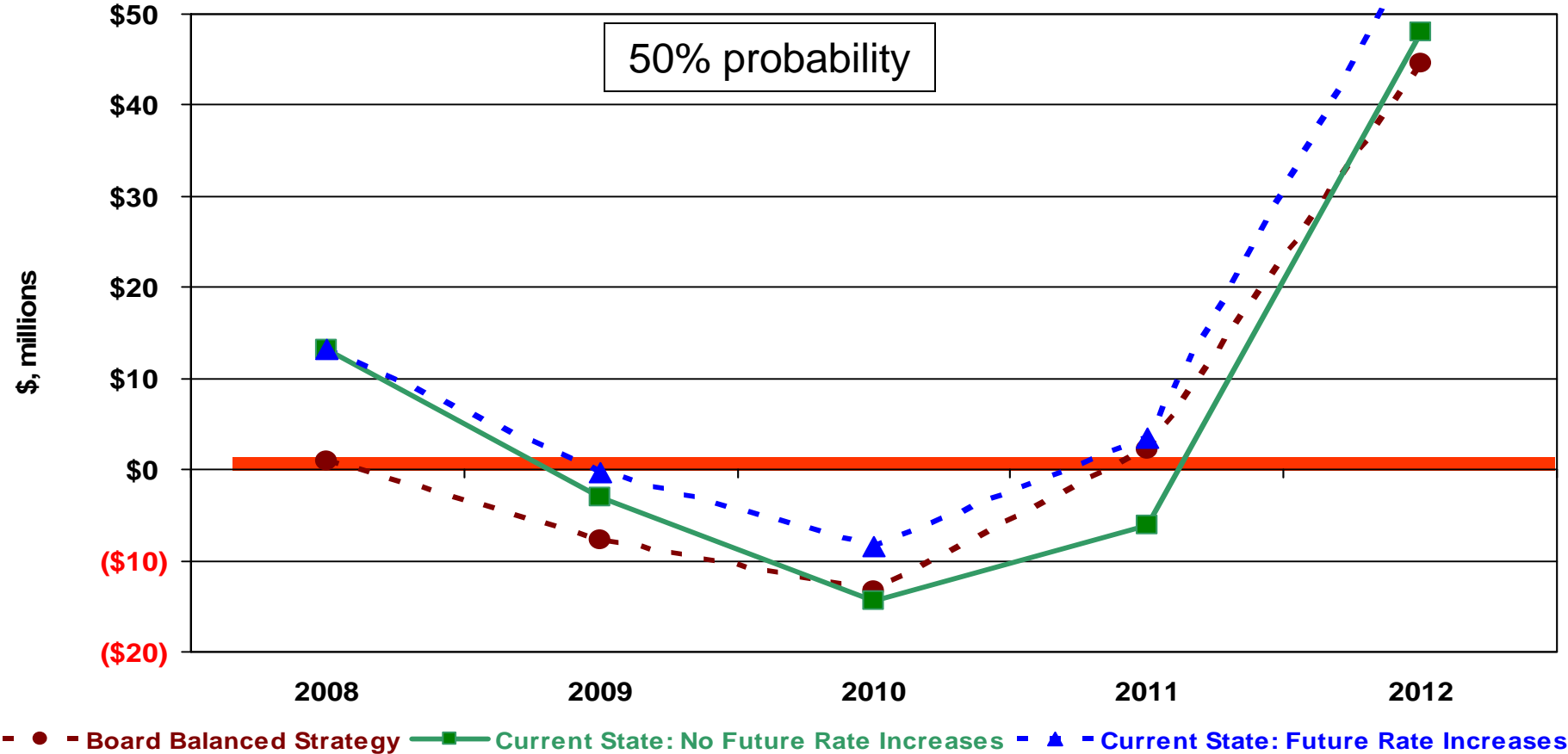
(Projected vs. Budget in \$000s, including Wholesale)

	2007 Projected	2007 Budget	Variance
Operating Revenue	52,773	52,404	369
Net Wholesale Margin	39,049	14,751	24,298
Operating Expenses	(82,741)	(88,607)	5,866
Operating Inc (Loss)	9,081	(21,452)	30,533
Non-Op Exp (Inc)	(7,190)	(1,601)	(5,589)
Change in Net Assets before CIAC	16,271	(19,851)	36,122
Cap Contributions	4,453	4,407	46
	20,724	(15,444)	36,167
Interfund Equity Transfer	94,424	0	94,424
Change in Net Assets	115,148	(15,444)	130,591
<i>Operating Ratio</i>	<i>94%</i>	<i>118%</i>	

Possible Changes in Utility Services Net Assets Before Capital Contributions by 12/31/2007



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

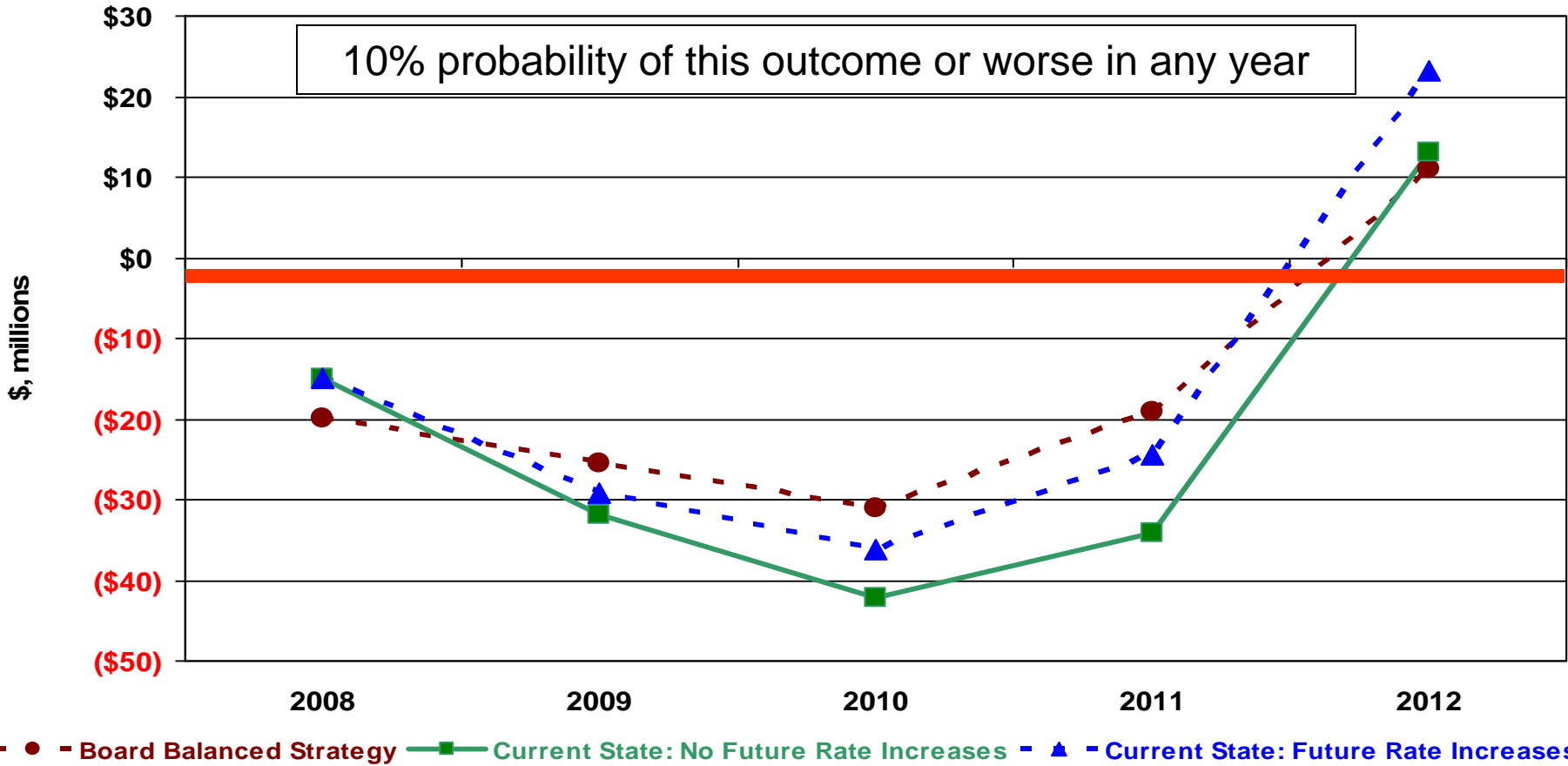


Board "Balanced" (5% Electric in 2008-11, 9% W & WW in 2008-12, implemented 1/1/08, NW focus on rural buildout)

Current state as of 10/07 (2007 actuals to 9/30, 2008 budget V7, ER wholesale estimate 10/8/07, no rate increases post 2008)

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Utility Services Change in Net Assets at a 90% confidence level

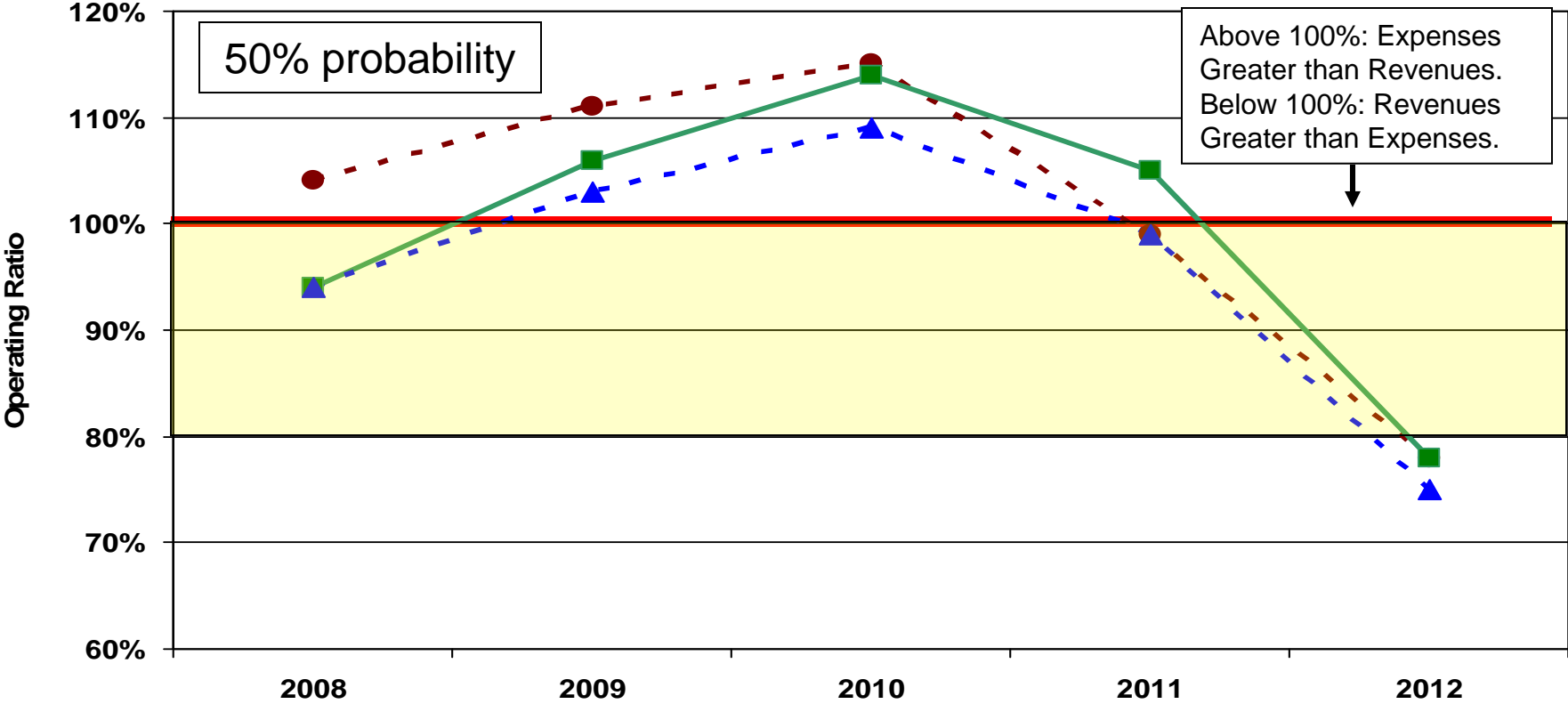


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Utility Services Operating Ratio at a 50% confidence level



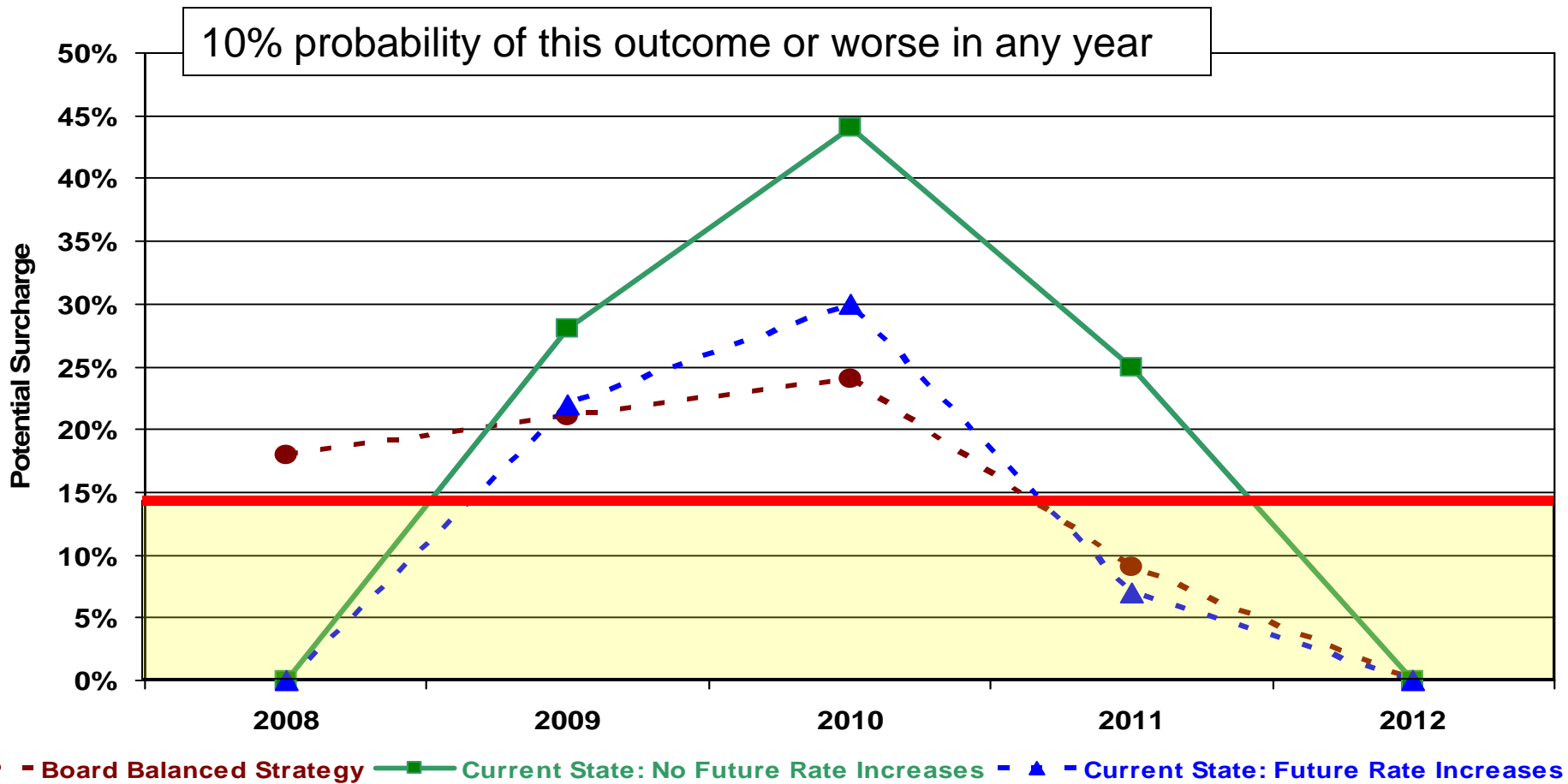
- ● - Board Balanced Strategy -■- Current State: No Future Rate Increases -▲- Current State: Future Rate Increases

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



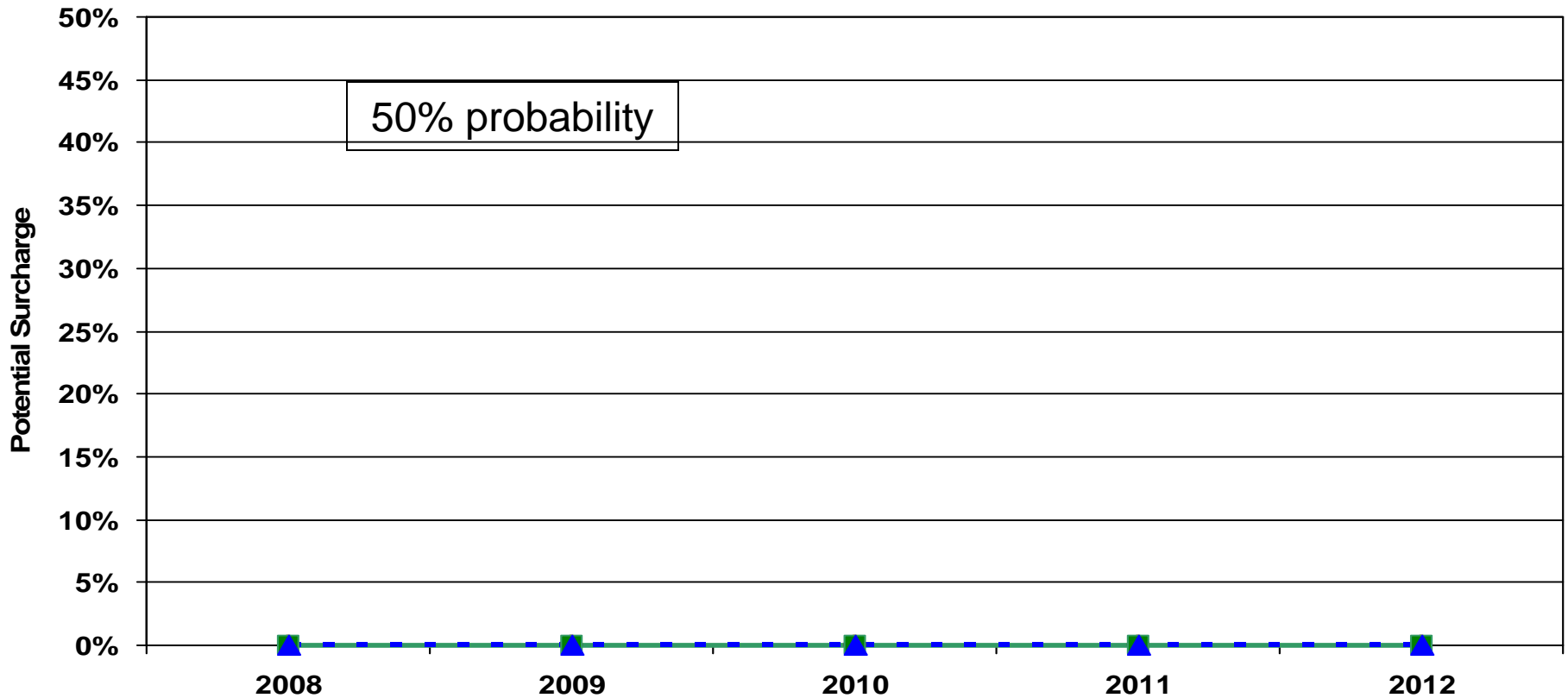
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Utility Services Surcharge Potential

at a 50% confidence level to meet 1.25 debt coverage



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

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2007 Capital Expenditures

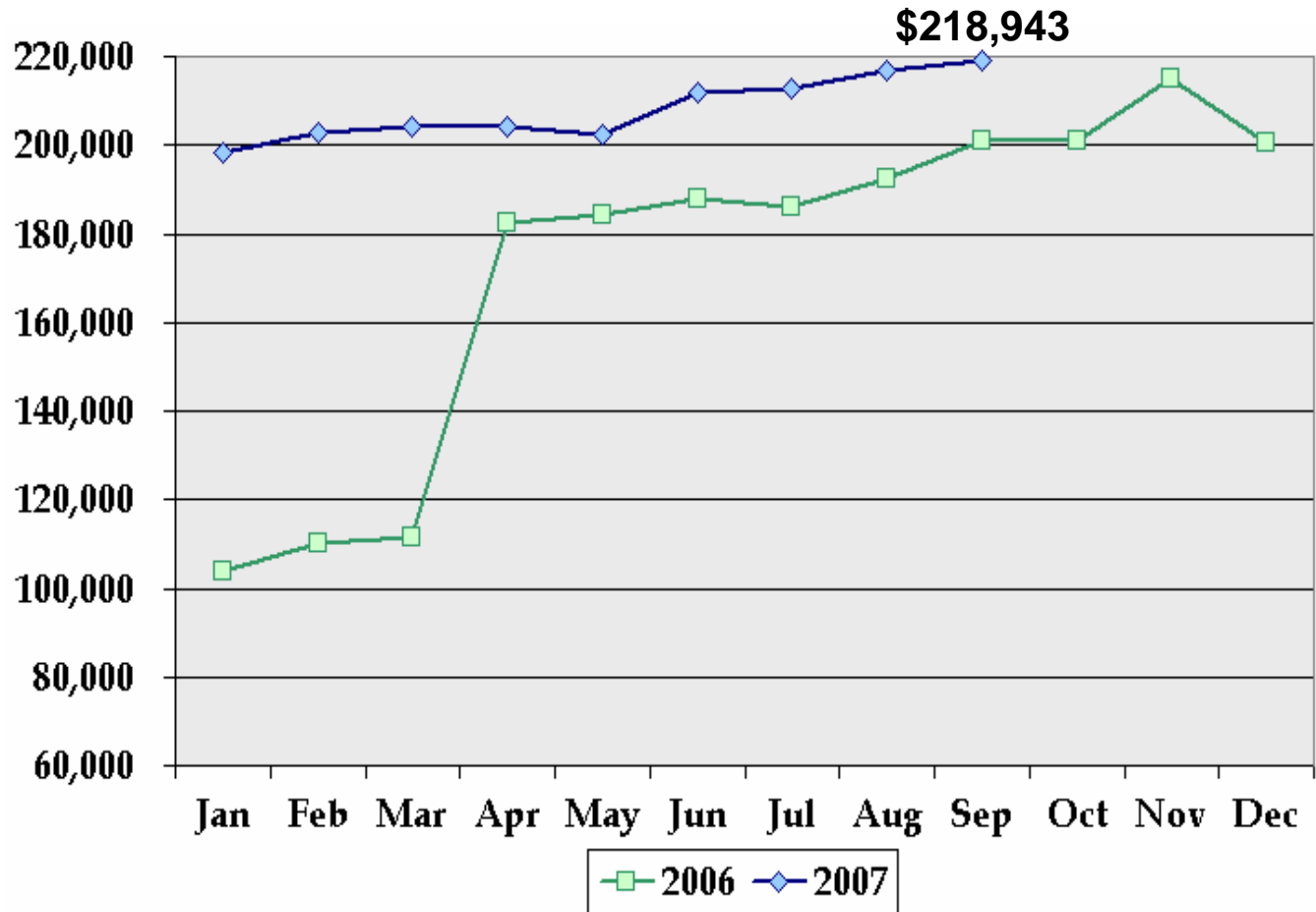
(\$000s)

	9/30/07 Actual	2007 Budget	Unspent	% Spent	2007 Projected
Distribution	9,005	22,108	13,103	41%	18,140
Networks	9,565	11,199	1,634	85%	11,747
Water/WW	1,670	5,338	3,668	31%	3,533
Hydros	19,356	55,395	36,039	35%	36,563
Internal Service	1,614	3,980	2,366	41%	2,739
Total	41,209	98,020	56,810	42%	72,724

Includes Deferred (Relicensing) Costs

Utility Services Cash Reserves

(\$000)



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

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 many projects

Retail sales of electricity were lower than projected

- Warmer than average weather
- Lower use by industrial customers

December/January storms raised expenses

Projected results in 2009-2012 indicate we need to continue to refine our strategies to meet financial targets