

Mission: To safely provide utility services that enhance the economy and quality of life in Chelan County.

PUD PROFILE

Chelan County PUD owns and operates one of the nation's largest nonfederal, publicly owned hydroelectric generating systems.

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 nearly 2,000 megawatts of power at their peak. About 20 percent of the output is used to meet retail electric demand in Chelan County. Another 16 percent is sold by contract to Alcoa's Wenatchee aluminum smelter, supplying a portion of the power needs of the plant that provides important family-wage jobs. The balance is sold on the wholesale market or delivered throughout the Pacific Northwest to long-term power purchasers Puget Sound Energy, Avista, PacifiCorp, Douglas County PUD and Portland General Electric.

POWER SYSTEM UPGRADE

District commissioners have given their approval to Alcoa's plan to invest an estimated \$20 million in power system upgrades that will make it possible to operate a third pot line reliably at Alcoa's Wenatchee Works in coming years. The Interconnection Agreement is a follow-up to a long-term power sales contract signed by the District and Alcoa in July 2008 that provides for Alcoa to receive a 26-percent share of the output from Rock Island and Rocky Reach dams from 2011 through 2028. Alcoa said at that time that it hoped to add a third pot line to the Wenatchee Works, and District commissioners voiced their desire to have the community continue to benefit from the family-wage jobs provided by the Alcoa smelter. The improvements in this latest agreement will improve reliability of power delivery to the smelter, something Alcoa wanted prior to starting a third pot line in 2011 or 2012. The District will own and operate all the facilities, and Alcoa will be responsible for all the costs.

ENERGY PROGRAM IS A SUCCESS

Customers will help save about a million kilowatt hours of electricity by installing the 41,000 compact fluorescent lamps (CFLs) provided free by the District under a program launched in February. The 13-watt CFLs given to District customers provide the same light as a 60-watt standard bulb, plus they use up to 75 percent less energy and last up to 10 times longer than old-style bulbs. By distributing bulbs free to customers, the District is buying an energy resource. In other words, saving a kilowatt is equivalent to adding a kilowatt of new generation. This is in keeping with goals set by the Northwest Power and Conservation Council, which regards conservation as the least expensive energy resource available to meet power demands in the region. The Energy

Independence Act, passed by Washington voters in 2006, adopts these goals and establishes guidelines for utilities to set and meet conservation targets. Conservation also keeps local rates low by making more District energy available to sell on the wholesale power market.

REDUCING FINANCIAL RISK

To reduce financial risk and bring in more reliable revenues from year to year, the District has approved a plan to sell surplus power for delivery up to five years into the future. By selling a portion of the District's surplus power for longer periods, the District can mitigate some of the year-to-year revenue volatility and help stabilize customers' electric rates. The District expects to sell a portion of its surplus power as a "slice of the system" – at market rates. The "slice" contracts mean purchasers get a percentage of the output from District dams, rather than buying a fixed number of megawatt hours. In return, the District receives a predictable, fixed payment regardless of stream flows or future power prices.

The District also continued for another year a temporary electric rate surcharge of 9 percent after record-low river flows the first three months of this year. A separate rate redesign that was approved by commissioners in 2008 will be postponed again, until the extended surcharge expires. With the surcharge, average residential rates for Chelan PUD power are 3.3 cents per kilowatt hour, the second lowest rates in the nation.

FINANCIAL HIGHLIGHTS

In June 2008, the Governmental Accounting Standards Board (GASB) issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." Statement No. 53 provides a comprehensive framework for the measurement, recognition and disclosure of derivative instrument transactions for the purpose of enhancing the usefulness and comparability of derivative instrument information reported by state and local governments. GASB Statement No. 53 is effective for the District beginning in fiscal year 2010; therefore, the District has restated the prior periods presented in these financial statements as the adoption of GASB No. 53 is applied retroactively.

For the three months ended March 31, 2010, Chelan County PUD recorded a loss before capital contributions of \$6.9 million, a decrease in earnings of \$2.0 million from the same period in 2009. The decrease is due primarily to lower wholesale power sales compared to 2009, combined with reduced yields on investments. The decrease in wholesale power sales revenue is due primarily to below-average snowpack and stream flows.

As of March 31, 2010, Utility Services unrestricted cash and investments totaled \$164.2 million.



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CHELAN COUNTY
POWER

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**CONDENSED COMBINING STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS (Unaudited)**

Three months ended March 31, 2010

(in thousands)

	Rocky Reach	Columbia River- Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra- District Transactions (1)	3 Months Ended 03/31/10	3 Months Ended 03/31/09
OPERATING REVENUES	\$ 18,574	\$ 19,686	\$ 2,443	\$ 33,676	\$ -	\$ 3,705	\$ (24,228)	\$ 53,856	\$ 50,840
OPERATING EXPENSES	14,337	12,440	1,143	41,281	-	3,331	(24,228)	48,304	44,786
NET OPERATING INCOME	4,237	7,246	1,300	(7,605)	-	374	-	5,552	6,054
OTHER INCOME (EXPENSE) (2)	(4,487)	(6,756)	(1,094)	294	(49)	(347)	-	(12,439)	(10,894)
CAPITAL CONTRIBUTIONS	-	135	-	386	-	-	-	521	346
CHANGE IN NET ASSETS	\$ (250)	\$ 625	\$ 206	\$ (6,925)	\$ (49)	\$ 27	\$ -	\$ (6,366)	\$ (4,494)

CONDENSED COMBINING BALANCE SHEETS (Unaudited)

March 31, 2010

(in thousands)

ASSETS	Rocky Reach	Columbia River- Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra- District Transactions (1)	03/31/10	03/31/09
CURRENT ASSETS	\$ 9,488	\$ 5,963	\$ 1,198	\$ 115,643	\$ 298	\$ 13,286	\$ -	\$ 145,876	\$ 130,420
RESTRICTED ASSETS - CURRENT	12,723	54,939	10,276	29,016	38,056	3,239	-	148,249	103,971
TOTAL CURRENT ASSETS	22,211	60,902	11,474	144,659	38,354	16,525	-	294,125	234,391
NET UTILITY PLANT	380,299	310,219	91,979	277,667	-	31,214	-	1,091,378	1,084,753
RESTRICTED ASSETS - NONCURRENT	9,022	23,610	6,487	18,317	29,904	2,044	-	89,384	101,973
DEFERRED CHARGES & OTHER ASSETS	6,862	9,922	1,729	97,406	(142)	7,963	-	123,740	171,906
TOTAL ASSETS	\$ 418,394	\$ 404,653	\$ 111,669	\$ 538,049	\$ 68,116	\$ 57,746	\$ -	\$ 1,598,627	\$ 1,593,023
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES	\$ 7,332	\$ 27,690	\$ 3,379	\$ 4,991	\$ 8,023	\$ 15,285	\$ -	\$ 66,700	\$ 53,006
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	(844)	(2,878)	340	9,369	(7,867)	1,880	-	-	-
LONG-TERM DEBT	297,317	447,421	86,076	84,692	63,550	35,187	-	1,014,243	980,111
DEFERRED REVENUES	-	-	-	111,941	-	-	-	111,941	111,941
OTHER LIABILITIES	1,642	(2,454)	7,641	21,259	(374)	-	-	27,714	52,945
TOTAL LIABILITIES	305,447	469,779	97,436	232,252	63,332	52,352	-	1,220,598	1,198,003
TOTAL NET ASSETS	112,947	(65,126)	14,233	305,797	4,784	5,394	-	378,029	395,020
TOTAL LIABILITIES & NET ASSETS	\$ 418,394	\$ 404,653	\$ 111,669	\$ 538,049	\$ 68,116	\$ 57,746	\$ -	\$ 1,598,627	\$ 1,593,023

ELECTRIC	2010	2009
As of March 31		
Number of Customers	47,857	47,594
Number of Residential Customers	35,514	35,319
YTD Average Residential Rate (Cents/kWh)	3.34	3.06

POWER GENERATION (MWh)	2010	2009
12 months ended March 31		
Lake Chelan	317,819	403,612
Rocky Reach	4,895,970	5,496,941
Rock Island	2,466,892	2,702,730

HYDRO COST/MWH GENERATED (\$/MWh)	2010	2009
12 months ended March 31		
Lake Chelan	\$ 28	\$ 17
Rocky Reach	14	14
Rock Island	31	28

NOTES TO CONDENSED STATEMENTS

(1) Intra-District transactions are eliminated.

(2) Consists primarily of investment income and interest expense on long-term debt.

Chelan County Public Utility District No.1 (Chelan County PUD) has prepared condensed financial statements in accordance with generally accepted accounting principles. Condensed financial statements should be read in conjunction with the notes to the financial statements included in Chelan County PUD's Annual Report as of December 31, 2009. This information is provided for general information. Not all the information is intended for nor should it be relied upon for making investment decisions by current or prospective investors.