

**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. Nearly 30 percent of the output is used to meet retail electric demand (including surplus sales) and support utility services 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 delivered throughout the Pacific Northwest to long-term power purchasers Puget Sound Energy, Avista, PacifiCorp, Douglas County PUD and Portland General Electric.

### PUD SUCCESSFULLY MARKETS FINANCIAL NOTES AND BONDS

In July 2009, Chelan County PUD successfully marketed \$29.0 million in Consolidated System Subordinate Revenue Notes Series 2009AB (Tax-Exempt). The notes, which were sold at a premium, have a coupon rate of 5.25 percent and mature on July 1, 2014. The notes were issued for the purpose of purchasing all of the series 2009AB Bonds also issued in July 2009, which refunded the series 1999AB Bonds. The 2009AB Bonds were purchased by a Trust established by the District rather than being offered publicly and are not considered outstanding for financial reporting purposes.

In August 2009, the District issued \$33.6 million in Consolidated System Revenue Bonds Series 2009C (Non-taxable) and 2009D (Taxable) for the purposes of providing new money for the Lake Chelan System for specified capital projects. The series 2009C Bonds in the amount of \$6.6 million were issued as fixed rate bonds and sold at a premium. The series 2009D Bonds in the amount of \$27.0 million were issued as fixed rate Taxable Direct Payment Build America Bonds (BABs). Analysis comparing the total cost of issuing BABs to traditional tax-exempt bonds showed a \$3 million net present value advantage of BABs over tax-exempt bonds.

Also in August 2009, the PUD issued \$15.9 million of Rocky Reach Hydroelectric Revenue Bonds Series 2009A and \$14.0 million of Rock Island Hydroelectric Revenue Bonds Series 2009A. The 2009A bonds, which were sold at a premium, were issued as fixed rate bonds with interest rates ranging from 3.0 percent to 5.0 percent and a final maturity of July 1, 2034. The proceeds will be used for the purpose of providing new money for specified capital projects. Much of the work to be done at Rocky Reach and Rock Island will be for environmental enhancements.

### CHELAN RIVER PROJECT COMPLETION

Relicensing the Lake Chelan Hydro Project brought the PUD, fishery agencies, tribes and the public together to review priorities for managing and operating the hydroelectric project. Among the goals were restoring the natural function of the Chelan River and adding habitat in the lower reaches of the river for Chinook salmon and steelhead spawning and rearing.

Water started flowing permanently through the Chelan River Gorge in October 2009 as part of the just-completed \$16 million project. The improvements provide year-round water flow from the Chelan Dam to restore the natural character of the Chelan River and add nearly four acres of fish habitat in the lower portion of the river after it emerges from the steep Chelan Gorge. An innovative new channel was created to attract adult fish for spawning, and a pumping system will provide cold water from the powerhouse tailrace to supplement the new permanent river flow. Surveys at the beginning of the spawning season show fish spawning in good numbers throughout the new habitat.

### ECONOMIC FACTORS

The District continues to monitor challenges due to recessionary pressures combined with declines in wholesale power sales revenues as a result of an unusual combination of low wholesale energy prices and below-average snowpack. In response to the strain on the PUD's 2009 budget, the District implemented contingency plans and cut approximately \$27.4 million from planned 2009 spending. In addition, a 9-percent electric rate surcharge became effective May 1, 2009, and will remain in effect for up to 12 months to bolster revenues and partially offset the impact of below-average runoff forecasts, declining wholesale energy prices and lower interest income on investments.

Current forecasts for the next couple of years reflect continued pressures on the bottom line. Despite global financial conditions affecting most utilities and businesses, the PUD continues to remain among the most reliable and most affordable electricity providers in the nation.

### FINANCIAL HIGHLIGHTS

As of September 30, 2009, Chelan County PUD recorded a loss before capital contributions of \$13.2 million, a decrease in earnings of \$21.5 million from the same period in 2008. The decrease is due primarily to lower wholesale power sales compared to 2008, combined with reduced yields on investments. The decrease in wholesale power sales revenue is due primarily to significantly lower energy prices in the wholesale market, as well as below-average stream flows.

As of September 30, 2009, Utility Services' unrestricted cash and investments totaled \$168.8 million.



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Executive Manager-Finance/Risk  
CFO-CRO

**CHELAN COUNTY  
PUBLIC UTILITY DISTRICT NO. 1  
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CHELAN COUNTY  
**POWER**

www.chelanpud.org

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

Nine months ended September 30, 2009

(in thousands)

	Rocky Reach	Columbia River- Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra- District Transactions (1)	9 Months Ended 09/30/09	9 Months Ended 09/30/08
<b>OPERATING REVENUES</b>	\$ 52,804	\$ 57,372	\$ 6,954	\$ 91,931	\$ -	\$ 11,421	\$ (70,563)	\$ 149,919	\$ 178,628
<b>OPERATING EXPENSES</b>	43,157	37,657	3,082	106,174	-	10,987	(70,563)	130,494	141,294
<b>NET OPERATING INCOME</b>	9,647	19,715	3,872	(14,243)	-	434	-	19,425	37,334
<b>OTHER INCOME (EXPENSE) (2)</b>	(12,747)	(19,653)	(3,096)	4,138	(468)	(785)	-	(32,611)	(28,979)
<b>CAPITAL CONTRIBUTIONS</b>	-	-	-	1,871	-	-	-	1,871	5,396
<b>CHANGE IN NET ASSETS</b>	\$ (3,100)	\$ 62	\$ 776	\$ (8,234)	\$ (468)	\$ (351)	\$ -	\$ (11,315)	\$ 13,751

**CONDENSED COMBINING BALANCE SHEETS (Unaudited)**

September 30, 2009

(in thousands)

ASSETS	Rocky Reach	Columbia River- Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra- District Transactions (1)	09/30/09	09/30/08
<b>CURRENT ASSETS</b>	\$ 8,949	\$ 5,343	\$ 1,146	\$ 122,756	\$ 142	\$ 11,832	\$ -	\$ 150,168	\$ 153,920
<b>RESTRICTED ASSETS - CURRENT</b>	13,554	53,320	14,560	28,879	32,145	3,379	-	145,837	122,735
<b>TOTAL CURRENT ASSETS</b>	22,503	58,663	15,706	151,635	32,287	15,211	-	296,005	276,655
<b>NET UTILITY PLANT</b>	386,446	313,416	85,186	278,057	-	32,566	-	1,095,671	1,044,778
<b>RESTRICTED ASSETS - NONCURRENT</b>	10,226	24,433	10,150	20,130	28,248	2,355	-	95,542	47,498
<b>DEFERRED CHARGES &amp; OTHER ASSETS</b>	7,156	7,115	1,763	73,047	-	7,749	-	96,830	124,045
<b>TOTAL ASSETS</b>	\$ 426,331	\$ 403,627	\$ 112,805	\$ 522,869	\$ 60,535	\$ 57,881	\$ -	\$ 1,584,048	\$ 1,492,976
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>	\$ 7,688	\$ 9,171	\$ 3,429	\$ 3,999	\$ 7,952	\$ 15,426	\$ -	\$ 47,665	\$ 50,249
<b>INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT</b>	(147)	(1,648)	884	7,837	(7,711)	785	-	-	-
<b>LONG-TERM DEBT</b>	302,583	462,136	86,519	83,473	55,408	35,950	-	1,026,069	922,708
<b>DEFERRED REVENUES</b>	-	-	-	111,941	-	-	-	111,941	111,941
<b>OTHER LIABILITIES</b>	-	198	8,279	-	-	-	-	8,477	8,197
<b>TOTAL LIABILITIES</b>	310,124	469,857	99,111	207,250	55,649	52,161	-	1,194,152	1,093,095
<b>TOTAL NET ASSETS</b>	116,207	(66,230)	13,694	315,619	4,886	5,720	-	389,896	399,881
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	\$ 426,331	\$ 403,627	\$ 112,805	\$ 522,869	\$ 60,535	\$ 57,881	\$ -	\$ 1,584,048	\$ 1,492,976

**ELECTRIC**

As of September 30

	2009	2008
Number of Customers*	47,859	45,626
Number of Residential Customers*	35,504	34,398
YTD Average Residential Rate (Cents/kWh)	3.23	3.13

\*Increase includes addition of Cashmere electric system.

**POWER GENERATION (MWh)**

12 months ended September 30

	2009	2008
Lake Chelan	359,488	403,503
Rocky Reach	5,179,645	5,574,361
Rock Island	2,546,243	2,687,993

**HYDRO COST/MWH GENERATED (\$/MWh)**

12 months ended September 30

	2009	2008
Lake Chelan	\$ 24	\$ 15
Rocky Reach	14	13
Rock Island	30	27

**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, 2008. 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.