



Mission: To provide sustainable, reliable utility services that enhance the 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 local customers and is delivered to utilities that serve customers across the Pacific Northwest.

For decades, Chelan PUD's three dams have demonstrated what's best about public power and local control. Together the dams can generate nearly 2,000 megawatts of power at their peak. In 2010, they produced 7.7 million megawatt hours of affordable, emission-free electricity.

ROCKY REACH DAM ACHIEVES ANOTHER FISHERIES MILESTONE

Chelan County PUD has been recognized by fisheries agencies and participating tribes as achieving the survival standard for endangered spring Chinook salmon as part of the PUD's Habitat Conservation Plan (HCP) for Rocky Reach Dam. The achievement means the PUD has now reached the HCP survival standard for all spring migrating salmon and steelhead at both Rocky Reach and Rock Island dams.

Reaching the goals for spring migrants means the PUD can maintain its existing hydro project operations and fish protection measures for the next 10 years when another check-in on survival will take place. By combining survival methods with habitat restoration work and hatchery programs, the PUD is on track for achieving its HCP goal of no net impact on salmon and steelhead by 2013.

This is a positive reflection of the HCP and its outcome-based design. The HCP lets the PUD choose various tools and methods to use as long as the fish survival goals are achieved.

NEW APPROACH ON RATES WILL LOWER BILLS FOR MOST RESIDENTIAL CUSTOMERS

Chelan County PUD customers will see a new kind of electric bill starting in January 2012. Instead of being billed on a three-tier scale that charges more as power consumption goes up, residential customers will now be charged a flat 2.7 cents per kilowatt-hour for all the energy they use.

The move to a flat rate makes it easier for customers to understand their bill and makes it easier for customers to calculate the impact of adding new appliances or boosting energy use. A majority of public utilities in the state already use a flat rate.

Even with rates that are among the lowest in the nation, Chelan PUD customers can experience swings in energy bills during the cold and hot months of the year. The flat rate will help smooth out some of the spikes and keep PUD rates affordable. The change also makes billing more efficient for the PUD and helps hold down administrative costs.

The new electrical rates result in 2.5 percent more retail electric revenue for the PUD. But with the end of the 9-percent surcharge that has been in place since May 2009, customers will see an overall average decrease of 6.5 percent in bills. The change helps the PUD meet the financial principles in its new strategic plan for long-term stability and meet the desire of customers that it minimize large rate fluctuations.

Minimum-use charges for residential customers are also being eliminated. However, a base rate, which helps cover basic PUD operating costs of providing service, will remain. With these changes, the average residential rate overall for Chelan PUD will be roughly 3.2 cents per kwh, still second lowest in the nation and a decrease from the current average of 3.4 cents per kwh.

PUD SUCCESSFULLY MARKETS REVENUE BONDS

In October 2011, Chelan County PUD successfully marketed \$164.43 million in Consolidated System Revenue Bonds, Refunding Series 2011C. The 2011C bonds were issued as fixed-rate, taxable bonds. The 2011C bonds refunded \$44.91 million of 2002A bonds, \$35 million of 2002B bonds, \$25.24 million of 2002C bonds, \$29.44 million of 2003A bonds, \$5.51 million of 2004A bonds and \$24.33 million of 2004B bonds.

Favorably low interest rates in the municipal bond market allowed the PUD to lock in an average taxable coupon rate of 3.66 percent by refinancing bonds that had carried an average tax-exempt rate of 5.45 percent. The series 2011C bonds were issued as fixed rate bonds with interest rates ranging from .52% to 4.253%. The PUD was also able to secure more favorable repayment terms, shortening the average life of the debt, with annual maturities between July 1, 2012, and July 1, 2026. Net present value savings associated with the refinancing was in excess of \$31 million.

As part of refinancing a portion of existing PUD bonds for better terms, three bond rating agencies - Standard and Poor's Rating Services, Fitch Ratings and Moody's Investors Service - affirmed the District's strong overall bond ratings. Standard and Poor's affirmed the PUD's bond rating of AA with a stable outlook, Fitch maintained its AA+ rating with a negative outlook and Moody's affirmed the Aa2 bond rating and retained a negative outlook. All three firms mentioned the District's new financial principles as positive, but noted the need to see results in order to continue the strong ratings. Taking steps such as the bond refinancing, along with the full

implementation of the hedging program for power sales and continued emphasis on keeping PUD expenses in check, shows the District's commitment to staying on track to achieve the financial objectives in the Strategic Plan.

FINANCIAL HIGHLIGHTS

For the nine months ended September 30, 2011, Chelan County PUD recorded a change in net assets of \$9.5 million, an increase in earnings of \$19.1 million from the same period in 2010. The increase is due primarily to improved snow pack and stream flows, which resulted in a significant increase in generation at the District's hydro projects compared to 2010, reducing the need for purchases of energy and resulting in increased revenues as energy in excess of the District's load requirements was sold on the wholesale market. The increase in sales volume was partially offset by lower average sales prices compared to the prior year. Continued cost containment efforts by the District contributed to the improvement in earnings as well.

As of September 30, 2011, combined unrestricted cash and investments totaled \$167.4 million compared to \$189.6 million from the same period in 2010. The decline in unrestricted reserves was primarily due to the operating results in the prior year, payments made to terminate interest rate swap agreements, debt reduction and capital expenditures. With the District's prudent financial policies in place, the District was well-positioned to meet these cash requirements and maintain its strong liquidity levels.



Kelly Boyd
 Chief Financial Officer/
 Chief Risk Officer

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

Nine months ended September 30, 2011

| | Rocky Reach | Columbia River-Rock Island | Lake Chelan | Utility Services | Financing Facilities | Internal Services | Intra-District Transactions (1) | 9 Months Ended 09/30/11 | 9 Months Ended 09/30/10 |
|-----------------------------------|-------------|----------------------------|-------------|------------------|----------------------|-------------------|---------------------------------|-------------------------|-------------------------|
| OPERATING REVENUES | \$ 56,748 | \$ 56,812 | \$ 8,708 | \$ 110,180 | \$ - | \$ 12,144 | \$ (74,310) | \$ 170,282 | \$ 159,849 |
| OPERATING EXPENSES | 43,016 | 34,720 | 4,862 | 109,942 | - | 10,384 | (74,310) | 128,614 | 136,037 |
| NET OPERATING INCOME | 13,732 | 22,092 | 3,846 | 238 | - | 1,760 | - | 41,668 | 23,812 |
| OTHER INCOME (EXPENSE) (2) | (12,913) | (19,578) | (3,237) | 648 | 2,434 | (922) | - | (33,568) | (35,610) |
| CAPITAL CONTRIBUTIONS | - | 10 | - | 1,357 | - | - | - | 1,367 | 2,192 |
| CHANGE IN NET ASSETS | \$ 819 | \$ 2,524 | \$ 609 | \$ 2,243 | \$ 2,434 | \$ 838 | \$ - | \$ 9,467 | \$ (9,606) |

CONDENSED COMBINING BALANCE SHEETS (Unaudited)

September 30, 2011

| ASSETS | Rocky Reach | Columbia River-Rock Island | Lake Chelan | Utility Services | Financing Facilities | Internal Services | Intra-District Transactions (1) | 09/30/11 | 09/30/10 |
|---|-------------|----------------------------|-------------|------------------|----------------------|-------------------|---------------------------------|--------------|--------------|
| CURRENT ASSETS | \$ 11,824 | \$ 5,753 | \$ 5,928 | \$ 133,630 | \$ 1,660 | \$ 14,421 | \$ - | \$ 173,216 | \$ 147,915 |
| RESTRICTED ASSETS - CURRENT | - | 7,557 | 21 | 244 | 42,507 | 4,711 | - | 55,040 | 43,324 |
| TOTAL CURRENT ASSETS | 11,824 | 13,310 | 5,949 | 133,874 | 44,167 | 19,132 | - | 228,256 | 191,239 |
| NET UTILITY PLANT | 365,859 | 320,169 | 98,014 | 274,559 | - | 25,124 | - | 1,083,725 | 1,091,656 |
| RESTRICTED ASSETS - NONCURRENT | 14,552 | 42,816 | 1,220 | 43,680 | 51,414 | 2,401 | - | 156,083 | 176,388 |
| DEFERRED CHARGES & OTHER ASSETS | 4,638 | 17,278 | 3,760 | 107,255 | 46 | 7,184 | - | 140,161 | 155,426 |
| TOTAL ASSETS | \$ 396,873 | \$ 393,573 | \$ 108,943 | \$ 559,368 | \$ 95,627 | \$ 53,841 | \$ - | \$ 1,608,225 | \$ 1,614,709 |
| LIABILITIES AND NET ASSETS | | | | | | | | | |
| CURRENT LIABILITIES | \$ 17,210 | \$ 31,424 | \$ 4,455 | \$ 3,681 | \$ 7,836 | \$ 16,921 | \$ - | \$ 81,527 | \$ 71,752 |
| INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT | (7,662) | (719) | 79 | 23,200 | (11,807) | (3,091) | - | - | - |
| LONG-TERM DEBT | 261,238 | 412,579 | 81,028 | 80,109 | 86,985 | 32,834 | - | 954,773 | 989,729 |
| DEFERRED REVENUES | 11,905 | - | - | 135,006 | 5,345 | - | - | 152,256 | 111,941 |
| OTHER LIABILITIES | - | 9,962 | 7,654 | 21,246 | - | - | - | 38,862 | 66,498 |
| TOTAL LIABILITIES | 282,691 | 453,246 | 93,216 | 263,242 | 88,359 | 46,664 | - | 1,227,418 | 1,239,920 |
| TOTAL NET ASSETS | 114,182 | (59,673) | 15,727 | 296,126 | 7,268 | 7,177 | - | 380,807 | 374,789 |
| TOTAL LIABILITIES & NET ASSETS | \$ 396,873 | \$ 393,573 | \$ 108,943 | \$ 559,368 | \$ 95,627 | \$ 53,841 | \$ - | \$ 1,608,225 | \$ 1,614,709 |

| ELECTRIC | 2011 | 2010 |
|--|--------|--------|
| As of September 30 | | |
| Number of Customers | 48,250 | 48,083 |
| Number of Residential Customers | 35,864 | 35,713 |
| YTD Average Residential Rate (Cents/kWh) | 3.45 | 3.42 |

| POWER GENERATION (MWh) | 2011 | 2010 |
|-------------------------------|-----------|-----------|
| 12 months ended September 30 | | |
| Lake Chelan | 495,399 | 381,422 |
| Rocky Reach | 7,006,756 | 4,780,950 |
| Rock Island | 3,225,303 | 2,502,444 |

| HYDRO COST/MWH GENERATED (\$/MWh) | 2011 | 2010 |
|--|-------|-------|
| 12 months ended September 30 | | |
| Lake Chelan | \$ 22 | \$ 26 |
| Rocky Reach | 11 | 15 |
| Rock Island | 24 | 32 |

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, 2010. 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.