

Board Update
2007 Surcharge Decision Point
April 9, 2007

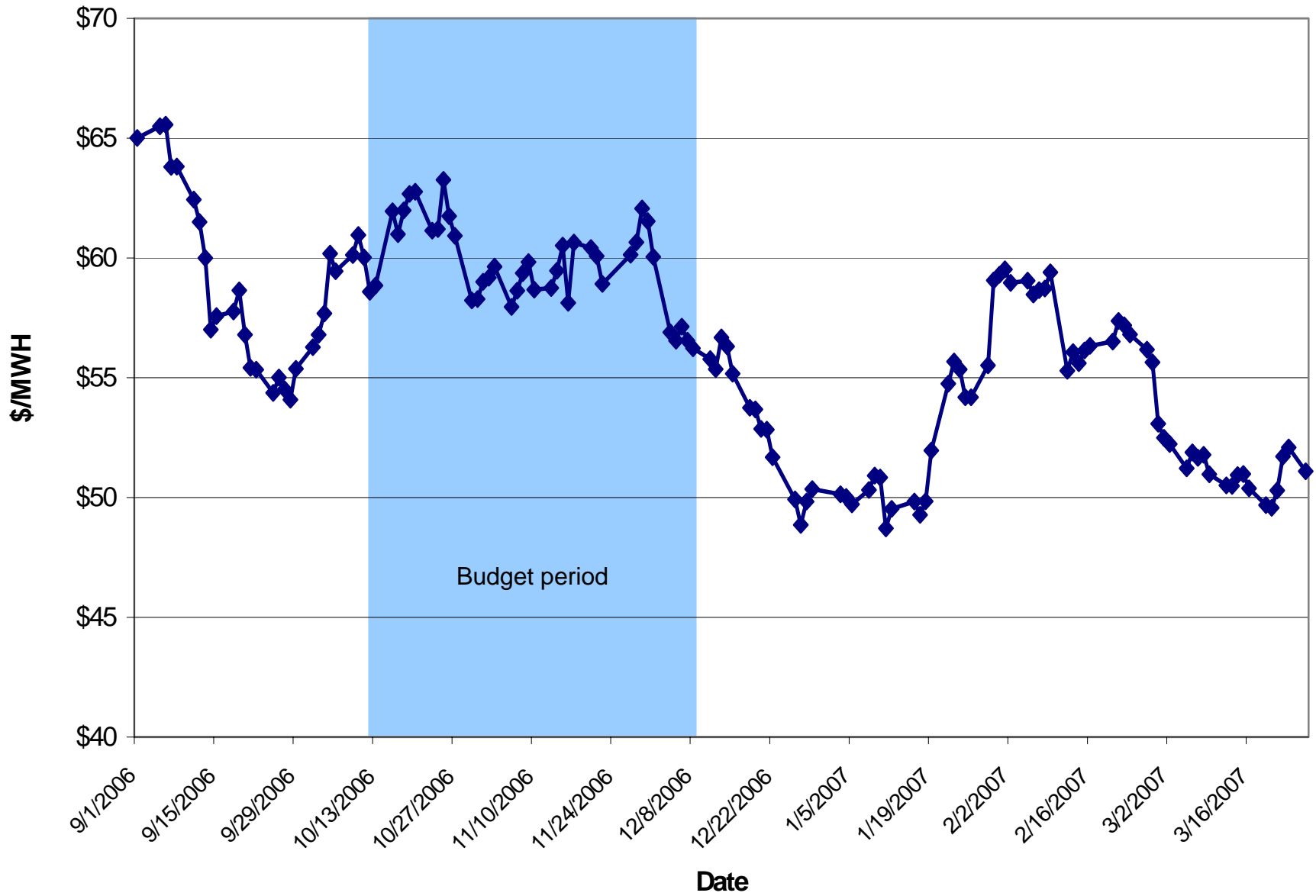
Outline of Today's Discussion

- Update of major assumptions in modeling
- Jan, Feb, and Mar results included
- Update of snow pack accumulation and longer term weather forecast
- Market price update
- Update on likely Range of Runoff
 - Northwest River Forecast Center's model
- Outcomes of Cover Ratio
- PRMC recommendation to BOC

Major Assumptions in Model

- Limited water years that fit in likely runoff range (NWRFC Regression Model Jan-Jul = 81% – 128% of 30 yr. average for 99% confidence)
- Load variability included in model
- Water/price cross correlations included in model
- Used current forward price curve and price volatility for future months based on 2 months movements
- Time component factored on the price volatility for future months
- Retail electric revenue \$44,624,000 for 2007
- Net operation costs and other revenue (\$66,945,000)
- Debt Service = \$9,281,000 for 2007
- Jan 7 windstorm included – extra expense \$1,000,000
- Minimum Cover Ratio = 99% confidence to be > or = 1.25
- Alcoa continues at 2 potlines for 2007
- Lake Chelan full generation through July (112% runoff and high lake level)

Calendar 2007 Flat Mid-C Price



Snow Pillow Data 2006-2007

Molson Creek - 2A21P

Drainage: **Upper
Columbia**

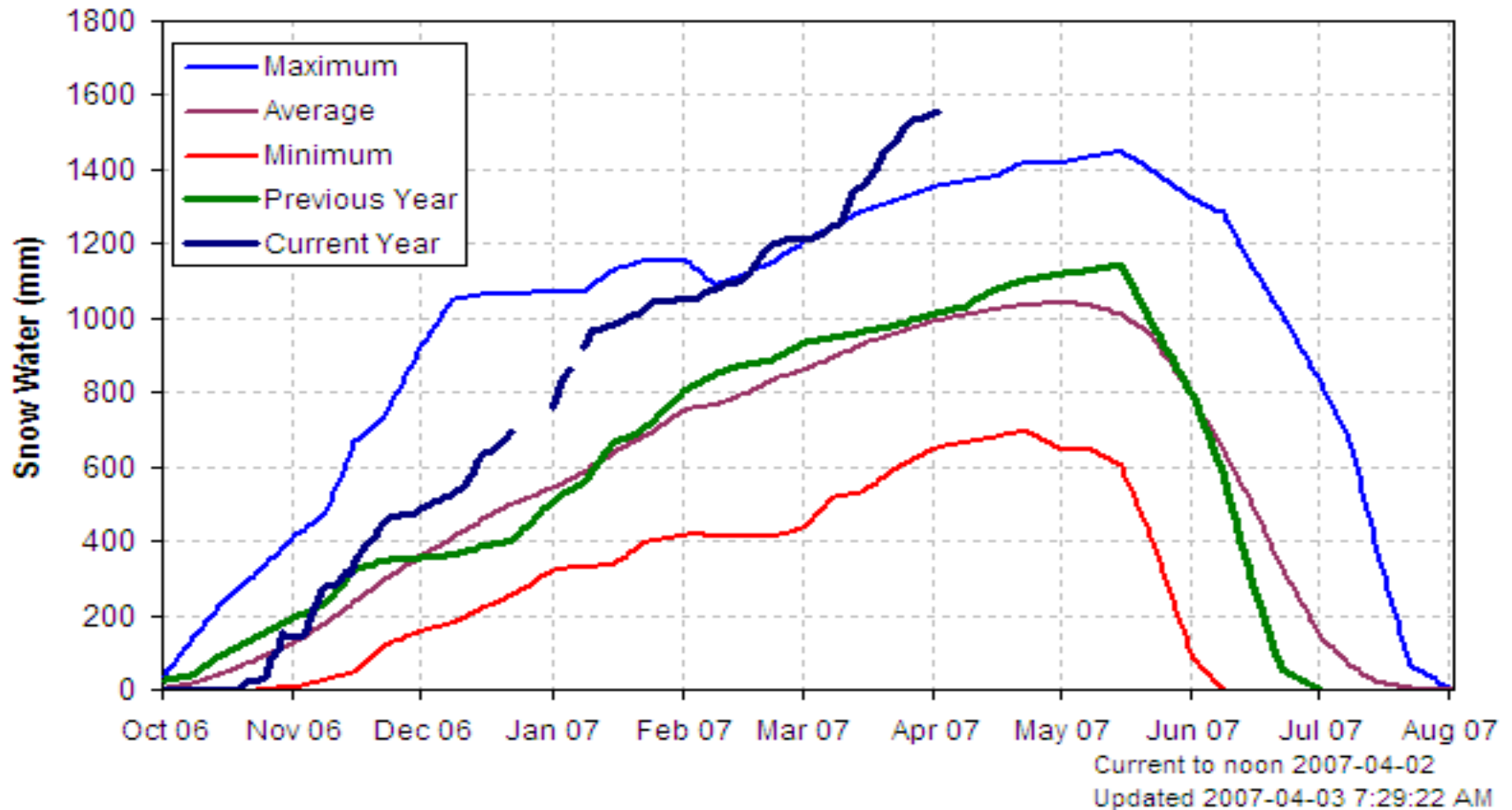
Yrs of Record: **24**

Elevation: **1 980 m**

Latitude: **52° 14'**

Longitude: **118° 14'**

Type: **Pillow**

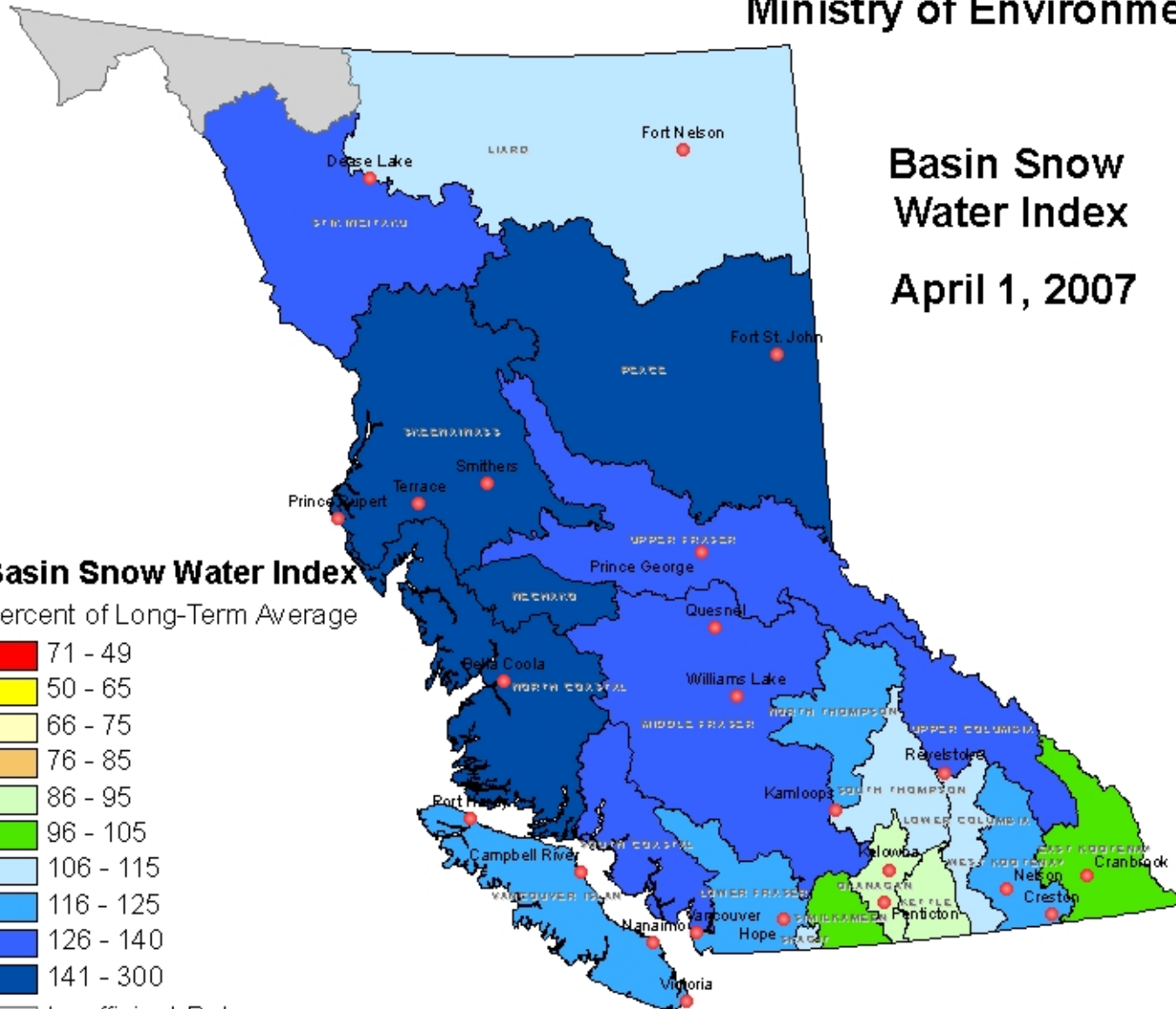
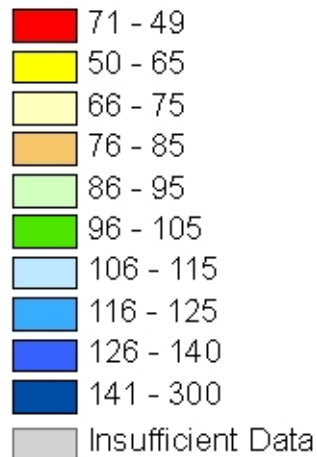


River Forecast Centre Ministry of Environment

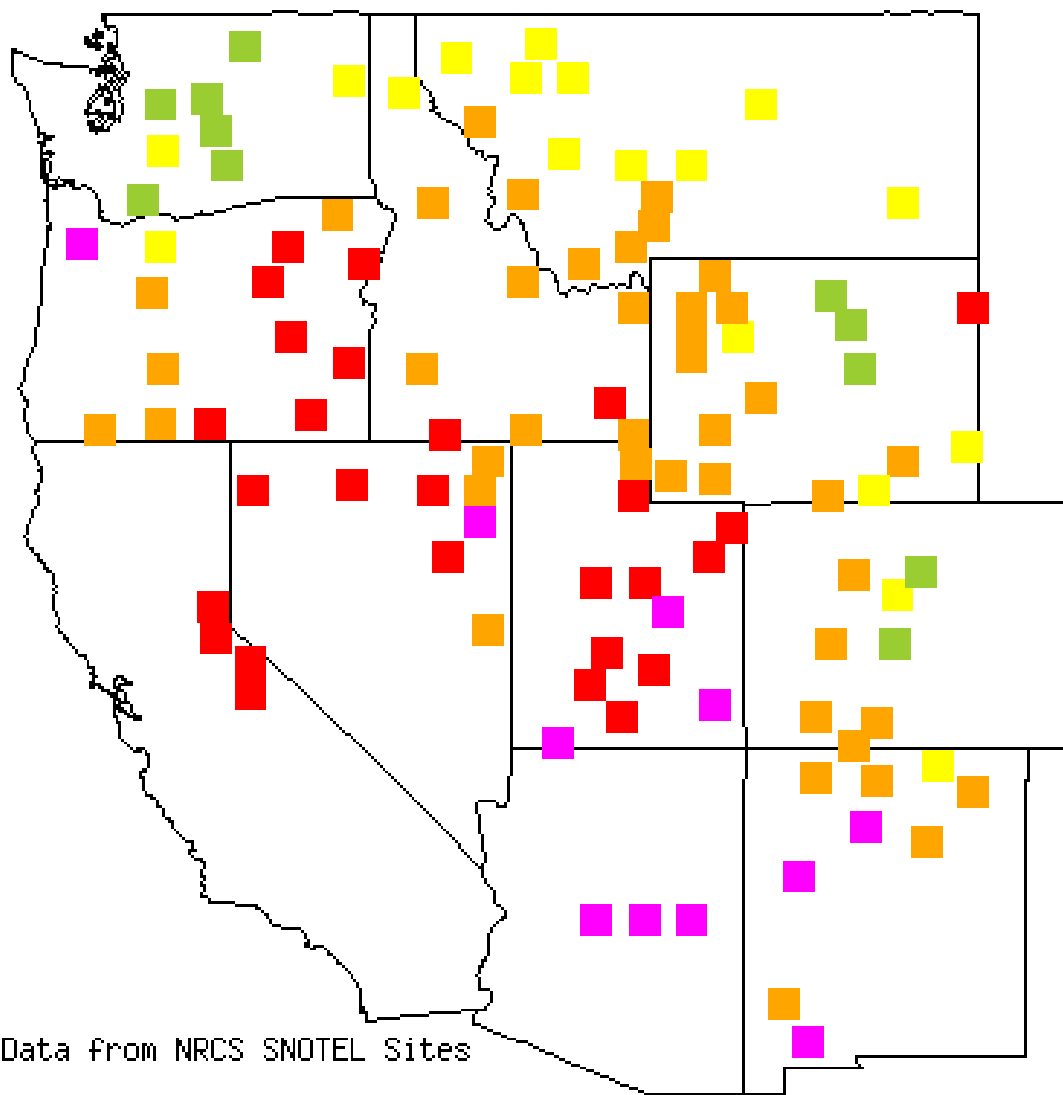
Basin Snow Water Index April 1, 2007

Basin Snow Water Index

Percent of Long-Term Average



Basin Average Snow Water Content. (% of Average.)



Percent
of
Average

- > 200
- 175 to 200
- 150 to 175
- 125 to 150
- 110 to 125
- 90 to 110
- 75 to 90
- 50 to 75
- 25 to 50
- < 25

Report Date:

APRIL 9 , 2007

Provisional Data
Based on Mountain Data from NRCS SNOTEL Sites

Data provided by
Water and Climate Center
Natural Resources Conservation Service
Portland, Oregon

Western Regional Climate Center
Desert Research Institute
Reno, Nevada

Water Supply

Seasonal Volume Forecasts

Northwest River Forecast Center
(GCDW1) Columbia – Grand Coulee Dam for WY 2007

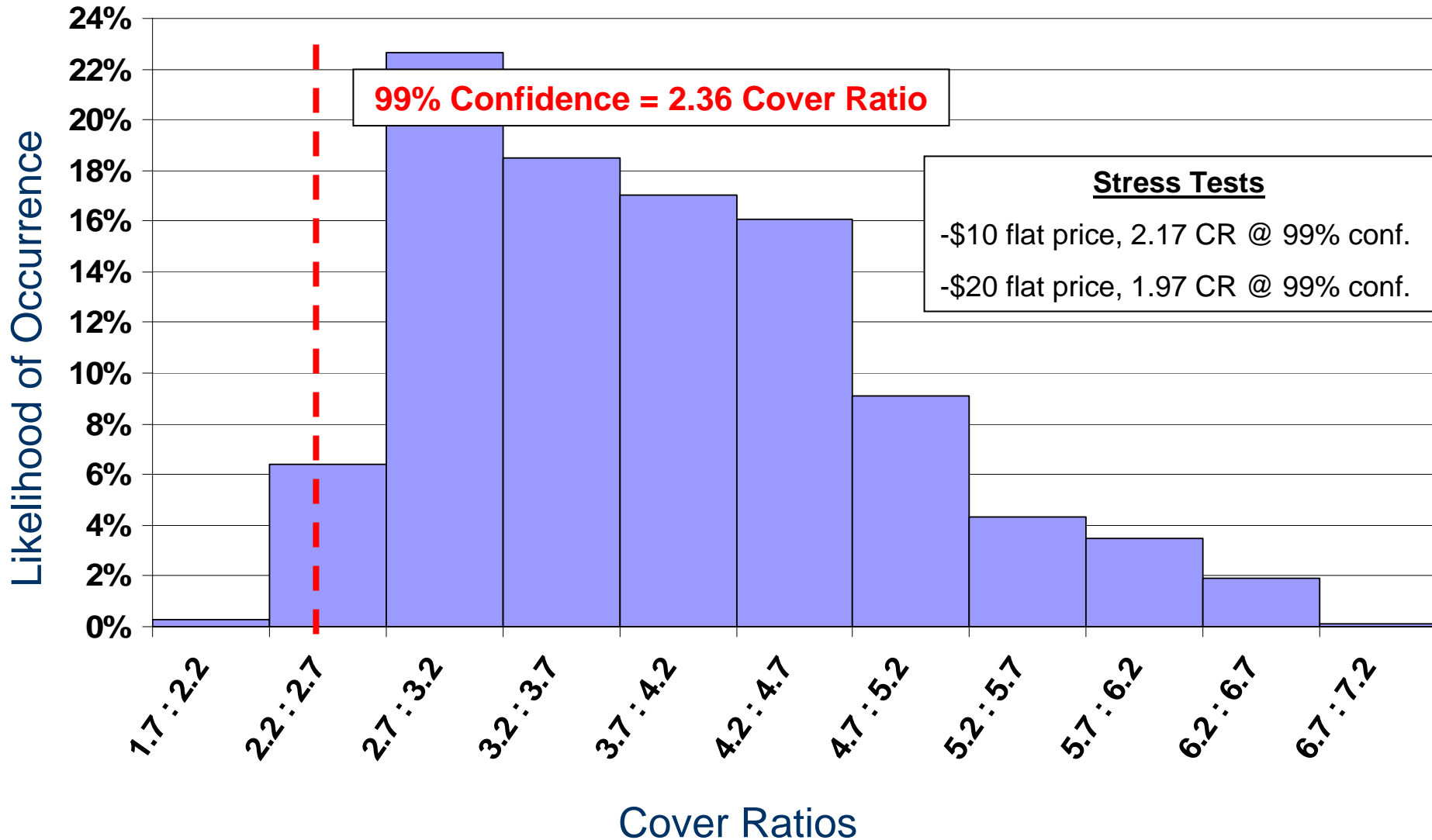
Official Forecast (Regression) <i>Issued: 2007-04-06</i> {Description}							
Period	Forecast (KAF)	% of Average	5% Forecast	95% Forecast	30yr (1971-2000) Average	Max of Record	Min of Record
JAN-SEP	76500.0	105	85047.0	67953.0	73040.0	103500.0	44000.0
APR-SEP	65500.0	102	74047.0	56953.0	63990.0	88512.0	39829.0
APR-JUL	54900.0	102	63447.0	46353.0	53850.0	76239.0	31885.0
JAN-JUL	65900.0	105	74447.0	57353.0	62900.0	91140.0	34760.0
APR-AUG	61600.0	102	70147.0	53053.0	60290.0	84080.0	37442.0
JAN-AUG	72600.0	105	81147.0	64053.0	69340.0		

For a 99% Confidence:

- Low 51,223 (KAF) [81%]
- High 80577 (KAF) [128%]

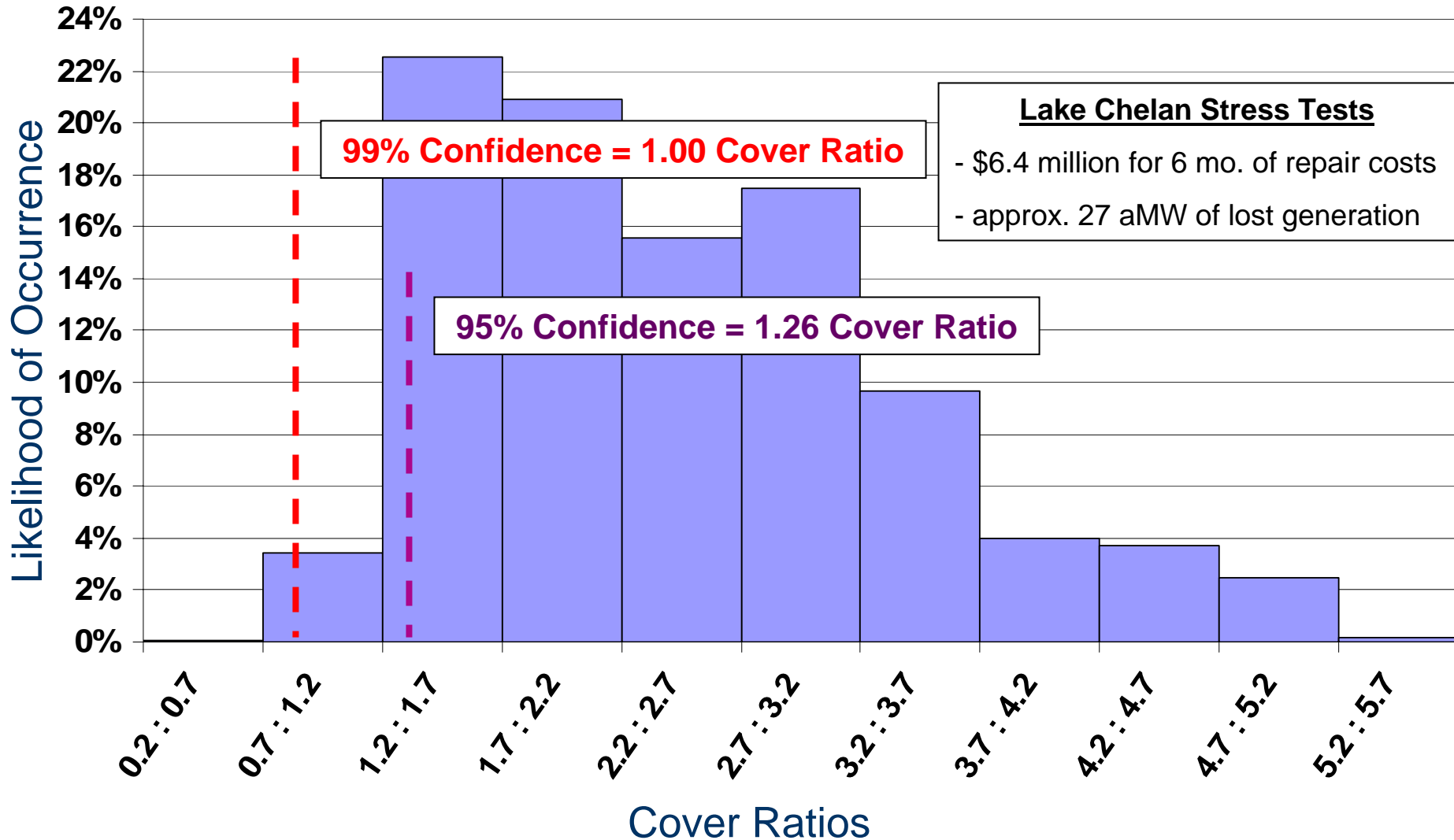
2007 Cover Ratio Probabilities

Using Regression Forecast Water Assumptions (81%-128%)



2007 Cover Ratio Probabilities

Lake Chelan Catastrophic Generator Failure From Jul. 1 to Dec. 31



Thoughts on Model

- Not all risks are modeled
 - Outages (Especially Lake Chelan unit outage)
 - Operational risks
 - Transmission curtailment
- Snow pack accumulation is still increasing especially in BC
- Prices have fallen with higher river flows. Real-time prices as low as \$0/mwh in March.
- Judgment v. model results

PRMC Recommendations

- Power Risk Management Committee recommends to BOC
 - the surcharge amount be 0%
 - Streamline the surcharge implementation process in the near future

Are our financial concerns over?

Wholesale Reliant Strategy		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Wholesale Revenues	@ 50% Confidence	\$28M	\$21M	\$17M	\$34M	\$71M
Surcharge Potential - To achieve 1.25 cover	@ 50% confidence	0%	6%	22%	2%	0%
Wholesale Volatility	@ 90% Confidence	-\$21M	-\$18M	-\$18M	-\$21M	-\$33M
Surcharge Potential - To achieve 1.25 cover	@ 90% confidence	23%	33%	43%	32%	0%

No, we still need a long-term solution

Decision Point

- Surcharge amount?
- Decision today or next week?