

Surcharge Update
Public Hearing
Feb 12, 2007

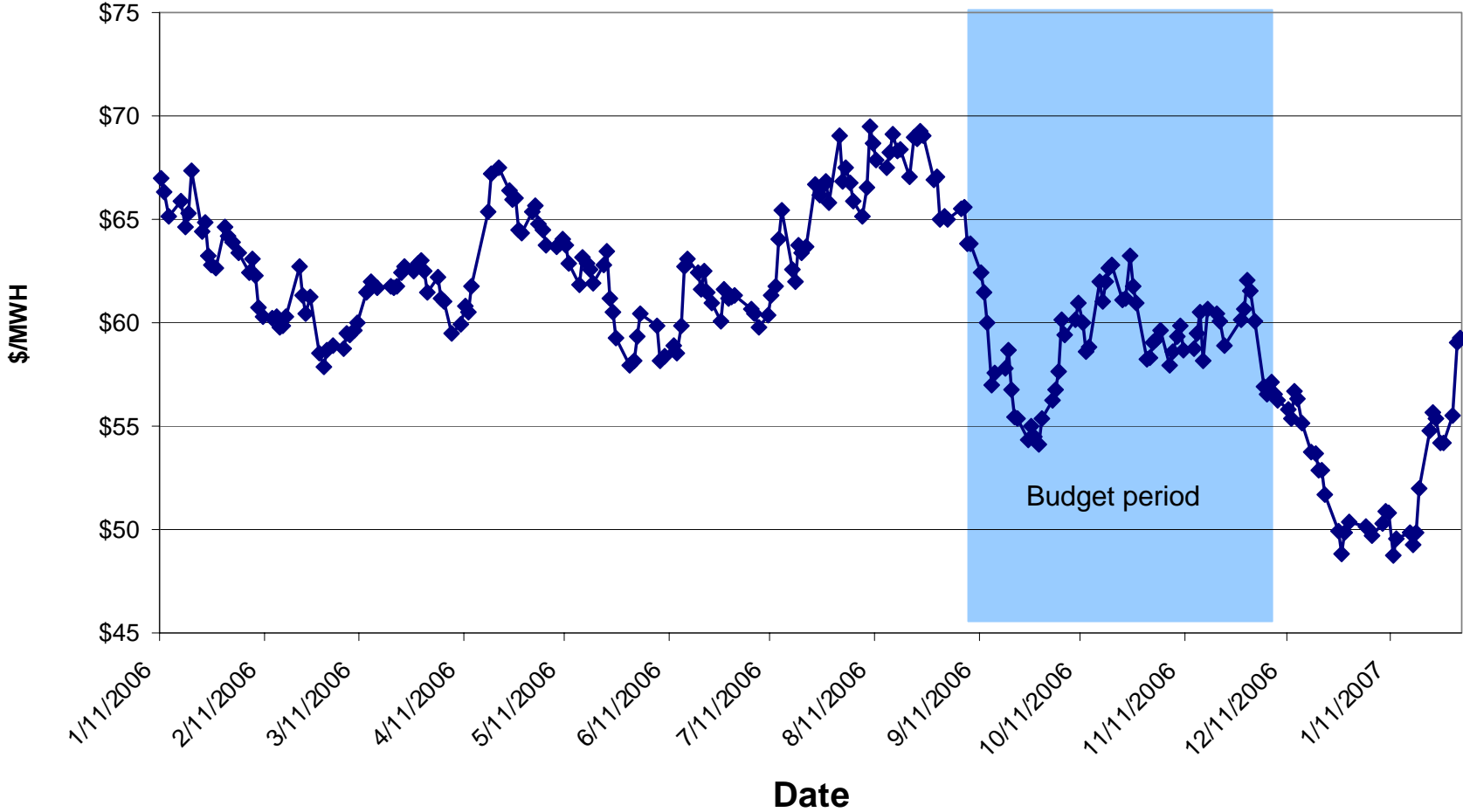
Outline of Today's Discussion

- Update of major assumptions in modeling
- January results included
- Market price update
- Update on likely Range of Runoff
 - Northwest River Forecast Center's model
- Outcomes of Cover Ratio
- Update of snow pack accumulation and longer term weather forecast

Major Assumptions in Model

- Randomly used water years (Regression Model Jan-Jul = 67% – 129% of 30 yr. average for 99% confidence)
- Load variability included in model
- Water/price cross correlations included in model
- Used current forward price curve (flat = \$58.83 as of 2/05/07) and price volatility for future months based on 2 months movements
- Time component factored on the price volatility for future months
- Retail electric revenue \$43,196,000 for 2007
- Net operation costs and other revenue (\$66,205,000)
- Debt Service = \$9,281,000 for 2007
- Minimum Cover Ratio = 99% confidence to be \geq 1.25
- Alcoa continues at 2 potlines for 2007
- Lake Chelan full generation through July ($>110\%$ runoff and high lake level)
- January Wholesale Revenue \$4.7M

Calendar 2007 Flat Mid-C Price



Water Supply

Seasonal Volume Forecasts

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

Official Forecast (Regression) <i>Issued: 2007-02-01</i>							
<small>(Description)</small>							
Period	Forecast (KAF)	% of Average	5% Forecast	95% Forecast	30yr (1971-2000) Average	Max of Record	Min of Record
JAN-SEP	72100.0	99	84567.0	59633.0	73040.0	103500.0	44000.0
FEB-SEP	69800.0	99	82267.0	57333.0	70460.0		
APR-JUL	53400.0	99	65867.0	40933.0	53850.0	76239.0	31885.0
APR-SEP	63400.0	99	75867.0	50933.0	63990.0	88512.0	39829.0
JAN-JUL	62100.0	99	74567.0	49633.0	62900.0	91140.0	34760.0
APR-AUG	59800.0	99	72267.0	47333.0	60290.0	84080.0	37442.0
JAN-AUG	68400.0	99	80867.0	55933.0	69340.0		
FEB-AUG	66100.0	99	78567.0	53633.0	66760.0		

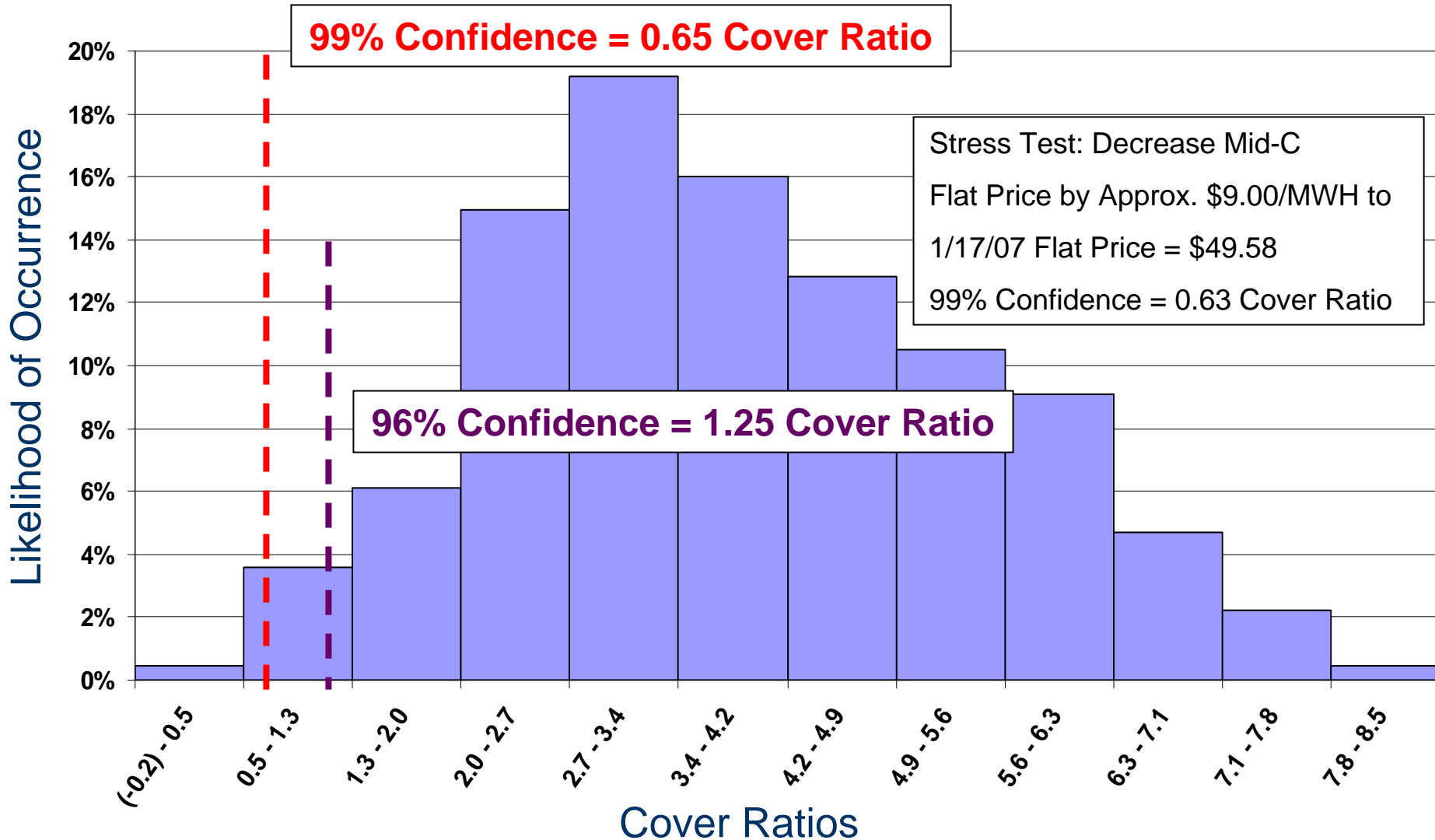
For a 99% Confidence:

– Low 42,189 (KAF) [67%]

– High 81,113 (KAF) [129%]

2007 Cover Ratio Probabilities

Using Regression Model Forecast Water Assumptions (67%-129%)



Snow Pillow Data 2006-2007

Floe Lake - 2C14P

Drainage: **East Kootenai**

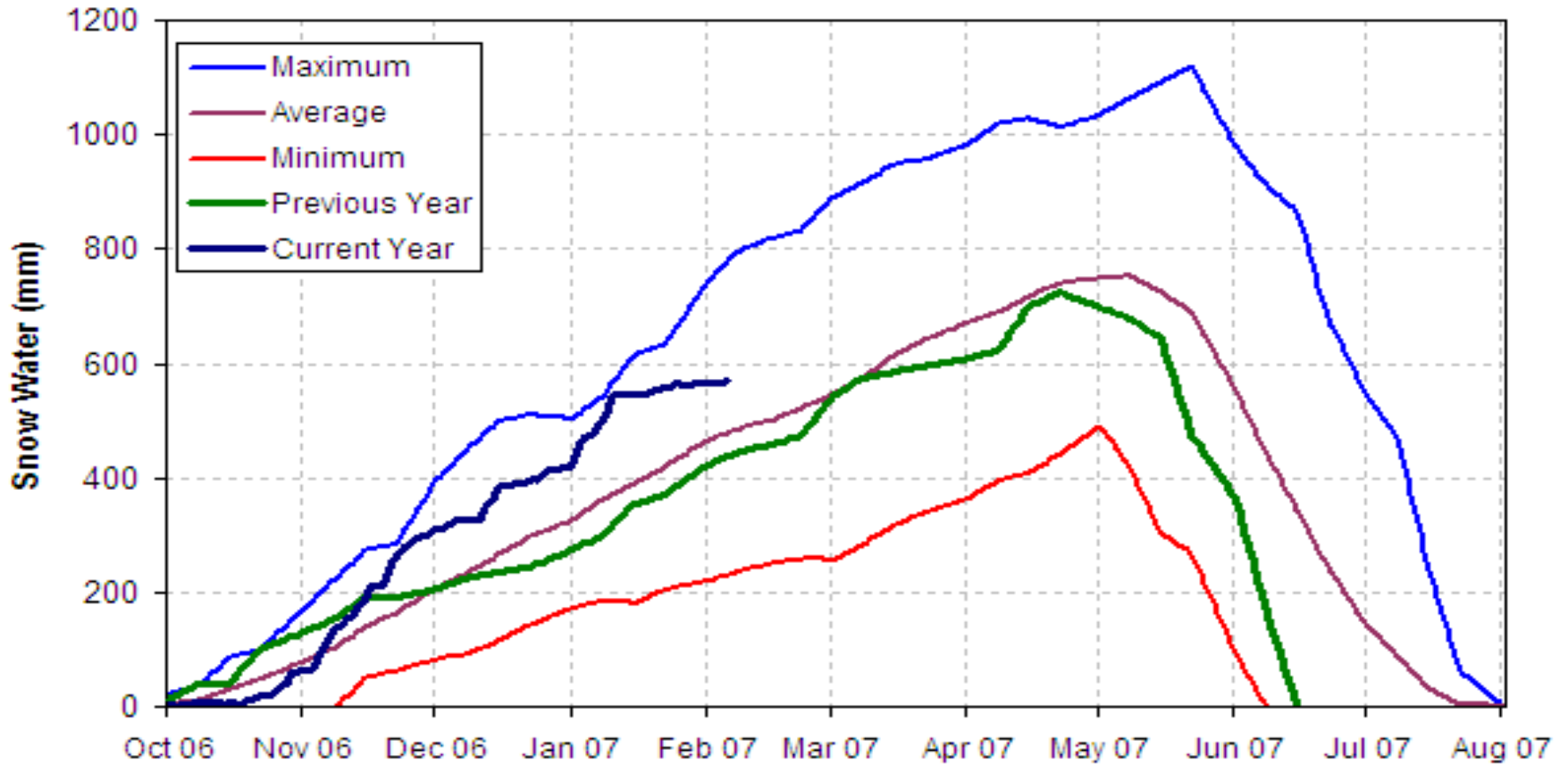
Yrs of Record: **12**

Elevation: **2 090 m**

Latitude: **51° 03'**

Longitude: **116° 08'**

Type: **Pillow**



Current to noon 2007-02-05

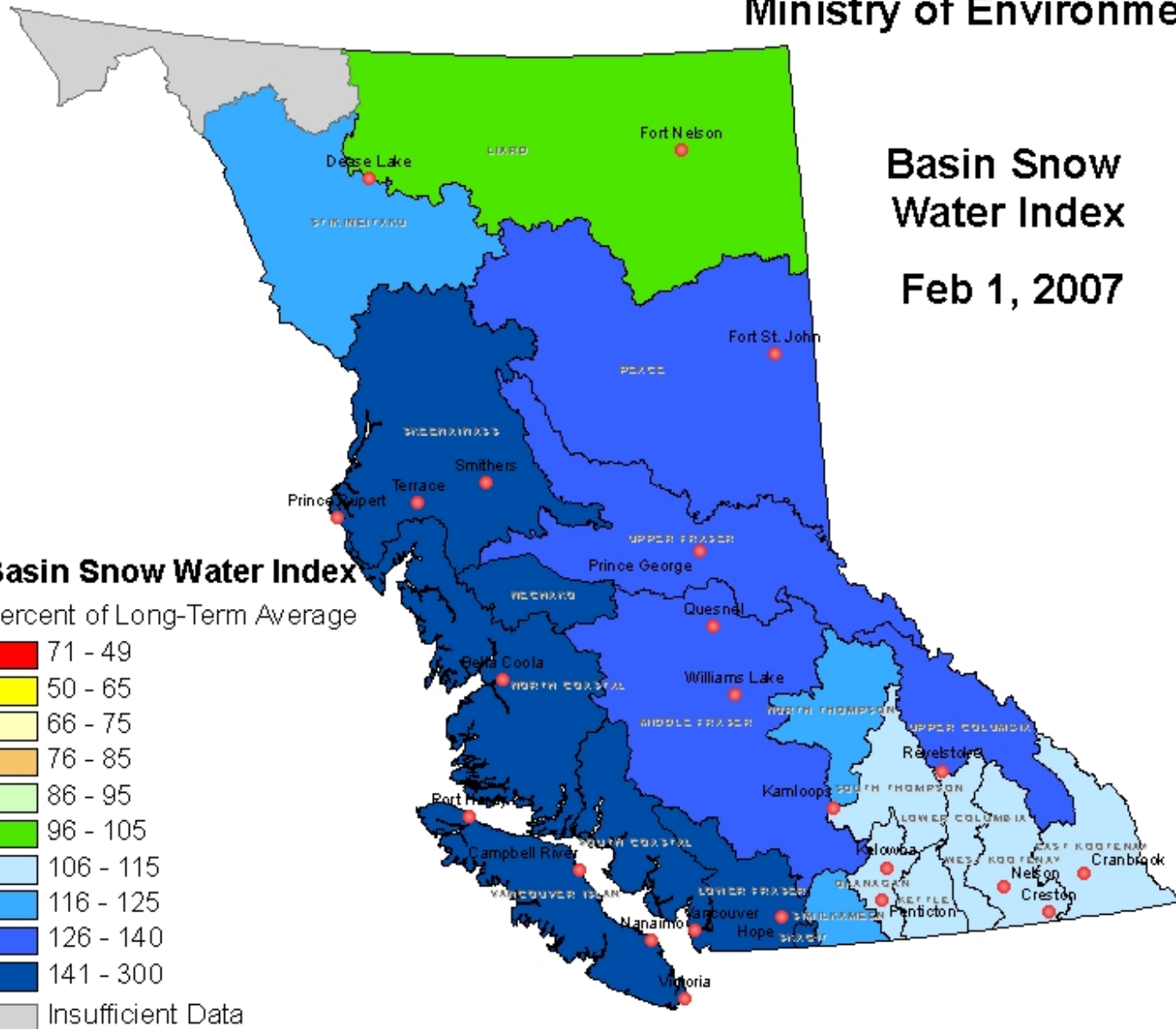
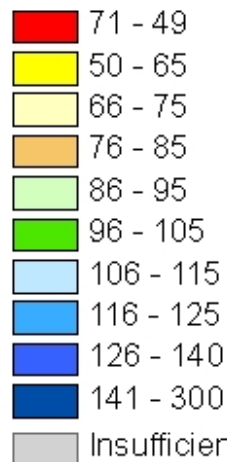
Updated 2007-02-06 8:24:38 AM

River Forecast Centre
Ministry of Environment

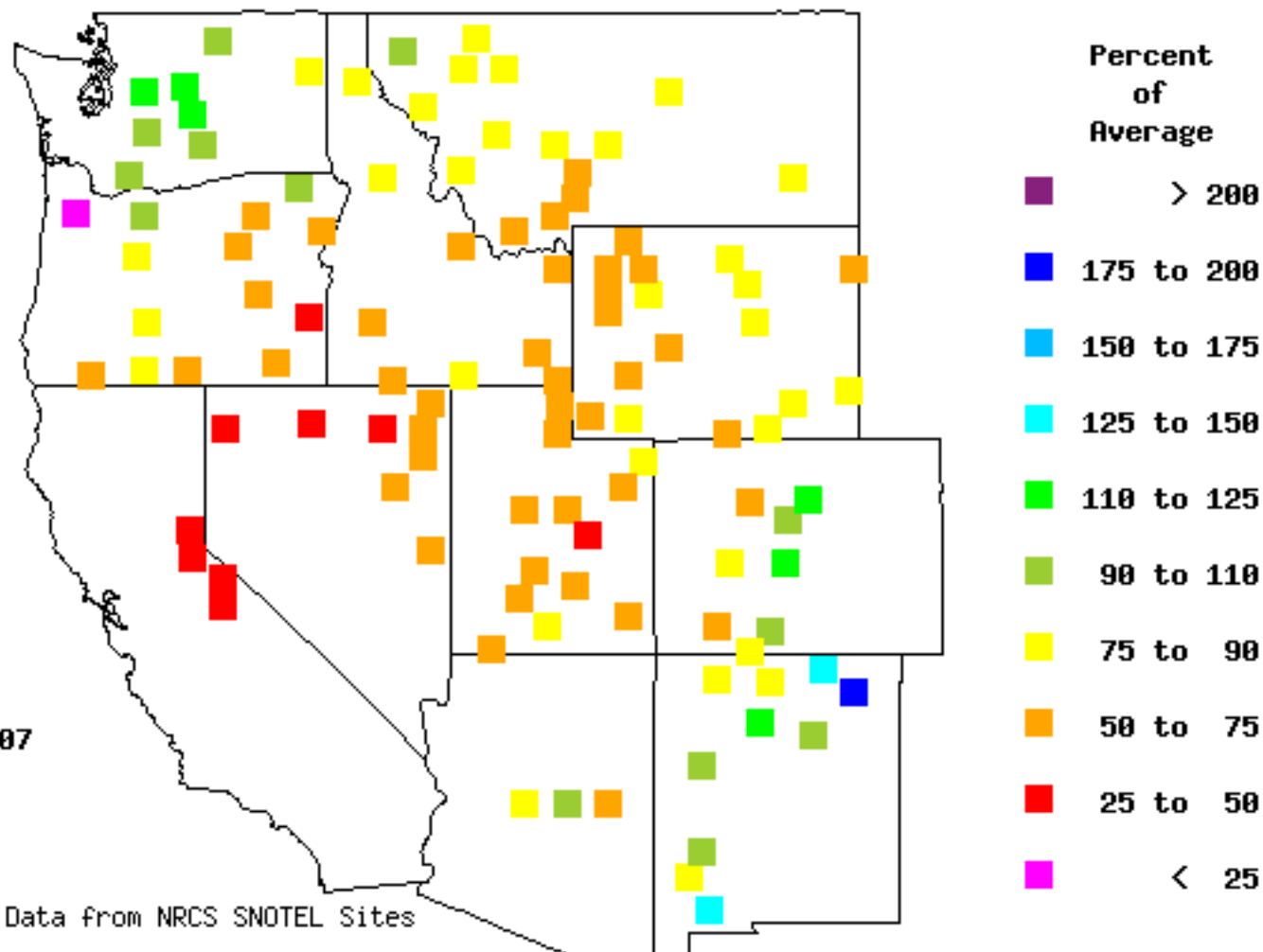
Basin Snow
Water Index
Feb 1, 2007

Basin Snow Water Index

Percent of Long-Term Average



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



Report Date:

FEBRUARY 6 , 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

Thoughts on Model

- Not all risks are modeled
 - Outages (Especially Lake Chelan unit outage)
 - Operational risks
 - Transmission curtailment
- Current lull in snow pack accumulation is troublesome
- Prices, post East coast cold snap?
- Judgment v. model results

Recommended Next Steps

- No decision on surcharge until April
 - Continue today's hearing to 4/9
- Board update and hearing on 4/9
- Decision on surcharge 4/16
- Effective date if approved 5/1