

EXHIBIT D: STATEMENT OF COSTS AND FINANCING

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D1.0 ORIGINAL COST OF PROJECT

This application is not for an initial license. It is for a new license for the Lake Chelan Project, FERC No. 637, originally licensed in 1926. On May 12, 1981, FERC granted Chelan PUD a new 30-year license for the Project, retroactive to 1974 when the original 50-year license expired. Therefore, tabulated statements of the actual or approximate original cost of the facility are not required.

D2.0 PROJECT TAKEOVER COSTS

Chelan PUD is a nonprofit, municipal organization established under the laws of the state of Washington. Therefore, it is not subject to Section 14 of the Federal Power Act, 16 USC 807 concerning takeover of the Project upon expiration of the license.

D3.0 ESTIMATED COSTS OF PROPOSED PROJECT MODIFICATIONS

The dam and powerhouse were originally designed for possible expansion by the addition of two more units. Expansion of the Project has been studied several times but has not been, and is currently still not, economically feasible. A statement of estimated costs is not applicable since no new development is proposed.

D4.0 ESTIMATED AVERAGE ANNUAL COSTS OF THE PROJECT

Chelan PUD developed average annual cost data from several sources. Historic data from past years, through 2000, were tabulated and used to predict costs beginning in the year 2001. Chelan PUD also conducted remaining life assessment studies of all Project structures and equipment and developed an interim replacement and renewal schedule for the next 50 years (through 2053). This was the basis for estimating annual costs for renewals and replacements throughout the new license term. Projected capital costs for the proposed plant rehabilitation project were added to these costs. Finally, estimated FERC and Section 10(e) charges were added. Table D-1 below shows estimated annual costs of the Project.

Table D-1: Estimated Annual Cost of the Project (in 2001 Dollars)

Item	1995 to 2043 Average Costs ³
Cost of Capital (equity and debt) ¹	\$ 1,836,000
Local, State and Federal Taxes	\$ 241,000
Depreciation or Amortization	\$ 2,268,000
Operation and Maintenance, including interim replacements, insurance, administrative and general expenses, and contingencies	\$ 5,646,000
FERC and 10(e) Charges ²	-0-
GRAND TOTAL ANNUAL PROJECT COSTS (does not include new license compliance and PME measures)	\$ 9,991,000

¹ assumes 7 percent per annum interest rate.

² 100 percent of project power used for nonprofit purposes starting in 1996.

³ Average Costs utilized 1) 1995 to 2000 actual historical costs incurred by the Lake Chelan Project valued in 2001 dollars, 2) 2001 to 2003 projected costs based on an internal Chelan PUD financial model with the most current data available valued in 2001 dollars, 3) 2004 to 2043 forecasted costs taken from the Life Assessment Study for Lake Chelan Project created by Duke Engineering & Services, Inc., dated July 1999 and valued in 2001 dollars.

Besides these annual costs, after issuance of the new FERC license for this Project there will be additional costs for license compliance and implementation of protection, mitigation and enhancement (PME) measures that will be included in the new license terms and conditions. PME costs have not been included in Table D-1. PME costs are described in the PDEA. The above costs do not include costs for operation and maintenance of Chelan PUD’s Rocky Reach and Rocky Island hydro systems, transmission and distribution systems, water systems, and wastewater systems.

D5.0 AVERAGE ANNUAL VALUE OF PROJECT POWER

The annual value of the Project is estimated using the annual cost of obtaining an equivalent amount of energy from the lowest cost alternative source.

Based on the developmental analysis conducted for the PDEA the estimated annual replacement value of power from the Project is estimated to be \$11,136,580 currently and \$10,584,478 with proposed modifications to the operating regime.

For a public utility district, sale of project power is one component of an overall strategy to obtain the lowest possible rates for its ratepayers. Chelan PUD routinely purchases small blocks of power on the open market as well as larger blocks under longer-term arrangements. Chelan PUD also sells energy to individual ratepayers, commercial users and other utilities. With the development over the past few years of an unregulated market for daily exchange of energy and capacity, the overall picture of what is the lowest cost alternative power source has changed dramatically for the utilities in the Pacific Northwest. The lowest cost alternative source on any particular day may be a one-day block of off-peak power purchased on the open market, but this power may or may not be available the next day at the same price. Longer-term purchase agreements provide more certainty but generally command a higher price in the marketplace.

D6.0 SOURCES OF FINANCING AND REVENUES

The Lake Chelan Project is wholly owned by Chelan PUD. The Project's generation is purchased entirely by the Chelan PUD's distribution system on a cost-of-service basis. Any and all costs related to operations, maintenance and debt service incurred by the Project are billed to the distribution system on a monthly basis. This represents the Project's ongoing, stable operating revenue stream. The distribution system's local load requirements far exceed the generating capacity of the Lake Chelan Project. This guarantees demand for all of the Hydro Project's production. The remaining local load requirement is supplied by the Rocky Reach and Rock Island Projects and other power purchase agreements. The distribution system provides electric service to roughly 36,500 retail customers in Chelan County, Washington.

Utilizing the cost of service basis, annual average operating revenues for 1995-2043 are \$8,714,000.

Capital financing for the Project is derived from internal loans advanced by the Chelan PUD's consolidated system. The consolidated system, as a collective body, represents the individual hydro projects, the distribution system, the individual water and wastewater systems and the internal service system owned by Chelan PUD. The consolidated system performs all necessary bonding and financing for the aforementioned systems, achieving reduced debt-issuance costs and more competitive interest rates. The bond proceeds and costs are then passed through to those systems that predicated the need for bonding and financing.

Bond ratings, as of Dec. 31, 2001, for Chelan PUD:

Moody's Bond Rating	Standard & Poor's Bond Rating	Fitch IBCA Bond Rating
Aa2	AA	AA

Lake Chelan Project's net book value of utility plant assets is \$23,809,000. Current assets book values are \$754,000. Book values are as of Dec. 31, 2001 (unaudited).

Revenues are generated by Chelan PUD through retail and commercial sales of electricity to customers within their service territory, Chelan County, Washington. This includes sale of electricity generated by the Lake Chelan Project, as well as energy Chelan PUD obtains from a variety of other sources to meet the energy needs of its ratepayers. Chelan PUD is a nonprofit organization owned by the ratepayers within Chelan County. Rates for energy sales are set by the Board of Commissioners, an elected body consisting of five members. Rates are set in accordance with a rate structure and public utility policies so that, in general, cost of service is just covered by revenue, with some allowances for contingency and reserves, and no profit. Therefore, revenues should always be available to meet the costs identified in the paragraphs above via the rate-setting authority of Chelan PUD. It is this rate-setting authority that is a key factor for the excellent credit rating enjoyed by Chelan PUD during past financing.