

**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.

The District's three hydroelectric dams have a combined total generating capacity of about 2,000 megawatts of low-cost, clean, renewable power.

Chelan County PUD uses approximately 45 percent of its generating capacity to serve local customers, including part of Alcoa's Wenatchee aluminum smelter. The remainder is sent to the PUD's four principal power purchasers, utilities which serve more than 7 million customers throughout the Pacific Northwest.

### ROCK ISLAND DAM MODERNIZATION

The modernization of Unit B10 in the first powerhouse continues. The upgrade includes removing the unit and installing both a new turbine and generator. B10 is one of six units added in the 1950s to the original powerhouse at Rock Island Dam.

### FIBER-OPTIC NETWORK MILESTONE

Fiber-optic telecommunication services are now available from private service providers to over 20,000 homes, businesses, schools, hospitals and government offices throughout Chelan County. Construction of the District's wholesale open-access network continues, with the plan to reach 95 percent of the 40,000 premises in the county by 2012.

### MONITOR WATER PROJECT

Chelan County PUD commissioners approved the formation of a local utility district to finance construction of a water system for Monitor and the surrounding area. Grants are being secured to pay for approximately \$4.6 million of the \$6.5 million project. The local utility district will repay an estimated \$1.9 million in low-interest rate loans. The system is designed to serve about 225 customers across 1,400 acres.

### CLIMATE CHANGE

Chelan County PUD General Manager Rich Riazzi has been named to the Washington Climate Advisory Team, which will consider a range of policies and strategies that may be adopted to achieve goals Gov. Chris Gregoire established in her executive order on global warming earlier this year.

### PUD REALIGNMENT

Chelan County PUD implemented management changes in key operating areas creating a more functionally aligned organization that will benefit from increased efficiency.

### REVENUE BONDS ISSUED

In May 2007, Chelan County PUD issued Consolidated System Revenue Bonds Series 2007A, 2007B and 2007C totaling \$127.7 million. The series 2007A bonds in the amount of \$93.8 million were issued as part of an interest rate swap to refund certain higher interest bonds with expected net present value savings of \$16.9 million. The series 2007B and 2007C bonds in the amount of \$33.9 million were issued for the purpose of providing new money for specified capital projects. As part of the series 2007 bond sale, three bond rating agencies - Fitch Ratings, Moody's Investor Service and Standard & Poor's Rating Services - reaffirmed the District's AA bond rating.

### PUD'S FUTURE

The last in a series of strategic planning meetings was conducted to develop guiding principles for the future direction of Chelan County PUD. Commissioners also directed staff to schedule public information meetings and a hearing on rate increases. The proposal calls for an increase in electric rates by 5 percent; water and sewer rates by 9 percent; and wholesale fiber-optic rates charged to service providers by 2 percent. For future meeting information please visit the PUD's web site.

### FINANCIAL HIGHLIGHTS

As of June 30, 2007, Chelan County PUD recorded income before capital contributions of \$21.1 million. This is an increase of \$7.8 million from the income before capital contributions of \$13.3 million for the same period in 2006. The increase is due primarily to improved wholesale power sales compared to 2006.

As of June 30, 2007, Utility Services' unrestricted cash and investments totaled \$211.7 million.



Joe O. Jarvis  
Chief Financial Officer/Executive Manager - Finance Group

**CHELAN COUNTY  
PUBLIC UTILITY DISTRICT NO. 1  
P.O. BOX 1231  
WENATCHEE, WASHINGTON 98807-1231**



CHELAN COUNTY  
**POWER**

www.chelanpud.org

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

Six months ended June 30, 2007

(in thousands)

	Rocky Reach	Columbia River- Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra- District Transactions (1)	6 Months Ended 06/30/07	6 Months Ended 06/30/06
<b>OPERATING REVENUES</b>	\$ 37,255	\$ 34,012	\$ 2,520	\$ 89,965	\$ -	\$ 7,955	\$ (43,707)	\$ 128,000	\$ 112,032
<b>OPERATING EXPENSES</b>	29,335	22,343	2,119	72,702	-	6,466	(43,707)	89,258	78,722
<b>NET OPERATING INCOME</b>	7,920	11,669	401	17,263	-	1,489	-	38,742	33,310
<b>OTHER INCOME (EXPENSE)</b>	(8,645)	(11,094)	(503)	3,214	(176)	(410)	-	(17,614)	(20,027)
<b>CAPITAL CONTRIBUTIONS</b>	-	-	-	1,930	-	-	-	1,930	1,855
<b>CHANGE IN NET ASSETS</b>	\$ (725)	\$ 575	\$ (102)	\$ 22,407	\$ (176)	\$ 1,079	\$ -	\$ 23,058	\$ 15,138

**CONDENSED COMBINING BALANCE SHEETS (Unaudited)**

June 30, 2007

(in thousands)

ASSETS	Rocky Reach	Columbia River- Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra- District Transactions (1)	06/30/07	06/30/06
<b>CURRENT ASSETS</b>	\$ 5,095	\$ 1,964	\$ 473	\$ 184,034	\$ 36	\$ 11,005	\$ -	\$ 202,607	\$ 178,090
<b>RESTRICTED ASSETS - CURRENT</b>	21,442	40,817	5,998	25,370	62,541	10,154	-	166,322	174,601
<b>TOTAL CURRENT ASSETS</b>	26,537	42,781	6,471	209,404	62,577	21,159	-	368,929	352,691
<b>NET UTILITY PLANT</b>	397,723	285,665	40,834	230,268	-	38,212	-	992,702	1,069,512
<b>RESTRICTED ASSETS - NONCURRENT</b>	1,380	1,140	228	365	8,458	1,041	-	12,612	23,197
<b>DEFERRED CHARGES &amp; OTHER ASSETS</b>	22,254	7,896	369	54,134	(106)	1,262	-	85,809	92,237
<b>TOTAL ASSETS</b>	\$ 447,894	\$ 337,482	\$ 47,902	\$ 494,171	\$ 70,929	\$ 61,674	\$ -	\$ 1,460,052	\$ 1,537,637
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>	\$ 12,876	\$ 26,522	\$ 691	\$ 12,648	\$ (2,589)	\$ 17,716	\$ -	\$ 67,864	\$ 74,985
<b>LONG-TERM DEBT</b>	312,291	379,088	25,782	89,486	69,323	39,797	-	915,767	901,685
<b>DEFERRED REVENUES</b>	-	-	-	89,000	-	-	-	89,000	89,000
<b>OTHER LIABILITIES</b>	-	1	8,590	-	-	-	-	8,591	291
<b>TOTAL LIABILITIES</b>	325,167	405,611	35,063	191,134	66,734	57,513	-	1,081,222	1,065,961
<b>TOTAL NET ASSETS</b>	122,727	(68,129)	12,839	303,037	4,195	4,161	-	378,830	471,676
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	\$ 447,894	\$ 337,482	\$ 47,902	\$ 494,171	\$ 70,929	\$ 61,674	\$ -	\$ 1,460,052	\$ 1,537,637

<b>ELECTRIC</b>		
As of June 30		
	<b>2007</b>	<b>2006</b>
Number of Customers	44,929	44,127
Number of Residential Customers	33,861	33,176
Average Rate per Residential Customer (Cents/kWh)	2.97	2.96

<b>POWER GENERATION (MWh)</b>		
12 months ended June 30		
	<b>2007</b>	<b>2006</b>
Lake Chelan	451,543	427,815
Rocky Reach	6,209,086	6,060,011
Rock Island	2,903,276	2,907,302

<b>HYDROELECTRIC SALES OF ENERGY</b>		
Sales for Resale (000's)		
12 months ended June 30		
	<b>2007</b>	<b>2006</b>
Lake Chelan	\$ 5,061	\$ 4,720
Rocky Reach	\$ 73,642	\$ 67,859
Rock Island	\$ 68,246	\$ 64,435

<b>AVERAGE PRICE/KWH SOLD (Cents/kWh)</b>		
12 months ended June 30		
	<b>2007</b>	<b>2006</b>
Lake Chelan	1.12	1.10
Rocky Reach	1.19	1.12
Rock Island	2.35	2.22

**NOTES TO CONDENSED STATEMENTS**

(1) Intra-District transactions are eliminated.

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 the Chelan County PUD's Annual Report as of December 31, 2006.