

**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.

Hydropower from the District's three dams supplies clean, renewable, affordable energy to our customer-owners and others across the Pacific Northwest.

The locally owned dams have capacity to generate nearly 2,000 megawatts of power. Forty-four percent of the electricity is available to benefit Chelan County and meet local electric demand, including a portion of the load for Alcoa's Wenatchee aluminum smelter. The balance is delivered throughout the Pacific Northwest to additional long-term power purchasers Puget Sound Energy, Avista, PacifiCorp, Douglas County PUD and Portland General Electric.

## POWER CONTRACT SIGNED

PUD commissioners unanimously approved a new power sales contract with Alcoa to start in 2011. The new long-term power sales contract will supply power for Alcoa's Wenatchee aluminum smelter through October 2028 and continues the historic 52-year power purchase relationship between Alcoa and the PUD.

The contract will provide Alcoa with electricity equal to 26 percent of the output of Rocky Reach and Rock Island dams in exchange for Alcoa paying 26 percent of the cost of producing and delivering the power, plus other costs and charges. With an average water supply, Alcoa officials have said that 26 percent of the dams' output would supply approximately enough energy to operate three pot lines. The plant is now running two lines. Alcoa has operated in Chelan County since 1952.

The contract will allow the PUD to pay down debt and to pay for some future capital improvements at the hydro projects without borrowing. In addition, Alcoa will pay an estimated \$22.9 million of an \$89 million capacity reservation charge within 30 days of signing, with the balance deferred as long as the plant continues to operate.

## NATIONAL AWARD

In April 2008, Chelan County PUD was honored at the annual conference of the National Hydropower Association (NHA) for the comprehensive security program developed by the PUD to protect people and the infrastructure following 9/11. Chelan

County PUD was one of five honorees recognized by NHA for outstanding practices. This is the fourth time since 2000 that the PUD has won an NHA award. The District is recognized as a model for other utilities and has been asked to share its best practices with Department of Homeland Security, the Federal Energy Regulatory Commission (FERC) and others.

## PUD'S FUTURE

A team of employees from across the District is looking at ways to increase sustainability. Sustainability is the newest term for using wisely what we have – without diminishing the ability of future generations to have what they will need. The PUD is looking at where we've been, where we stand and where we're headed on energy conservation, recycling, fuel efficiency and water conservation. Focus for this first year is on making the PUD's Wenatchee Headquarters building complex more energy efficient and on improving recycling.

## FINANCIAL HIGHLIGHTS

As of June 30, 2008, Chelan County PUD recorded income before capital contributions of \$4.7 million. This is a decrease of \$16.4 million from the income before capital contributions of \$21.1 million for the same period in 2007. The decrease is due primarily to lower wholesale power sales compared to 2007. This is due in part to decreased generation at the District's hydro electric projects as a result of delayed runoff combined with lower-than-average river flows.

As of June 30, 2008, Utility Services' unrestricted cash and investments totaled \$160.6 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, 2008

(in thousands)

	Rocky Reach	Columbia River-Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	6 Months Ended 06/30/08	6 Months Ended 06/30/07
<b>OPERATING REVENUES</b>	\$ 38,736	\$ 36,155	\$ 2,937	\$ 78,416	\$ -	\$ 8,345	\$ (46,240)	\$ 118,349	\$ 128,000
<b>OPERATING EXPENSES</b>	30,455	23,238	2,126	77,721	-	7,354	(46,240)	94,654	89,258
<b>NET OPERATING INCOME</b>	8,281	12,917	811	695	-	991	-	23,695	38,742
<b>OTHER INCOME (EXPENSE)</b>	(9,068)	(11,936)	(984)	3,338	94	(400)	-	(18,956)	(17,614)
<b>CAPITAL CONTRIBUTIONS</b>	-	-	-	3,510	-	-	-	3,510	1,930
<b>CHANGE IN NET ASSETS</b>	\$ (787)	\$ 981	\$ (173)	\$ 7,543	\$ 94	\$ 591	\$ -	\$ 8,249	\$ 23,058

**CONDENSED COMBINING BALANCE SHEETS (Unaudited)**

June 30, 2008

(in thousands)

ASSETS	Rocky Reach	Columbia River-Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	06/30/08	06/30/07
<b>CURRENT ASSETS</b>	\$ 7,147	\$ 3,939	\$ 1,112	\$ 108,425	\$ 83	\$ 9,295	\$ -	\$ 130,001	\$ 202,607
<b>RESTRICTED ASSETS - CURRENT</b>	10,614	34,116	12,549	7,488	54,908	5,175	-	124,850	166,322
<b>TOTAL CURRENT ASSETS</b>	17,761	38,055	13,661	115,913	54,991	14,470	-	254,851	368,929
<b>NET UTILITY PLANT</b>	388,157	299,518	48,202	256,266	-	34,138	-	1,026,281	992,702
<b>RESTRICTED ASSETS - NONCURRENT</b>	3,283	10,489	11,552	6,893	37,012	4,763	-	73,992	12,612
<b>DEFERRED CHARGES &amp; OTHER ASSETS</b>	20,597	7,171	1,317	79,250	467	8,246	-	117,048	85,809
<b>TOTAL ASSETS</b>	\$ 429,798	\$ 355,233	\$ 74,732	\$ 458,322	\$ 92,470	\$ 61,617	\$ -	\$ 1,472,172	\$ 1,460,052
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>	\$ 11,355	\$ 10,474	\$ 2,662	\$ 12,637	\$ (902)	\$ 18,329	\$ -	\$ 54,555	\$ 67,864
<b>LONG-TERM DEBT</b>	298,294	412,265	51,305	37,419	88,934	37,704	-	925,921	915,767
<b>DEFERRED REVENUES</b>	-	-	-	89,000	-	-	-	89,000	89,000
<b>OTHER LIABILITIES</b>	-	38	8,279	-	-	-	-	8,317	8,591
<b>TOTAL LIABILITIES</b>	309,649	422,777	62,246	139,056	88,032	56,033	-	1,077,793	1,081,222
<b>TOTAL NET ASSETS</b>	120,149	(67,544)	12,486	319,266	4,438	5,584	-	394,379	378,830
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	\$ 429,798	\$ 355,233	\$ 74,732	\$ 458,322	\$ 92,470	\$ 61,617	\$ -	\$ 1,472,172	\$ 1,460,052

<b>ELECTRIC</b>	2008	2007
As of June 30		
Number of Customers	45,478	44,929
Number of Residential Customers	34,250	33,861
Average Rate per Residential Customer (Cents/kWh)	3.10	2.97

<b>POWER GENERATION (MWh)</b>	2008	2007
12 months ended June 30		
Lake Chelan	398,407	451,543
Rocky Reach	5,744,383	6,209,086
Rock Island	2,673,864	2,903,276

<b>HYDROELECTRIC SALES OF ENERGY</b>	2008	2007
Sales for Resale (000's)		
12 months ended June 30		
Lake Chelan	\$ 5,597	\$ 5,061
Rocky Reach	\$ 72,844	\$ 73,642
Rock Island	\$ 69,384	\$ 68,246

<b>AVERAGE PRICE/KWH SOLD (Cents/kWh)</b>	2008	2007
12 months ended June 30		
Lake Chelan	1.40	1.12
Rocky Reach	1.27	1.19
Rock Island	2.59	2.35

**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, 2007.