

With PNGC ... you've got the power.



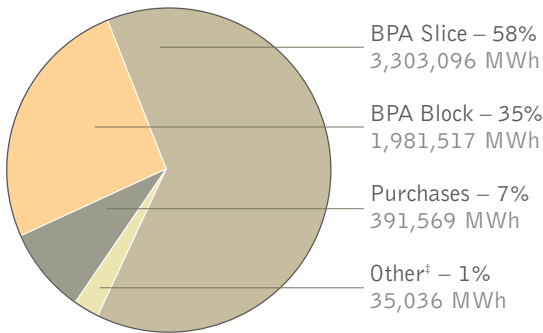
PNGC benefits members by pooling resources and sharing risks.



**PNGC Power** maximizes the competitive position of its members

## 2007 PNGC POWER HIGHLIGHTS\*

### PNGC'S MANAGED RESOURCES



† Raft River pre-sub, Northern Lights (Hungry Horse, Lake Creek Hydro), Fall River (Buffalo and Island Park Hydro), Coffin Butte Resource Project

### PNGC POWER AT A GLANCE (Member Data)

Member Systems . . . . .	15
Approximate Population Served . . . . .	355,547
PNGC Power member load . . .	516aMW / 4,518GWh
<small>(weather normalized 504aMW / 4,419GWh)</small>	
PNGC Power member peak load . . . . .	914MW**
PNGC Power member energy sales . . .	4,295,013MWh
PNGC Power member revenue . . . . .	\$283,649,316
PNGC Power member assets . . . . .	\$816,282,158
PNGC Power member equity . . . . .	\$347,220,602

\*All numbers reflected in charts and graphs represent the 2007 calendar year.  
\*\*Coincident at PNGC Power

PNGC Power is a cooperatively owned power services business providing power supply and other management services to 15 cooperative member-owner utilities serving customers in seven western states (Oregon, Washington, Idaho, Montana, Utah, Nevada and Wyoming).

For more than a decade, PNGC Power has consistently offered members a competitive advantage despite significant weather and market-related challenges. With the benefit of having some of the most experienced professionals in the energy industry, and by offering advanced tools, technology and policy leadership, we are able to serve our members' load requirements cost-effectively.

PNGC Power is backed by \$816 million in assets of its member-owners. By coming together as PNGC Power, these co-op utilities have more options than any one of them could have alone – more buying leverage, technical capabilities, financial strength, risk management capability and control. That gives PNGC member utilities the collective clout to offer their customers reliable, low-cost power options at stable prices.

-owners by meeting their collective power supply and management needs.

## From the President.

The landscape for public power in the Northwest is changing dramatically. The Federal Base System (FBS), which consists of federal hydroelectric projects and the Columbia Generation Station nuclear plant, are no longer able to provide an adequate supply of power on a critical water basis. That means utilities are going to have to make a choice about how to secure electricity beyond the FBS very soon.

At PNGC Power, we have been actively involved in the ongoing Bonneville Power Administration (BPA) Regional Dialogue process, which addresses this situation and will define BPA's new long-term contracts. The contracts, which begin operations October 1, 2011, reflect a two-tiered rate system. Tier 1 for cost-based FBS power and a Tier 2 rate for additional load growth beyond the FBS. The contracts will allow utilities to provide their own power for their requirements above the FBS or, buy at the incremental Tier 2 rate.

We see this as an opportunity to secure PNGC members' share of the FBS and embark on a business strategy to acquire generating resources that can be pooled to efficiently meet the additional collective needs of its members. PNGC members will actively control the selection and management of generating resources and contracts that will deliver cost-based electricity to member systems.

PNGC members benefit by pooling loads and resources with like-minded cooperatives with a shared interest in keeping future wholesale energy costs economical while minimizing risk. Other benefits of PNGC membership include power supply services, advocacy and expertise for lobbying regionally and nationally, and expertise for meeting member-specific service needs.

We are encouraged that several regional cooperatives have expressed interest in potential membership. The forward-thinking work of the PNGC Board has developed this vision to assure a successful implementation for near-term gains and long-term benefits for future generations.

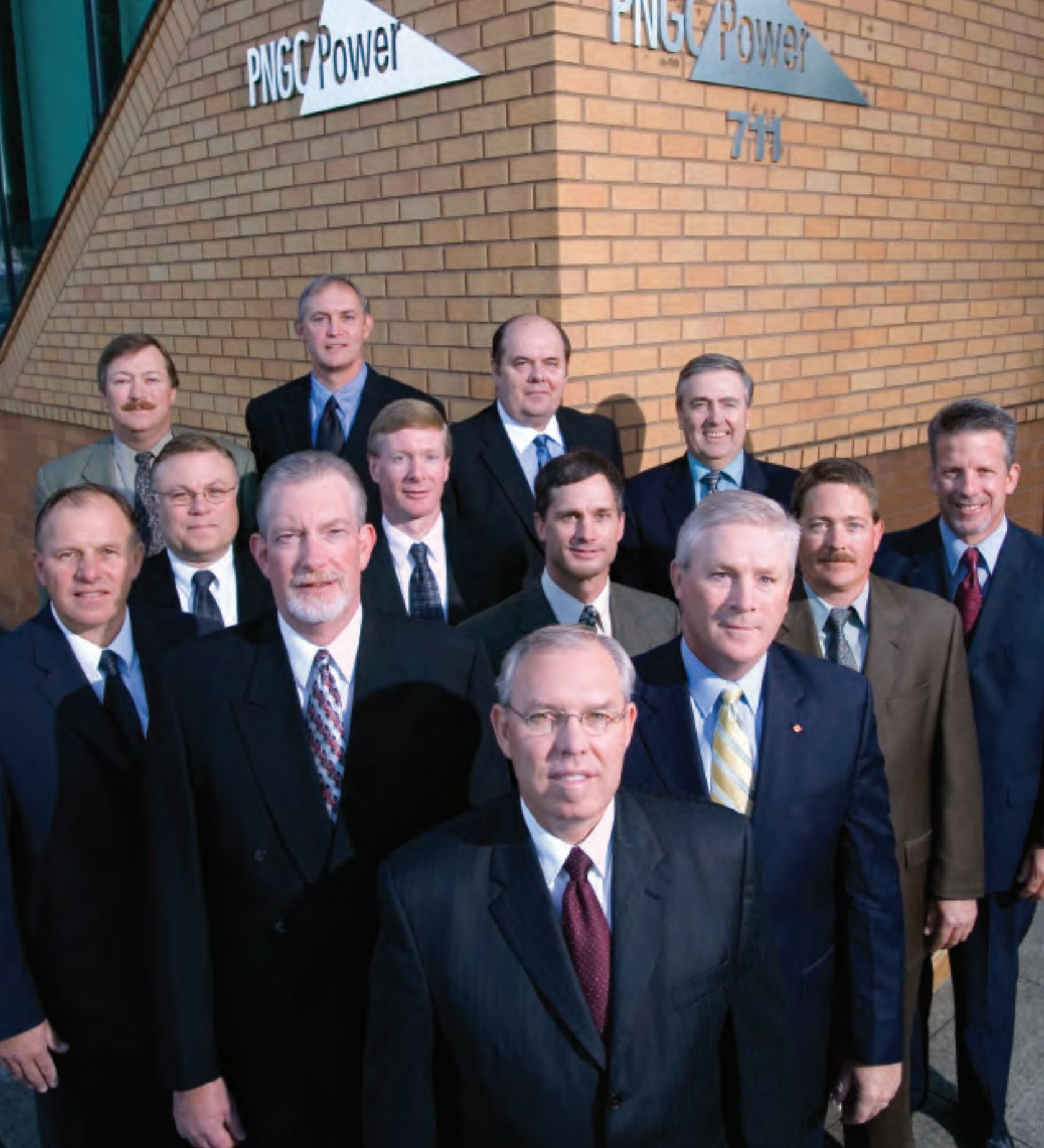
John Prescott  
President/Chief Executive Officer  
PNGC Power



*Above: PNGC Power President and Chief Executive Officer, John Prescott*

*Right: PNGC Power's Board of Directors: Dee Reynolds, front. Next row, from the left: Richard Reynolds, Marc Farmer, Jon Shelby, Roman Gillen, Ken Dizes, Rick Crinklaw, Heber Carpenter and Dave Hagen. Back row, from the left: Dave Sabala, Ray Ellis, Bud Tracy and Steve Eldrige. Not pictured Dave Markham and Roger Meader.*

# Aggregation is a major advantage for PNGC Power member



utilities, enabling them to minimize cost and risk on their customers' behalf.

*Many of PNGC Power's member utilities are looking at how to meet growing loads now and in the future. Consumers Power Inc.'s line staker, Garey Burgess (left), Mike Wells, Wells Contractors and his Superintendent Tony Padilla at Heather Estates in Lebanon, Oregon.*



**49%** of customer load that PNGC member utilities serve is residential

# PNGC keeps pace by enhancing capabilities.

For decades, PNGC Power and its predecessor company have provided leadership and management of power supply options. PNGC continues to implement increasingly sophisticated power management techniques and innovative technology.

## Power planning

PNGC Power manages power supply for its member cooperatives starting with planning months and years in advance, all the way to the delivery of power.

## Portfolio modeling

Our customized portfolio modeling software permits us to evaluate the tradeoffs between risk and cost for numerous variables, a range of 1,500 load/resource and power price scenarios. These scenarios and their associated probabilities are used to make informed decisions about resources and rates.

## Transmission management

Our transmission staff is among the most respected and experienced in the region. We take responsibility for all aspects of delivering power.

We negotiate and manage the transmission service agreements for our member utilities, including accurate scheduling, interacting with BPA on transmission policies, practices and rates, and billing for transmission services. This saves individual members the expense of a full-time scheduling operation, contract administration and policy expertise.

## Power operations

Our operations desk is staffed 24-hours a day, seven days a week, making continual use of load data provided by our meter data management system (MDMS).

Our MDMS allows us to monitor power flow at 72 points of member delivery throughout the Northwest. Load and resource information is communicated back to our operations center. This information allows us to see variations in actual electricity use, enabling PNGC to carefully match power schedules to actual hourly loads. This system gives us an advantage when it comes to scheduling power to meet member loads. We are able to make required power purchases and sales, matching resources to member needs. The tool gives our operations staff the agility to complete and book market transactions quickly and helps prevent energy imbalance charges.

and people count on us to deliver power at stable rates to their homes every day.

## PNGC's customized services and expert staff create value for members.

PNGC Power provides sophisticated power supply and other management services that add value by helping members make informed power supply decisions for the future.

Our cost-of-service analysis (COSA) is one example. This analysis arms member utilities with the information needed to ensure equity between rate classes and enables us to provide consultation around rate structure. PNGC has received strong third-party validation for the COSA work done on behalf of member utilities.

Federal requirements have placed new regulatory obligations on our members. To assist members with complex compliance accountability and avoidance of substantial fines, PNGC is – among other things – developing custom software for reliability compliance. This software, which allows information to be auditable, has the capability to reflect the reliability standards and data related to prior time periods.

Staff's diverse experience and expertise yield positive results.

PNGC Power's staff brings a wealth of knowledge and experience from diverse backgrounds ranging from hydropower and transmission expertise to government affairs, engineering, economics, finance and environmental management.

Our goal is to enhance the value of our power supply and transmission contracts by being actively involved at all levels of policy and by strongly advocating on behalf of our members. A number of policy issues have great impact on the price and reliability of power and transmission in the Northwest. PNGC Power advocates for member interests on a range of matters including BPA rate cases and that agency's role in future power supply decisions.

We also work on behalf of our members regarding power and transmission policy and management, regulatory issues, litigation and legal support, power operations and accounting and finance. And, we offer other value-added services and information geared to help members make informed power supply decisions.

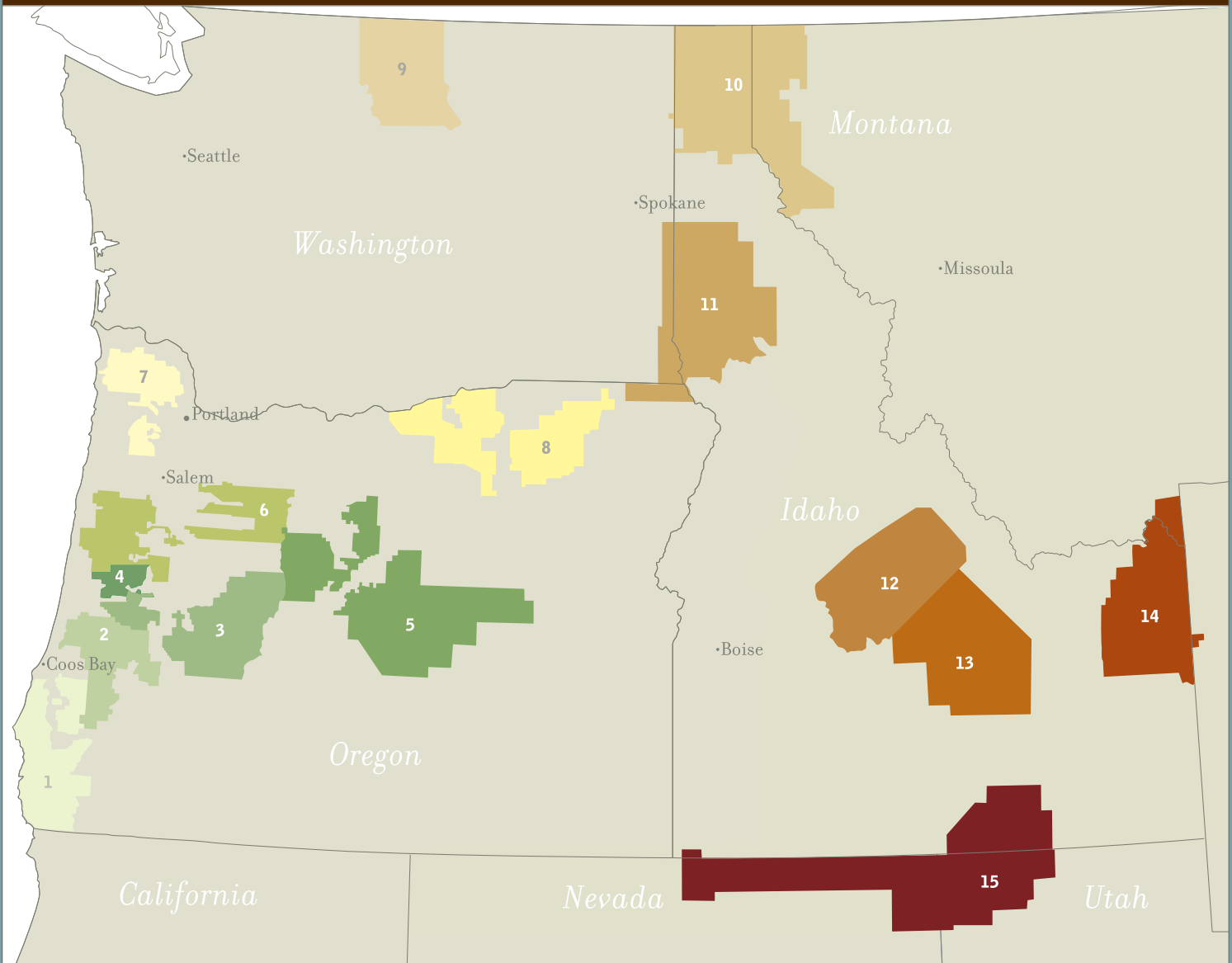
**30%** of customer loads that PNGC's member utilities serve use power

*Recently, Blachly-Lane Electric Cooperative undertook a COSA to ensure equity between rate classes. General Manager Bud Tracy (left) meets with executives from one of their customers, Seneca Sawmill (Eugene, Oregon), Jody Jones, Todd Payre and Rick Re.*



in industrial and commercial applications such as restaurants, schools and sawmills.

PNGC POWER MEMBER COOPERATIVES



- |                               |                               |                                    |
|-------------------------------|-------------------------------|------------------------------------|
| 1. Coos-Curry Electric Coop   | 6. Consumers Power Inc.       | 11. Clearwater Power Company       |
| 2. Douglas Electric Coop      | 7. West Oregon Electric Coop  | 12. Salmon River Electric Coop     |
| 3. Lane Electric Coop         | 8. Umatilla Electric Coop     | 13. Lost River Electric Coop       |
| 4. Blachly-Lane Electric Coop | 9. Okanogan Co. Electric Coop | 14. Fall River Rural Electric Coop |
| 5. Central Electric Coop      | 10. Northern Lights, Inc.     | 15. Raft River Rural Electric Coop |

**1975** Formation of the original Pacific Northwest Generating Cooperative to jointly participate in new generation options.

**1997** PNGC became the nation's first electric cooperative to receive a power marketing license from the Federal Energy Regulatory Commission (FERC), gaining the ability to purchase and resell power at wholesale.

**2000** Congress passed a bill that allows electric cooperatives to purchase power from BPA.

## 2007 PNGC POWER MEMBERSHIP – *By the Numbers*

PNGC Member	Number of Customers (Accounts)	System Annual Peak (kW)	Line Miles	Meters Per Mile (Accounts)	Service Territory (Approx. Sq. Miles)
Blachly-Lane Electric Cooperative	3,522	36,439	540	6.52	380
Central Electric Cooperative, Inc.	30,821	202,536	3,880	7.94	5,300
Clearwater Power Company	10,228	53,066	2,836	3.6	4,698
Consumers Power Inc.	21,233	106,650	3,065	6.92	2,525
Coos-Curry Electric Cooperative, Inc.	17,089	94,919	1,624	10.52	2,343
Douglas Electric Cooperative	9,809	46,741	1,647	5.95	2,500
Fall River Rural Electric Cooperative, Inc.	14,861	69,587	2,203	6.74	2,848
Lane Electric Cooperative, Inc.	12,667	72,432	1,456	8.69	2,509
Lost River Electric Cooperative	2,522	23,800	687	3.67	3,268
Northern Lights, Inc.	17,803	80,820	2,780	6.4	5,727
Okanogan County Electric Cooperative, Inc.	3,365	18,165	432	7.78	1,215
Raft River Rural Electric Cooperative, Inc.	4,650	70,529	2,146	2.16	5,950
Salmon River Electric Cooperative, Inc.	2,674	43,872	763	3.5	2,712
Umatilla Electric Cooperative	13,776	260,802	2,180	6.31	1,783
West Oregon Electric Cooperative, Inc.	4,288	23,624	674	6.36	1,224
<b>PNGC Member Total</b>	<b>169,308</b>	<b>1,203,982*</b>	<b>26,913</b>	<b>6.2</b>	<b>44,982</b>

\*Non-coincident at PNGC Power

All numbers reflected in charts and graphs represent the 2007 calendar year and are for informational purposes only.

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utilities to jointly  
r at wholesale

**2007** PNGC Power staff and Board of Directors ramp up focus and activities in preparation for post-2011 energy environment in the Northwest.

**2011** Start of service under new long-term contracts with BPA. PNGC Power is working to ensure that contracts and related policies are shaped to fit our members' priorities and ensure extended rate stability.

*Tom Chasse, CEO of Schweitzer Ski Resort (Sandpoint, Idaho) and Elissa Glassman, Northern Lights communications and conservation manager, survey snow pack just before the season opener. Schweitzer is one of Northern Lights' largest accounts.*



Our **long-term plan** to assess alternate power resources will prepare

# Energy demand will surpass existing power supply.

Energy demand will surpass existing power supply. PNGC Power is taking steps to ensure that its member cooperatives are strategically positioned to meet customers' needs. Demand for electricity is expected to grow steadily in the Northwest. During new long-term contracts with the Bonneville Power Administration (currently our primary power supplier), starting in 2011, the amount of low-cost electricity from the hydro-based federal power system\* will not be adequate to meet the increased demand.

Many PNGC Power members report current or anticipated growth in their service territories. Others have yet to see significant growth. But despite an uncertain future, all of our members need to be able to provide reliable power to customers at stable rates.

The Regional Dialogue will define new BPA long-term contracts that begin operations in 2011. Tiered rates is an approach BPA is using to retain the benefits of the lowest-cost federal power (Tier 1) while meeting utilities' additional power needs at market rates (Tier 2). As a number one priority, PNGC plans to develop resources to meet our members' needs as an alternative to Tier 2.

We're helping our members set a course for the next 20 years by managing change within current and future regional and federal requirements including renewable portfolio standards. PNGC is planning to develop a portfolio of diverse, reliable and efficient electric generation sources that are economically and environmentally sustainable.

## Integrated Resource Plan (IRP) process weighs various power supply options.

PNGC Power continues to plan for the future through the IRP process. The goal is to evaluate and compare the relative costs, risks and benefits of likely resource supply alternatives available to our membership pool in 2011 and beyond.

PNGC works to find a balance between risk and cost in supplying reliable electricity. The planning environment for the IRP is our best estimate of what we believe the landscape will be for 2009 through 2031.

*\* The Federal Base System (FBS) consists of federal hydroelectric projects and the Columbia Generation Station nuclear plant.*

us to meet customer needs in the new era of power supply in 2011 and beyond.

# Financial benefits for PNGC Power members.

PNGC adds value and provides financial benefits for member-owners by bundling members' purchases together, through its Slice contract with BPA and by working with BPA to identify cost controls and savings.

## PNGC Power's electricity supply

On behalf of its 15 members, PNGC Power entered into a 10-year contract to purchase most of its power from BPA, starting in 2001. Part of this power is in the form of a more traditional "Block" of power from BPA. The other portion is a "Slice" of the total power capabilities of the Federal Base System (FBS). If our "slice" is not sufficient, we purchase additional power from wholesale markets. When available Slice power exceeds our own power requirements, we market the surplus.

PNGC Power played a pivotal role in ongoing negotiations over the Residential Exchange Program (REP). Recommendations agreed upon by PNGC and other members of public power could begin to resolve the dispute over how the REP should be implemented.

Our top priority is providing reliable power at stable rates and getting the REP settled in the current rate case to help preserve cost-based rates for our members. One positive outcome

already was the return of \$14 million (subject to adjustment at the end of the fiscal year) to PNGC members in April 2008.

## Benefits of aggregation

PNGC Power operates as the only existing Joint Operating Entity (JOE), aggregating its members' loads and resources and purchasing firm power from BPA under consolidated contracts. This allows us to save on costs, we can efficiently leverage opportunities and more accurately manage, forecast, purchase and schedule for one combined load, rather than 15 individual loads. Aggregation also allows utilities of all sizes to engage with the expertise necessary for effective power supply management.

By banding our members' purchases together we create a total system load shape that matches up well with the generation output of the FBS. This flexibility and our access to power markets help us manage market volatility and mitigate power price and supply risk for members.

## Wholesale rate reduction efforts

We also engage in electricity policy issues at a regional and federal level, focused on keeping power costs under control. PNGC has worked extensively with BPA to reduce revenue requirements and push towards lower rates.

**PNGC Power was actively involved in Residential Exchange Program**

*Craig Feuerborn (left) oversees 150 acres of vineyards for Melrose Vineyards (Roseburg, Oregon). Todd Munsey, member services director at Douglas Electric Cooperative, has helped area vineyards maximize irrigation benefits while working to minimize costs.*



litigation resulting in the return of **\$14 million** to members.

*PNGC Power is exploring a range of renewable energy options, including wind, wave and geothermal.*



**Power supply alternatives**, which will benefit

# Expanding opportunities: power for the future.

Electricity generated by hydropower is clean, renewable and meets over two-thirds of the current energy needs of the Northwest. PNGC Power is committed to retaining the existing hydropower system for a large portion of its future power supply.

## Exploring power supply alternatives

We have the expertise to analyze an array of generation options to meet our future needs. Tools are in place to help owners make key decisions to ensure that supply is available to meet future loads.

*Coffin Butte Resource Project:* PNGC Power provides operational and management expertise at the Coffin Butte Resource Project, located north of Corvallis, Oregon. Power Resources Cooperative owns this project for the benefit of 12 regional electric cooperatives. The project generates clean, renewable energy from landfill gas and enables several electric cooperatives to offer customers “green power” as a way to support renewable resources. A 3.2MW, \$5.5 million capacity expansion more than doubled the power generated by the project and came online in October 2007. The cost for generating additional power is very economical, further reducing an already very competitive rate.

*Wave Energy:* Scientists estimate that harnessing just 0.2 percent of the ocean’s untapped energy would supply enough power for the world. Reedsport, Oregon has been identified as an

ideal location for a pilot project. Commercial developers are developing a wave energy park and anticipate selling electricity commercially with PNGC’s participation.

*Wind/Natural Gas:* There are many possibilities for the future regarding renewable energy and PNGC Power is carefully following developments in wind and natural gas projects. Hydro and natural gas are natural partners for wind power, since they can fill in during times when the wind isn’t blowing.

## Advocating responsible stewardship

The following highlights PNGC’s involvement in energy conservation, renewable resources and the environment:

- *Conservation:* PNGC staff with expertise in managing environmental issues is actively involved in helping set regional policy relating to conservation and renewable resources.
- *Climate Change:* Recognizing considerable variation, the PNGC Board has a policy supporting consideration of diverse, reliable and efficient electric generation sources that are economically and environmentally sustainable as options to meet current and future load requirements. We are working to meet our future energy needs and to reduce greenhouse gas emissions. Most of PNGC Power’s electricity comes from clean, renewable hydropower provided by the dams of the Federal Columbia River Power System.

member utilities and their customers, are being explored by PNGC.



**13%** of customer loads that PNCG member cooperatives serve utilize



electricity to irrigate the agricultural products that fuel our region's economy.

2007 Corporate Profile

## PNGC Power Board Members



**Rick Crinklaw**

*PNGC Power Chairman of the Board  
General Manager  
Lane Electric Cooperative, Inc.  
Eugene, Oregon*

**Steve Eldrige**

*PNGC Power Board Vice Chairman  
General Manager and Chief Executive Officer  
Umatilla Electric Cooperative  
Hermiston, Oregon*

**Jon Shelby**

*PNGC Power Board Secretary/Treasurer  
General Manager  
Northern Lights, Inc.  
Sagle, Idaho*

**Bud Tracy**

*General Manager  
Blachly-Lane Electric Cooperative  
Eugene, Oregon*

**Dave Markham**

*General Manager  
Central Electric Cooperative, Inc.  
Redmond, Oregon*

**Dave Hagen**

*General Manager  
Clearwater Power Company  
Lewiston, Idaho*

**Roman Gillen**

*President and Chief Executive Officer  
Consumers Power Inc.  
Philomath, Oregon*

**Roger Meader**

*General Manager/CEO  
Coos-Curry Electric Cooperative, Inc.  
Port Orford, Oregon*

**Dave Sabala**

*General Manager  
Douglas Electric Cooperative  
Roseburg, Oregon*

**Dec Reynolds**

*General Manager  
Fall River Rural Electric Cooperative, Inc.  
Ashton, Idaho*

**Richard Reynolds**

*General Manager  
Lost River Electric Cooperative  
Mackay, Idaho*

**Ray Ellis**

*General Manager  
Okanogan County Electric Cooperative, Inc.  
Winthrop, Washington*

**Heber Carpenter**

*General Manager  
Raft River Rural Electric Cooperative, Inc.  
Malta, Idaho*

**Ken Dizes**

*General Manager  
Salmon River Electric Cooperative, Inc.  
Challis, Idaho*

**Marc Farmer**

*General Manager  
West Oregon Electric Cooperative, Inc.  
Vernonia, Oregon*