

**Financial Report - Years Ended
December 31, 2001 and 2002
Public Utility District No. 1 of Douglas
County, Washington**

Board of Commissioners

T. James Davis

Lynn M. Heminger

Michael Doneen

William C. Dobbins
Chief Executive Officer / Manager

Mailing Address:
Douglas County PUD
1151 Valley Mall Parkway
East Wenatchee, Washington 98802

Commissioners Report 2002

We are proud to present the Biennial Report of Douglas County PUD. This report summarizes the business activity of your public utility district for the years 2002 and 2001.

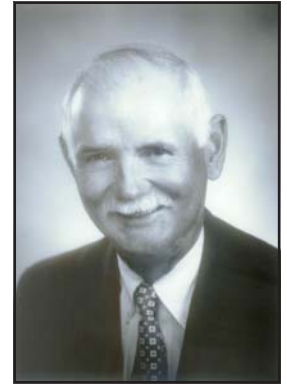
Each year we marvel at the ingenuity and courage of our predecessors for developing assets that so benefit the people of Douglas County. The Wells Hydroelectric Project and the Electric Distribution System are the two main examples of their leadership that

continue to benefit the people of Douglas County. While maintaining good stewardship of these valuable assets, we continue to encourage reasonable development that will benefit our county well into the future. Development of Douglas County Community Network and participation in the Northwest Open Access Network will ensure that our citizens have access to high-speed data transfer capability that will protect the economic viability of Douglas County. Currently, Douglas PUD receives 6.25% of the output from Energy Northwest's 48 MW Nine Canyon Wind Project, located approximately 8 miles southeast of Kennewick. The Nine Canyon Wind Project started commercial production on September 25, 2002. This partnership adds wind power to our clean, renewable electric generation portfolio. Over the past two years we have added a Douglas County wind generation feasibility study to the District's project list. Electricity generated by Douglas County wind may become a part of our resource portfolio in the near future. With the help of talented and dedicated Douglas PUD employees, we remain committed to customer service in the public power tradition.

Two years ago we stated, "Electric utility restructuring remains on the federal legislative agenda." We observe that the statement remains true today. However, these days the Federal Energy Regulatory Commission is driving changes in the electric industry that make us, and fortunately members of Congress, uneasy. With your help, we continue to remain actively involved in efforts to protect your electric system from a California style restructuring debacle.

For nearly ten years we have been engaged in an effort to develop a Habitat Conservation Plan for the Wells Hydroelectric Project. While this has been a long process, it is one that we believe will yield tremendous benefit during the process of relicensing the Wells Project. The Plan resolves most anadromous fish issues for the Project. The current schedule calls for final federal approval early in 2004. Work on relicensing will begin in earnest in 2005.

We take pleasure in telling you, year after year, that our public utility district continues to lead the nation in providing low-cost electric service. All of the citizens of Douglas County and employees of Douglas County PUD share credit for this success. Thank you all for your efforts and support.



Board of Commissioners (L to R):

T. James Davis, Lynn M. Heminger, Michael Doneen

Executive Report 2002

After passing through a period of the most volatile electric prices in recent history, the electric utility industry has returned to more stable wholesale power prices. Even so, many of our fellow public power utilities have sustained huge rate increases. For those who rely on BPA power, relief is quite some distance in the future. Douglas County's power supply is adequate to meet the needs of our county. In fact, our projections demonstrate an adequate supply of electricity extending to 2017 as a result of our stake in the Wells and Rocky Reach Hydroelectric Projects, our participation in the Nine Canyon Wind Project and an innovative power exchange arrangement. A rate increase that was approved back in 1996 and scheduled to go into effect in 1997 had been deferred each year until 2002, when it was determined that we must allow it to go into effect. We are proud that we were able to go for six years without an increase.



Bill Dobbins, Manager

It seems like each time I draft this report I repeat these words. But frankly, it would be irresponsible not to recognize the fact that the employees of Douglas PUD, who work as a team to provide the utmost in customer service, are the key to our success every day. Our talented and dedicated workforce, coupled with the assets of the people of Douglas County, continue to produce positive results. Douglas PUD employees take ownership of our mission to provide low-cost, reliable electric service to the people of Douglas County. They are your best insurance for a responsible, consumer-owned electric system.

Your PUD achieved several milestones in 2002. One that makes us particularly proud is the achievement of an upgrade in our investment bond rating. This rating is the key to the interest rate we must pay when borrowing money. Though we borrow infrequently, that lower interest rate saves Douglas County residents money each time we do borrow. The improvement in our rating demonstrates the rating agencies' confidence in our system and employees. The second milestone is a reduction in the outstanding debt on the Wells Project to the lowest level since the original borrowing in 1963. The District has borrowed money to maintain the Wells Project over the years and is consistently making payments to retire the debt. Given the value of the Wells project, this is a good sign of our financial health.

Our Distribution System crews and engineers have made substantial reliability improvements over the last two years. There is more to come as we work to eliminate frost loading problems on the Waterville Plateau and add substation capacity to accommodate residential growth.

Operations for the Distribution System continued to be positive over the past two years. Douglas PUD ended 2002 with 16,060 electric customers, assets of \$138 million, and customers' equity in the electric system at 88.2 percent. Douglas PUD continues to maintain the lowest electricity prices in the country.

Our share of the electric generation from the Wells Hydroelectric Project meets most of our needs in Douglas County. Wells Project output not used in Douglas or Okanogan counties is transmitted to four investor-owned utilities to serve other areas in the Pacific Northwest. Each time we open our power bill we realize that the Wells Project provides tremendous benefits to the people of Douglas County. Wells continues to maintain its position as the most environmentally responsible hydroelectric project on the Columbia River. The Wells Project ended the year with assets of \$233.6 million and equity of 27 percent.

We appreciate receiving your comments. We read them to the Commissioners at each meeting. The Commissioners integrate your comments into their thinking as they consider policy direction for the District. After all, our customers are our most important partners at Douglas PUD.

Financial and Organizational Information- Table of Contents

Independent Auditor's Report on Financial Statements	4
General Purpose Financial Statements:	
Combining Balance Sheet - 2002 and 2001	5-6
Combining Statement of Income - 2002 and 2001	7
Combining Statement of Cash Flows - 2002 and 2001	8-10
Notes to Financial Statements	10-23
Directory of Officials	24



**Washington State Auditor
Brian Sonntag**

Legislative Building
PO Box 40021
Olympia, Washington 98504-0021

(360) 902-0370
FAX (360) 753-0646
TDD Relay 1-800-833-6388
<http://www.sao.wa.gov>

Independent Auditor's Report on Financial Statements

Board of Commissioners
Public Utility District No. 1 of Douglas County
East Wenatchee, Washington

We have audited the accompanying financial statements of Public Utility District No. 1 of Douglas County, Washington, as of and for the year ended December 31, 2002. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our financial audit in accordance with governmental auditing standards generally accepted in the United States of America, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Douglas County, as of December 31, 2002, and the changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* in the United States of America, we will issue our report on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 14, 2003



PUBLIC UTILITY DISTRICT NO. 1 OF DOUGLAS COUNTY

COMBINING BALANCE SHEET
As of December 31, 2002 and 2001

ASSETS	ENTERPRISE			COMBINED TOTALS	
	Wells Hydroelectric Project	Distribution System	Local Utility Dist. No. 1	2002	2001
Electric Plant:					
Electric Plant	\$ 218,644,307	\$ 121,155,026	\$ 308	\$ 339,799,641	\$ 331,178,885
Construction Work in Progress	<u>2,073,613</u>	<u>2,405,767</u>	-	<u>4,479,380</u>	<u>3,675,470</u>
Electric Plant - Gross	220,717,920	123,560,793	308	344,279,021	334,854,355
Less: Accum. Depreciation & Amortization	<u>52,112,747</u>	<u>35,893,016</u>	-	<u>88,005,763</u>	<u>82,644,589</u>
Net Electric Plant	<u>168,605,173</u>	<u>87,667,777</u>	<u>308</u>	<u>256,273,258</u>	<u>252,209,766</u>
Restricted Funds:					
Construction	14,991,697	-	-	14,991,697	15,017,165
Debt Repayment Funds	12,341,293	1,878,250	-	14,219,543	14,423,877
Reserve & Contingency Fund	5,312,034	2,265,000	-	7,577,034	7,812,579
Wells Hydroelectric Project Licensing Fund	-	8,199,432	-	8,199,432	7,790,952
Total Restricted Funds	<u>32,645,024</u>	<u>12,342,682</u>	-	<u>44,987,706</u>	<u>45,044,573</u>
Current & Accrued Assets:					
Cash	853,597	1,137,836	1,443	1,992,876	1,428,397
Investments & Special Deposits	3,836,026	18,056,400	-	21,892,426	21,873,822
Rate Stabilization Fund	-	5,798,811	-	5,798,811	8,000,000
Receivables - Net	519,090	3,998,259	198	4,517,547	3,691,646
Materials and Supplies	-	2,814,839	-	2,814,839	2,945,645
Other Current & Accrued Assets	<u>539,535</u>	<u>3,905,606</u>	-	<u>4,445,141</u>	<u>4,536,156</u>
Total Current and Accrued Assets	<u>5,748,248</u>	<u>35,711,751</u>	<u>1,641</u>	<u>41,461,640</u>	<u>42,475,666</u>
Unamort. Debt Discount & Expense	2,073,876	240,878	-	2,314,754	2,452,982
Unamort. Loss on Reacquired Debt	2,092,613	-	-	2,092,613	2,240,849
Other Miscellaneous Deferred Charges	<u>22,415,127</u>	<u>2,065,788</u>	-	<u>24,480,915</u>	<u>24,531,407</u>
TOTAL ASSETS	\$ <u>233,580,061</u>	\$ <u>138,028,876</u>	\$ <u>1,949</u>	\$ <u>371,610,886</u>	\$ <u>368,955,243</u>

See Accompanying Notes To Financial Statements

PUBLIC UTILITY DISTRICT NO. 1 OF DOUGLAS COUNTY

COMBINING BALANCE SHEET
As of December 31, 2002 and 2001

<u>LIABILITIES & EQUITY</u>	<u>ENTERPRISE</u>			<u>COMBINED TOTALS</u>	
	<u>Wells Hydroelectric Project</u>	<u>Distribution System</u>	<u>Local Utility Dist. No. 1</u>	<u>2002</u>	<u>2001</u>
Long-Term Debt	\$ <u>163,790,000</u>	\$ <u>9,600,000</u>	\$ <u>-</u>	\$ <u>173,390,000</u>	\$ <u>180,310,000</u>
Current & Accrued Liabilities:					
Accounts Payable	1,596,927	3,238,954	991	4,836,872	4,352,668
Accrued Debt Payable	2,935,755	-	-	2,935,755	2,976,676
Other Misc. Current & Accrued Liabilities	<u>1,948,891</u>	<u>2,978,987</u>	<u>-</u>	<u>4,927,878</u>	<u>2,997,606</u>
Total Current & Accrued Liabilities	<u>6,481,573</u>	<u>6,217,941</u>	<u>991</u>	<u>12,700,505</u>	<u>10,326,950</u>
Deferred Credits	162,129	22,400	-	184,529	1,292,529
Unamortized Gain on Redeemed Debt	<u>-</u>	<u>360,832</u>	<u>-</u>	<u>360,832</u>	<u>403,000</u>
Total Liabilities	<u>170,433,702</u>	<u>16,201,173</u>	<u>991</u>	<u>186,635,866</u>	<u>192,332,479</u>
Consumer Equity & Retained Earnings:					
Contributions in Aid of Construction	-	9,125,616		9,125,616	8,540,812
Unappropriated Retained Earnings	<u>63,146,359</u>	<u>112,702,087</u>	<u>958</u>	<u>175,849,404</u>	<u>168,081,952</u>
Total Consumer Equity & Retained Earnings	<u>63,146,359</u>	<u>121,827,703</u>	<u>958</u>	<u>184,975,020</u>	<u>176,622,764</u>
TOTAL LIABILITIES, CONSUMER EQUITY, & RETAINED EARNINGS	\$ <u>233,580,061</u>	\$ <u>138,028,876</u>	\$ <u>1,949</u>	\$ <u>371,610,886</u>	\$ <u>368,955,243</u>

See Accompanying Notes To Financial Statements

PUBLIC UTILITY DISTRICT NO. 1 OF DOUGLAS COUNTY

COMBINING STATEMENT OF INCOME
For The Fiscal Years Ended December 31, 2002 and 2001

	ENTERPRISE			COMBINED TOTALS	
	Wells Hydroelectric Project	Distribution System	Local Utility Dist. No. 1	2002	2001
Total Operating Revenues	\$ 31,421,628	\$ 34,530,698	\$ 1,891	\$ 65,954,217	\$ 63,109,526
Operating Expenses:					
Operating Expenses	11,425,212	25,474,249	1,979	36,901,440	35,785,089
Maintenance Expenses	3,903,632	2,289,237	-	6,192,869	5,379,929
Depreciation Expenses	3,176,248	3,290,305	-	6,466,553	6,098,302
Taxes	1,187,047	935,631	-	2,122,678	1,776,359
Total Operating Expenses	<u>19,692,139</u>	<u>31,989,422</u>	<u>1,979</u>	<u>51,683,540</u>	<u>49,039,679</u>
Net Operating Revenues	11,729,489	2,541,276	(88)	14,270,677	14,069,847
Interest and Other Income	1,111,078	2,192,272	19	3,303,369	4,928,894
Gain on Early Retirement of Long Term Debt	56,227	-	-	56,227	267,354
Non-operating Margin - Other	-	170,406	-	170,406	(24,141)
Balance Available for Debt Service	<u>12,896,794</u>	<u>4,903,954</u>	<u>(69)</u>	<u>17,800,679</u>	<u>19,241,954</u>
Interest on Long-Term Debt	8,368,696	567,740	-	8,936,436	9,266,378
Other Debt Expense	<u>1,118,883</u>	<u>(22,092)</u>	<u>-</u>	<u>1,096,791</u>	<u>1,047,111</u>
Total Interest & Other Expense	<u>9,487,579</u>	<u>545,648</u>	<u>-</u>	<u>10,033,227</u>	<u>10,313,489</u>
Excess of Revenues Over Cost of Services	<u>3,409,215</u>	<u>4,358,306</u>	<u>(69)</u>	<u>7,767,452</u>	<u>8,928,465</u>
Net Addition to Retained Earnings	3,409,215	4,358,306	(69)	7,767,452	8,928,465
Retained Earnings, January 1	<u>59,737,144</u>	<u>108,343,781</u>	<u>1,027</u>	<u>168,081,952</u>	<u>159,153,487</u>
Retained Earnings, December 31	\$ <u>63,146,359</u>	\$ <u>112,702,087</u>	\$ <u>958</u>	\$ <u>175,849,404</u>	\$ <u>168,081,952</u>

See Accompanying Notes To Financial Statements

PUBLIC UTILITY DISTRICT NO. 1 OF DOUGLAS COUNTY

COMBINING STATEMENT OF CASH FLOWS
For The Fiscal Years Ended December 31, 2002 and 2001

	ENTERPRISE			COMBINED TOTALS	
	Wells Hydroelectric Project	Distribution System	Local Utility Dist. No. 1	2002	2001
Cash Flows from Operating Activities:					
Net Operating Revenue	\$ 11,729,489	\$ 2,541,276	\$ (88)	\$ 14,270,677	\$ 14,069,847
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	3,176,248	3,290,305	-	6,466,553	6,098,302
Net Cash From Jobbing Activities	-	170,406	-	170,406	(24,141)
Payment of Interest on Customer Deposits	-	(8,742)	-	(8,742)	(10,225)
Amortization of Discounts on U.S. Government Securities	(953,146)	-	-	(953,146)	(1,774,181)
Changes in Certain Assets and Liabilities:					
Accounts Receivable	49,220	(749,422)	(111)	(700,313)	5,860,670
Prepaid Expenses	(126,595)	(71,926)	-	(198,521)	(109,577)
Materials and Supplies	-	130,806	-	130,806	(721,516)
Excess Revenue Fund	(1,030,320)	-	-	(1,030,320)	1,186,964
Other Accrued Expenses	313,864	-	-	313,864	(261,804)
Accounts Payable	579,870	(95,819)	153	484,204	(39,083)
Customer Deposits	-	12,700	-	12,700	(11,543)
Power Sales Settlement	-	1,499,565	-	1,499,565	(10,427,377)
Retainage and Other Accrued Liabilities	-	(2,561,852)	-	(2,561,852)	(1,128,303)
Customer Advances for Construction	-	(25,751)	-	(25,751)	(1,022)
Deferred Power Cost Adjustment	-	451,046	-	451,046	(451,046)
Net Cash Provided by (used in) Operating Activities	\$ <u>13,738,630</u>	\$ <u>4,582,592</u>	\$ <u>(46)</u>	\$ <u>18,321,176</u>	\$ <u>12,255,965</u>

See Accompanying Notes To Financial Statements

PUBLIC UTILITY DISTRICT NO. 1 OF DOUGLAS COUNTY

COMBINING STATEMENT OF CASH FLOWS
For The Fiscal Years Ended December 31, 2002 and 2001

	ENTERPRISE			COMBINED TOTALS	
	Wells Hydroelectric Project	Distribution System	Local Utility Dist. No. 1	2002	2001
Cash Flows From Investing Activities:					
Purchase of Certificates of Deposit	\$ -	\$ (9,315,000)	\$ -	\$ (9,315,000)	\$ (9,235,000)
Purchase of U.S. Government Securities	(210,721,904)	-	-	(210,721,904)	(236,780,972)
Proceeds From Redemption of Certificates of Deposit	-	13,436,319	-	13,436,319	16,355,000
Proceeds From Redemption of U.S. Government Securities	213,901,299	336,027	-	214,237,326	237,790,524
Interest and Dividends on CDs and U.S. Gov. Securities, Net of Amount Capitalized	985,490	2,007,457	19	2,992,966	3,936,402
Net Cash Provided by (used in) Investing Activities	4,164,885	6,464,803	19	10,629,707	12,065,954
Cash Flows from Capital and Related Financing Activities:					
Additions to Electric Plant in Service	(1,958,856)	(7,973,612)	-	(9,932,468)	(7,744,673)
Contributions in Aid of Construction	-	584,804	-	584,804	713,002
Net Additions to Construction Work in Progress	(57,310)	(746,601)	-	(803,911)	(700,269)
Principal Payments on Long-term Debt	(6,368,773)	(495,000)	-	(6,863,773)	(6,922,646)
Interest Payments on Long-term Debt, Net of Amount Capitalized	(8,468,472)	(571,991)	-	(9,040,463)	(9,370,797)
Net Cash Used in Capital and Related Financing Activities	(16,853,411)	(9,202,400)	-	(26,055,811)	(24,025,383)
Net Increase (Decrease) in Cash	1,050,104	1,844,995	(27)	2,895,072	296,536
Cash at Beginning of Year	906,444	3,646,306	1,470	4,554,220	4,257,684
Cash at End of Year Consisting of:					
Restricted Cash	1,102,951	5,004	-	1,107,955	690,604
Unrestricted Cash	853,597	5,486,297	1,443	6,341,337	3,863,616
	\$ 1,956,548	\$ 5,491,301	\$ 1,443	\$ 7,449,292	\$ 4,554,220

See Accompanying Notes To Financial Statements

PUBLIC UTILITY DISTRICT NO. 1 OF DOUGLAS COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2002 through December 31, 2002

The following notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Public Utility District No. 1 of Douglas County (the District) conform to generally accepted accounting principles. The following is a summary of the more significant policies:

a. Basis of Accounting and Procedures

The accounting records of the District are maintained in accordance with the Uniform System of Accounts of the Federal Power Act, prescribed by the Federal Energy Regulatory Commission (FERC). The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Fixed assets are capitalized and long-term liabilities are accounted for in the appropriate funds. The District's financial statements include the financial position, results of operations, and cash flows for all operations that the District manages.

b. Accounting for Plant

(1) Distribution System - Distribution System plant assets are stated at cost. New construction, betterments, and major renewals are capitalized, while maintenance and repairs are charged to operations as incurred.

(2) Wells Hydroelectric Project - The hydroelectric plant, including land and all related facilities, is recorded at cost. Cost is comprised of the following:

(a) All direct construction and acquisition costs.

(b) All indirect costs up to the commencement of initial power generated on September 7, 1967, and only those indirect costs related to the construction and acquisition since that date.

(c) Interest costs capitalized up to certain dates, which were subsequent to the date generating units were placed in service. Under FERC accounting, which is used by the Wells Project, interest costs would cease to be capitalized after units are placed in service. Management of the District elected to capitalize interest costs through January 1, 1969, as to the 1963 series bonds, and to September 1, 1972, as to the 1965 series bonds, because it believes this is the accounting treatment specifically prescribed in the bond resolutions and power sales contracts.

c. Depreciation

(1) Distribution System - Depreciation of all depreciable assets is computed on the straight-line method using an estimated useful life ranging from 12.5 to 35 years on equipment, furniture, and buildings, and on the double-declining balance method which is applied for 5 years on vehicles.

(2) Wells Hydroelectric Project - Depreciation of substantially all depreciable assets is provided over estimated useful lives ranging from 15 to 95 years, using the sinking fund method (6% rate).

Notes to Financial Statements

d. Receivables

(1) Distribution System - Uncollectable accounts are estimated based on an experience percentage of sales to ultimate consumers. The District's Commissioners approve all write-offs.

(2) Wells Hydroelectric Project - The Wells Hydroelectric Project does not have an allowance for uncollectable accounts.

e. Inventories

Inventories are valued at average cost, which approximates the market value.

f. Security of Cash Deposits

Cash deposits are placed with financial institutions, which are recognized as qualified public depositories of the State of Washington. Such deposits are protected and collateralized under the Washington State Public Deposit Protection Act.

g. Investments

All investments of the District are in the form of Time Certificates, deposits with banks, or direct obligations of the U.S. Government, pursuant to the requirements of Chapter 39.58 RCW.

h. Unamortized Debt Expense

Costs relating to the sale of bonds are deferred and amortized on the straight-line method over the lives of the various bond issues. The straight-line method results in amortization not significantly different than that which would result from use of the interest method of amortization.

i. Restricted Fund Accounts

The terms of certain bond resolutions of the District require establishment of certain funds to be used for specified purposes set forth in the resolutions. Restricted funds currently include the following:

Notes to Financial Statements

<u>Distribution System</u>	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Debt Repayment Funds	\$ 0	\$ 1,878,250	\$ 1,878,250
Reserve & Contingency Funds	0	2,265,000	2,265,000
Wells Hydro. Proj. Lic. Fund	<u>5,004</u>	<u>8,194,428</u>	<u>8,199,432</u>
	<u>\$ 5,004</u>	<u>\$ 12,337,678</u>	<u>\$ 12,342,682</u>
 <u>Wells Hydroelectric Project</u>			
Construction	\$ 150,048	\$ 14,841,649	\$ 14,991,697
Debt Repayment Funds	840,812	11,500,481	12,341,293
Reserve & Contingency Fund	<u>112,091</u>	<u>5,199,943</u>	<u>5,312,034</u>
	<u>\$ 1,102,951</u>	<u>\$ 31,542,073</u>	<u>\$ 32,645,024</u>

j. Excess Revenue Fund - Wells Hydroelectric Project

Excess Revenue Fund represents working capital in the Revenue Fund, as defined in the bondholders' resolution, in excess of the amount of working capital required by the bondholders' resolution. The excess revenue fund will be used to offset the monthly payments due from the power purchasers during fiscal year 2002-2003, until the balance has been exhausted.

k. Federal Income Taxes

The District is a municipal corporation and political subdivision of the State of Washington. As such, any income derived from the District is not subject to Federal income taxation.

l. Cash Equivalents

For purposes of the statements of cash flows, the District considers all short-term investments with a remaining maturity of three months or less when purchased to be cash equivalents. This definition of cash equivalents excludes investments with a maturity of less than three months, which are pooled with investments with longer maturity periods.

m. Purpose of the District and Sources of Revenue

The District is made up of two systems: The Distribution System which distributes electricity to the general consumer, and the Wells Hydroelectric Project which is made up of the generating system.

(1) The District formed the Distribution System in May, 1945. The District negotiated long-term financing through the Rural Electrification Association (REA) to finance the expansion and improvement of the system. Long-term notes were obligated to REA from February 29, 1945, through April 1979, for a total base obligation of \$12,458,000. Additional financing was also obtained through the sale of revenue bonds in 1974 and 1976 for

Notes to Financial Statements

\$760,000 and \$800,000, respectively. In April 1995, the Distribution System sold \$11,435,000 of revenue bonds to finance capital improvements and redeem all of the outstanding principal amounts of prior bonds. On April 19, 1995 the District redeemed the outstanding Series 1974A and Series 1976A revenue bonds.

On March 16, 1995 the District paid \$3,712,293 from cash reserves to redeem all of the Electric Distribution System's revenue debt held by the Rural Utility Services (formerly the Rural Electrification Administration). The District received a discount of \$713,432.78 for early extinguishment of debt. This gain on redeemed debt will be amortized over the remaining life of the respective loans.

The Distribution System receives most of its power requirements from the Wells Hydroelectric Project on a cost of generation basis. In 2002 the Distribution System purchased \$11,940,222 of power from the Wells Hydroelectric Project, \$1,750,908 from the Rocky Reach Project of Public Utility District No. 1 of Chelan County, and \$7,969,110 from Bonneville Power Administration. Sales for capacity, storage, and wheeling in the amount of \$1,257,531 decreased purchased power expense.

In November 1991, the Distribution System acquired a small domestic water system in the town of Withrow, Washington. The financial activity of this water system is recorded in the accounts of the Distribution System.

The Distribution System operates a broadband communication system known as the Douglas County Community Network (DCCN). The primary purpose of the network is to monitor electrical facilities within the District's service area. DCCN is also used to deliver broadband services to District customers. For further information see Note 10.

(2) The District formed the Wells Hydroelectric Project in 1963 for the purpose of constructing a hydroelectric facility on the Columbia River in the State of Washington. The District sold \$202,600,000 of revenue bonds to finance the facility, and substantially completed construction as of August 31, 1970. In 1975, an additional \$5,000,000 of revenue bonds were sold to finance construction of two 115KV power transmission lines and related facilities. In 1986, an additional \$28,065,000 of revenue bonds were sold to finance the replacement of 10 turbine runners. In 1990, an additional \$16,845,000 of revenue bonds were sold to finance the cost of capital improvements to the District's Methow River Basin Spring Chinook Project and the repair of the east embankment. In 1993, an additional \$4,290,000 of revenue bonds were sold to finance the cost of a District recreation action plan and certain Wells reservoir public safety improvements. In 1999 an additional \$16,565,000 of revenue bonds were sold to finance the cost of certain land acquisitions, improvements under the District recreation action plan, and funding requirements of the Habitat Conservation Plan.

Under the terms of power sales contracts, revenues are derived through sales of power produced by the Wells Project to 4 major Pacific Northwest electric utilities and to the District's Electric Distribution System. The contracts stipulate that the power purchasers will pay annual power costs, which are defined as "all costs and expenses . . . in connection with the Wells Project (excluding depreciation and items properly chargeable to cost of acquisition and construction) . . . including . . . amounts . . . for the payment of debt service whether or not the Wells Project is inoperable or the operation thereof is interrupted, suspended, or interfered with in whole or in part during the term of this contract or any portion of said term."

Notes to Financial Statements

NOTE 2 - LONG TERM DEBT

a. Distribution System

	<u>2002</u>	<u>2001</u>
Series of 1995 Revenue Bonds maturing \$495,000 on January 1, 2002, annual maturities increasing periodically to \$1,020,000 on January 1, 2015, bearing interest at annual rates ranging from 4.9% to 6.0%.	\$ <u>9,600,000</u>	\$ <u>10,095,000</u>
Total Long-Term Debt	\$ <u>9,600,000</u>	\$ <u>10,095,000</u>

1995 Revenue Bonds will mature and be retired during the next five years ending December 31 as follows:

2003	520,000
2004	550,000
2005	575,000
2006	610,000
2007	640,000
2008-2015	<u>6,705,000</u>
	\$ <u>9,600,000</u>

Interest on the 1995 Revenue Bonds is payable on January 1 and July 1.

The bondholders' resolution requires the District to maintain at least 125% coverage for debt service. The required coverage was maintained for 2002 and 2001.

b. Wells Hydroelectric Project

A summary of the Wells Hydroelectric revenue bonds at December 31 is as follows:

	<u>2002</u>	<u>2001</u>
Series of 1963 - 4% bonds maturing September 1, 2018, to be redeemed by a bond retirement account accumulated through increasing annual sinking fund installments which began September 1, 1991	\$ 144,170,000	\$ 144,170,000
Less Bonds Retired	<u>46,675,000</u>	<u>42,440,000</u>
Net Series of 1963	<u>97,495,000</u>	<u>101,730,000</u>

Notes to Financial Statements

<p>Series of 1965 - 3.7% bonds maturing September 1, 2018, to be redeemed by a bond retirement account accumulated through increasing annual sinking fund installments which began March 1972</p>	18,600,000	18,600,000
<p>Less Bonds Retired</p>	<u>12,785,000</u>	<u>12,315,000</u>
<p>Net Series of 1965</p>	<u>5,815,000</u>	<u>6,285,000</u>
<p>Series of 1978 - 5.75% bonds maturing September 1, 2008, to be redeemed by a bond retirement account accumulated through increasing annual sinking fund installments beginning September 1, 1999</p>	780,000	885,000
<p>5.8% bonds maturing September 1, 2018, to be redeemed by a bond retirement account accumulated through increasing annual sinking fund installments beginning September 1, 2009</p>	<u>2,050,000</u>	<u>2,050,000</u>
<p>Total Series of 1978</p>	<u>2,830,000</u>	<u>2,935,000</u>
<p>Series of 1986A - 8.75% bonds maturing September 1, 2018, to be redeemed by a bond retirement account accumulated through increasing sinking fund installments beginning September 1, 2006</p>	14,080,000	14,080,000
<p>Series of 1986B - 8.75% bonds maturing September 1, 2006, to be redeemed by a bond retirement account accumulated through increasing annual sinking fund installments which began in September 1990</p>	7,865,000	7,865,000
<p>Less Bonds Retired</p>	<u>5,085,000</u>	<u>4,450,000</u>
<p>Net Series of 1986B</p>	<u>2,780,000</u>	<u>3,415,000</u>
<p>Total Series of 1986A and 1986B</p>	<u>16,860,000</u>	<u>17,495,000</u>

Notes to Financial Statements

<p>Series of 1993A - Serial bonds maturing \$295,000 on September 1, 2003, annual maturities increasing periodically to \$455,000 on September 1, 2004, bearing interest at annual rates ranging from 5.40% to 5.60%</p>	750,000	1,155,000
<p>6% bonds maturing September 1, 2009, to be redeemed by a bond retirement account accumulated through increasing sinking fund installments beginning September 1, 2005</p>	2,165,000	2,165,000
<p>6.15% bonds maturing September 1, 2013, to be redeemed by a bond retirement account accumulated through increasing sinking fund installments beginning September 1, 2009</p>	5,000,000	5,000,000
<p>6.20% bonds maturing September 1, 2018, to be redeemed by a bond retirement account accumulated through increasing sinking fund installments beginning September 1, 2014</p>	<u>7,190,000</u>	<u>7,190,000</u>
<p>Total Series of 1993A</p>	<u>15,105,000</u>	<u>15,510,000</u>
<p>Series of 1993B - Serial bonds maturing \$130,000 on September 1, 2003, bearing interest at annual rate of 5.20%</p>	130,000	130,000
<p>5.7% bonds maturing September 1, 2008, to be redeemed by a bond retirement account accumulated through increasing sinking fund installments beginning September 1, 2006</p>	380,000	380,000

Notes to Financial Statements

<p>5.95% bonds maturing September 1, 2016, to be redeemed by a bond retirement account accumulated through increasing sinking fund installments beginning September 1, 2014</p>	<u>785,000</u>	<u>785,000</u>
Total Series of 1993B	<u>1,295,000</u>	<u>1,295,000</u>
Total Series of 1993A and 1993B	<u>16,400,000</u>	<u>16,805,000</u>
Series of 1999A – Serial Bonds maturing \$165,000 on September 1, 2003, annual maturities increasing periodically to \$390,000 on September 1, 2019 bearing interest at annual rates ranging from 4.80% to 6.10%		
	4,380,000	4,540,000
6.125% bonds maturing September 1, 2029, to be redeemed by a bond retirement account accumulated through increasing sinking fund installments beginning September 1, 2020		
	<u>5,480,000</u>	<u>5,480,000</u>
Total Series of 1999A	<u>9,860,000</u>	<u>10,020,000</u>
Series of 1999B – Serial Bonds maturing \$105,000 on September 1, 2003, annual maturities increasing periodically to \$235,000 on September 1, 2019 bearing interest at annual rates ranging from 4.60% to 5.90%		
	2,710,000	2,810,000
6.00% bonds maturing September 1, 2029, to be redeemed by a bond retirement account accumulated through increasing sinking fund installments beginning September 1, 2020		
	<u>3,295,000</u>	<u>3,295,000</u>
Total Series of 1999B	<u>6,005,000</u>	<u>6,105,000</u>
Total Series of 1999A and 1999B	<u>15,865,000</u>	<u>16,125,000</u>
Series of 2000A – Serial Bonds maturing \$335,000 on September 1, 2003, annual maturities increasing periodically to \$490,000 on September 1, 2010 bearing interest at annual rates ranging from 5.45% to 6.10%		
	3,275,000	3,590,000

Notes to Financial Statements

6.3% bonds maturing on September 1, 2015, to be redeemed by a bond retirement account accumulated through increasing sinking fund installments beginning September 1, 2011	2,975,000	2,975,000
6.35% bonds maturing on September 1, 2018, to be redeemed by a bond retirement account accumulated through increasing sinking fund installments beginning September 1, 2016 Total Series of 2000A	<u>2,275,000</u> <u>8,525,000</u>	<u>2,275,000</u> <u>8,840,000</u>
Subtotal	163,790,000	170,215,000
Less:		
Redemption of Series 1978 Bonds scheduled for September 1	110,000	105,000
Redemption of Series 1986B Bonds scheduled for September 1	695,000	635,000
Series of 1993A and 1993B Serial Bonds maturing currently	425,000	405,000
Series of 1999A and 1999B Serial Bonds maturing currently	270,000	260,000
Series of 2000A Serial Bonds maturing currently	<u>335,000</u>	<u>315,000</u>
Total Revenue Bonds	\$ <u>161,955,000</u>	\$ <u>168,495,000</u>

Bond maturities and sinking fund requirements during the next five fiscal years ending December 31, and thereafter, are as follows:

2003	7,020,000
2004	7,370,000
2005	7,700,000
2006	8,085,000
2007	8,470,000
Thereafter	<u>125,145,000</u>
	<u>\$ 163,790,000</u>

Interest on all bonds for the Wells Hydroelectric Project is payable on March 1 and September 1. All bond covenants were complied with for fiscal years 2002 and 2001.

Notes to Financial Statements

NOTE 3 - MAJOR ASSET CATEGORIES

a. Distribution System

Major asset categories comprising the Distribution System at December 31 are as follows:

	<u>2002</u>	<u>2001</u>
Transmission	\$ 4,334,123	\$ 4,334,123
Distribution	88,587,560	85,657,795
General Plant, including Land	27,371,158	22,327,311
Plant Acquisition Adjustment	<u>862,185</u>	<u>862,185</u>
	121,155,026	113,181,414
Construction Work in Progress	<u>2,405,767</u>	<u>1,659,167</u>
	123,560,793	114,840,581
Less Accumulated Depreciation	<u>35,893,016</u>	<u>32,396,378</u>
Electric Plant (Net)	\$ <u>87,667,777</u>	\$ <u>82,444,203</u>

b. Wells Hydroelectric Plant

Major asset categories comprising hydroelectric plant at December 31, including land of \$43,417,598 in 2002 and \$42,579,537 in 2001, are as follows:

	<u>2002</u>	<u>2001</u>
Hydraulic Plant	\$ 195,339,741	\$ 194,657,446
Transmission Plant	17,779,201	17,916,097
General Plant	<u>5,365,816</u>	<u>5,264,071</u>
	218,484,758	217,837,614
Less Accumulated Depreciation	<u>52,112,747</u>	<u>50,248,211</u>
	166,372,011	167,589,403
Intangible Plant Costs	159,549	159,549
Construction Work In Progress	<u>2,073,613</u>	<u>2,016,303</u>
Hydroelectric Plant (Net)	\$ <u>168,605,173</u>	\$ <u>169,765,255</u>

NOTE 4 - OTHER COMMITMENTS AND CONTINGENT LIABILITIES

a. Colville Confederated Tribes Claim

In January 2003 the Colville Confederated Tribes presented an economic consultant's study indicating the District owes the Tribes approximately \$950,000,000 for past annual charges and approximately \$18,000,000 annually for use of freeboard lands previously considered tribal lands and one-half of the bed of the Okanogan and Columbia

Notes to Financial Statements

Rivers bordering the Colville Reservation. The District has been aware of a claim made by the Tribes for the use of the bed of the river for years, but there has never been a claim to shore land that the District owns. The bed of the river claim has surfaced on several occasions over the past 25 years, but the Tribes chose not to pursue it seriously until January 2003. The Tribes' claim in 2003 includes annual charges, past and future, for all of the lands that the District previously acquired in fee title from allottees, individuals of the Tribes, and the Bureau of Indian Affairs, as well as for one-half of the bed of the Okanogan and Columbia Rivers abutting the Colville Reservation.

The District has recorded fee title deeds to all of the shore land below Project Boundary abutting the Colville Reservation. The District and its attorneys believe the District does not owe annual charges on the shore land in question. Furthermore, based on relevant court cases, the District believes it has a good case in regard to the bed of the river in that it is owned by the State of Washington. The State of Washington granted the right to overflow the bed of the river to the District. The burden will be on the Tribes to defeat this overflow right.

The Tribes and the District have entered into settlement discussions. Progress has been made, but the Tribes' demands are still considerably in excess of what the District believes would be a reasonable resolution to this issue. The District and its attorneys are optimistic that it will be able to negotiate a reasonable resolution and thus prevent the filing of a legal action by the Tribes against the District. As the final outcome of the negotiations is not presently determinable, no accruals have been made to the financial statements.

b. Wells Project Power Purchasers Settlement Agreement

Under this agreement the District must offer certain temporary, non-firm energy to the Wells Project Power Purchasers under two pricing strategies which are subject to annual adjustments. One of the Purchasers may buy power at 85% of the energy offer rate while the remaining Purchasers pay at a rate equal to the sum of the Wells Annual Power Cost Rate plus a rate adder for high or low rate periods. The adder rates for contract years 2002 and 2001 were \$9.50/MWh (Low) and \$12.50/MWh (High).

Annual adjustments are made when the Wells Annual Power Cost has been determined; after the end of each Wells fiscal year. The adjustment is based on the computed excess of District reserved share power and effectively adjusts the Power Purchaser's cost of this energy to the Wells Annual Power Cost Rate. The District estimates the adjustment to revenue each month required by this agreement. The liability created by this agreement is estimated at \$1,518,865 and \$19,300 for the period ending December 31, 2002 and 2001, respectively.

c. Memorandum of Understanding with Okanogan County Public Utility District

The District and Okanogan PUD entered into a written Memorandum of Understanding granting Okanogan the first right of refusal to any power and energy the District makes available after meeting the needs within Douglas County and contractual commitments in place on the date of the Memorandum. The two Districts also committed to negotiate a Power Sales Contract intended to allocate an additional 22% share of the output of Wells Project to Okanogan after expiration of the current Power Sales Contracts in 2018. The additional share is contingent upon each of the following: (1) The District and Okanogan PUD successfully relicensing the Project and obtaining 100% of the Project output; (2) the new license entitling the District to 92 percent of the output and Okanogan PUD to 8 percent of the output of the Project; and (3) the District's compliance with the Power Sales Contracts with each of the four Wells Power Purchasers.

Notes to Financial Statements

d. Endangered Species

Several species of fish in the vicinity of the Wells Project were listed as threatened or endangered under the Endangered Species Act. Steelhead and spring chinook were listed as endangered species on August 18, 1998 and March 16, 1999, respectively. Bull trout were listed as a threatened species on June 10, 1998. Summer chinook salmon migrating above Rock Island Dam were petitioned for listing in June 1993, however National Marine Fisheries Service declined to list summer chinook in September 1994.

The District has negotiated with state and federal fisheries agencies, Indian tribes and an environmental group, a multispecies Habitat Conservation Plan (“HCP”). The HCP species are spring chinook, summer/fall chinook, steelhead, sockeye, and coho salmon. The purpose of the HCP is to have legally enforceable measures in place to either avoid a listing under the Endangered Species Act (“ESA”) or, in the event of a listing, allow continued operation of the Wells Project under an incidental take permit. The District expects that the HCP, when implemented, will replace the District’s Long-Term Anadromous Fish Settlement Agreement and satisfy all of the FERC relicensing and ESA requirements for the Plan species.

The District has received an incidental take permit for the operation of the Wells Project and for hatchery operation. The District will submit the complete license amendment application to FERC for approval.

e. Land Acquisition

Recent surveys by the District’s contracted surveyors have revealed several encroachments. The survey also indicated some sluffage and erosion along the Wells Reservoir as well as the probability of errors on portions of the original survey of the Wells project. District personnel have reviewed the matter with the District’s counsel and consulting engineer as to the appropriate course of action, which will involve relocation of portions of the Project Boundary. This will include acquisition of land either by negotiation or condemnation. A property owner with water from the Project encroaching on his property could pursue legal action in order to remedy the situation. The District intends to vigorously pursue acquisition in fee title of any lands upon which the Wells Reservoir is encroaching. Accordingly in November 1999, the District issued revenue bonds, a portion of which is to fund land acquisition.

f. ASTech Corporation

During normal operations of the industrial plant ASTech was repaying facility upgrades to the Hanna Substation known as “use of facilities” fees. In September 1999 ASTech Corporation suspended operations at their Rock Island industrial plant. ASTech owed the District \$447,828, plus interest, on the Hanna Substation upgrades. The District obtained a default judgment for this obligation on March 19, 2002. Due to insolvency and foreclosure proceedings ASTech is without funds to address its obligation to the District. It is unlikely that the District will recover these facility upgrade fees from ASTech.

Notes to Financial Statements

g. Northwest Regional Power

As of January 31, 2003 Northwest Regional Power (NRP) owed the District \$194,373.05 for facility costs related to a diesel generating station that they installed near the District's Hanna substation. NRP has been making irregular payments on the outstanding balance. The District is actively pursuing collection on the outstanding balance.

NOTE 5 - EMPLOYEE RETIREMENT PLAN

Substantially all District full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The PERS system includes two defined benefit pension plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The average pension is two percent of the average final compensation per year of service, capped at 60 percent.

Plan 2 members may retire at age 65 with five years of service, or at age 55 with 20 years of service, with an allowance of two percent per year of service of the average final compensation. Plan 2 retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

Employer and employee contribution rates are established periodically by the State Legislature. The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2002 were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>
Employer	1.32%*	1.32%*
Employee	6.00%	0.65%

*The employer rates include an employer administrative expense fee of .23%

Both the District and the employees made the required contributions. The District's required contributions for the years ended December 31 were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>
2002	\$ 67,131	\$ 86,595
2001	\$ 78,943	\$180,900
2000	\$ 74,525	\$ 315,705

Notes to Financial Statements

NOTE 6 - TRANSFER OF INTEREST IN PROJECT

The District's power sales contract with Public Utility District No. 1 of Okanogan County, Washington, includes the following provisions:

“At such time as all indebtedness represented by all costs of acquisition and construction of the Wells Project, including all evidences of debt properly chargeable to said Project, has been satisfied and discharged, then and in that event Okanogan shall be entitled to, and Douglas will transfer by adequate legal documents, title to an undivided eight percent (8%) interest in and to the Wells Project.”

At the same time the remaining 92% interest in the Wells Project will be owned by Public Utility District No. 1 of Douglas County and can be used for the benefit of the people of the County. Okanogan and Douglas agreed to cooperate in the relicensing of the Wells Project. They will file only one application for the Project license, with the District being the licensee.

NOTE 7 - GAIN ON EARLY EXTINGUISHMENT OF DEBT

During 2002 and 2001, the Wells Hydroelectric Project retired Wells Project Hydroelectric revenue bonds 4%, series 1963 and 3.7%, series 1965, due September 1, 2018, in the following amounts:

	<u>2002</u>		<u>2001</u>	
	Series 1963	Series 1965	Series 1963	Series 1965
Principal Amount of Retirement	\$ 4,235,000	\$ 470,000	\$ 4,650,000	\$ 455,000
Cost to Retire (Principal)	<u>4,193,211</u>	<u>455,562</u>	<u>4,398,805</u>	<u>438,841</u>
Gain on Early Retirement	<u>\$ 41,789</u>	<u>\$ 14,438</u>	<u>\$ 251,195</u>	<u>\$ 16,159</u>

NOTE 8 - DEFERRED DEBITS AND CREDITS

Distribution System

The Distribution System has deferred debits of \$2,065,788 and \$1,261,467 at December 31, 2002 and 2001 respectively. The deferred debits consist of preliminary survey and investigation, such as wind development costs, undistributed balances in clearing accounts, miscellaneous work in progress and retired employee benefits. The employee benefits are amortized and the remaining deferred debits are capitalized or expended according to generally accepted accounting

Notes to Financial Statements

principles. The Distribution System has deferred credits of \$22,400 and \$101,226 respectively at December 31, 2002 and 2001. The deferred credits consist of funds retained for contract performance, secured funds for installation costs, and retired employee benefits.

Wells Hydroelectric Project

The Wells Hydroelectric Project has deferred debits of \$22,415,127 and \$23,269,940, respectively at December 31, 2002 and 2001. The deferred debits consist of improvements to recreational facilities, repair and maintenance costs, miscellaneous fish improvements, preliminary survey and investigation, and miscellaneous clearing accounts. The deferred debits are amortized over the life of the 1986, 1990 and 1993 bonds which were issued to fund the projects except for the miscellaneous clearing accounts which are cleared annually. The Wells Hydroelectric Project has deferred credits of \$162,129 and \$1,191,303 respectively at December 31, 2002 and 2001. The deferred credits consist of funds retained for contract performance and power cost adjustments not taken by Power Purchasers.

NOTE 9 - NORTHWEST OPEN ACCESS NETWORK

The District, along with 14 other Washington State Public Utility Districts and Energy Northwest, is a member of NoaNet, a Washington nonprofit mutual corporation. NoaNet was incorporated in February 2000 to provide a broadband communications backbone, over Public Benefit Fibers leased from Bonneville Power Administration, throughout the State of Washington for assisting its members in the efficient management of load, conservation and acquisition of electric energy as well as other purposes. The network began commercial operation in January 2001.

In July 2001, NoaNet issued \$27 million in Telecommunications Network Revenue Bonds (taxable) to finance the repayment of the founding members and the costs of initial construction, operations and maintenance. The Bonds become due beginning in December 2003 through December 2016 with interest due semi-annually at rates ranging from 5.05% to 7.09%. Each member of NoaNet has entered into a Repayment Agreement to guarantee the debt of NoaNet. The District's guarantee is limited to its 4.17% interest. In addition, in January 2003 NoaNet opened a \$5 million line of credit with Bank of America to fund capital expenditures.

The management of NoaNet anticipates meeting debt obligations through profitable operations but it will be necessary for NoaNet to assess members to cover operating deficits during the initial years of operation.

NOTE 10 - TELECOMMUNICATION SERVICES

Since the 1960's the District has owned and operated telecommunication facilities that provide communication for District electrical equipment, employees and office equipment. The communication system has grown to become an integral part of the District's electrical system, providing remote monitoring, switching, metering, internal communication, and security to District assets. In 2000 the Washington State Legislature gave Public Utility Districts the authority to offer wholesale telecommunication services. A portion of the District's broadband network is now used to benefit citizens of Douglas County. The District named its broadband network the Douglas County Community Network (DCCN). DCCN provides wholesale broadband telecommunication services to customers of the District. In 2002 District communication systems revenues were \$218,816 and total expenses, excluding depreciation, were \$738,082.

PUBLIC UTILITY DISTRICT NO. 1 OF DOUGLAS COUNTY

DIRECTORY OF OFFICIALS

Commissioners:	<u>Elected</u>	<u>Term</u>	<u>Expiration</u>
President	T. James Davis	6	December 2004
Vice President	Lynn M. Heminger	6	December 2008
Secretary	Michael Doneen	6	December 2006

Appointed

Manager	William C. Dobbins
Treasurer	Wyatt W. Scheibner
Auditor	Gary R. Ivory
Attorney	Garfield R. Jeffers

Mailing Address

District	1151 Valley Mall Parkway East Wenatchee, WA 98802
Attorney	Jeffers, Danielson, Sonn & Aylward, P.S. PO Box 1688 Wenatchee, WA 98807-1688