

# Consolidated Statements of Revenues, Expenses and Changes in Net Assets

(in thousands)

<b>For the Years Ended December 31,</b>	<b>2007</b>	<b>2006</b>
<b>Operating Revenues</b>		
Sales to municipalities (used as security for revenue bonds)	\$ 303,484	\$ 255,141
Other revenues	25,648	13,632
	<b>329,132</b>	<b>268,773</b>
<b>Operating Expenses</b>		
Purchased power	218,636	154,850
Fuel	28,168	24,883
Production	8,912	8,009
Transmission and local facilities	16,326	23,447
Other operating	7,189	6,793
Maintenance	5,099	6,641
Depreciation	14,645	14,291
Future recoverable costs	2,947	2,966
	<b>301,922</b>	<b>241,880</b>
<b>Operating Income</b>	<b>27,210</b>	<b>26,893</b>
<b>Non-Operating Expenses and (Income)</b>		
Interest expense on revenue bonds	20,772	21,698
Amortization of cost of reacquiring debt	2,609	2,770
Amortization of discount and issuance costs	40	136
Interest income	(5,954)	(5,822)
Other non-operating expenses	130	55
	<b>17,597</b>	<b>18,837</b>
<b>Net Income</b>	<b>9,613</b>	<b>8,056</b>
<b>Net Assets at Beginning of Year</b>	<b>131,334</b>	<b>123,278</b>
<b>Net Assets at End of Year</b>	<b>\$ 140,947</b>	<b>\$ 131,334</b>

The accompanying notes are an integral part of the above statements.

# Consolidated Balance Sheets

(in thousands)

<b>December 31,</b>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
<b>Utility Plant</b>		
Utility plant in service	\$ 482,762	\$ 475,179
Less accumulated depreciation	(198,063)	(183,800)
	284,699	291,379
Construction work in progress	168,488	34,449
Total Utility Plant, Net	<b>453,187</b>	<b>325,828</b>
<b>Long-Term Investments</b>	<b>163,407</b>	<b>236,419</b>
<b>Restricted Cash and Cash Equivalents</b>	<b>389,480</b>	<b>36,837</b>
<b>Current Assets</b>		
Unrestricted cash and cash equivalents	29,612	20,801
Short-term investments	28,966	25,297
Municipality accounts receivable	39,370	36,919
Fuel stock and material inventory	4,918	4,977
Other current assets	21,154	8,412
Total Current Assets	<b>124,020</b>	<b>96,406</b>
<b>Deferred Costs</b>		
Regulatory assets	72,769	80,288
Other	9,873	5,750
Total Deferred Costs	<b>82,642</b>	<b>86,038</b>
	<b>\$ 1,212,736</b>	<b>\$ 781,528</b>
<b>Net Assets and Liabilities</b>		
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ (553,016)	\$ (269,326)
Restricted	550,624	254,764
Unrestricted	143,339	145,896
Total Net Assets	<b>140,947</b>	<b>131,334</b>
<b>Non-Current Liabilities</b>		
Long-term revenue bonds, net	986,533	576,714
Other non-current liabilities	3,629	2,767
Regulatory liabilities	2,568	2,326
Total Non-Current Liabilities	<b>992,730</b>	<b>581,807</b>
<b>Current Liabilities</b>		
Current maturities of revenue bonds	19,670	18,440
Accounts payable	33,847	32,015
Accrued interest on revenue bonds	19,596	14,806
Accrued liabilities	5,946	3,126
Total Current Liabilities	<b>79,059</b>	<b>68,387</b>
	<b>\$ 1,212,736</b>	<b>\$ 781,528</b>

The accompanying notes are an integral part of the above statements.

# Consolidated Statements of Cash Flows

(in thousands)

<b>For the Years Ended December 31,</b>	<b>2007</b>	<b>2006</b>
<b>Cash Flows From Operating Activities:</b>		
Receipts from municipalities	\$ 289,474	\$ 265,167
Other operating receipts	25,651	15,230
Payments for purchased power	(221,276)	(156,323)
Payments for fuel	(27,701)	(26,708)
Payments for production	(8,694)	(8,056)
Payments for transmission and local facilities	(16,854)	(23,627)
Payments for other operating expenses	(4,154)	(6,698)
Payments for maintenance	(5,084)	(6,693)
<b>Net cash provided by operating activities</b>	<b>31,362</b>	<b>52,292</b>
<b>Cash Flows From Capital And Related Financing Activities:</b>		
Net additions to utility plant	(135,814)	(20,214)
Issuance of long-term debt	425,323	173,549
Principal payments on long-term debt	(18,440)	(17,470)
Interest payments	(29,982)	(22,165)
<b>Net cash provided by capital and related financing activities</b>	<b>241,087</b>	<b>113,700</b>
<b>Cash Flows From Investing Activities:</b>		
Investment purchases	(5,905)	(191,165)
Maturities and called investments	77,323	31,142
Interest income and other	17,587	10,114
<b>Net cash provided by (used in) investing activities</b>	<b>89,005</b>	<b>(149,909)</b>
 Net Increase in Cash and Cash Equivalents	 361,454	 16,083
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>57,638</b>	<b>41,555</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 419,092</b>	<b>\$ 57,638</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 27,210	\$ 26,893
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	14,645	14,291
Future recoverable costs	2,947	2,966
<b>Changes in current assets and liabilities</b>		
Municipality accounts receivable	(2,451)	843
Fuel stock and material inventory	59	(1,070)
Accounts payable	1,832	7,321
Other	(12,880)	1,048
<b>Net cash provided by operating activities</b>	<b>\$ 31,362</b>	<b>\$ 52,292</b>

The accompanying notes are an integral part of the above statements.