

QUARTERLY UPDATE

3rd Quarter
April - June 2010

Strategic Business Objectives Scorecard Fiscal Year 2010 Third Quarter (June 30, 2010)

Utility Supply

- ◆ Equivalent Forced Outage Rate¹
Measure of generation reliability. Hours units not available at full load as a percentage of hours scheduled.
- ◆ System Busbar Cost (Excluding Depreciation)²
Measure of the cost of generation. CU's generation operations and maintenance per MWh generated.

Actual	Target	Industry
1.01%	< 3.00%	9.12% (2008)
\$38.45	< \$39.25	\$44.46 (2008)

Customer Delivery

- ◆ Customer Satisfaction³
Measure of customer satisfaction with CU. From customer survey, percent of respondents Very Satisfied or Somewhat Satisfied for overall customer satisfaction.

Actual	Target	Industry
95.00%	> 90.00%	78.00% (2008)

Financial Strength

- ◆ Days Cash on Hand
Ability to meet the day-to-day financial obligations of the utility. Utility funds available for working capital divided by daily cash requirements. (Not including contingency reserve.)

Actual	Target	Industry
102	60-75	89 (2008)

Human Resources

- ◆ Customers per Employee²
Measure of productivity. Ratio of the number of electric, natural gas, and water customers to full-time equivalent employees, excluding transit and telecommunications.
- ◆ Overtime¹
Measure of productivity. Ratio of dollars paid in overtime to total labor dollars.

Actual	Target	Industry
283	> 275	279 (2008*)

Actual	Target	Industry
5.45% (5.26% excluding OT from storms)	< 5.70%	8.75% (2008*)

Community Responsibility

- ◆ Community Services¹
Measure of financial contribution to the community. Cash, free services, and other community services as a percentage of CU combined operating revenues.

Actual	Target	Industry
6.9%	7.0% - 8.0%	5.3% (2008*)

Environmental Responsibility

- ◆ Reportable Incidents¹
Measure of environmental stewardship. Superfund air, water, or landfill incidents that are reportable to the National Response Center (EPA). (The reference to NOV is the number of Notices of Violation received.)

Actual	Target	Industry
0 (0 NOV)	0	1.1 (2008*)

Safety

- ◆ Lost Time Rate⁴
Measure of employee safety. Incident rate for cases resulting in absence due to work related injuries or illnesses.

Actual	Target	Industry
.6	≤ 1.5	1.2 (2007)

¹"Actual" figures reflecting Fiscal Year 2010 information.

²"Actual" figures reflecting 12 months ended June 30, 2010.

³Customer Satisfaction was last measured during May and June 2010.

⁴Lost Time Rate is listed for January 1, 2010 - June 30, 2010.

Finance at a Glance Quarter Ended June 30, 2010

Performance Criteria Used for Operating Income:

<5% unfavorable variance	5% to 15% unfavorable variance	>15% unfavorable variance
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Electric Operating Income

Actuals	\$ 3,412,757
Budget	\$ (105,611)
Variance	<u>\$ 3,518,368</u>
Over/(Under)%	3331%

Variance Explanation

Electric revenues were \$3.4 million under budget, as sales volumes were 2.8% under budget. Electric expenses were \$6.9 million under budget, driven by lower than budgeted fuel costs and the availability of surplus hydro power. Fuel costs were \$3.6 million under budget while purchased power was an additional \$1.4 million under budget due to lower than expected fuel prices. Result: Operating Income \$3.5 million favorable.

Natural Gas Operating Income

Actuals	\$ 7,637,427
Budget	\$ 6,464,384
Variance	<u>\$ 1,173,043</u>
Over/(Under)%	18%

Natural Gas revenues were on target with budget. Expenses were \$1.3 million under budget with lower purchased gas costs representing most of the underrun. Result: Operating Income was \$1.2 million favorable.

Transit Operating Income (Loss)

Actuals	\$ (4,732,714)
Budget	\$ (5,133,053)
Variance	<u>\$ 400,339</u>
Over/(Under)%	8%

Transit revenues were on target. Expenses were \$447,000 under budget, driven by incurred expenses being lower than estimated. Result: Operating Loss was \$400,000 less than budgeted.

Telecommunications Operating Income

Actuals	\$ 1,844,585
Budget	\$ 1,704,999
Variance	<u>\$ 139,586</u>
Over/(Under)%	8%

Telecommunications revenues were over budget by \$143,000 while expenses were on target with the budget. Result: Operating Income was \$140,000 favorable.

Water Operating Income

Actuals	\$ 1,679,708
Budget	\$ 1,201,157
Variance	<u>\$ 478,551</u>
Over/(Under)%	40%

Water revenues were on target with the budget. Operating expenses were \$478,000 under budget, driven by lower than budgeted treatment expenses and management's efforts at controlling costs. Result: Operating Income was \$479,000 favorable.

Performance Criteria Used for Days Cash:

>55 days cash	50 to 55 days cash	<50 days cash
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Days Cash

Actuals	102
Target	60 to 75

Variance Explanation

Targeted days cash on hand is 60-75 days. Actual cash on hand (working capital) was 102 days.

Effective October 1, 2009, the Public Utility and Water Utility were consolidated.

Performance Criteria Used for Fuels Inventory:

<10% unfavorable variance	10% to 25% unfavorable variance	>25% unfavorable variance
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Coal Inventory (Tons)

Actuals	169,477
Budget	<u>332,567</u>
Variance	(163,090)
Over/(Under)%	-49%

Variance Explanation

At the end of June, coal inventory was 163,000 tons under budgeted quantities. Coal purchases were 238,000 tons under budget and coal burned was 75,000 tons over budget. Result: Coal on hand of 169,000 tons is equal to approximately 30 days. The result is favorable due to reaching our target of 30-45 days coal on hand.

Coal Inventory

Actuals	\$ 5,091,065
Budget	<u>\$ 11,644,468</u>
Variance	\$ (6,553,403)
Over/(Under)%	-56%

The budget variance for the value of coal was driven mainly by lower inventory levels than expected.

Natural Gas Inventory (DTH)

Actuals	1,814,329
Budget	<u>1,365,065</u>
Variance	449,264
Over/(Under)%	33%

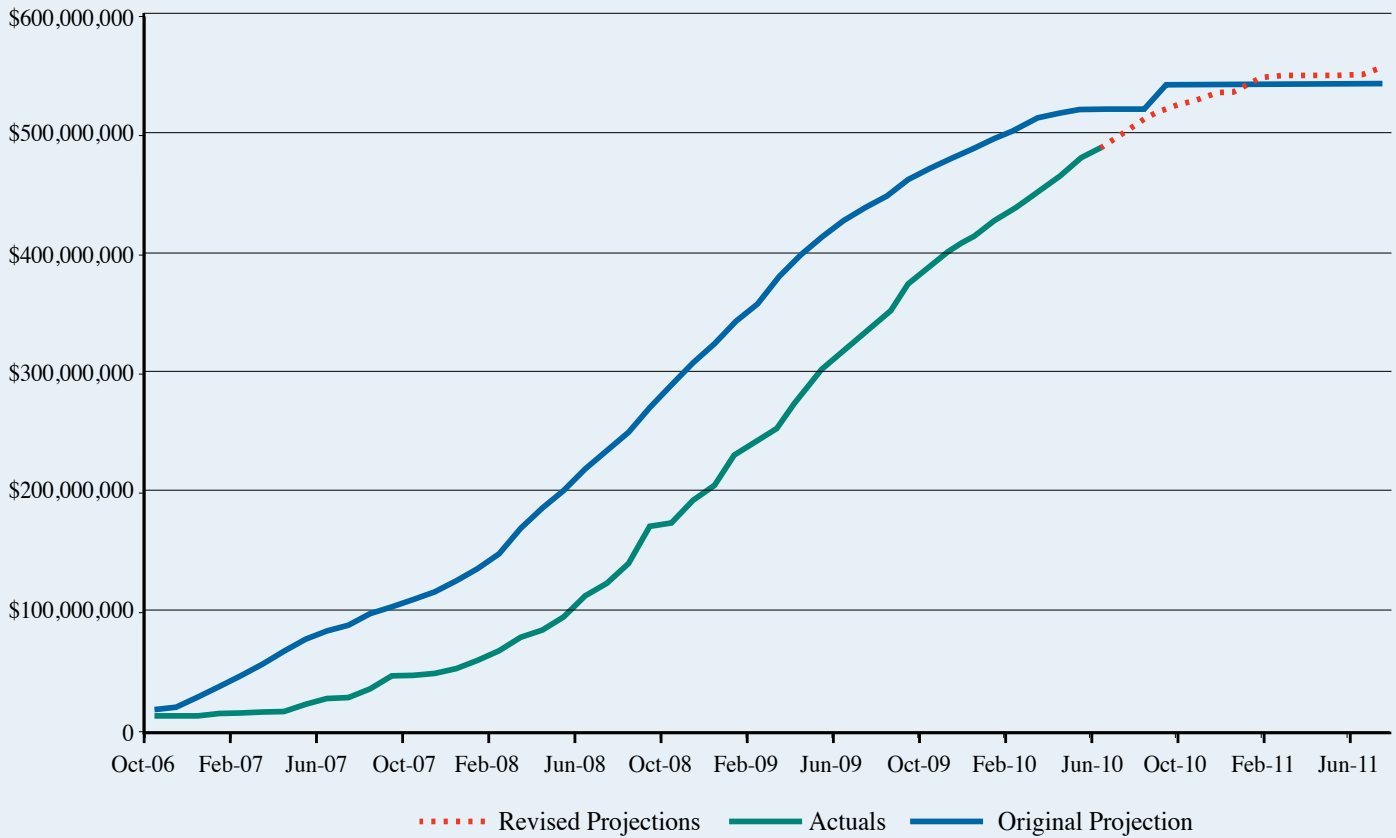
Inventory level of natural gas was 449,000 DTH above budgeted level. During this time of year inventory levels are being increased in preparation for the winter heating season.

Natural Gas Inventory

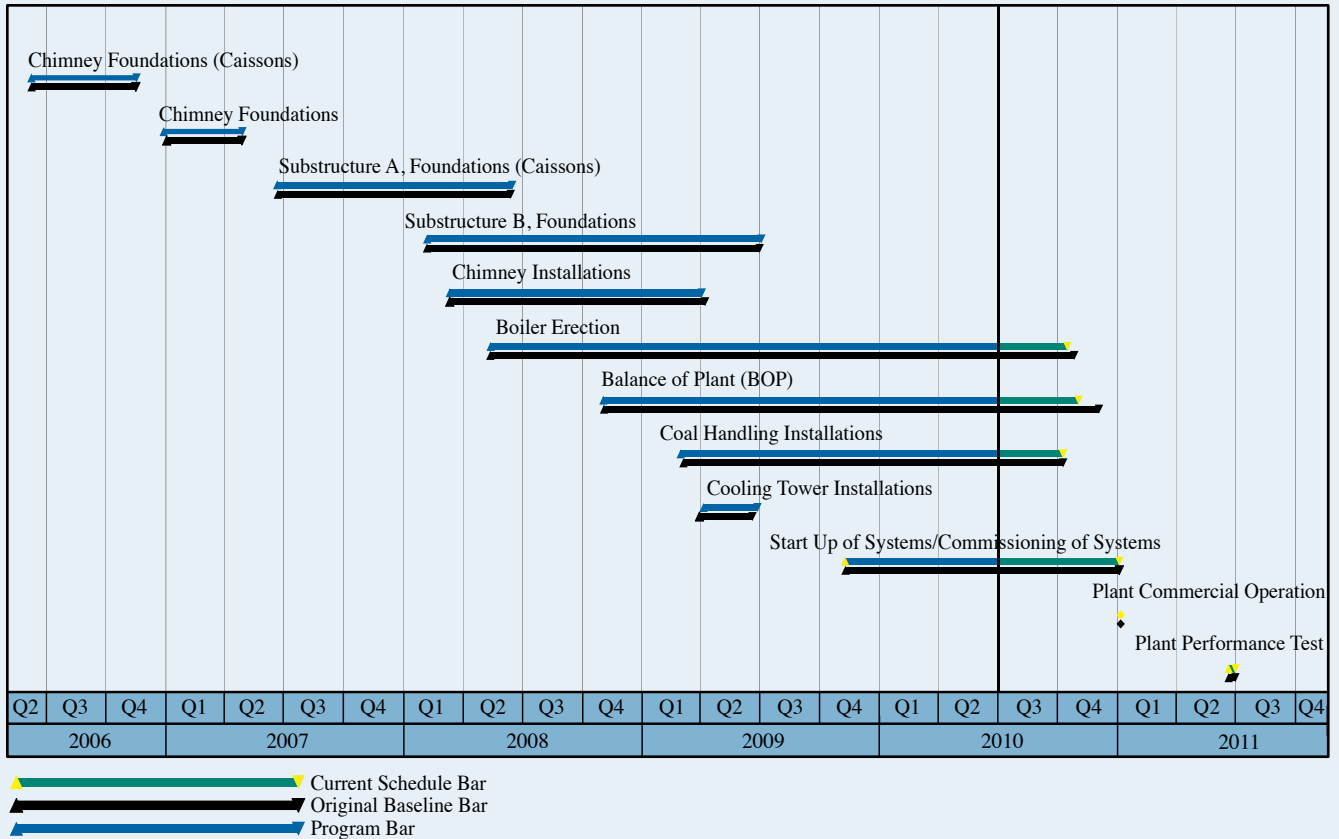
Actuals	\$ 6,571,249
Budget	<u>\$ 7,000,539</u>
Variance	\$ (429,290)
Over/(Under)%	-6%

The budget variance for the value of natural gas was driven mainly by higher inventory levels at lower prices than expected.

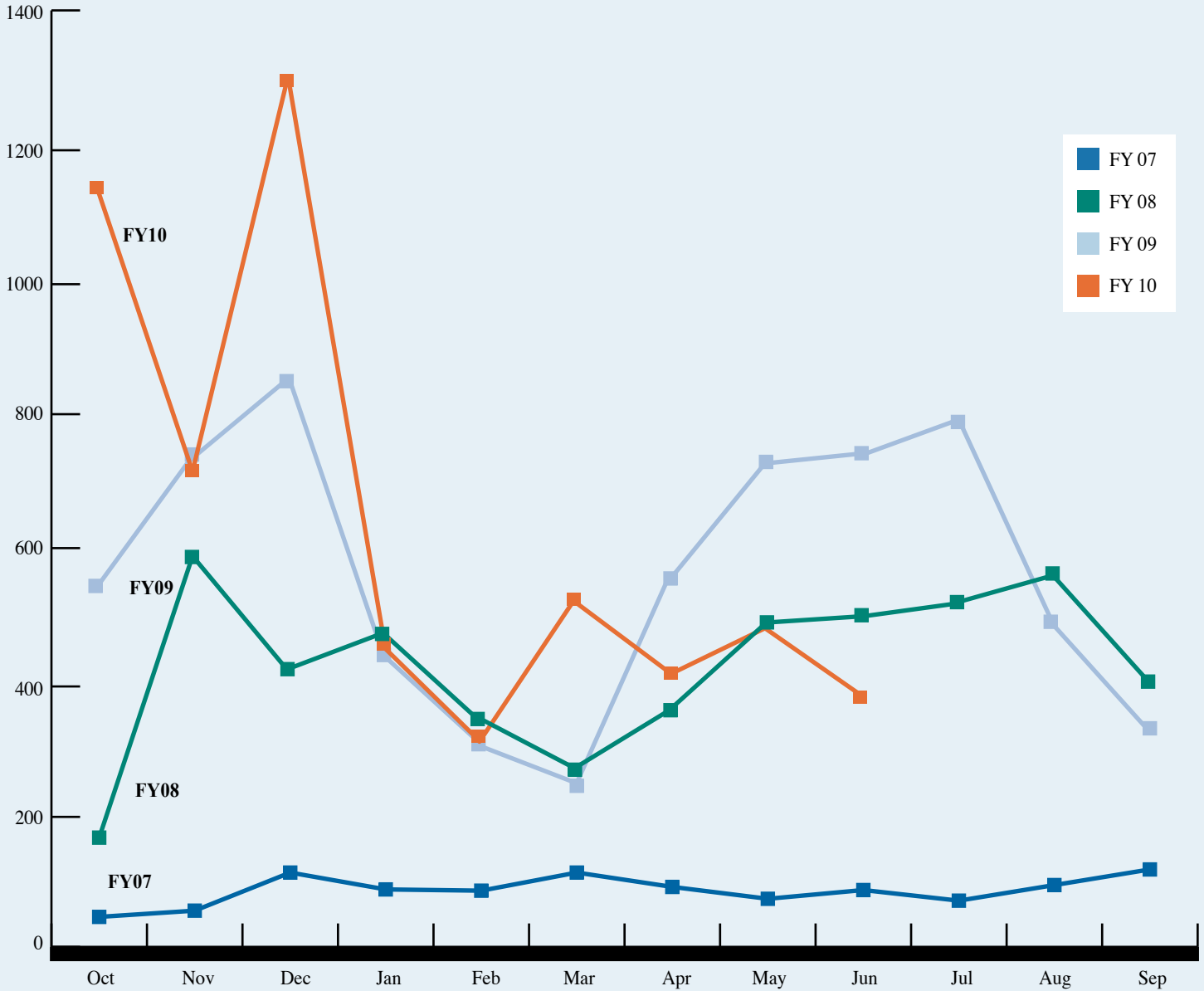
SW2 Project Expenditures as of June 30, 2010



SW2 Construction Schedule



Energy Management & Conservation Residential Energy Audits, Commercial Energy Audits and Rebates



- ◆ Refrigerator and Freezer Recycling Rebate
- ◆ ENERGY STAR® Programmable Thermostat Rebate
- ◆ Residential Insulation Rebate
- ◆ Commercial Lighting Rebate
- ◆ Irrigation System Rain Sensor Rebate
- ◆ Efficient Toilet Rebate
- ◆ ENERGY STAR® Central Air Conditioner Rebate
- ◆ ENERGY STAR® Natural Gas Furnace Rebate
- ◆ ENERGY STAR® Air-Source Heat Pump Rebate
- ◆ ENERGY STAR® Geothermal Heat Pump Rebate
- ◆ Preseason HVAC Tune-Up
- ◆ HomeSense Energy Audit
- ◆ Commercial Lighting Audit
- ◆ Commercial Energy Audit