

Chelan PUD Power Management and Finance Update

Board Meeting

February 21, 2006





Discussion Topics

- Power Management Update
 - 2005 Financial Highlights
 - Current Finance Strategies
-
- No action required today



2005

Market Conditions

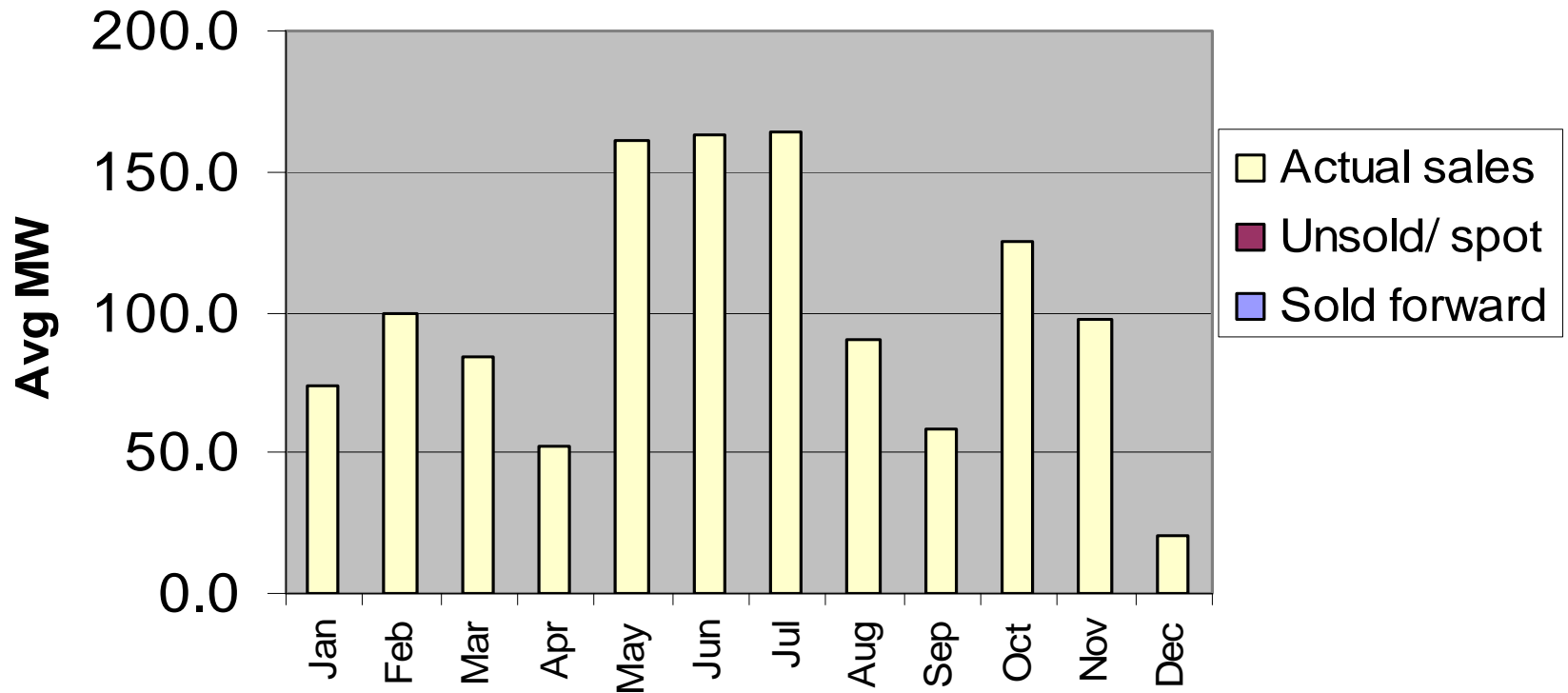
- Year to Date (Jan – Dec)
 - Water = 90% of average
 - Price = \$58.11 / MWH
- Record high gas prices
- Hydro conditions by year end better than spring forecast



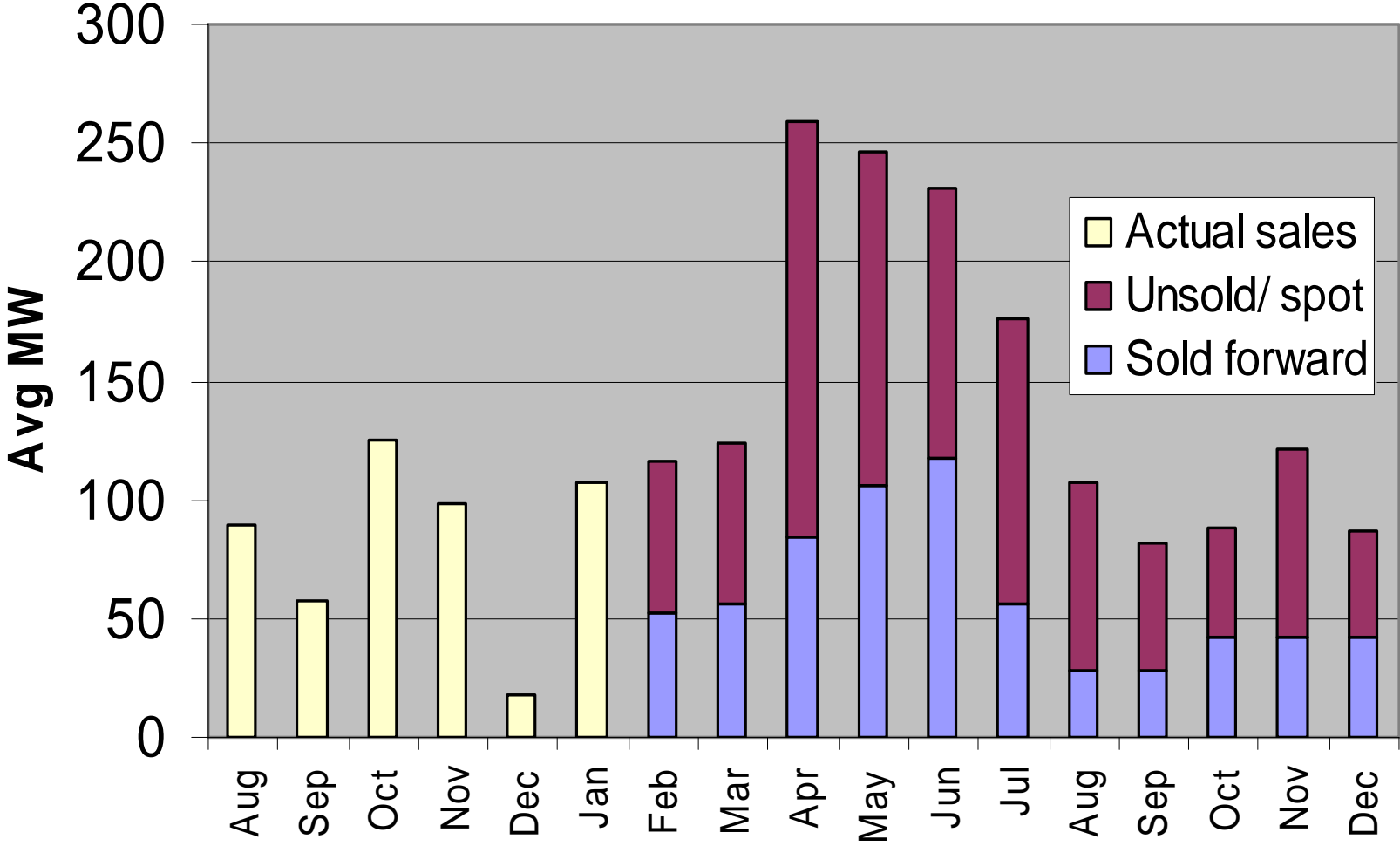
Net Surplus Sales Financial Results

- \$49.5 million total wholesale revenue for 2005
- \$9.7 million more than budgeted
- Ladder strategy successful again

Wholesale Sales 2005 \$49.5 Million



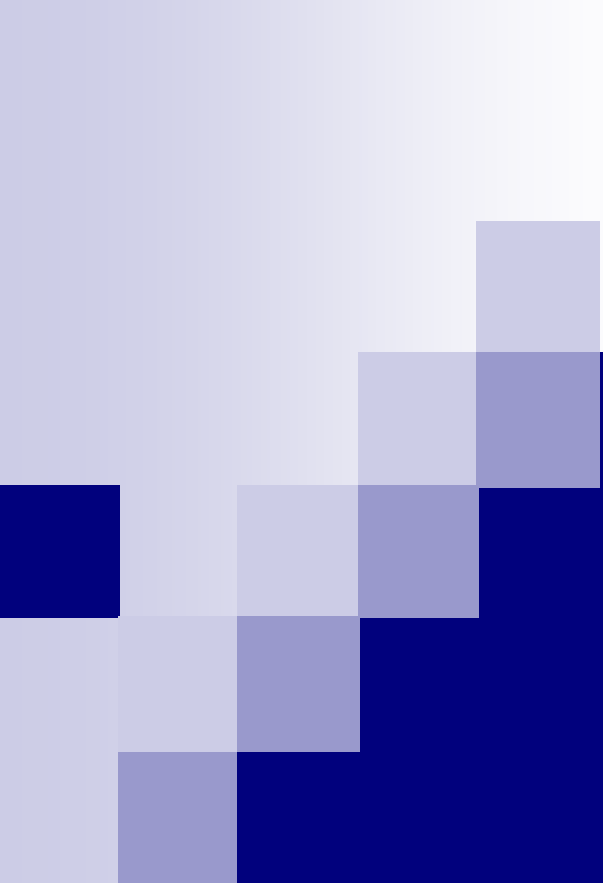
Estimated Surplus 2005/06 @ 100% Water





Power Management Highlights

- Strong financial results
- Completed system operations move to CTC
- Completed control system upgrade
- Completed scheduling system upgrade
- Improved credit risk management
- Full Potential of technology upgrades



2005 Preliminary Financial Highlights

Electric Distribution

YTD 12/31/05 (\$000s)

	Actual	Budget	Variance
Operating Revenue	41,972	40,616	1,356
Net Power Supply	(2,855)	8,399	(11,254)
Operating Expenses	31,681	31,584	97
Operating Income	13,146	633	12,513
Non Op Exp (Inc)	(2,969)	(805)	(2,164)
Cap Contributions	2,883	3,700	(817)
Inc/Dec in Net Assets	18,998	5,138	13,860

Networks

YTD 12/31/05 (\$000s)

	Actual	Budget	Variance
Operating Revenue	2,300	1,946	354
Operating Expenses	5,329	5,125	204
Operating Income	(3,029)	(3,179)	150
Non Op Exp (Inc)	2,000	1,953	47
Cap Contributions	454	0	454
Inc/Dec in Net Assets	(4,575)	(5,132)	557

Water

YTD 12/31/05 (\$000s)

	Actual	Budget	Variance
Operating Revenue	3,631	3,384	247
Operating Expenses	4,112	3,767	345
Operating Income	(481)	(383)	(98)
Non Op Exp (Inc)	643	625	18
Cap Contributions	1,383	335	1,048
Inc/Dec in Net Assets	259	(673)	932

Wastewater

YTD 12/31/05 (\$000s)

	Actual	Budget	Variance
Operating Revenue	402	395	7
Operating Expenses	800	769	31
Operating Income	(398)	(374)	(24)
Non Op Exp (Inc)	18	60	(42)
Cap Contributions	43	100	(57)
Inc/(Dec) in Net Assets	(373)	(334)	(39)

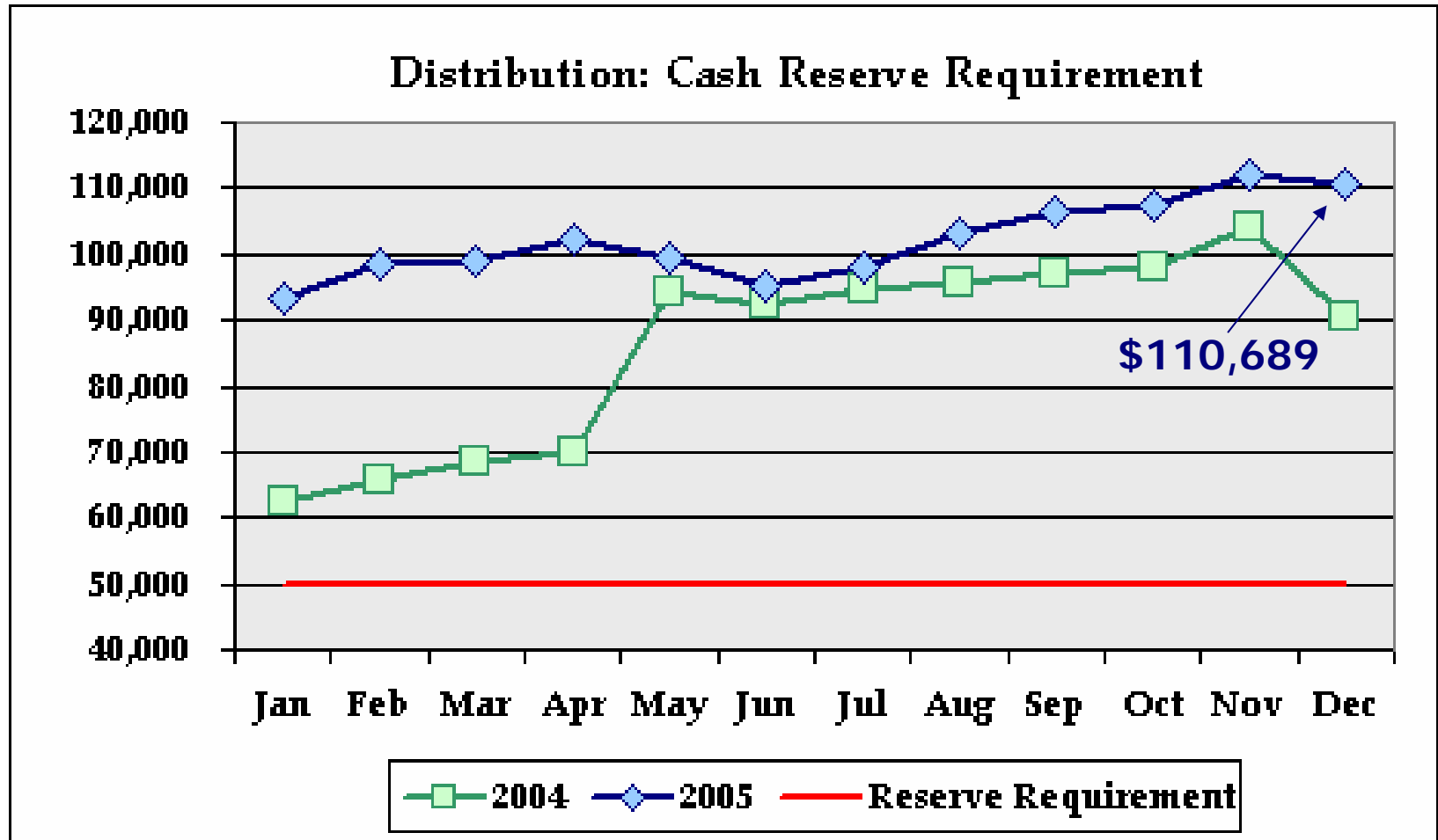
2005 Capital Expenditures

(\$000s)

	Actual	Budget	Unspent	%
Distribution	9,740	11,426	1,686	15%
Networks	12,438	12,452	14	0%
Water/WW	2,728	4,024	1,296	32%
Generation	30,618	39,097	8,479	22%
Internal Service	3,761	6,394	2,633	41%
Total	59,286	73,393	14,107	19%

Cash Reserves

(\$000)



Demands on Reserves

- 2006 Budget increase of \$25.3 million
- Project Backlog
- Intersystem loans
- Aging infrastructure – pay as you go
- Our share of plant modernization
- Reduce debt

Current Finance Strategies

- Power Sales Contract negotiations
- Develop recommendation for use of funds
- O&M and Capital multi-year forecast
- 2007 Budget Process Enhancements
- Completing Enterprise Risk Management implementation
- Updating Power Risk Management policies



Future Board Updates

- May 1
- July 24
- October 30

Any Questions?