

# Chelan PUD Power Management and Finance Update

*Board Meeting*

*May 8, 2006*





# Discussion Topics

- Power Management Update
  - First Quarter 2006 Financial Highlights
  - Current Finance Strategies
- 
- No action required today



# 2006

## Market Conditions

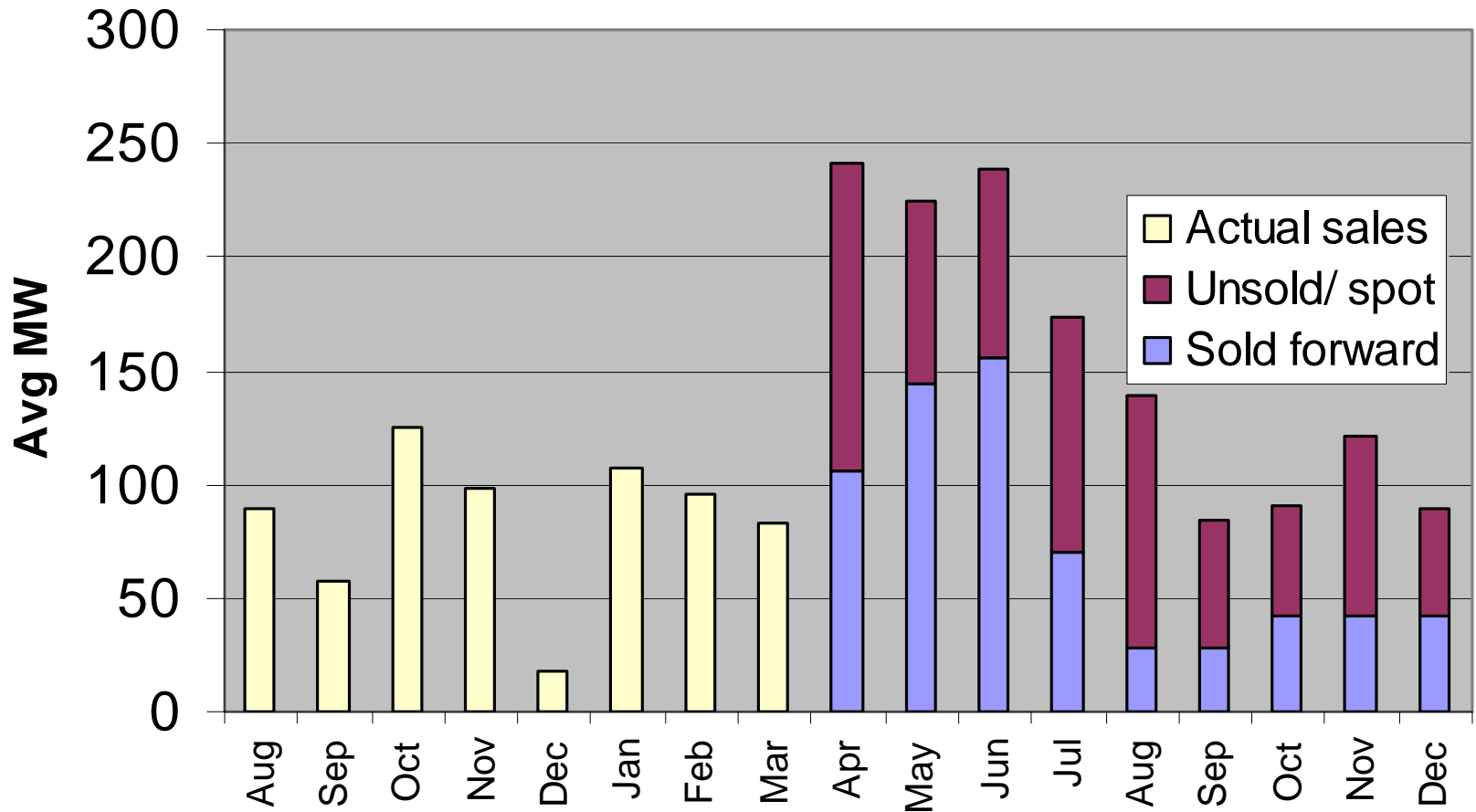
- Year to Date (Jan – Mar)
  - Water = 89% of average
  - Price = \$49 / MWH
- Continuing high gas prices
- Power prices followed gas prices down from the highs in Dec 05



# Net Surplus Sales Financial Results

- \$14.7 million net wholesale revenue for first quarter 2006
- \$3.0 million more than budgeted
- Ladder strategy successful again
- Only one lap in a four lap race
- Prices remain very volatile
- Supports “Maintain Adequate Revenue”

## Estimated Surplus 2005/06 @ 100% Water



# Power Management Highlights

- Early in year, solid financial results
- Yahoo! construction preparation
- Completed and tested back-up control center
- Completed scheduling system upgrade
- Updating Power Risk Management
- NERC Training compliance



# 2006 First Quarter Financial Highlights

# Electric Distribution

YTD 3/31/06 (\$000s)

	Actual	Budget	Variance
Operating Revenue	13,800	13,193	608
Net Power Supply	(2,336)	1,059	(3,394)
Operating Expenses	8,308	8,257	50
Operating Income	7,828	3,877	3,952
Non-Op Exp (Inc)	(572)	(584)	12
Cap Contributions	522	740	(218)
Inc/Dec in Net Assets	8,923	5,201	3,722

# Networks

YTD 3/31/06 (\$000s)

	Actual	Budget	Variance
Operating Revenue	648	667	(18)
Operating Expenses	1,588	1,610	(22)
Operating Income	(940)	(943)	3
Non-Op Exp (Inc)	672	758	(86)
Cap Contributions	0	0	0
Inc/(Dec) in Net Assets	(1,612)	(1,701)	89

# Water

YTD 3/31/06 (\$000s)

	Actual	Budget	Variance
Operating Revenue	690	690	0
Operating Expenses	1,026	1,167	(140)
Operating Income	(336)	(477)	141
Non-Op Exp (Inc)	178	184	(6)
Cap Contributions	116	225	(109)
Inc/(Dec) in Net Assets	(397)	(436)	38

# Wastewater

YTD 3/31/06 (\$000s)

	Actual	Budget	Variance
Operating Revenue	93	94	(1)
Operating Expenses	215	247	(33)
Operating Income	(121)	(153)	32
Non-Op Exp (Inc)	3	7	(4)
Cap Contributions	14	61	(47)
Inc/(Dec) in Net Assets	(110)	(99)	(11)

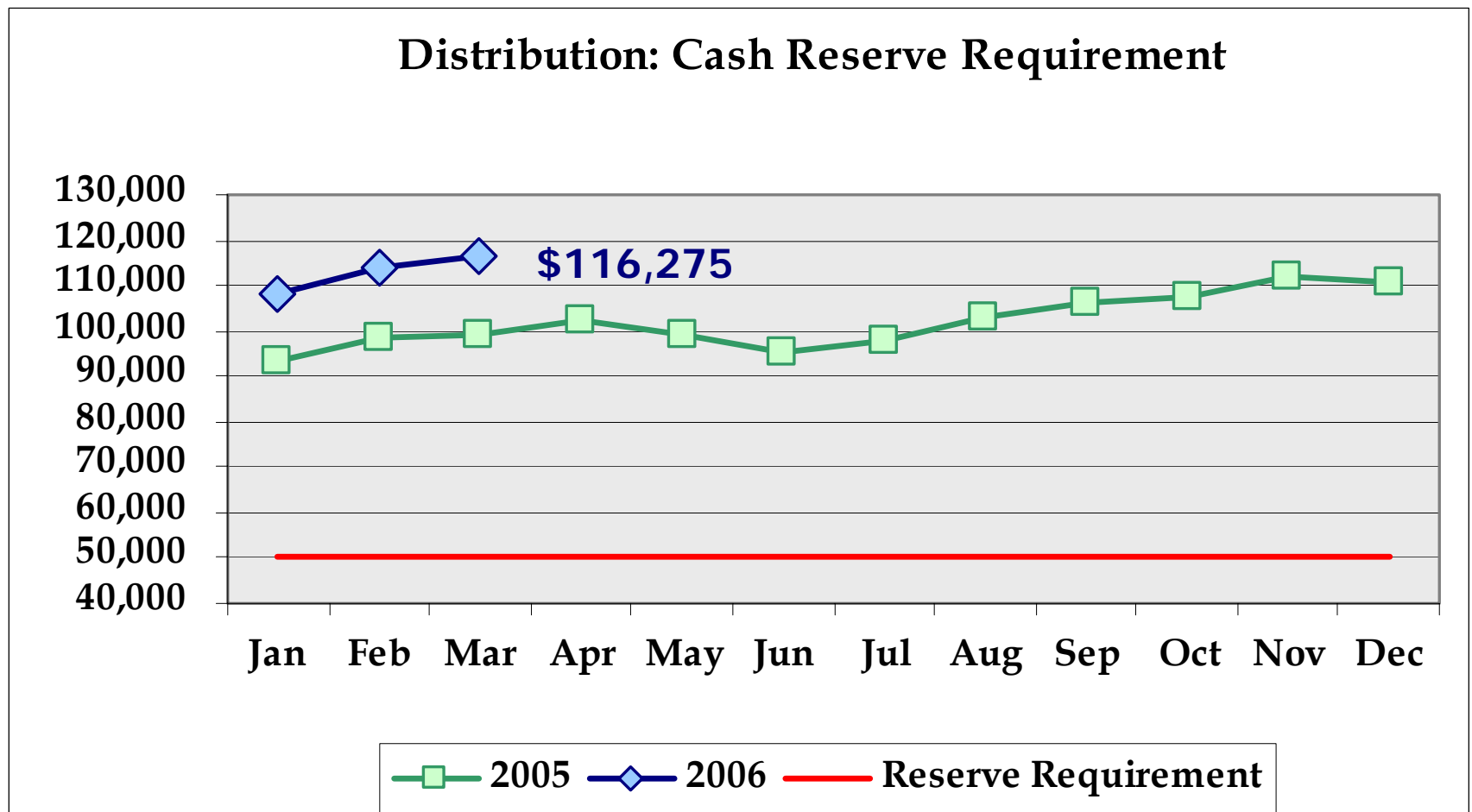
# 2006 Capital Expenditures

(\$000s)

	Actual	Budget	Unspent	% Spent
Distribution	1,565	18,080	16,515	9%
Networks	2,797	11,577	8,780	24%
Water/WW	208	4,817	4,609	4%
Generation	4,125	50,567	46,442	8%
Internal Service	357	3,838	3,481	9%
Total	9,053	88,879	79,826	10%

# Cash Reserves

(\$000)





# Demands on Reserves

- Volatility
- Utility Services capital projects
- Our share of plant modernization
- RR & LC License implementation
- Potential debt reduction

# Current Finance Strategies

- Power Sales Contract negotiations
- Develop recommendation for financial strategy
- O&M and Capital multi-year forecast
- 2007 Budget Process Enhancements
- Completing Enterprise Risk Management implementation
- Enhancing Power Risk Management policies



# Future Board Updates

- Quarterly Updates
  - July 24
  - October 30
- Financial Strategies