



# Chelan PUD Power Management and Finance Quarterly Update

*Board Meeting  
July 31, 2006*



# Discussion Topics

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



# Power Management Update



# Today's Topics

- Jan-June report card
- Energy Crisis (2000-2001) issues
  - Mirant collection
  - California ISO collection
- Columbia Grid budget revision
- NERC's proposed reliability standards



# Finances – 2006

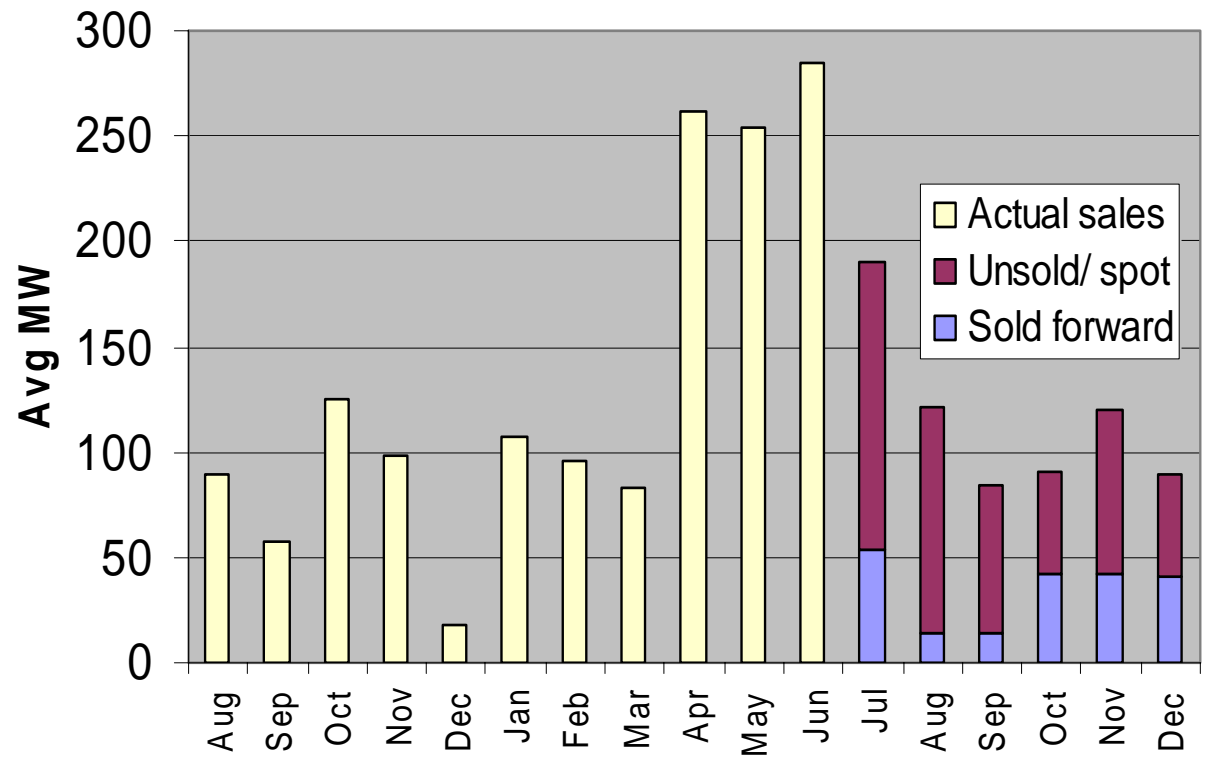
- January – June performance
  - Above average water
  - Volatile prices
  - Prices lower but volume larger
- \$33.2 million Net Wholesale Revenue
- \$2.5 million more than budgeted
- \$61 – \$65 million projected for 2006
- Expenses are 1% below budget



# Resource Position



**Estimated Surplus 2005/06 @ 100% Water**



# Energy crisis issues

- Collections
  - Mirant
    - Reserved \$93k as uncollectible (2003)
    - Received stock and sold for \$111k (June 28) (\$31k District's share)
    - Reduced bad debt expense (2006)
  - California ISO
    - Ancillary services through Avista Energy
    - Reserved \$440k as uncollectible (2001)
    - Pending collection action by AE
    - If unable to collect, no net financial impact
    - If collect, record as income



# Columbia Grid

- Formed April 2006
- Important to be able to move surplus energy and capacity
- Moved faster than anticipated
- Roughly \$300K over next two years
- Not included in the budget
- Budget revision proposed for \$150K for 2006



# NERC's Proposed Reliability Standards

- Proposed new operating criteria
- Over 100 issues to review
- Currently in evaluation process
- Ongoing federal effort to improve reliability
- Clearly will affect costs
  - Extent unknown
  - New technology or processes?





Questions ...?



# YTD 2006 Financial Highlights

# Electric Distribution

YTD 6/30/06 (\$000s)

	Actual	Budget	Variance
Operating Revenue	22,623	22,452	171
Net Power Supply	(8,554)	(4,029)	(4,525)
Operating Expenses	16,478	17,162	(684)
Operating Income	14,699	9,319	5,380
Non-Op Exp (Inc)	(1,825)	(1,168)	(657)
Cap Contributions	1,544	1,480	64
Inc/Dec in Net Assets	18,068	11,967	6,101





# Networks

YTD 6/30/06 (\$000s)

	Actual	Budget	Variance
Operating Revenue	1,347	1,405	(58)
Operating Expenses	3,209	3,275	(66)
Operating Income	(1,862)	(1,870)	8
Non-Op Exp (Inc)	1,521	1,516	5
Cap Contributions	0	0	0
Inc/(Dec) in Net Assets	(3,383)	(3,386)	3

# Water


YTD 6/30/06 (\$000s)

	Actual	Budget	Variance
Operating Revenue	1,535	1,531	4
Operating Expenses	2,240	2,397	(157)
Operating Income	(705)	(866)	161
Non-Op Exp (Inc)	390	367	23
Cap Contributions	263	450	(187)
Inc/(Dec) in Net Assets	(832)	(783)	(49)



# Wastewater

YTD 6/30/06 (\$000s)



	Actual	Budget	Variance
Operating Revenue	190	177	13
Operating Expenses	452	510	(58)
Operating Income	(262)	(333)	71
Non-Op Exp (Inc)	7	14	(7)
Cap Contributions	42	123	(81)
Inc/(Dec) in Net Assets	(227)	(224)	(3)

# 2006 Capital Expenditures

(\$000s)

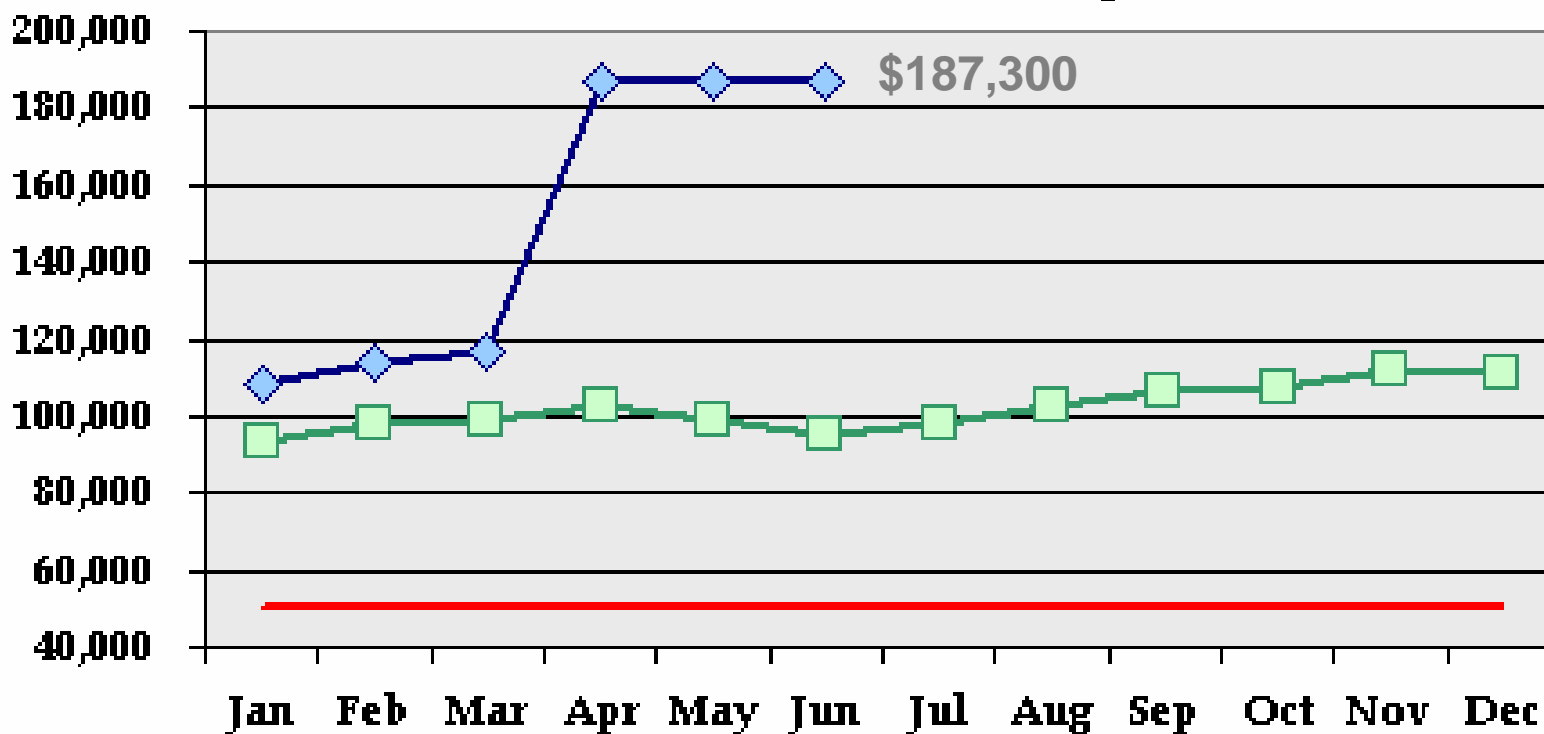


	Actual	Budget	Unspent	% Spent
Distribution	5,309	18,080	12,771	29%
Networks	5,651	11,577	5,926	49%
Water/WW	728	4,858	4,130	15%
Generation	16,771	51,778	35,007	32%
Internal Service	790	3,838	3,048	21%
Total	29,249	90,131	60,882	29%

# Distribution Cash Reserves

(\$000)

## Distribution: Cash Reserve Requirement



—■— 2005    —◆— 2006    — Reserve Requirement

# Demands on Reserves

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



# Current Finance Strategies

- Strategic Planning Sessions
- Power Sales Contract negotiations
- O&M and Capital multi-year forecast
- 2007 Budget Process Development
- Enterprise Risk Management implementation
- Enhancing Power Risk Management policies



# Future Board Updates

- Quarterly Updates
  - October 30
  - January, 2007
- Budget Presentations
- Strategic Planning Sessions

