

# Public Utility District No. 1 of Chelan County

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## Interest Rate Swap Monitoring Report Period ending February 28, 2006



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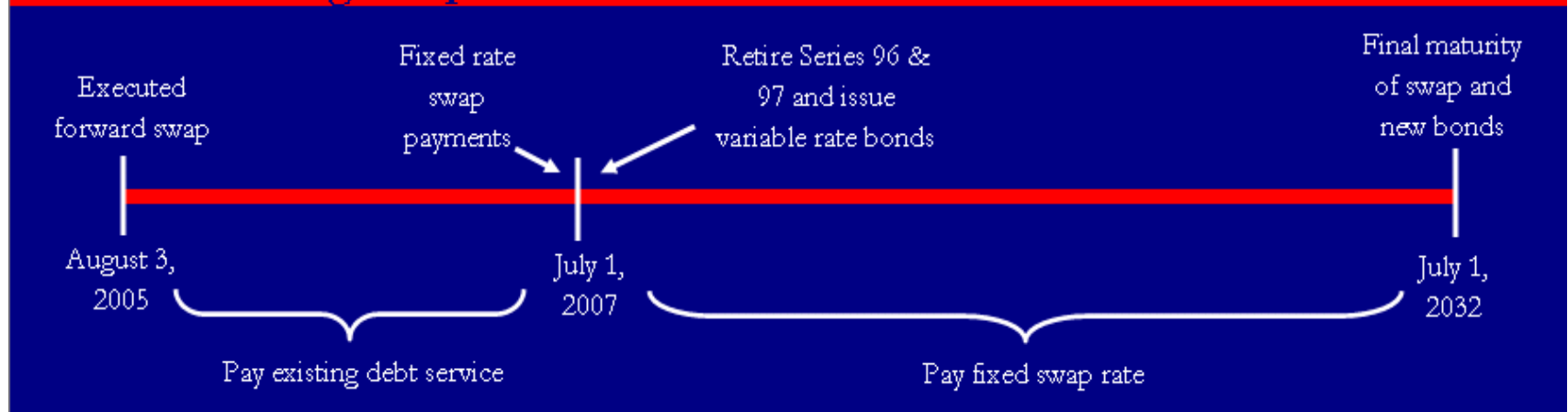
# Report on Outstanding Transactions

- On August 3, 2005, the District competitively bid and executed two floating-to-fixed interest rate swaps.
- The executed transaction consisted of a notional amount of \$93,750,000 divided between two counterparties.
- The District was able to lock in an attractive fixed rate of 3.752% for the forward refunding of the 1996ABCD and 1997A bonds and will receive 70 % of LIBOR (taxable index) in return.

# Swap Call Option

- The swaps are cancelable at no cost to the District, with the swap insurer's approval, in a minimum exercise amount of \$1,000,000 on any date after July 1, 2017.
- The District also has the right to cancel the swaps prior to July 1, 2017 at the prevailing market price for the swaps.

## Forward Starting Swap



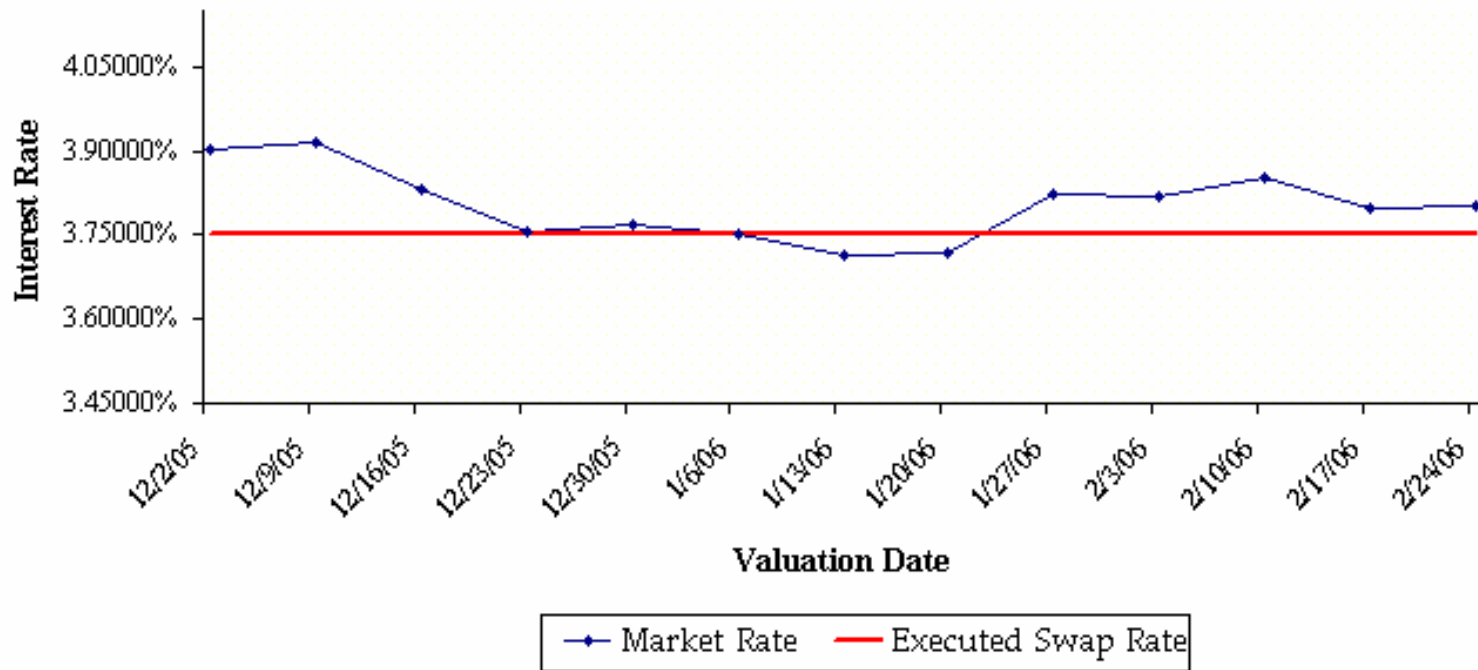
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# Valuation Details

- As of February 28, 2006, the market value of the outstanding transactions was \$378,843.
- As of February 28, 2006, the value of total posted collateral was \$1,167,402.
- As of February 28, 2006, collateral required was \$380,000.00.

# Market Rate vs. Executed Swap Rate

## SWAP Valuation



- Impact of a 100 basis point (1.00%) movement in yield curve = \$5,546,877

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# Other Items

- As of February 28, 2006, there have not been any payments exchanged between the District and the counterparties.
  
- Credit ratings update:
  - Bear Stearns has remained unchanged.
  - Lehman Brothers has been upgraded by S&P from A to A+.
  
- In the event of termination, the District has reserved for negative market conditions.

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# Questions?