

Public Utility District No. 1 of Chelan County

Interest Rate Swap Monitoring Report
Period Ending August 31, 2006

Information Only – No Action Necessary

Report on Outstanding Transactions

- On August 3, 2005, the District competitively bid and executed a floating to fixed interest rate swap.
 - Total Notional Amount \$93,750,000
 - Lehman Brothers Special Financing, Inc. \$28,125,000
 - Bear Stearns Capital Markets, Inc. \$65,625,000
 - Rate 3.752%
 - Series 2007 Bonds
 - Maturity 07/01/32

Report on Outstanding Transactions

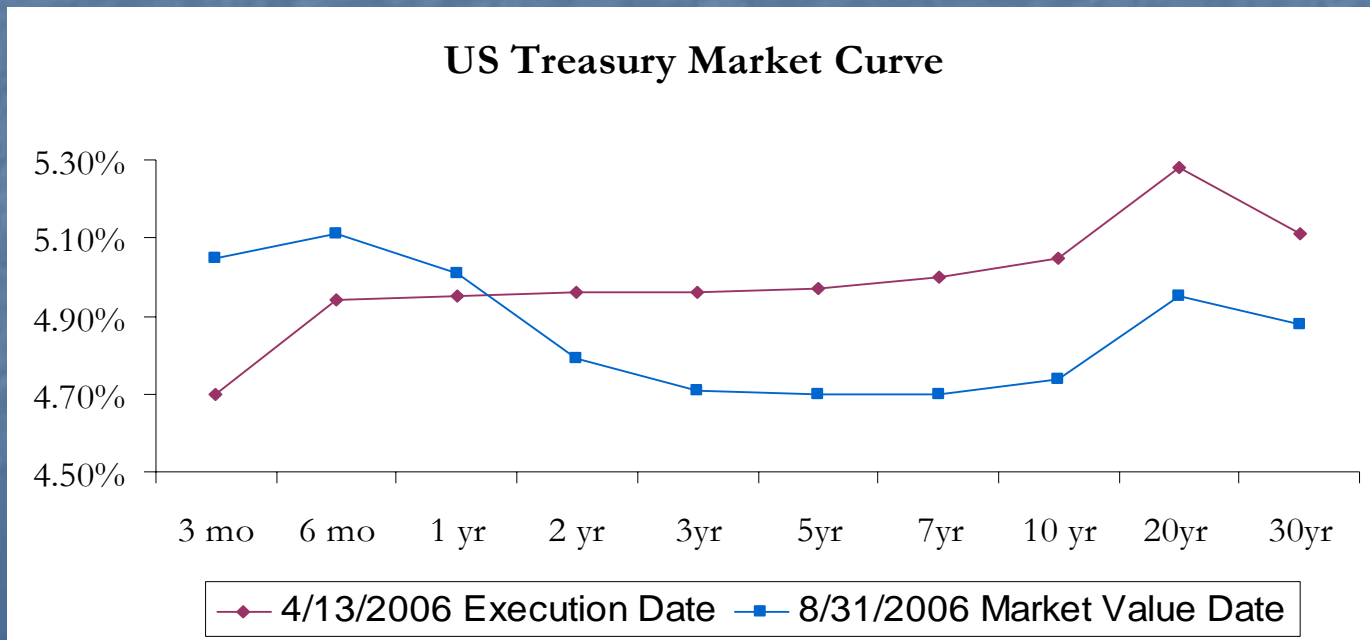
- On April 13, 2006, the District competitively bid and executed three floating to fixed interest rate swaps.
 - JP Morgan Chase Bank \$30,355,000
 - Rate 4.031%
 - Series 2009 Bonds
 - Maturity 07/01/34
 - Goldman Sachs Mitsui Marine Derivative Products, LP \$78,375,000
 - Rate 4.058%
 - Series 2011 Bonds
 - Maturity 01/01/36
 - Goldman Sachs Mitsui Marine Derivative Products, LP \$28,815,000
 - Rate 4.085%
 - Series 2013 Bonds
 - Maturity 07/01/32

Valuation Details

- As of August 31, 2006, the mark-to-market values of the outstanding transactions were:
 - 2007 Swap \$1,805,168.55
 - Posted Collateral Value \$2,391,079.21
 - 2009 Swap (\$889,525.02)
 - 2011 Swap (\$2,050,794.28)
 - 2013 Swap (595,081.01)
- There are no collateral requirements associated with the 2009, 2011 and 2013 swaps at this time due to the higher credit ratings of the counterparties.

Explanation of Mark-to-Market (MTM)

- Interest rates move, creating positive or negative MTM
- MTM is the difference between the market value and the executed rate



Mark-to-Market (MTM) Cont...

- MTM magnitude varies depending on the forward period, notional amount and term
- Negative MTM does not mean a cash demand on the District
- Bottom line – is 4% over 20+ years a good rate?

Other Items

- Total notional amount of outstanding swaps is \$231.3 million or 24.1% of debt portfolio.
- As of August 31, 2006, there have not been any payments exchanged between the District and the counterparties. Payments will begin in 2007.
- The credit ratings of the counterparties have remained unchanged since the last report date.
- In the event of termination, the District has reserved for negative market conditions.