

Chelan County PUD agrees to sell power to Puget Sound Energy

The Chelan County, Wash., Public Utility District has agreed in principle on a new long-term contract to sell wholesale power to Puget Sound Energy.

Under the tentative agreement, Puget will receive 25% of the output of Chelan PUD's Rocky Reach and Rock Island dams for 20 years, starting in 2011 or 2012. The price of the power will be based on the broad costs of operating and maintaining the PUD's hydro projects. Puget Sound Energy will pay 25% of the costs for operating, maintaining and improving the hydro projects regardless of how much power is produced.

The contract will allow Chelan PUD to pay down debt and to make capital improvements at the dams without borrowing, the utility said. Puget Sound Energy will make immediate payments of \$89 million for general PUD uses. Ongoing payments to the PUD for purchased power after the contract takes effect will assure reliable, steady revenues and help reinforce the PUD's AA bond rating on Wall Street, Chelan said.

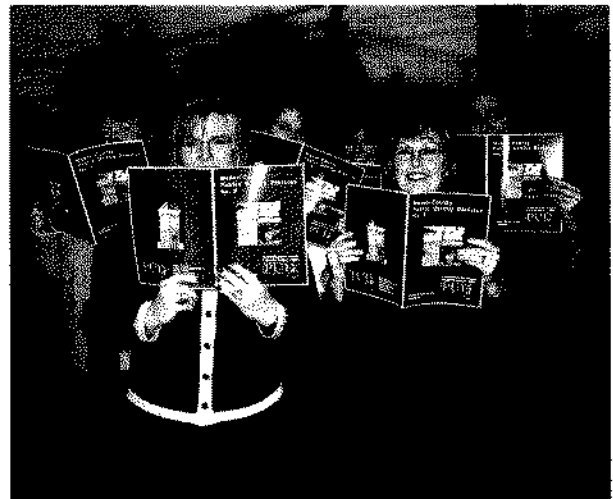
The proposed agreement sets the stage for agreements with other parties for remaining shares of power from Chelan's Columbia River dams.

Contracts with other power purchasers also expire in 2011, the PUD said. Chelan plans to retain about 40% of the electricity produced at its Columbia River hydro projects to meet future load growth for its retail customers over the next 20 years. Under existing contracts, the PUD has access to 27%. However, if the PUD customers do not need that energy right away, shares may be sold under short-term contracts.

The contract must be approved by the PUD's board of commissioners, Puget Sound Energy's board of directors and the Federal Energy Regulatory Commission.

"This proposal has wide-ranging benefits for Chelan County PUD customers and electricity users throughout the state," said PUD General Counsel Carol

Wardell, lead negotiator for the new contract. "It provides financial certainty and operational flexibility for Chelan County PUD and provides guaranteed long-term benefits for our local customer-owners." ■



The Government Finance Officers Association of the United States and Canada has awarded Mason County PUD No. 3 in Shelton, Wash., a certificate of excellence in financial reporting for the utility's 2004 annual report. Above, accounting staff members pose with their award-winning report. Photo courtesy of Mason County PUD No. 3

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