

Mission: To safely provide utility services that enhance the economy and quality of life in Chelan County.

PUD PROFILE

Chelan County PUD owns and operates one of the nation's largest nonfederal, publicly owned hydroelectric generating system.

The District's three hydroelectric dams have a combined total generating capacity of about 2,000 megawatts of low-cost, clean, renewable power.

Chelan County PUD uses 45 percent of its generating capacity to serve local customers, including part of Alcoa's Wenatchee aluminum smelter. The remainder is sent to the PUD's four principal power purchasers, utilities which serve more than 7 million customers throughout the Pacific Northwest.

NEW GENERAL MANAGER

Richard Riazzi, 51, former president and chief executive officer of IDACORP Energy, L.P. is the PUD's new general manager.



PUD commissioners announced he was their top candidate on April 24. Following meetings to introduce him to employees and the community, board members offered him the job.

Riazzi has extensive experience and proven success in the utility industry with IDACORP, Inc., IDACORP Energy, L.P., and Equitable Resources, Inc., a natural gas and energy services company headquartered in Pittsburgh, Pa. Since December 2004, Riazzi has served as a paid member of the board of directors of American Ecology Corp., based in Boise.

He will start work at Chelan County PUD on May 31.

POWER CONTRACT SIGNED

PUD commissioners started 2006 by approving a new, 20-year power sales contract with Puget Sound Energy (PSE) for purchases after 2011 from the District's two Columbia River dams.

The 20-year agreement will allocate 25 percent of the power output from Rocky Reach and Rock Island dams through 2031 to the Bellevue, Wash.-based utility, in exchange for PSE paying 25 percent of the costs. It maintains local control for Chelan County PUD, provides long-term financial stability and continues the 50-year power purchase relationship between PSE and the PUD.

The contract will allow the PUD to pay down debt and pay for some future capital improvements at the dams without borrowing. On March 28, 2006, the Federal Energy Regulatory Commission (FERC) approved the new power sales contract. PSE provided an \$89 million capacity reservation payment to the PUD on April 26, 2006.

ROCKY REACH LICENSE MILESTONE

Chelan County PUD Commissioners endorsed an agreement between the PUD and stakeholder agencies in support of a new 50-year operating license. The settlement agreement was submitted for FERC approval.

FOCUS ON THE RIGHT THINGS

Chelan County PUD uses the Balanced Scorecard to measure progress on and to communicate the things that matter most to our employees and customer-owners. It is reviewed and updated regularly to make sure we're working on the right things at the right time.

FINANCIAL HIGHLIGHTS

The District recorded income before capital contributions of \$6.9 million for the first quarter of 2006. This is an increase from the income before capital contributions of \$2.2 million for the same period in 2005. The increase was primarily due to a combination of higher average prices on surplus sales of energy, reduced power supply costs and improved interest earnings on investments.

As of March 31, 2006, Utility Services' unrestricted cash and investments totaled \$111.3 million.



Joe O. Jarvis
Chief Financial Officer/Assistant General Manager
for Finance and Technology

**CHELAN COUNTY
PUBLIC UTILITY DISTRICT NO. 1
P.O. BOX 1231
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CHELAN COUNTY
POWER

www.chelanpud.org

CONDENSED COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (Unaudited)

Three months ended March 31, 2006

(in thousands)

	Rocky Reach	Columbia River-Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	3 Months Ended 03/31/06	3 Months Ended 03/31/05
OPERATING REVENUES	\$ 16,663	\$ 16,263	\$ 1,089	\$ 38,905	\$ -	\$ 3,246	\$ (19,212)	\$ 56,954	\$ 55,063
OPERATING EXPENSES	12,168	9,952	900	32,479	-	2,919	(19,212)	39,206	40,467
NET OPERATING INCOME	4,495	6,311	189	6,426	-	327	-	17,748	14,596
OTHER INCOME (EXPENSE)	(4,545)	(5,642)	(298)	(272)	99	(155)	-	(10,813)	(12,405)
CAPITAL CONTRIBUTIONS	5	-	-	652	-	-	-	657	570
CHANGE IN NET ASSETS	\$ (45)	\$ 669	\$ (109)	\$ 6,806	\$ 99	\$ 172	\$ -	\$ 7,592	\$ 2,761

CONDENSED COMBINING BALANCE SHEETS (Unaudited)

March 31, 2006

(in thousands)

ASSETS	Rocky Reach	Columbia River-Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	03/31/06	03/31/05
CURRENT ASSETS	\$ 9,048	\$ 4,367	\$ 111	\$ 70,086	\$ 85	\$ 6,586	\$ -	\$ 90,283	\$ 87,231
RESTRICTED ASSETS - CURRENT	17,287	64,093	7,491	13,143	52,974	7,329	-	162,317	174,205
TOTAL CURRENT ASSETS	26,335	68,460	7,602	83,229	53,059	13,915	-	252,600	261,436
NET UTILITY PLANT	455,169	334,219	22,178	206,838	-	41,269	-	1,059,673	1,038,700
RESTRICTED ASSETS - NONCURRENT	2,450	5,962	1,167	934	16,526	2,112	-	29,151	48,645
DEFERRED CHARGES & OTHER ASSETS	22,541	8,396	8,520	65,038	608	1,986	-	107,089	91,920
TOTAL ASSETS	\$ 506,495	\$ 417,037	\$ 39,467	\$ 356,039	\$ 70,193	\$ 59,282	\$ -	\$ 1,448,513	\$ 1,440,701
LIABILITIES									
CURRENT LIABILITIES	\$ 6,355	\$ 23,706	\$ 61	\$ 18,821	\$ (335)	\$ 14,873	\$ -	\$ 63,481	\$ 59,152
LONG-TERM DEBT	322,890	393,138	26,556	70,788	66,489	40,820	-	920,681	936,374
OTHER LIABILITIES	-	221	-	-	-	-	-	221	153
TOTAL LIABILITIES	329,245	417,065	26,617	89,609	66,154	55,693	-	984,383	995,679
TOTAL NET ASSETS	177,250	(28)	12,850	266,430	4,039	3,589	-	464,130	445,022
TOTAL LIABILITIES & NET ASSETS	\$ 506,495	\$ 417,037	\$ 39,467	\$ 356,039	\$ 70,193	\$ 59,282	\$ -	\$ 1,448,513	\$ 1,440,701

As of March 31	2006	2005
Number of Customers	43,850	43,110
Number of Residential Customers	32,911	32,245
Average Rate per Residential Customer (Cents/kWh)	2.92	2.91

POWER GENERATION (MWh)		
12 months ended March 31		
	2006	2005
Lake Chelan	391,379	411,965
Rocky Reach	5,499,758	5,416,316
Rock Island	2,673,045	2,691,909

SALES OF ENERGY Sales for Resale (000's)		
12 months ended March 31		
	2006	2005
Lake Chelan	\$ 5,150	\$ 6,092
Rocky Reach	\$ 67,501	\$ 65,402
Rock Island	\$ 64,998	\$ 66,521

AVERAGE PRICE/KWH SOLD (Cents/kWh)		
12 months ended March 31		
	2005	2004
Lake Chelan	1.32	1.48
Rocky Reach	1.23	1.21
Rock Island	2.43	2.47

NOTES TO CONDENSED STATEMENTS

(1) Intra-District transactions are eliminated.

Chelan County Public Utility District No.1 (Chelan County PUD) has prepared condensed financial statements in accordance with generally accepted accounting principles. Condensed financial statements should be read in conjunction with the notes to the financial statements included in the Chelan County PUD's Annual Report as of December 31, 2005.