Customer Collaborative Meeting
Financial Overview through December 31, 2004

- First quarter forecasts remain generally on course with the Start of Year (SOY) budgets, with early price and cost indicators supporting our expectations. There continues to be a large amount of uncertainty in the hydro conditions and the natural gas market at this point in time.
  - Precipitation for October through December has lagged from our SOY budget for those months. While actual precipitation was lower through December, power prices have compensated for the decline in the expected supply.
  - January “mid-month" hydro forecast indicates a reduction in January - July hydro volume from 102 to 87.9 maf.
- FCRPS Modified Net Revenue (MNR) has increased in the 1st Quarter Forecast versus the SOY budget. Forecast MNR of $81.8 million is an increase of $18.7 million over the $63.1 million SOY budget.

Cash Capital

Net Revenue

Customer Collaborative Meeting
Financial Overview through December 31, 2004 cont.

- The primary reason for the change in FCRPS MNR is the decrease in net interest expense. FCRPS Net Interest (Net of Allowance for Funds Used During Construction) is approximately $22 million lower in the 1st Quarter Forecast compared to the SOY budget, moving from $293.5 million in the SOY budget to the $271.7 million. Lower interest is primarily due to current expectations for shorter maturity, lower interest rate debt issuances; and higher interest income from higher cash balances than used in the SOY budget.
- FCRPS Operating Expenses have decreased slightly in the 1st Quarter Forecast compared to the SOY budget, moving from $2,721.4 million to $2,721.1 million.
- The Net Revenue forecast is up by $9.9 million from the SOY budget. Current forecasts put Net Revenue at $236.7 million, while SOY budget estimated Net Revenue is $226.8 million.
- FCRPS Revenues have declined slightly by $12.2 million in the 1st Quarter Forecast compared to the SOY budget, moving from $3,241.7 million to $3,229.5 million, with a majority of the decline identified with the Mark-to-Market loss of $8.8 million. Secondary Revenues have not been updated from the SOY budget and so do not reflect current hydro or price projections.