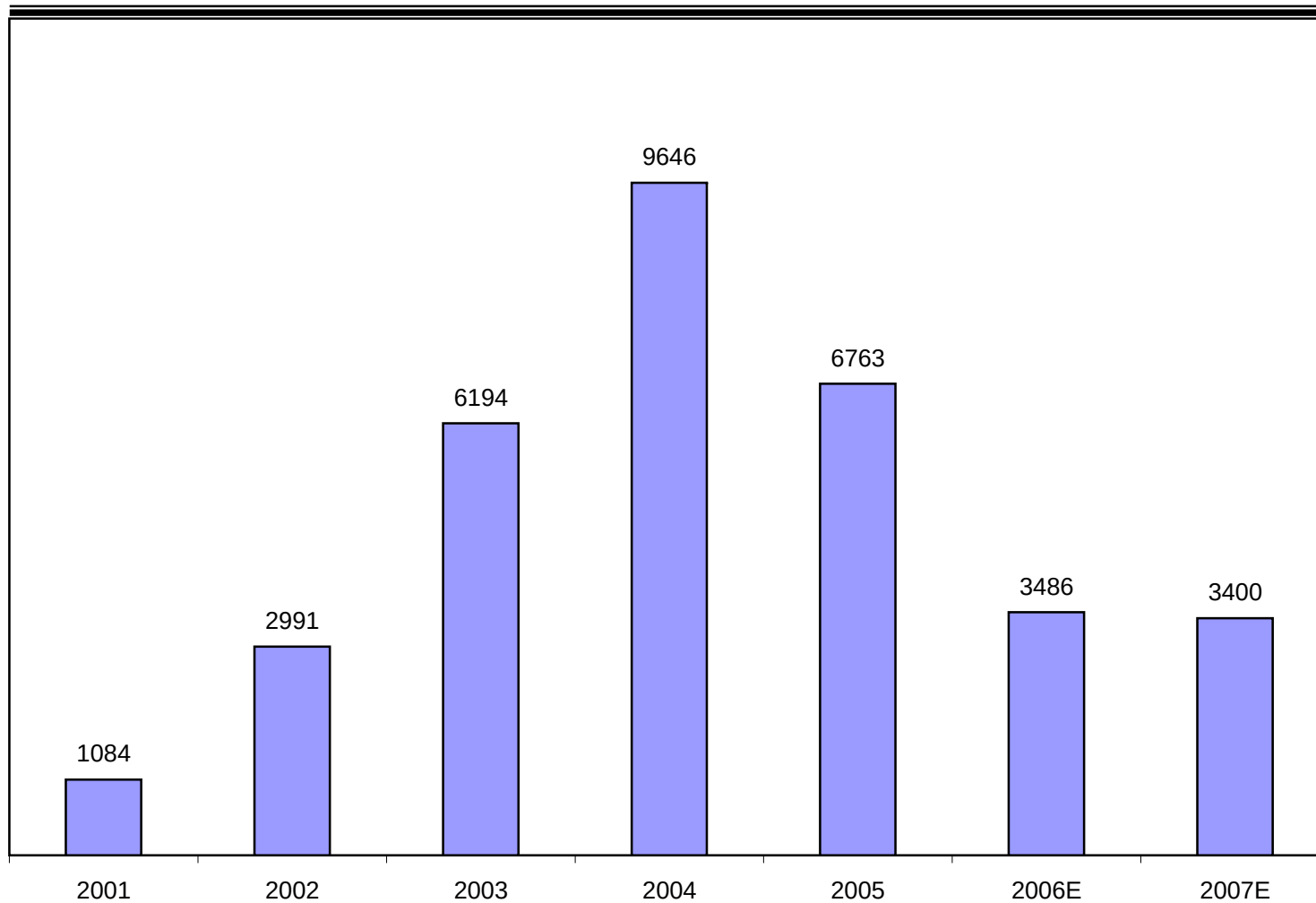


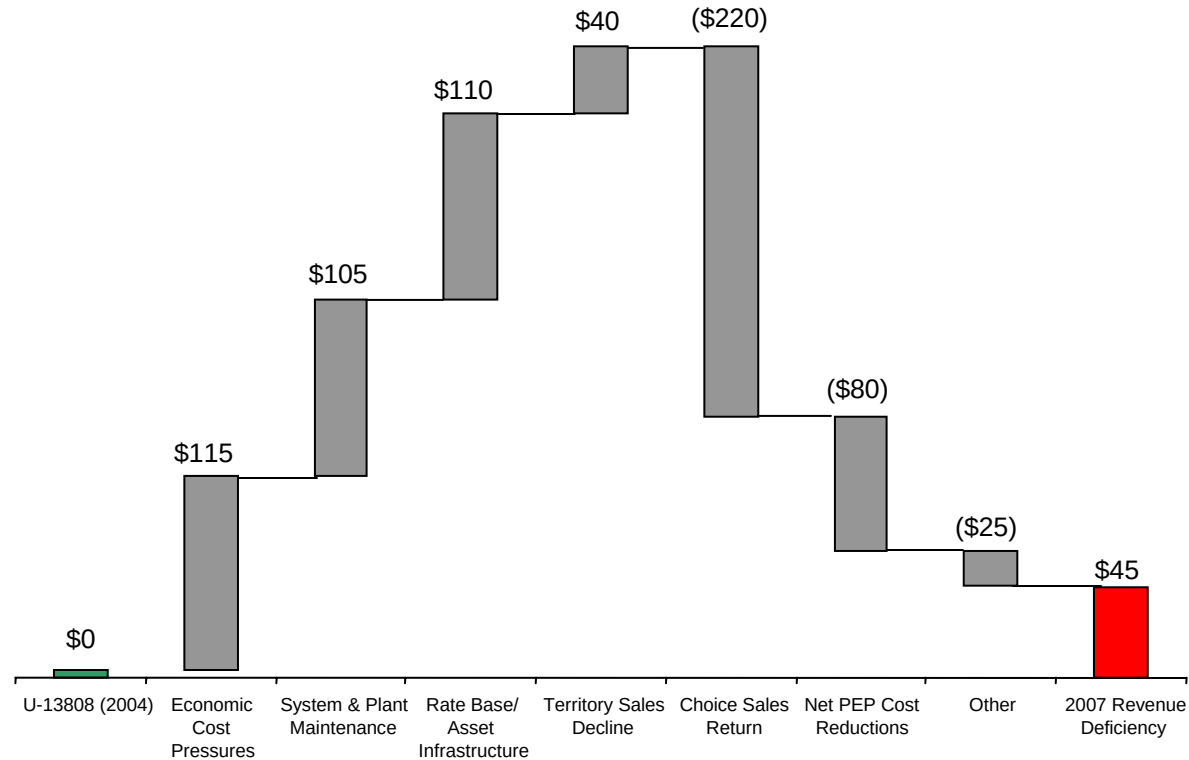
Annual Choice Sales: Actual and Forecast (2002 - 2007)



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Changes in Revenue Deficiency Since Case No. U-13808 (2004)

\$(Millions)



*Economic Pressures – inflationary cost pressures over last 3 years (materials, petroleum, labor, health care, uncollectible expense rising)

*System & Plant Maintenance – increased generation plant maintenance, distribution investments in line clearance and system reliability

*Rate Base / Asset Infrastructure – incremental investments in our asset and technology infrastructure

*Territory Sales Decline – approximately 1,300 GWh reduction (approx. 2.5%) in territory sales for 2007 versus the sales level used in Case No. U-13808 (2004) to establish rates. Further, the 2007 projected electric sales are 6% to 7% below levels consistent with historical growth trends.

*Choice Return – 5,850 GWh return to bundled service (mitigated the 3 year sales decline)

*Net PEP Cost Reductions – PEP cost savings net of amortized CTA

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