



Mission: To provide sustainable, reliable utility services that enhance the quality of life in Chelan County.

PUD PROFILE

Chelan County PUD owns and operates one of the nation’s largest nonfederal, customer-owned hydroelectric generating systems.

Chelan PUD’s highest priority is keeping our core assets in top shape. Investing in our hydropower projects, distribution systems, facilities and people ensures we continue to produce clean, renewable, carbon-free energy and create value for our customer-owners.

Chelan PUD’s three dams have demonstrated for decades the value of public power and local control. Together the dams can generate nearly 2,000 megawatts of power at their peak. In 2020, they produced 8.8 million megawatt hours of affordable, emission-free electricity.

CHELAN PUD AND PUGET SOUND ENERGY FINALIZE CLEAN ENERGY CONTRACT

Chelan County Public Utility District (PUD) and Puget Sound Energy (PSE) entered into a new contract for renewable hydropower from two PUD hydro projects on the Columbia River. The contract will bolster PSE’s supply of carbon-free energy, in line with the goal of becoming a “Beyond Net Zero Carbon” energy company by 2045, while also supporting Washington state’s Clean Energy Transformation Act goals.

The five-year “slice” contract supplies PSE with 5% of the output from the PUD’s Rock Island and Rocky Reach hydropower projects from 2022 through 2026. The contract complements an existing contract between the two utilities, while generating revenue for the PUD to provide continued rate stability for its customers.

CHELAN PUD AND GE RENEWABLE ENERGY TEAM UP FOR INNOVATIVE REBUILD AT ROCK ISLAND DAM

Chelan PUD and GE Renewable Energy reached an agreement designed to achieve a higher standard of quality and innovation for the modernization at Rock Island Powerhouse II. The 42-year-old turbines will be rebuilt one-by-one starting in 2022, with expected completion of all eight in 2030. The cost is estimated at \$210 million.

To ensure long-term value and quality, GE and Chelan PUD negotiated an extended correction period, significantly exceeding the standard two-year warranty for hydroelectric turbines.

As part of the Powerhouse II rehabilitation, Chelan PUD and GE are innovating a more environmentally-friendly turbine design. Turbines like the ones in Powerhouse II are traditionally lubricated with oil and safeguarded with trunnion seals. The new design allows the turbines to be filled with oil, water or air, which gives Chelan PUD the flexibility to use new technologies without compromising the mechanical integrity of the turbine.

PUD COMMISSIONERS APPROVE PLANS TO HELP LOW-INCOME CUSTOMER-OWNERS

Chelan PUD commissioners supported two proposals designed to lower the cost of housing and lower energy bills for people who can least afford it. The proposals fit with the District’s mission of enhancing the quality of life in our community.

Commissioners approved a resolution to waive connection fees for qualified homebuyers working with local housing trusts. The average \$1,900 fee would be waived for homes built for homebuyers who earn less than 80 percent of the area median income, which is currently \$57,050 a year for a family of four.

Commissioners also supported a new suite of energy-efficiency programs designed to help people who spend 6% or more of their income on energy. About 98 percent of these households earn less than \$20,000 a year. An estimated 2,100 homes would qualify for self-install energy-saving equipment such as faucet aerators, LED light bulbs, thermostatic shower valves and smart thermostats. An estimated 820 homes would qualify for appliance replacement and weatherization measures. Participating homes could see average savings of about \$135 annually per home for the next 45 years.

FIVE YEARS STRONG, CHELAN PUD AMONG THE TOP 100 BEST FLEETS IN NORTH AMERICA

For the fifth consecutive year, Chelan County PUD received national recognition as one of the best-performing fleets by an industry trade organization. The National Association of Fleet Administrators (NAFA) announced Chelan PUD’s fleet ranked 75 in the top 100 fleets in the Americas. The organization tracks more than 38,000 public fleets. Judges select the winners based on 12 criteria, including accountability, use of technology, team collaboration, creativity in addressing challenges and a high-trust culture.

Since the COVID-19 pandemic began, utilities have had to take extra measures to continue safe operations. Fleet staff found creative ways to keep up with the workload, training, and communication. The PUD’s fleet assets tend to be older overall, but outsourced maintenance was 20% lower than the industry standard. Chelan PUD’s target goal in a normal year is 95% availability for critical assets, and fleet staff achieved 97.6% in 2020.

COVID-19 IMPACTS ON 2021 FINANCES REMAIN MODEST

Chelan PUD’s strong finances continue to help it weather the modest impacts to revenues and costs because of the COVID-19 pandemic. The District’s ability to meet predicted impacts show the resilience gained with prudent financial policies, a strong cash position, robust risk management and hedging policies, as well as business continuity plans and actions.

As more employees transitioned back into the office in July, proactive safety measures remained in place to protect PUD staff and customers. The PUD also continues to support actions that make an impactful and meaningful difference to community members in need, including waiving late fees, suspending disconnects for failure to pay, and partnering with local service providers to create Wi-Fi access points across the county to provide free internet access to help the community and students in need of Wi-Fi access. The District also provided support at vaccination sites that included use of parks, snow removal, security, radios, fuel and power generation.

MEETING FINANCIAL TARGETS DESPITE BELOW-AVERAGE WATER SUPPLY

The water supply reported by the Northwest River Forecast Center for January-July on the Columbia River was 89 percent of average at Grand Coulee Dam. The District expects below average generation under the water conditions on the Columbia River. Due to the District’s risk management plans, hedging strategies, financial policies, and higher than budgeted wholesale prices, the District expects to meet or exceed financial targets despite stream flow volatility.

The water supply for the Lake Chelan drainage basin was 103 percent of average from April through July. Lake Chelan Hydro Project operations will continue to follow the dry-to-average year target curve, which puts the District in a good position to meet all lake level targets for the year. Last year’s actual water supply from April through July was 92 percent of average.

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2021, Chelan County PUD recorded a change in net position of \$45.4 million, an increase in earnings of \$8.8 million from the same period in 2020. The improvement in earnings is due to increased operating revenues resulting primarily from additional proceeds from a long-term power sales agreement and higher average market prices received on surplus sales of electricity. The higher revenue was partially offset by increased operating expenses, which rose due to a combination of purchased power costs exceeding those from the same period last year as a result of higher market prices, and increased maintenance costs due primarily to repair work on various hydro assets at the District’s Rock Island hydroelectric project.

As of June 30, 2021, combined unrestricted cash and investments totaled \$376.3 million, compared to \$441.6 million from the same period in 2020. Unrestricted cash balances are down due to funding a portion of both debt repayments and capital spending from unrestricted operating reserves. Lower unrestricted cash and investment balances were the primary driver of the \$55.2 million reduction in current assets. Utility plant balances increased \$84.5 million with investments in major projects including ongoing modernization work at the Rock Island hydropower project, construction of new substations and progress towards the District’s new Service Center.

Long-term debt decreased by \$43.1 million due to principal payments on existing debt. The District’s debt level continues to meet established debt leverage metrics while supporting the District’s financial policies, customer-owner priorities, strong credit rating and long-term financial stability.



Kelly Boyd
Kelly Boyd
 Chief Financial Officer/
 Chief Risk Officer



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

Six months ended June 30, 2021

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	6 Months Ended 6/30/2021	6 Months Ended 6/30/2020
OPERATING REVENUES	\$ 43,249	\$ 67,667	\$ 8,572	\$ 181,259	\$ 3,588	\$ 13,219	\$ (116,166)	\$ 201,388	\$ 170,121
OPERATING EXPENSES	34,960	38,090	4,686	179,995	-	12,493	(116,166)	154,058	130,099
NET OPERATING INCOME (LOSS)	8,289	29,577	3,886	1,264	3,588	726	-	47,330	40,022
OTHER INCOME (EXPENSE) (2)	(3,911)	(10,964)	(529)	4,082	5,415	585	-	(5,322)	(5,574)
CAPITAL CONTRIBUTIONS	-	279	-	3,148	-	-	-	3,427	2,160
INTERFUND EQUITY TRANSFERS	-	-	4,419	(4,419)	-	-	-	-	-
CHANGE IN NET POSITION	\$ 4,378	\$ 18,892	\$ 7,776	\$ 4,075	\$ 9,003	\$ 1,311	\$ -	\$ 45,435	\$ 36,608

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

June 30, 2021

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	6/30/2021	6/30/2020
TOTAL CURRENT ASSETS	\$ 13,091	\$ 10,279	\$ 2,705	\$ 134,780	\$ 11,735	\$ 28,359	\$ -	\$ 200,949	\$ 256,186
NET UTILITY PLANT	284,256	465,221	85,276	353,207	-	93,333	-	1,281,293	1,196,770
RESTRICTED ASSETS - NONCURRENT	37,546	109,483	-	514	82,411	6,529	-	236,483	244,917
OTHER ASSETS	5,530	19,068	5,261	202,139	27,168	48,969	(10,493)	297,642	291,257
DEFERRED OUTFLOWS OF RESOURCES	2,483	4,187	313	3,769	1,283	135	-	12,170	11,834
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 342,906	\$ 608,238	\$ 93,555	\$ 694,409	\$ 122,597	\$ 177,325	\$ (10,493)	\$ 2,028,537	\$ 2,000,964
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES	\$ 4,696	\$ 30,528	\$ 614	\$ 31,828	\$ 20,059	\$ 25,814	\$ -	\$ 113,539	\$ 99,682
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	10,039	8,170	(119)	11,124	(21,669)	(7,545)	-	-	-
LONG-TERM DEBT	-	131,804	-	5,561	339,627	-	-	476,992	520,132
INTERSYSTEM PAYABLE (RECEIVABLE) - NONCURRENT	95,059	188,921	(7,082)	(41,052)	(370,551)	134,705	-	-	-
UNEARNED REVENUES	6,403	6,592	-	95,267	5,386	-	(10,493)	103,155	117,111
OTHER LIABILITIES	16,763	17,830	10,156	11,422	-	-	-	56,171	56,379
TOTAL LIABILITIES	132,960	383,845	3,569	114,150	(27,148)	152,974	(10,493)	749,857	793,304
DEFERRED INFLOWS OF RESOURCES	2,794	27,199	374	9,934	2,681	1,285	-	44,267	58,640
TOTAL NET POSITION	207,152	197,194	89,612	570,325	147,064	23,066	-	1,234,413	1,149,020
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 342,906	\$ 608,238	\$ 93,555	\$ 694,409	\$ 122,597	\$ 177,325	\$ (10,493)	\$ 2,028,537	\$ 2,000,964

ELECTRIC

As of June 30	2021	2020
Number of Customers	53,310	52,367
Number of Residential Customers	40,596	39,684
YTD Average Residential Rate (Cents/kWh)	3.28	3.19

POWER GENERATION (MWh) (000)

6 months ended June 30	2021	2020
Lake Chelan	215	178
Rocky Reach	2,934	2,986
Rock Island	1,351	1,389

HYDRO PRODUCTION COST/MWH GENERATED (\$/MWh)

6 months ended June 30	2021	2020
Lake Chelan	\$ 22	\$ 26
Rocky Reach	13	13
Rock Island	36	30

NOTES TO CONDENSED STATEMENTS

(1) Intra-District transactions are eliminated.

(2) Consists primarily of investment income and interest expense on long-term debt.

Public Utility District No.1 of Chelan County (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 Chelan County PUD's Annual Report as of December 31, 2020. This information is provided for general information. Not all the information is intended for nor should it be relied upon for making investment decisions by current or prospective investors.