



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 2021, they produced 8.6 million megawatt hours of affordable, emission-free electricity.

CUSTOMER-OWNERS GIVE CHELAN PUBLIC UTILITY DISTRICT HIGH MARKS FOR RELIABILITY, CUSTOMER SERVICE

A lot has changed since 2020, but customer-owners remain steadfast in their satisfaction with service and communication from Chelan PUD. In a spring customer satisfaction survey, about 89 percent of survey participants said they were satisfied to very satisfied with Chelan PUD overall. That’s an increase from 86 percent in 2020.

The survey, performed every two years, helps the PUD assess customer sentiment and areas of community interest as it develops its programs and services for customer-owners.

More than 600 people participated in the survey and represented a cross-section of customer-owners that spanned different generations, ethnicities, and towns throughout Chelan County.

Customer-owners also expressed a desire for more mobile communication tools, including text and email alerts, and an online outage map. Chelan PUD has published a preview of its new outage map, and plans are in the works to launch more customer communication tools in the next few years.

SUCCESSFUL WESTERN ELECTRICITY COORDINATING COUNCIL (WECC) AUDIT

In April, Chelan PUD successfully concluded a three-year Reliability Compliance Audit with the WECC. WECC’s audit approach aims to ensure the PUD is reliably operating and securing the Bulk Electric System (BES) in accordance with all applicable Operational & Planning (O&P) and Critical Infrastructure Protection (CIP) Standards developed by the North American Reliability Corporation (NERC) and approved by the Federal Energy Regulatory Commission (FERC).

Areas selected by WECC for the audit included cyber security, physical security, blackstart capability, real time analysis, relay maintenance, underfrequency load shedding, incident reporting and responding, supply chain risk management, facility ratings, and system operating limits. During the audit team’s closing presentation, WECC stated that they did not find any instance of potential non-compliance. Additionally, the audit team provided positive observations on the PUD’s low impact cyber asset controls and

physical security. Notably, the auditors from both O&P and CIP commented that “Chelan PUD’s evidence for all O&P and CIP audited requirements reflected a strong organization dedication to BES reliability. Chelan PUD provided rigorous documentation indicative of corporate commitment to operational excellence and diligent security.”

This is the third clean audit since 2016, and it reflects the commitment of the PUD’s standards owners, subject matter experts, compliance professionals, and many people throughout the organization who work to ensure compliance.

COMMISSIONERS CONSIDER SHORTLIST RECOMMENDATION FOR FIFTH STREET REDEVELOPMENT

In June, the evaluation team involved in re-envisioning Chelan PUD’s Fifth Street campus recommended two proposals for further consideration by commissioners. The District will be vacating the current campus when they centralize services and move to a new Service Center in 2023.

The evaluation team includes Chelan-Douglas Regional Port Authority, City of Wenatchee, Wenatchee Downtown Association, Chelan PUD, and Wenatchee Valley Chamber of Commerce.

The ranking criteria – which was based on the plan developed by the community advisory committee in 2019 – included: Project vision and overall project concept, financial feasibility, the developers’ experience with projects of similar scope and scale, and community benefit – including support for existing uses, public services, and job creation.

The next steps are to engage in further discussion with the two highest ranking firms requesting that they provide additional information regarding their proposals for final selection.

CHELAN PUD AGREES TO POWER LINE CONNECTION WITH MICROSOFT

PUD commissioners have approved a deal with Microsoft to let the company connect a planned Malaga data center project with PUD power lines. PUD commissioners approved the Interconnection Agreement in June for the large data center planned to occupy 102.5 acres along the Malaga-Alcoa Highway.

The agreement is the first step toward Microsoft buying and using power for its proposed six data center buildings. It does not specify the source of the power or how much will be provided, just that connection will come through PUD lines. Microsoft may choose any combination of PUD and/or third-party power. The rate would be on a “large load” schedule, which is higher than what typical PUD customers pay. The agreement includes construction of \$86.5 million of interconnection facilities to 2025. All infrastructure will be paid for by Microsoft.

Microsoft will pay upfront in two installments, the first of which was received in June, so that the PUD can start construction on infrastructure without having to use its own money. The agreement also has “not to exceed” amounts and check ins to make sure money is not being spent ahead of schedule.

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2022, Chelan County PUD recorded a change in net position of \$63.4 million, a decrease in earnings of \$8.9 million from the same period in 2021. The decrease is due

to a restatement of 2021 earnings to reflect a \$26.4 million increase to the bottom-line following board action resulting in a one-time accounting adjustment for transition to regulatory accounting for actuarial changes in pension expense. Aside from this restatement, 2022 operating results show improvement over 2021 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. These increases in operating revenues were partially offset by an increase in purchased power costs that resulted from higher wholesale energy prices.

As of June 30, 2022, current assets increased \$30.0 million compared to the prior year due to the receipt of a large cash deposit from Microsoft as prepayment for a portion of the cost of building the needed infrastructure to connect their planned data center to the District’s electric system. The increase in cash and investment balances was partially offset by a reduction in accounts receivable resulting from milder temperatures and lower wholesale market prices compared to June of last year. Strong operating results continue to allow the District to fund a portion of both debt repayments and capital spending from operating reserves, while maintaining relatively stable unrestricted cash and investment balances. Utility plant balances increased \$123.5 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. These investments in utility plant were the primary driver behind a \$119.6 million decline in Restricted Assets – Noncurrent. Cash and investments restricted for capital spending were deployed toward achieving the District’s strategic priority of investing in assets to position Chelan PUD to meet the needs of a transforming energy grid, enhance reliability for customers, provide capacity for growth and support planned economic development. Other assets increased by \$42.3 million primarily due to recognition of a net pension asset in accordance with the Department of Retirement Systems’ 2021 actuarial valuation, which shows two of the three pension plans in which the District participates to now be overfunded.

Long-term debt decreased by \$125.9 million due to a combination of early retirements and regularly scheduled 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. Deferred inflows of resources increased by \$59.1 million primarily due to improvements in the actuarially determined funded status of the pension plans in which the District participates; as reflected in the Department of Retirement Systems’ annual actuarial valuation.



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, 2022

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	6 Months Ended 6/30/2022	6 Months Ended 6/30/2021
OPERATING REVENUES	\$ 45,277	\$ 65,502	\$ 7,125	\$ 208,699	\$ 2,949	\$ 15,095	\$ (119,561)	\$ 225,086	\$ 201,388
OPERATING EXPENSES (2)	36,398	34,577	4,377	192,074	-	14,352	(119,561)	162,217	153,629
NET OPERATING INCOME (2)	8,879	30,925	2,748	16,625	2,949	743	-	62,869	47,759
OTHER INCOME (EXPENSE) (2) (3)	(4,264)	(11,266)	(476)	4,491	7,162	619	-	(3,734)	(5,335)
CAPITAL CONTRIBUTIONS	-	320	-	3,934	-	-	-	4,254	3,427
SPECIAL ITEMS									
Transition to regulatory accounting - pensions (4)	-	-	-	-	-	-	-	-	26,427
CHANGE IN NET POSITION (2) (4)	\$ 4,615	\$ 19,979	\$ 2,272	\$ 25,050	\$ 10,111	\$ 1,362	\$ -	\$ 63,389	\$ 72,278

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

June 30, 2022

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	6/30/2022	6/30/2021
TOTAL CURRENT ASSETS	\$ 15,511	\$ 11,142	\$ 2,922	\$ 152,284	\$ 15,261	\$ 33,831	\$ -	\$ 230,951	\$ 200,949
NET UTILITY PLANT (2)	279,463	509,665	83,628	374,171	-	161,932	-	1,408,859	1,285,393
RESTRICTED ASSETS - NONCURRENT	14,778	55,472	-	26,254	13,659	6,681	-	116,844	236,483
OTHER ASSETS (4)	22,780	38,959	7,046	228,846	28,236	50,823	(10,343)	366,347	324,068
DEFERRED OUTFLOWS OF RESOURCES	2,235	3,951	265	3,494	623	259	-	10,827	12,170
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES (2) (4)	\$ 334,767	\$ 619,189	\$ 93,861	\$ 785,049	\$ 57,779	\$ 253,526	\$ (10,343)	\$ 2,133,828	\$ 2,059,063
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES (2)	\$ 5,018	\$ 31,755	\$ 570	\$ 27,932	\$ 25,046	\$ 30,760	\$ -	\$ 121,081	\$ 114,324
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	10,792	9,106	(61)	11,500	(22,825)	(8,512)	-	-	-
LONG-TERM DEBT	-	118,469	-	4,774	227,880	-	-	351,123	476,992
INTERSYSTEM PAYABLE (RECEIVABLE) - NONCURRENT	57,914	155,145	(10,201)	(62,390)	(347,239)	206,771	-	-	-
UNEARNED REVENUES	6,417	6,584	-	124,832	4,749	-	(10,343)	132,239	103,155
OTHER LIABILITIES (2)	10,976	13,750	9,073	2,706	-	71	-	36,576	59,069
TOTAL LIABILITIES (2)	91,117	334,809	(619)	109,354	(112,389)	229,090	(10,343)	641,019	753,540
DEFERRED INFLOWS OF RESOURCES	18,504	39,974	2,199	41,501	804	336	-	103,318	44,267
TOTAL NET POSITION (2) (4)	225,146	244,406	92,281	634,194	169,364	24,100	-	1,389,491	1,261,256
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION (2) (4)	\$ 334,767	\$ 619,189	\$ 93,861	\$ 785,049	\$ 57,779	\$ 253,526	\$ (10,343)	\$ 2,133,828	\$ 2,059,063

ELECTRIC

As of June 30	2022	2021
Number of Customers	50,192	49,572
Number of Residential Customers	40,842	40,276
YTD Average Residential Rate (Cents/kWh)	3.30	3.28

POWER GENERATION (MWh) (000)

6 months ended June 30, 2022	2022	2021
Lake Chelan	231	215
Rocky Reach	3,390	2,934
Rock Island	1,506	1,351

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

6 months ended June 30, 2022	2022	2021
Lake Chelan	\$ 19	\$ 22
Rocky Reach	12	13
Rock Island	30	36

NOTES TO CONDENSED STATEMENTS

(1) Intra-District transactions are eliminated.

(2) Figures for 2021 restated resulting from the implementation of GASB 87 - Lease Accounting.

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

(4) Figures for 2021 restated as a result of board action that resulted in a one-time accounting adjustment for transition to regulatory accounting for actuarial changes in pension expense.

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, 2021. 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.