



Mission: To enhance the quality of life in Chelan County by providing sustainable, reliable utility services

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 2018, they produced 9.4 million megawatt hours of affordable, emission-free electricity.

CHELAN PUD COMMISSIONERS APPROVE NEW STRATEGIC PLAN

Chelan County PUD commissioners approved the utility’s new strategic plan for 2020-2024.

Through the process, commissioners reviewed themes from about 3,600 survey comments by customer-owners and proposals for strategic priorities and objectives for the next five years.

As a result, a fourth strategic priority was added, existing priorities were updated and objectives were defined that support them. All support the Board’s vision to provide the best value for the most people for the longest time.

Priorities adopted for 2020-2024 are:

- Invest in assets and people and seek industry top-quartile performance for hydro generation, retail reliability and safety while improving customer service technology.
- Sustain excellent financial resiliency while mitigating the risk of large rate increases.
- Enhance the quality of life in Chelan County through programs that distribute the benefits of public power.
- Engage in countywide growth planning and job creation while ensuring the District’s rates and policies are stable and predictable.

Investing in assets is the highest priority. Plans for the next five years include increased spending on hydro system projects, building seven new substations, and deploying smart meters that will help reduce outage time, while providing customers more and better information. Consistent with the strategic plan, the District is focusing on improving in the areas of safety, hydro system capability, retail reliability, customer

service technology, resiliency and innovation while at the same time being committed to keeping PUD finances strong.

Also included in the plan, is an approximately 3% annual electric rate increase for county residents. The increase would generate roughly \$1.5 million a year to help protect against downside risks such as price declines in the wholesale power market. Through its public feedback process, the District found that a majority of customers favored this kind of small increase rather than the risk of larger increases down the line. The PUD is also planning a 4% annual rate increase for its water and wastewater customers and a 3% increase in the wholesale rates for Fiber service providers.

Chelan PUD is committed to having among the lowest rates in the country and strong financial resiliency over the long-term. The District’s strategic plan lays out using its financial strength to invest in assets that serve customer-owners and maintain low debt.

NEW FERC APPROACH FOR SETTING LICENSE TERMS TO MAXIMIZE VALUE OF ROCK ISLAND DAM INVESTMENTS

Chelan PUD’s leadership role to advocate for new legislation, engage with regulators and move to improve its hydropower operations has produced tangible benefits for its customers and other U.S. power producers.

Federal dam regulators have indicated that Chelan PUD’s significant investments in powerhouse upgrades and spillway safety at Rock Island Dam qualify for “early action credit” toward its next operating license. The Federal Energy Regulatory Commission (FERC) ruling is the first on early action credit under the new law.

The positive ruling is expected to help Chelan PUD take actions earlier that bring value for its customers and ensures FERC will consider these significant investments towards a maximum, 50-year term for Rock Island’s new license starting in 2029. A longer license term is good for our customer-owners because it will enable Chelan PUD to contribute to decarbonizing the nation’s electric generation resources for many years to come.

Chelan PUD requested early action credit for investments at Rock Island Dam that will total \$710 million by 2029, far beyond the requirements of its 1989 relicensing order. The measures include: rebuilding powerhouse 1 and 2 turbines and generators, investing in Habitat Conservation Plans to achieve standard of “no net impact” on salmon and steelhead from dam operations, improving spillway safety with automated gate hoist operations, and upgrading office, warehouse and storage facilities to increase efficiency.

CHELAN PUD EXPECTS TO INSTALL A RECORD 1,000 METERS THIS YEAR

The Chelan County PUD is on track to install roughly 1,000 new electrical meters this year, a record high for the utility. That is up from about 700 meter installations last year and 500 in both

2017 and 2016. Most of the growth is from new houses and apartment buildings in North Wenatchee, Chelan, Manson and Leavenworth. Energy conservation efforts have offset some of the county’s electrical use, but the PUD’s total load is expected to see a net 1.3% increase this year.

FINANCIAL HIGHLIGHTS

For the nine months ended September 30, 2019, Chelan County PUD recorded a change in net position of \$86.7 million, an increase in earnings of \$9.4 million from the same period in 2018. The improvement in earnings is due to increased operating revenues resulting primarily from additional proceeds from a long-term power sales agreement, insurance proceeds from a settlement for large unit repair work at Rocky Reach and higher retail sales of electricity more than offsetting impacts from low stream flow conditions and unit outages. Retail sales were higher due to colder winter temperatures compared to the prior year, combined with revenue associated with a new off-system load. Higher operating revenues were partially offset by increased operating expenses, which were up primarily due to increased maintenance expenses compared to the prior year. Higher investment income, due to increased cash reserves, contributed to the decrease in other expense, which is net of interest expense.

Despite higher overall cash and investment balances, combined unrestricted cash and investments decreased by \$25.6 million from the same period in 2018. The decrease in unrestricted funds is due to the restriction of \$87 million of cash reserves to fund capital spending at Rock Island hydro, including ongoing modernization work.

The \$57.6 million decrease in current assets is due to the maturity of short-term investments that were reinvested for a longer term. The overall increase in cash balances due to positive operating results, the restriction of cash reserves and the long-term investment strategy is reflected in the \$66.9 million increase in restricted assets-noncurrent and \$20.6 million increase in other assets.

Long-term debt decreased by \$43.4 million due to continued implementation of the District’s debt reduction plan. The reduced debt leverage supports the District’s financial policies, customer-owner priorities, strong credit rating and long-term financial sustainability.



Kelly Boyd
Chief Financial Officer/Chief Risk Officer



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

Nine months ended September 30, 2019

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	9 Months Ended 09/30/19	9 Months Ended 09/30/18
OPERATING REVENUES	\$ 60,395	\$ 86,862	\$ 8,981	\$ 247,692	\$ 6,200	\$ 17,248	\$ (137,562)	\$ 289,816	\$ 281,300
OPERATING EXPENSES	46,369	46,984	5,852	219,294	-	17,524	(137,562)	198,461	195,145
NET OPERATING INCOME (LOSS)	14,026	39,878	3,129	28,398	6,200	(276)	-	91,355	86,155
OTHER INCOME (EXPENSE) (2)	(6,231)	(16,478)	(1,121)	8,645	5,520	644	-	(9,021)	(13,872)
CAPITAL CONTRIBUTIONS	-	494	-	3,916	-	-	-	4,410	5,090
CHANGE IN NET POSITION	\$ 7,795	\$ 23,894	\$ 2,008	\$ 40,959	\$ 11,720	\$ 368	\$ -	\$ 86,744	\$ 77,373

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

September 30, 2019

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra- District Transactions (1)	09/30/19	09/30/18
TOTAL CURRENT ASSETS	\$ 11,315	\$ 10,893	\$ 2,106	\$ 115,500	\$ 14,583	\$ 10,148	\$ -	\$ 164,545	\$ 222,179
NET UTILITY PLANT	287,288	404,486	87,059	330,427	-	56,573	-	1,165,833	1,118,637
RESTRICTED ASSETS - NONCURRENT	34,200	123,874	-	543	18,630	5,864	-	183,111	116,252
OTHER ASSETS (4)	6,855	18,180	5,498	265,314	47,188	22,020	(11,824)	353,231	332,608
DEFERRED OUTFLOWS OF RESOURCES	1,761	3,931	269	2,662	2,344	101	-	11,068	12,777
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 341,419	\$ 561,364	\$ 94,932	\$ 714,446	\$ 82,745	\$ 94,706	\$ (11,824)	\$ 1,877,788	\$ 1,802,453
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES	\$ 17,368	\$ 37,445	\$ 2,355	\$ 24,370	\$ 12,235	\$ 23,430	\$ -	\$ 117,203	\$ 101,411
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	(2,185)	(1,245)	(335)	9,504	-	(5,739)	-	-	-
LONG-TERM DEBT (3)	105,152	333,694	2,530	(18,630)	(54,386)	66,514	-	434,874	478,291
UNEARNED REVENUES	7,314	7,543	-	117,901	6,501	-	(11,824)	127,435	141,400
OTHER LIABILITIES	18,954	20,288	10,380	14,698	-	-	-	64,320	77,939
TOTAL LIABILITIES	146,603	397,725	14,930	147,843	(35,650)	84,205	(11,824)	743,832	799,041
DEFERRED INFLOWS OF RESOURCES (4)	4,229	30,280	622	11,027	2,207	372	-	48,737	32,833
TOTAL NET POSITION (4)	190,587	133,359	79,380	555,576	116,188	10,129	-	1,085,219	970,579
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 341,419	\$ 561,364	\$ 94,932	\$ 714,446	\$ 82,745	\$ 94,706	\$ (11,824)	\$ 1,877,788	\$ 1,802,453

ELECTRIC

As of September 30	2019	2018
Number of Customers	52,044	51,179
Number of Residential Customers	39,382	38,583
YTD Average Residential Rate (Cents/kWh)	3.21	3.22

POWER GENERATION (MWh) (000)

9 months ended September 30	2019	2018
Lake Chelan	223	255
Rocky Reach	3,705	4,817
Rock Island	1,778	2,181

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

9 months ended September 30	2019	2018
Lake Chelan	\$ 28	\$ 32
Rocky Reach	11	12
Rock Island	35	27

NOTES TO CONDENSED STATEMENTS

(1) Intra-District transactions are eliminated.

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

(3) Utility Services receivable consists primarily of unamortized prepaid Internal Service assets.

(4) Includes prior period adjustment for the implementation of GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

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, 2018. 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.