



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 2019, they produced 7.7 million megawatt hours of affordable, emission-free electricity.

COVID-19 PANDEMIC RESPONSE

In response to the COVID-19 (novel coronavirus) crisis, Chelan PUD established an incident command structure and set the priorities of protecting employee health, community health and maintaining essential utility services. Proactive measures have been implemented to protect the PUD and its customers, including closing lobbies, requiring non-emergency employees to work from home, implementing "social distancing" measures for the PUD's on-site essential staff and curtailing projects and maintenance to essential projects that can be completed with minimal contact between employees.

The PUD also has declared that it will not disconnect utility service from customers for failure to pay or charge late fees through July. The PUD also is delaying already approved rate increases by six months to assist with community impacts. In addition, the PUD is partnering with local service providers to create WiFi access points across the county to offer free internet access to help people who are coping with impacts of the coronavirus crisis, including the need for students to continue learning while schools are physically closed.

These collective actions may impact operational and financial results for the PUD in 2020, but due to the PUD's risk management plans, financial policies and strong liquidity, it is in a position to weather the adverse impacts while continuing to support actions that make an impactful and meaningful difference to community members in need.

PUD BOARD APPROVES RATE PLAN WITH MODERATE INCREASES

Chelan County PUD commissioners approved a five-year plan of moderate utility rate increases, as called for in the District's strategic plan, to help reduce the risk of larger increases in the future. This is the first change in electric rates in nine years.

Initially, the plan was set to go into effect on June 1 for the PUD's residential electric, water, wastewater and wholesale Fiber customers. However, in response to customers facing financial hardships from COVID-19, the District has postponed the planned rate changes for six months to Dec. 1. Rate changes for commercial and industrial electric customers are also set for Dec. 1. After that, annual changes will be effective on June 1, 2021-2024.

The residential rate change is focused on the customer charge, which is the fixed amount on the monthly bill that recovers the cost of being connected to the grid, no matter the amount of power used. Other rate changes approved are:

- 3-percent, per-year electric rate change for all non-residential customers,
- 4-percent water and wastewater change per year to move the systems toward sustainability, and
- 3-percent per year wholesale Fiber rate change.

Discounts for low income senior and disabled customers also will increase by 3 percent for electric and 4 percent for water and wastewater.

As directed by the strategic plan, the increased electric rate revenue will go into reserves to help reduce the risk of large rate increases in the future. Even with these changes, Chelan PUD rates will remain among the lowest in the country.

POLICY UPDATES FOR CHANGING POWER MARKETS

Changes in the wholesale energy markets are bringing the need to update Chelan County PUD's approach to selling its carbon-free surplus power.

Wholesale power markets have evolved since a PUD resolution was last updated in 2011, and the approved changes reflect that. The updates to the resolution that guides surplus energy sales are designed to bring more value for PUD customer-owners. The changes will help reduce price risks during increasing market swings and return more revenue for the environmental value of the PUD's carbon-free hydropower.

In addition to policy changes, Chelan County PUD is one of 18 Northwest utilities banding together to design a program for member utilities to coordinate power resources to make sure the region is planning to meet future demand. A recent report by the Northwest Power Pool concluded the region may see shortages as soon as this year. By the mid-2020s the Northwest may see shortages big enough to cause power market price swings and load shutdowns.

Chelan PUD has more than enough power to meet its local load. The approved changes in the power sales resolution add tools to respond to possible market impacts due to regional supply issues.

NATIONAL RECOGNITION FOR CULTURAL RESOURCE PROTECTION

Chelan PUD recently received the 2019 American Cultural Resources Association (ACRA) Industry Award for its outstanding commitment to protecting cultural resources. The award honors industry members that consistently demonstrate exemplary coordination with Native American tribes and a strong commitment to supporting scientific research, public outreach and education.

In its announcement, one of several examples of the PUD's leadership in public outreach for cultural resources cited by ACRA was the PUD's consultation with the Confederated Tribes of the Colville Reservation for the protection of the Peshastin Pinnacles. Transmission lines have crossed through the pinnacles since 1930, when they were operated

by a Seattle-based private utility. When a new federal rule required these lines to be upgraded, Chelan PUD consulted with local tribes to ensure that the work would not impact these sacred rock formations. As a result of these conversations, the PUD decided to reroute the lines completely away from the Pinnacles.

WATER SUPPLY FORECASTS

The late April Northwest River Forecast Center forecasts January-July water supply on the Columbia River to be 101 percent of average at Grand Coulee Dam. The District expects near average generation under the forecasted water conditions. Due to the District's risk management plans, hedging strategies and financial policies, the District expects to meet or exceed financial targets despite stream flow volatility.

The late April water supply forecast for the Lake Chelan drainage basin is 95 percent of average from April through July. Lake Chelan Hydro Project operations will continue to follow the dry-to-average year lake level range, which puts the District in a good position to meet all lake level targets for the year.

FINANCIAL HIGHLIGHTS

For the three months ended March 31, 2020, Chelan County PUD recorded a change in net position of \$17.7 million, a decrease in earnings of \$20.7 million from the same period in 2019. The decrease is due primarily to non-recurring proceeds received last year from a long-term power sales agreement, and lower average market prices resulting in lower wholesale sales revenue from surplus sales of energy. The reduced wholesale sales is offset modestly by revenue associated with a new off-system retail load, as well as lower operating expenses driven primarily by reduced purchased power expense resulting from the lower than average wholesale market prices.

As of March 31, 2020, combined unrestricted cash and investments totaled \$414.4 million compared to \$403.1 million from the same period in 2019. Current assets increased by \$44.2 million largely due to cash generated by the District's positive operating results after paying for debt reduction and capital expenditures out of cash reserves. Additionally, current assets increased while long-term investments in other assets decreased by \$36.1 million due to longer term investments maturing and being reinvested for a shorter term. Utility plant balances increased with investments in major projects including ongoing modernization at Rock Island, a Customer Information System upgrade and progress towards the District's new service center.

Long-term debt decreased by \$41.9 million due to scheduled principal payments. The reduced debt leverage supports the District's financial policies, customer-owner priorities, strong credit rating and long-term financial sustainability.



Kelly Boyd
Kelly Boyd
 Chief Financial Officer/
 Chief Risk Officer



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

Three months ended March 31, 2020

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	3 Months Ended 03/31/20	3 Months Ended 03/31/19
OPERATING REVENUES	\$ 20,273	\$ 28,481	\$ 2,361	\$ 73,941	\$ 2,045	\$ 5,912	\$ (46,869)	\$ 86,144	\$ 111,525
OPERATING EXPENSES	16,086	14,224	2,121	74,291	-	6,914	(46,869)	66,767	70,766
NET OPERATING INCOME (LOSS)	4,187	14,257	240	(350)	2,045	(1,002)	-	19,377	40,759
OTHER INCOME (EXPENSE) (2)	(1,866)	(5,383)	(363)	2,767	1,956	205	-	(2,684)	(3,374)
CAPITAL CONTRIBUTIONS	-	132	-	866	-	-	-	998	988
CHANGE IN NET POSITION	\$ 2,321	\$ 9,006	\$ (123)	\$ 3,283	\$ 4,001	\$ (797)	\$ -	\$ 17,691	\$ 38,373

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

March 31, 2020

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra- District Transactions (1)	03/31/20	03/31/19
TOTAL CURRENT ASSETS	\$ 13,200	\$ 18,120	\$ 2,792	\$ 143,439	\$ 19,626	\$ 8,636	\$ -	\$ 205,813	\$ 161,579
NET UTILITY PLANT	284,581	415,390	86,399	333,056	-	64,588	-	1,184,014	1,152,035
RESTRICTED ASSETS - NONCURRENT	35,179	129,210	-	454	19,309	5,034	-	189,186	190,546
OTHER ASSETS	5,617	18,727	5,213	244,910	45,275	11,365	(11,596)	319,511	353,776
DEFERRED OUTFLOWS OF RESOURCES	2,218	4,182	251	3,245	1,996	170	-	12,062	11,530
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 340,795	\$ 585,629	\$ 94,655	\$ 725,104	\$ 86,206	\$ 89,793	\$ (11,596)	\$ 1,910,586	\$ 1,869,466
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES	\$ 15,164	\$ 40,125	\$ 2,272	\$ 24,609	\$ (3,349)	\$ 24,158	\$ -	\$ 102,979	\$ 109,949
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	(1,644)	(905)	(181)	11,022	-	(8,292)	-	-	-
LONG-TERM DEBT (3)	103,649	338,490	2,256	(12,890)	(44,500)	54,576	-	441,581	483,491
UNEARNED REVENUES	7,196	7,413	-	111,434	6,183	-	(11,596)	120,630	134,633
OTHER LIABILITIES	17,034	17,874	10,032	11,398	-	-	-	56,338	64,275
TOTAL LIABILITIES	141,399	402,997	14,379	145,573	(41,666)	70,442	(11,596)	721,528	792,348
DEFERRED INFLOWS OF RESOURCES	5,454	32,899	631	15,699	3,601	671	-	58,955	40,270
TOTAL NET POSITION	193,942	149,733	79,645	563,832	124,271	18,680	-	1,130,103	1,036,848
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 340,795	\$ 585,629	\$ 94,655	\$ 725,104	\$ 86,206	\$ 89,793	\$ (11,596)	\$ 1,910,586	\$ 1,869,466

ELECTRIC

As of March 31	2020	2019
Number of Customers	52,212	51,472
Number of Residential Customers	39,523	38,853
YTD Average Residential Rate (Cents/kWh)	3.08	3.01

POWER GENERATION (MWh) (000)

3 months ended March 31	2020	2019
Lake Chelan	93	79
Rocky Reach	1,338	1,211
Rock Island	701	615

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

3 months ended March 31	2020	2019
Lake Chelan	\$ 24	\$ 26
Rocky Reach	13	14
Rock Island	28	33

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.

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, 2019. 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.