



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 ensure 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.

FITCH AFFIRMS CHELAN COUNTY PUD BOND RATING AT ‘AA+’

Fitch Ratings has affirmed ratings for Chelan County Public Utility District consolidated system revenue bonds and Rock Island Hydroelectric project revenue bonds at a ‘AA+’ rating with a stable outlook.

The Fitch report noted the ‘AA+’ rating reflects the PUD’s sizable portfolio of very inexpensive hydro-generating resources, as well as solid revenue stemming from the PUD’s independent ability to adjust retail and wholesale rates that are among the lowest in the nation. Additionally, the PUD’s very low leverage profile is supported by strong cash reserves, and the continued accelerated amortization of debt, that together result in a healthy financial profile that Fitch anticipates will remain very strong.

CHELAN COUNTY PUD SIGNS 20-YEAR CLEAN ENERGY CONTRACT WITH AVISTA

Chelan PUD and Avista entered into a contract for renewable hydropower from the PUD’s two hydro projects on the Columbia River. The PUD, as a part of the 20-year contract, is selling Avista 5% of hydropower output from both Rocky Reach and Rock Island dams from 2026 through 2030. That number will increase to 10% from 2031 to 2045.

With this new contract, Chelan PUD implemented an element of its updated energy marketing strategy through a long-term energy sales contract designed to ensure that Chelan PUD’s customer-owners benefit.

Increasing levels of commitment to decarbonizing the electric sector, particularly in the western United States, is increasing the value of hydropower. The PUD’s carbon-free hydropower provides the capability to produce electricity on demand, a particularly valuable product as the West evolves away from the use of fossil-fuel fired resources that have historically supported a reliable electrical grid.

Under the PUD’s long-term marketing strategy, Chelan PUD offers a mix of shorter-term market-based and longer-term cost-based products. Both types of contracts are based on selling a “slice” of Chelan’s hydropower output, which reduces risk of variable output from hydropower production. The long-term marketing strategy also provides flexibility for the PUD to serve growing electrical demand in Chelan County. Overall, the goal of the long-term marketing strategy is to strike the right balance of contracts to reduce risk, create value and provide financial stability for decades to come.

Customer-owners benefit because the added value will help the PUD keep

local rates among the lowest in the nation while also providing amenities like broadband services and parks. The contracts also help cover future costs of producing hydropower at Rocky Reach and Rock Island dams.

CHELAN COUNTY PUD TO BEGIN INSTALLING SMART METERS IN SPRING 2022

Chelan County PUD’s first 700 smart meters are underway to be in place this spring with the rest of the PUD’s customers getting the new devices starting later this year.

The smart meters installation will begin in the May/June timeframe. The full deployment will begin this fall to 50,000 PUD customers after the initial 700 meters are operating smoothly.

Currently meter readers visit each customer and customers must call the PUD about outages. The new smart meters are two-way digital meters using low-energy radio frequency waves that wirelessly transmit electricity usage and outages information to PUD facilities, providing operational efficiencies and cost savings.

CHELAN COUNTY PUD’S NEW HEADQUARTERS SETS STANDARD

In 2020, Chelan PUD broke ground on the future home of the PUD’s comprehensive Service Center. The 19-acre campus will combine most of the PUD’s non-hydro services, including Customer Service, Warehouse, Fish and Wildlife, and Customer Energy Solutions.

The new eight-building campus is designed to be as energy-efficient as possible serving as an example for the rest of the valley. Additionally, the design will provide benefits of reduced energy consumption and costs which in turn helps to keep power rates low for customers.

During the planning phase, all options were considered including the location, design of the buildings and how they are laid out on campus. Some of the efficiency concepts include:

- The main four-story building is long and narrow, oriented east to west, allowing for more light to penetrate the building reducing the demand for lighting.
- A variable refrigerant system (VRF) that takes advantage of the orientation allowing more flexibility with heating, cooling and air.
- Sensors controlling and reducing the light and appliance usage.
- The location will significantly reduce transportation costs.
- Electric vehicle charging stations.

A phased move-in will begin early next year with the administration building fully operational by around mid-year 2023.

WATER SUPPLY FORECASTS

The late April forecast from the Northwest River Forecast Center forecasts January-July water supply on the Columbia River to be 100 percent of average at Grand Coulee Dam. The District expects near average generation under the forecasted 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.

The April 1st water supply forecast for the Lake Chelan drainage basin is 90 percent of average from April through July. Lake Chelan Hydro Project operations will continue to balance the operating objectives, which puts the District in a good position to fill the lake on time. Last year’s actual water supply from April 1 through July 31 was 103 percent of average.

FINANCIAL HIGHLIGHTS

For the three months ended March 31, 2022, Chelan County PUD recorded a change in net position of \$34.5 million, a decrease in earnings of \$13.0 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 March 31, 2022, combined unrestricted cash and investments totaled \$377.5 million, comparable to the \$380.9 million reported for the same period in 2021. Strong operating results have allowed the District to maintain relatively stable unrestricted cash and investment balances while continuing to fund a portion of both debt repayments and capital spending from unrestricted operating reserves. Current assets are down \$10.2 million compared to the prior year due to a shift from short-term to long-term investments that is a result of the District’s ongoing management of its investment portfolio to meet expected cash flows. Utility plant balances increased \$129.7 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 \$144.9 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 \$64.8 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 \$125.8 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 \$59.8 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)

Three months ended March 31, 2022

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	3 Months Ended 3/31/2022	3 Months Ended 3/31/2021
OPERATING REVENUES	\$ 20,649	\$ 30,474	\$ 5,090	\$ 102,256	\$ 1,474	\$ 6,571	\$ (57,425)	\$ 109,089	\$ 94,314
OPERATING EXPENSES	16,226	15,262	2,022	91,494	-	7,032	(57,425)	74,611	72,135
NET OPERATING INCOME (LOSS)	4,423	15,212	3,068	10,762	1,474	(461)	-	34,478	22,179
OTHER INCOME (EXPENSE) (2)	(1,964)	(5,653)	(245)	2,135	3,531	166	-	(2,030)	(2,327)
CAPITAL CONTRIBUTIONS	-	182	-	1,842	-	-	-	2,024	1,148
SPECIAL ITEMS									
Transition to regulatory accounting - pensions (3)	-	-	-	-	-	-	-	-	26,427
CHANGE IN NET POSITION (3)	\$ 2,459	\$ 9,741	\$ 2,823	\$ 14,739	\$ 5,005	\$ (295)	\$ -	\$ 34,472	\$ 47,427

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

March 31, 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)	3/31/2022	3/31/2021
TOTAL CURRENT ASSETS	\$ 13,421	\$ 14,325	\$ 2,291	\$ 113,706	\$ 8,999	\$ 28,465	\$ -	\$ 181,207	\$ 191,420
NET UTILITY PLANT	281,637	502,354	84,124	369,944	-	150,391	-	1,388,450	1,258,774
RESTRICTED ASSETS - NONCURRENT	14,152	72,404	-	5,600	13,799	10,167	-	116,122	261,060
OTHER ASSETS (3)	23,702	39,780	7,706	242,624	22,844	64,577	(10,620)	390,613	325,785
DEFERRED OUTFLOWS OF RESOURCES	2,235	4,005	265	3,494	685	259	-	10,943	12,339
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES (3)	\$ 335,147	\$ 632,868	\$ 94,386	\$ 735,368	\$ 46,327	\$ 253,859	\$ (10,620)	\$ 2,087,335	\$ 2,049,378
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES	\$ 4,313	\$ 30,566	\$ 633	\$ 29,080	\$ 22,840	\$ 29,794	\$ -	\$ 117,226	\$ 105,931
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	10,973	8,998	(148)	10,544	(22,513)	(7,854)	-	-	-
LONG-TERM DEBT	-	138,855	-	5,342	229,236	-	-	373,433	499,272
INTERSYSTEM PAYABLE (RECEIVABLE) - NONCURRENT	60,758	157,534	(10,281)	(63,127)	(353,262)	208,378	-	-	-
UNEARNED REVENUES	6,633	6,806	-	85,566	4,909	-	(10,620)	93,294	106,680
OTHER LIABILITIES	10,976	14,826	9,151	2,706	-	752	-	38,411	56,121
TOTAL LIABILITIES	93,653	357,585	(645)	70,111	(118,790)	231,070	(10,620)	622,364	768,004
DEFERRED INFLOWS OF RESOURCES	18,504	41,463	2,199	41,374	859	336	-	104,735	44,969
TOTAL NET POSITION (3)	222,990	233,820	92,832	623,883	164,258	22,453	-	1,360,236	1,236,405
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION (3)	\$ 335,147	\$ 632,868	\$ 94,386	\$ 735,368	\$ 46,327	\$ 253,859	\$ (10,620)	\$ 2,087,335	\$ 2,049,378

ELECTRIC

As of March 31	2022	2021
Number of Customers	49,962	49,467
Number of Residential Customers	40,640	40,199
YTD Average Residential Rate (Cents/kWh)	3.13	3.12

POWER GENERATION (MWh) (000)

3 months ended March 31, 2022	2022	2021
Lake Chelan	136	116
Rocky Reach	1,735	1,398
Rock Island	823	660

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

3 months ended March 31, 2022	2022	2021
Lake Chelan	\$ 15	\$ 20
Rocky Reach	10	13
Rock Island	25	35

NOTES TO CONDENSED STATEMENTS

(1) Intra-District transactions are eliminated.

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

(3) Figure 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.