



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 2022, they produced 9.5 million megawatt hours of affordable, emission-free electricity.

CLEAN ENERGY CONTRACT

Puget Sound Energy (PSE) and Chelan County Public Utility District announced a new contract for renewable hydropower from two District hydro projects on the Columbia River. The five-year “slice” contract supplies PSE with 5% of the output from the District’s Rock Island and Rocky Reach hydropower projects from 2024 through 2028. The contract complements an existing contract between the two utilities, while generating revenue for the District to provide continued rate stability for its customers. The competitive market pricing also allowed the District to lock in a margin above production costs for the benefit of its customer-owners. 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. The District values its continuing long-standing positive working relationship with PSE and is pleased that this energy will help the state meet its low-carbon policy goals.

NEW SERVICE AND OPERATION CENTER

The District has begun moving into its new Service Center in Olds Station. Phase 1 of the project was completed in August and provides one convenient location where customer-owners can pay bills, apply for new services, and meet with staff and commissioners. It is anticipated that Phase 2 will be completed mid-November, allowing field operations to relocate to the new campus. The final turnover of Phase 3 is expected during the first quarter of 2024, allowing relocation of the remaining

departments. The 24-acre campus will combine most of the District’s non-hydro services at the site. The site is the geographic center of Chelan County, which will help reduce response times and operational costs. The Service Center will replace several aging District facilities, including its downtown headquarters, which was built in 1955.

UPDATED RATES FOR CRYPTO AND DATA CENTERS

District commissioners approved rate changes for crypto miners and data center customers. Effective February 2024, some customers will pay a cost-of-production energy charge until collectively, they reach 10 megawatts (MW). Cryptocurrency and data centers currently use about 9 megawatts with another half megawatt anticipated later this year. When their collective energy needs exceed 10 MW, the rate will reflect a market energy charge. The new rate structure also includes several requirements intended to address the risks of these uses, and to protect residential rates and other rate classes from the associated impacts.

LOW WATER YEAR OFFSET BY STRONG ENERGY PRICES

The District’s financials are holding steady, despite a low-water year. According to the Northwest River Forecast Center, the January through July water supply forecast for the Columbia River at Grand Coulee ended up at 76% of normal. Low water conditions mean reduced hydropower generation at the District’s hydroelectric projects. The impact of reduced generation was offset by higher average wholesale prices during the same period. The District’s risk management plans, hedging strategies and financial policies have positioned it well to weather such conditions. The District expects to meet or exceed financial targets despite the stream flow volatility.

FINANCIAL HIGHLIGHTS

For the nine months ended September 30, 2023, Chelan County PUD recorded a change in net position of \$118.2 million, a decrease in earnings of \$14.1 million from the same period in 2022. The decrease is due to higher purchased power costs that resulted from higher wholesale energy prices and below average water conditions, combined with an increase in other operating expenses which were mostly offset by 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.

As of September 30, 2023, combined unrestricted cash and investments totaled \$346.9 million, comparable to the \$378.4 million reported for the same period in 2022. Strong operating

results have allowed the District to maintain healthy 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 \$40.2 million compared to the prior year due primarily to decreases in both cash and cash equivalents and accounts receivable. These decreases were partially offset by an increase in material and supplies. The decrease in cash and cash equivalents is a result of continued spending for ongoing modernization and facility upgrades at Rocky Reach and Rock Island and progress towards the District’s new Service Center. Accounts receivable decreased as a result of lower wholesale energy prices compared to the prior year. Material and supply inventories are up \$6.6 million due to a combination of supply chain strategies and higher material prices. Utility plant balances increased \$128.6 million with investments in major projects including ongoing construction of the District’s new Service Center. The primary driver behind a \$42.7 million increase in Restricted Assets – Noncurrent was the issuance of internal loans from unrestricted cash operating reserves to Rock Island and Rocky Reach hydroelectric systems for restricted use. The loaned funds are now held in the hydros and restricted for capital spending and debt reduction in accordance with long-term power sales agreements. Other assets decreased by \$39.9 million primarily due to a decrease in net pension asset. Deferred outflows of resources increased \$18.0 million. Both the decrease in net pension asset and the increase in deferred outflows of resources are due to a decline in the funded status of the Washington State Department of Retirement Systems’ PERS Plans 2 and 3 as a result of the 2022 actuarial valuation. While the plans are still overfunded, the valuation was negatively impacted by changes of assumptions and differences between projected and actual investment earnings.

Long-term debt decreased by \$41.4 million due to 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 decreased by \$26.3 million primarily due to a decline in the funded status of the PERS Plans 2 and 3 as a result of the 2022 actuarial valuation.



Kelly Boyd
Kelly Boyd
 Chief Financial Officer/
 Chief Risk Officer



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

Nine months ended Sept. 30, 2023

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	9 Months Ended 9/30/2023	9 Months Ended 9/30/2022
OPERATING REVENUES	\$ 73,645	\$ 109,018	\$ 8,390	\$ 396,704	\$ 4,374	\$ 21,854	\$ (187,907)	\$ 426,078	\$ 401,403
OPERATING EXPENSES (2)	60,483	60,518	7,675	349,278	-	22,569	(187,893)	312,630	270,110
NET OPERATING INCOME (LOSS) (2)	13,162	48,500	715	47,426	4,374	(715)	(14)	113,448	131,293
OTHER INCOME (EXPENSE) (2) (3)	(5,854)	(17,239)	(669)	11,656	10,379	1,152	14	(561)	(5,149)
CAPITAL CONTRIBUTIONS	-	1,116	-	4,227	-	-	-	5,343	6,228
CHANGE IN NET POSITION (2)	\$ 7,308	\$ 32,377	\$ 46	\$ 63,309	\$ 14,753	\$ 437	\$ -	\$ 118,230	\$ 132,372

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

Sept. 30, 2023

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	9/30/2023	9/30/2022
TOTAL CURRENT ASSETS	\$ 16,380	\$ 12,876	\$ 2,493	\$ 153,733	\$ 6,689	\$ 14,447	\$ -	\$ 206,618	\$ 246,780
NET UTILITY PLANT (2)	269,771	571,011	82,664	415,205	-	238,168	-	1,576,819	1,448,174
RESTRICTED ASSETS - NONCURRENT	32,504	80,765	-	24,361	14,443	7,385	-	159,458	116,790
OTHER ASSETS (3)	12,201	30,059	5,934	257,883	14,432	24,282	(9,889)	334,902	374,787
DEFERRED OUTFLOWS OF RESOURCES	7,943	8,546	996	10,462	328	459	-	28,734	10,711
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES (2)	\$ 338,799	\$ 703,257	\$ 92,087	\$ 861,644	\$ 35,892	\$ 284,741	\$ (9,889)	\$ 2,306,531	\$ 2,197,242
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES (2)	\$ 4,555	\$ 33,001	\$ 659	\$ 33,867	\$ 25,380	\$ 32,641	\$ -	\$ 130,103	\$ 126,110
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	11,668	10,344	(272)	11,355	(23,533)	(9,562)	-	-	-
LONG-TERM DEBT	-	106,243	-	3,938	178,411	-	-	288,592	330,008
INTERSYSTEM PAYABLE (RECEIVABLE) - NONCURRENT	53,753	206,586	(10,940)	(137,836)	(342,599)	231,036	-	-	-
UNEARNED REVENUES	6,144	6,281	-	102,653	3,953	-	(9,889)	109,142	128,603
OTHER LIABILITIES (2)	13,921	16,362	9,919	12,731	-	7,540	-	60,473	51,854
TOTAL LIABILITIES (2)	90,041	378,817	(634)	26,708	(158,388)	261,655	(9,889)	588,310	636,575
DEFERRED INFLOWS OF RESOURCES	11,328	27,468	1,421	34,910	530	246	-	75,903	102,192
TOTAL NET POSITION (2)	237,430	296,972	91,300	800,026	193,750	22,840	-	1,642,318	1,458,475
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION (2)	\$ 338,799	\$ 703,257	\$ 92,087	\$ 861,644	\$ 35,892	\$ 284,741	\$ (9,889)	\$ 2,306,531	\$ 2,197,242

ELECTRIC

As of Sept. 30	2023	2022
Number of Customers	51,098	50,393
Number of Residential Customers	41,663	41,027
YTD Average Residential Rate (Cents/kWh)	3.54	3.42

POWER GENERATION (MWh) (000)

9 months ended Sept. 30, 2023	2023	2022
Lake Chelan	200	335
Rocky Reach	3,717	5,033
Rock Island	1,667	2,208

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

9 months ended Sept. 30, 2023	2023	2022
Lake Chelan	\$ 38	\$ 19
Rocky Reach	18	12
Rock Island	46	32

NOTES TO CONDENSED STATEMENTS

(1) Intra-District transactions are eliminated.

(2) Figures for 2022 restated resulting from the implementation of GASB 96 - Subscription Based Information Technology Arrangements.

(3) 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, 2022. 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.