



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 2017, they produced 9.3 million megawatt hours of affordable, emission-free electricity.

PUD SETS COURSE FOR 2018 INCLUDING LARGEST CAPITAL INVESTMENT IN DECADES

Chelan County PUD commissioners reviewed and concurred with the 2018 District Performance Plan that includes major investments in the dams and the electric grid to provide customer value including low-cost, carbon-free and highly reliable electric service, other utility services, lake and river access from popular PUD parks and Public Power Benefit projects.

The plan supports Chelan PUD’s three strategic priorities:

- Invest in assets and employees
- Reduce debt – by another \$24 million in 2018 to reach the target of less than 35-percent debt to equity ratio one year early, and
- Continue Public Power Benefit projects such as broadband network expansion and day use parking passes for PUD parks operated by the state

The District’s 2018 capital plan is the largest in at least the last 20 years and is focused on accelerated work at our dams and other assets to get our infrastructure into good shape to provide the resilience needed to plan for the future.

PUD CUSTOMERS ARE HIGHLY SATISFIED

Chelan County PUD customers are highly satisfied with their hometown utility with 97 percent of those responding to a recent survey scoring the District a “4” or “5” on a 5-point scale. Three out of four customers rated their satisfaction at the top of the scale, saying they were “highly satisfied” with Chelan PUD.

When asked to rate positive descriptions of Chelan PUD, customer responses were above 4.5 on the 5-point scale. Chelan PUD was highly rated as “a utility you can trust;” “a good corporate citizen;” “good environmental stewards;” and “well managed.” Customers gave above 4.5 ratings on their expectations about service received and PUD’s communication efforts, as well.

The overall satisfaction in this year’s customer satisfaction survey is 3 percentage points higher than the last survey in 2016 and 5 percentage points higher than in 2014.

COMMISSIONERS HALT WORK ON APPLICATIONS FROM BITCOIN AND SIMILAR DATA OPERATIONS AND SET NEW FEES AND CHARGES FOR UNAUTHORIZED CRYPTO MINERS

PUD board members unanimously imposed an application moratorium for electric service for cryptocurrency mining. The decision came after reviewing impacts on utility operations from existing loads and applications for service. Impacts from cryptocurrency mining applications are hampering responses to the District’s overall planned work and threatening the county’s electric grid capacity to meet planned growth. This pause will allow the District to develop a sustainable approach based on an assessment of risks, including impacts to existing customers, and how to manage those risks.

Inquiries about and applications for cryptocurrency operations significantly increased as the price of bitcoin soared last fall. The trend continues with the number of applications filed so far this year approaching 2017’s total. The total sought more than doubles the District’s average local load.

Chelan PUD commissioners also directed staff to take all necessary steps to enforce the moratorium on unauthorized cryptocurrency operations including imposing new fees and penalties, disconnecting service and reporting unauthorized loads to law enforcement as power theft and fire officials to protect public and employee safety.

ABOVE-AVERAGE WATER SUPPLY FORECASTS

The Northwest River Forecast Center forecasts January-July water supply on the Columbia River to be 122 percent of average. Due to capacity constraints and the stabilization of revenues resulting from the District’s risk management plans and hedging strategies, the District expects slightly above average generation under the forecasted water conditions.

As of early April, the 2018 water supply forecast for the Lake Chelan drainage basin from April through July is 112 percent of average. Based on snowpack and precipitation, the forecast would result in an estimated 1.2 million acre-feet of water between April 1 and July 31. Lake Chelan Hydro Project operations will 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. Last year’s actual water supply from April 1 through July 31 was about 130 percent of average.

PACIFIC LAMPREY GET A SUCCESSFUL BOOST TO TRAVEL PAST ROCKY REACH DAM

Changes to the fish ladder at Rocky Reach and tracking studies are proving an effective combination for adult lamprey migrating past the dam. Ninety-eight percent of adult lamprey that enter the fish ladder at Rocky Reach Dam are traveling up the Columbia to spawn in streams.

Pacific lamprey are eel-like fish native to the Columbia River, dating from 450 million years ago. They hatch in freshwater streams, spending up to seven years before migrating to the ocean. There they use their round mouth and raspy teeth to attach to large fish and grow as a parasite off the host. Adults return to the Columbia, traveling upstream to spawn.

Studying and managing lamprey passage at the dam is a term of the license to operate Rocky Reach issued in 2009. A study in 2004 had found that less than half the adult lamprey that started up the ladder at the dam made the trip. Subsequent studies on lamprey swimming ability and working with tribes and fish agencies, led to fish ladder changes, helping the District meet objectives in lamprey management plans.

FINANCIAL HIGHLIGHTS

For the three months ended March 31, 2018, Chelan County PUD recorded a change in net position of \$24.5 million, a decrease in earnings of \$3.1 million from the same period in 2017. The decrease in earnings is primarily due to lower retail power sales combined with an increase in purchased power costs and other operating expenses. Retail sales are lower due to reduced consumption resulting from milder winter temperatures compared to the prior year. Purchased power costs are up compared to the prior year due to a higher volume of market purchases to balance system loads and resources and to support its power hedging strategy. Operating Expenses are higher primarily due to increased labor and benefit costs partly driven by increased regulatory, technology and evolving business needs, as well as, increased maintenance at the District’s Rock Island and Rocky Reach hydros.

As of March 31, 2018, combined unrestricted cash and investments totaled \$358.6 million compared to \$321.5 million from the same period in 2017. The increase in unrestricted reserves is primarily attributable to cash generated by the District’s positive operating results after paying for debt reduction and capital expenditures out of cash reserves. The \$63.8 million increase in Current Assets was primarily due to an increase in investments resulting from higher overall cash and investment balances.

Long-term debt decreased by \$53.1 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)

Three months ended March 31, 2018
(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	3 Months Ended 03/31/18	3 Months Ended 03/31/17
OPERATING REVENUES	\$ 21,635	\$ 25,008	\$ 2,182	\$ 80,412	\$ 1,844	\$ 4,795	\$ (46,095)	\$ 89,781	\$ 89,754
OPERATING EXPENSES	17,096	13,550	1,860	70,335	-	5,612	(46,095)	62,358	57,956
NET OPERATING INCOME	4,539	11,458	322	10,077	1,844	(817)	-	27,423	31,798
OTHER INCOME (EXPENSE) (2)	(2,276)	(5,381)	(399)	1,717	1,456	94	-	(4,789)	(5,839)
CAPITAL CONTRIBUTIONS	-	132	-	1,761	-	-	-	1,893	1,604
CHANGE IN NET POSITION	\$ 2,263	\$ 6,209	\$ (77)	\$ 13,555	\$ 3,300	\$ (723)	\$ -	\$ 24,527	\$ 27,563

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

March 31, 2018
(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	03/31/18	03/31/17
TOTAL CURRENT ASSETS	\$ 12,417	\$ 17,613	\$ 2,806	\$ 113,178	\$ 37,104	\$ 8,495	\$ -	\$ 191,613	\$ 127,811
NET UTILITY PLANT	296,998	362,531	88,402	319,131	-	32,245	-	1,099,307	1,078,178
RESTRICTED ASSETS - NONCURRENT	52,675	72,517	-	3,642	18,229	4,504	-	151,567	165,703
OTHER ASSETS	8,913	17,415	5,139	170,985	82,904	10,548	(13,091)	282,813	299,866
DEFERRED OUTFLOWS OF RESOURCES	2,068	4,478	248	3,029	3,431	-	-	13,254	18,162
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 373,071	\$ 474,554	\$ 96,595	\$ 609,965	\$ 141,668	\$ 55,792	\$ (13,091)	\$ 1,738,554	\$ 1,689,720
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES	\$ 20,766	\$ 45,606	\$ 2,648	\$ 23,977	\$ (4,008)	\$ 20,816	\$ -	\$ 109,805	\$ 95,898
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	(1,013)	(766)	(298)	9,181	-	(7,104)	-	-	-
LONG-TERM DEBT	134,862	296,623	6,076	(5,296)	44,053	33,030	-	509,348	562,405
UNEARNED REVENUES	8,114	8,535	-	79,422	7,541	-	(13,091)	90,521	93,982
OTHER LIABILITIES	23,082	23,635	10,609	20,245	-	-	-	77,571	91,627
TOTAL LIABILITIES	185,811	373,633	19,035	127,529	47,586	46,742	(13,091)	787,245	843,912
DEFERRED INFLOWS OF RESOURCES	2,304	26,801	276	4,592	43	15	-	34,031	30,465
TOTAL NET POSITION	184,956	74,120	77,284	477,844	94,039	9,035	-	917,278	815,343
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 373,071	\$ 474,554	\$ 96,595	\$ 609,965	\$ 141,668	\$ 55,792	\$ (13,091)	\$ 1,738,554	\$ 1,689,720

ELECTRIC

As of March 31	2018	2017
Number of Customers	50,761	50,280
Number of Residential Customers	38,231	37,773
YTD Average Residential Rate (Cents/kWh)	3.04	3.01

POWER GENERATION (MWh) (000)

3 months ended March 31	2018	2017
Lake Chelan	121	114
Rocky Reach	1,737	1,664
Rock Island	813	852

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

3 months ended March 31	2018	2017
Lake Chelan	\$ 17	\$ 17
Rocky Reach	11	12
Rock Island	23	21

NOTES TO CONDENSED STATEMENTS

(1) Intra-District transactions are eliminated.

(2) 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, 2017. 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.