



**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 and distribute 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 over 2,000 megawatts of power at their peak. In 2023, they produced 7.4 million megawatt hours of affordable, emission-free electricity.

**PUD PURCHASES NEARLY 5,000 ACRES OF UNDEVELOPED LAND**

In January 2024, PUD commissioners approved the purchase of 4,910 acres of undeveloped land in the foothills above Malaga for \$5.3 million. During a 90-day due diligence period, the District completed cultural, environmental, mineral rights and title reviews. The purchase closed May 3. How the District will use the land is still under consideration. The District is embarking on a strategic planning process that will guide key decisions into the future, with an emphasis on preparing the utility for the next 50 years.

The District currently only generates power through hydropower from its three dams, but the District is researching technologies, such as battery storage, fusion, pump storage and gravity storage, any of which could experience a breakthrough in the next 10 to 20 years. The land could ultimately be involved in existing or new technology, or it could possibly be used to serve as a refuge for wildlife habitat.

**PUD ACQUIRES WATER DISTRICT**

In late March 2024, the District acquired Peshastin Water District. The acquisition has been in the works since 2016 when Peshastin Water District asked the District to take on the 240-meter system for better efficiency. The District already operates the wastewater system in Peshastin. The benefits to customers include faster outage response, more operational support, more payment options and low-income senior and disabled customer discounts. Under an agreement signed in September 2023, the District will pay the water system’s debts and cover about \$2.6 million in system improvements, including a \$2 million replacement well, to bring Peshastin Water District up to the same standard as other community water systems that the District operates.

With the addition of Peshastin, the District now operates six water systems, which collectively serve more than 6,700 homes and businesses.

**FITCH AFFIRMS CHELAN COUNTY PUD REVENUE BONDS AT ‘AA+’; OUTLOOK STABLE**

In February 2024, Fitch Ratings affirmed ratings for Chelan County Public Utility District Consolidated System revenue and refunding bonds and Rock Island hydroelectric project revenue bonds at

an ‘AA+’ rating with a stable outlook. The ‘AA+’ rating reflects the District’s very strong financial profile, which is expected to remain strong over a five-year forward look.

Fitch’s report noted the ‘AA+’ rating reflected the District’s sizable portfolio of low-cost hydro-generating resources, as well as solid revenue stemming from a diversified portfolio of contracts to sell surplus power and the District’s independent ability to adjust retail rates that are among the lowest in the nation. Additionally, the District’s very low debt leverage is supported by strong cash reserves and the continued reduction of debt through its net scheduled payments, that together result in a healthy financial profile that Fitch anticipates will remain very strong.

**SALMON AND HYDROPOWER CO-EXIST**

Chelan County Public Utility District (PUD) is one of only two hydro power producers in the nation with habitat conservation plans allowed under the Endangered Species Act. The District has two habitat conservation plans – one for Rock Island and another for Rocky Reach. The 50-year plans commit the District to ensure that its hydropower projects have no net impact on upper Columbia River salmon and steelhead runs.

Since signing the habitat conservation plans in 2004, the District has conducted over 22 fish survival studies. By 2011, the District achieved its survival standards and now conducts a confirmation study every 10 years to ensure it’s continuing to meet the no net impact standard. In 2023, the combined adult and juvenile survival rate for yearling Chinook was 93.54% at Rocky Reach. The District achieved similar survival rates, 94.55%, at Rock Island in 2021.

No net impact means that the District accounts for and mitigates the impacts of the dams with strict standards for juvenile and adult salmon survival, hatchery fish production to compensate for any salmon mortality that occurs within the hydropower project boundaries and habitat restoration funding and predator control in the Columbia and its tributaries. Combined, these efforts achieve “no net impact.” The District spends about \$32 to \$37 million annually for these programs combined, and the investment allows the District to continue producing clean, renewable hydropower.

**WATER SUPPLY FORECASTS**

The mid-May forecast from the Northwest River Forecast Center forecasts January-July water supply on the Columbia River to be 77 percent of average at Grand Coulee Dam. The District expects below average generation under the forecasted low water conditions. Due to the District’s risk management plans, hedging strategies and financial policies, the District still expects to meet or exceed financial targets.

The mid-April water supply forecast for the Lake Chelan drainage basin is 49 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 achieve the required lake level on time, despite the low water conditions. Last year’s actual water supply for Lake Chelan from April 1 through July 31 was 95 percent of average.

**FINANCIAL HIGHLIGHTS**

For the three months ended March 31, 2024, Chelan County PUD recorded a change in net position of \$41.0 million, a decrease in earnings of \$1.3 million from the same period in 2023. The decrease in earnings is due primarily to a combination of increased operating expenses and lower than average river flows that resulted in reduced generation from the District’s hydro projects. The reduction in generation resulted in less surplus energy available for sale on the wholesale market, as well as increased market purchases of power needed to satisfy contractual obligations and meet District load requirements. Operating expenses are up due to increased maintenance activities at the hydros and higher depreciation expense resulting from recent large asset additions, including the District’s new operations and service center. The impacts of lower generation and increased operating expenses were partially offset by proceeds received from the sale of no-cost allowances allocated to the District under Washington State’s Climate Commitment Act.

As of March 31, 2024, combined unrestricted cash and investments totaled \$368.6 million, comparable to the \$360.4 million reported for the same period in 2023. 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 up \$38.8 million compared to the prior year due primarily to increases in cash and short-term investment balances, as well as accounts receivable. The District is holding shorter term investments to meet the anticipated cash needs of its extensive capital improvement program, which is being fully funded from District reserves. Accounts receivable balances are up as a result of increases in receivables related to contractual wholesale power sales. Utility plant balances increased \$137.5 million with investments in major projects including ongoing modernization work at the Rock Island hydroelectric project, the District’s new Service Center and installation of advanced meter infrastructure. Modernization work at Rock Island was also the primary driver behind a \$61.5 million decrease in Restricted Assets – Noncurrent, as funds restricted for capital spending were deployed for the project. Other assets decreased by \$6.1 million primarily due to a decrease in long-term investments as a result of the District’s ongoing management of its investment portfolio to meet expected cash flows related to its capital improvement program.

Long-term debt decreased by \$41.3 million due to regularly scheduled principal payments on outstanding 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.



*Mark Mullins*

**Mark Mullins**  
Interim CFO/CRO



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

Three months ended March 31, 2024

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	3 Months Ended 3/31/2024	3 Months Ended 3/31/2023
<b>OPERATING REVENUES</b>	\$ 22,690	\$ 38,879	\$ 2,886	\$ 162,648	\$ 1,450	\$ 12,640	\$ (66,769)	\$ 174,424	\$ 140,997
<b>OPERATING EXPENSES</b>	19,481	23,817	2,470	149,475	-	9,110	(66,769)	137,584	99,474
<b>NET OPERATING INCOME</b>	3,209	15,062	416	13,173	1,450	3,530	-	36,840	41,523
<b>OTHER INCOME (EXPENSE) (2)</b>	(1,814)	(5,782)	(252)	6,061	3,558	165	-	1,936	(314)
<b>CAPITAL CONTRIBUTIONS</b>	-	222	-	1,959	-	-	-	2,181	1,054
<b>CHANGE IN NET POSITION</b>	\$ 1,395	\$ 9,502	\$ 164	\$ 21,193	\$ 5,008	\$ 3,695	\$ -	\$ 40,957	\$ 42,263

## CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

March 31, 2024

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	3/31/2024	3/31/2023
<b>TOTAL CURRENT ASSETS</b>	\$ 16,169	\$ 17,237	\$ 2,370	\$ 166,750	\$ 13,625	\$ 14,725	\$ -	\$ 230,876	\$ 192,116
<b>NET UTILITY PLANT</b>	266,940	598,611	82,866	435,720	-	249,354	-	1,633,491	1,495,997
<b>RESTRICTED ASSETS - NONCURRENT</b>	29,178	63,464	-	21,503	14,751	6,582	-	135,478	196,973
<b>OTHER ASSETS</b>	13,221	31,256	5,521	251,930	26,704	22,692	(9,743)	341,581	347,671
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	6,955	7,714	857	9,224	235	443	-	25,428	28,933
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 332,463	\$ 718,282	\$ 91,614	\$ 885,127	\$ 55,315	\$ 293,796	\$ (9,743)	\$ 2,366,854	\$ 2,261,690
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>									
<b>CURRENT LIABILITIES</b>	\$ 4,768	\$ 33,373	\$ 711	\$ 36,470	\$ 25,411	\$ 34,031	\$ -	\$ 134,764	\$ 110,180
<b>INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT</b>	12,254	9,408	(181)	11,967	(23,537)	(9,911)	-	-	-
<b>LONG-TERM DEBT</b>	-	110,143	-	4,001	177,054	-	-	291,198	332,455
<b>INTERSYSTEM PAYABLE (RECEIVABLE) - NONCURRENT</b>	44,875	198,307	(11,356)	(137,980)	(331,670)	237,824	-	-	-
<b>UNEARNED REVENUES</b>	6,045	6,172	-	92,536	3,634	-	(9,743)	98,644	121,153
<b>OTHER LIABILITIES</b>	12,792	15,569	10,244	9,562	-	8,512	-	56,679	60,535
<b>TOTAL LIABILITIES</b>	80,734	372,972	(582)	16,556	(149,108)	270,456	(9,743)	581,285	624,323
<b>DEFERRED INFLOWS OF RESOURCES</b>	11,601	28,082	1,431	40,729	420	241	-	82,504	70,837
<b>TOTAL NET POSITION</b>	240,128	317,228	90,765	827,842	204,003	23,099	-	1,703,065	1,566,530
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; NET POSITION</b>	\$ 332,463	\$ 718,282	\$ 91,614	\$ 885,127	\$ 55,315	\$ 293,796	\$ (9,743)	\$ 2,366,854	\$ 2,261,690

### ELECTRIC

As of March 31	2024	2023
Number of Customers	51,357	50,762
Number of Residential Customers	41,937	41,363
YTD Average Residential Rate (Cents/kWh)	3.31	3.20

### POWER GENERATION (MWh) (000)

3 months ended March 31	2024	2023
Lake Chelan	81	70
Rocky Reach	984	1,152
Rock Island	516	594

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

3 months ended March 31	2024	2023
Lake Chelan	\$ 30	\$ 30
Rocky Reach	21	16
Rock Island	57	39

### 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, 2023. 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.