



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 2021, they produced 8.6 million megawatt hours of affordable, emission-free electricity.

MOODY’S UPGRADES DISTRICT BOND RATINGS

Moody’s Investors Service has upgraded ratings for Chelan County Public Utility District consolidated system revenue bonds and Rock Island Hydroelectric project revenue bonds to Aa2 from Aa3 with a Stable outlook. Moody’s report noted the upgraded rating reflects new long-term contracts, which substantially increase the duration of the District’s hedging program that transfers both hydrology and market price risk to creditworthy third parties while ensuring greater predictability of cash flow over the long term. Additional key strengths noted by Moody’s include demonstrated conservative risk management, extensive deleveraging since 2009, low retail rates, major progress on capital programs for key hydro dams and strong financial metrics in either the “Aa” or “Aaa” category. Moody’s also noted the District’s demonstrated ability to manage market and hydrology risk through maintenance of strong liquidity, strong financial metrics and execution of a medium to long term hedging program.

The PUD also continues to maintain AA+ ratings from both Standard & Poor’s and Fitch Ratings, which places the District among the few Aa2/AA+ rated utilities in the nation.

POWER SALES CONTRACT AMENDED TO INCLUDE ENVIRONMENTAL ATTRIBUTES

Commissioners approved an amendment to a 20-year, cost-plus based power sales contract with Puget Sound Energy (Puget) to incorporate hydropower’s environmental attributes as part of its value. In 2006, the District and Puget entered into a firm “take or pay” power sales contract for 25% share of the output of Rocky Reach and Rock Island hydroelectric dams from 2011/2012 until 2031. The long-term power sales contract preceded the enactment of various statutes and regulations, which, among other things, incentivize or require utilities to procure and use renewable resources, including hydroelectric generation. The Clean Energy Transformation Act, effective 2022, and the Climate Commitment Act, effective 2023, have led to higher value for environmental attributes. The District and Puget agreed to amend the power sales contract to reflect an allocation of the environmental attributes that result from the renewable, carbon-free energy generated from the District’s hydroelectric dams, through the remainder of the contract term. Puget will pay the District an amount for environmental attributes that is based on the volume of renewable energy credits generated

and transferred to them, in addition to the other costs already being paid under the current long-term power sales contract.

PROJECTS TO BE SUPPORTED WITH PUBLIC POWER BENEFIT FUND

Commissioners gave their support for seven community-minded projects funded by the Public Power Benefit program, including: an interactive exhibit at Wenatchee Valley Museum and Cultural Center, expansion of the PUD’s fiber broadband network, feasibility of adding another community park in Chelan, employment of two individuals with cognitive disabilities to help them gain skills and experience, reconfiguration of sports courts, water quality research at Lake Chelan, and hydropower job awareness and readiness for local students.

Commissioners created the Public Power Benefit program in 2015 as part of Chelan PUD’s vision to enhance the quality of life in Chelan County. About \$6 million a year is earmarked to support community-minded projects that fall within the PUD’s authority as a public utility. Funding is contingent on the utility meeting its financial obligations.

The PUD invites customers and partner agencies to send their ideas to the utility on potential public power benefit projects. In 2022, 23 applications were submitted. A team of two commissioners and several staff members evaluated the applications based on several criteria, with a focus on how the investment of Public Power Benefit dollars can enhance the quality of life in Chelan County. The projects will be approved as part of the 2023 budgeting process.

FIVE-YEAR PRIORITIES FOCUS ON RELIABILITY, CUSTOMER SERVICE

Customer service, reliability and innovation were highlights of the updated five-year business plan presented to the commissioners. The plan lays the foundation for Chelan PUD’s priorities and budget planning through 2027. Four strategic goals guide the five-year business plan.

Invest in assets and people. Investing in assets continues to be a major theme, led by modernization of several generating units at Rocky Reach and Rock Island dams. An innovative pilot project will replace oil-lubricated turbine parts with materials that are compatible with water and air. The environmentally friendly design will be the first of its kind on the Columbia River. The PUD is also planning for advanced metering and several investments in its distribution system to reduce outages and improve reliability. Also in the plan are new tools for customer-owners, including real-time outage information, mobile bill payments and text notifications.

Maintain strong and resilient financials. A strong energy market, especially for renewable sources such as hydropower, has bolstered Chelan PUD’s financial outlook for the planning horizon, keeping the PUD on a path to invest in capital and O&M projects with minimal new debt forecasted.

Enhance quality of life in Chelan County. The five-year plan maintains annual investments for public power benefit projects, including the expansion of the utility’s fiber internet network and collaboration with community nonprofits.

Support economic development. The PUD is planning to build more substations and expand the electrical grid to provide more flexibility and capacity to serve residential growth and potentially large commercial and industrial loads.

FINANCIAL HIGHLIGHTS

For the nine months ended September 30, 2022, Chelan PUD recorded a change in net position of \$132.3 million, an increase in earnings of \$21.4 million from the same period in 2021. The increase is 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, combined with an increase in environmental attribute revenue associated with a long-term power sales contract amendment. The increase is partially offset by an increase in purchased power costs that resulted from higher wholesale energy prices and 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.

As of September 30, 2022, current assets increased \$98.8 million compared to the prior year due to the receipt of a large cash deposit from a customer as prepayment for a portion of the cost of building the needed infrastructure to connect their planned data center to the District’s electric system. Accounts receivable also increased as a result of higher wholesale market prices compared to September of last year. Strong operating results continue to allow the District to fund a portion of both debt repayments and capital spending from operating reserves, while maintaining relatively stable unrestricted cash and investment balances. Utility plant balances increased \$105.4 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 \$95.8 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 \$63.9 million primarily due to recognition of a net pension asset in accordance with the Department of Retirement Systems’ 2021 actuarial valuation, which showed two of the three pension plans in which the District participates to be overfunded.

Long-term debt decreased by \$41.6 million due primarily 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 increased by \$49.6 million primarily due to improvements in the actuarially determined funded status of the pension plans in which the District participates.



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 September 30, 2022

(in thousands)

| | Rocky Reach | Rock Island | Lake Chelan | Utility Services | Financing Facilities | Internal Services | Intra-District Transactions (1) | 9 Months Ended 9/30/2022 | 9 Months Ended 9/30/2021 |
|--|-------------|-------------|-------------|------------------|----------------------|-------------------|---------------------------------|--------------------------|--------------------------|
| OPERATING REVENUES | \$ 69,186 | \$ 101,761 | \$ 8,924 | \$ 376,397 | \$ 4,423 | \$ 22,780 | \$ (182,068) | \$ 401,403 | \$ 333,299 |
| OPERATING EXPENSES (4) | 55,971 | 55,151 | 6,530 | 312,923 | - | 21,822 | (182,068) | 270,329 | 248,021 |
| NET OPERATING INCOME (4) | 13,215 | 46,610 | 2,394 | 63,474 | 4,423 | 958 | - | 131,074 | 85,278 |
| OTHER INCOME (EXPENSE) (2) (4) | (6,169) | (16,997) | (672) | 7,089 | 10,578 | 1,191 | - | (4,980) | (6,243) |
| CAPITAL CONTRIBUTIONS | - | 539 | - | 5,689 | - | - | - | 6,228 | 5,454 |
| SPECIAL ITEMS | | | | | | | | | |
| Transition to regulatory accounting - pensions (3) | - | - | - | - | - | - | - | - | 26,428 |
| CHANGE IN NET POSITION (3) (4) | \$ 7,046 | \$ 30,152 | \$ 1,722 | \$ 76,252 | \$ 15,001 | \$ 2,149 | \$ - | \$ 132,322 | \$ 110,917 |

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

September 30, 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) | 9/30/2022 | 9/30/2021 |
|--|-------------|-------------|-------------|------------------|----------------------|-------------------|---------------------------------|--------------|--------------|
| TOTAL CURRENT ASSETS | \$ 15,716 | \$ 12,792 | \$ 2,789 | \$ 178,418 | \$ 9,797 | \$ 27,268 | \$ - | \$ 246,780 | \$ 148,001 |
| NET UTILITY PLANT (4) | 277,516 | 517,719 | 83,212 | 378,307 | - | 175,163 | - | 1,431,917 | 1,326,521 |
| RESTRICTED ASSETS - NONCURRENT | 16,396 | 52,997 | - | 26,914 | 13,353 | 7,130 | - | 116,790 | 212,620 |
| OTHER ASSETS (3) | 22,078 | 38,875 | 7,057 | 251,121 | 21,013 | 44,709 | (10,066) | 374,787 | 310,937 |
| DEFERRED OUTFLOWS OF RESOURCES | 2,235 | 3,898 | 265 | 3,494 | 560 | 259 | - | 10,711 | 11,696 |
| TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES (3) (4) | \$ 333,941 | \$ 626,281 | \$ 93,323 | \$ 838,254 | \$ 44,723 | \$ 254,529 | \$ (10,066) | \$ 2,180,985 | \$ 2,009,775 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | | | | | | | |
| CURRENT LIABILITIES (4) | \$ 4,753 | \$ 30,535 | \$ 617 | \$ 32,442 | \$ 24,925 | \$ 31,901 | \$ - | \$ 125,173 | \$ 127,481 |
| INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT | 10,866 | 8,621 | (134) | 11,560 | (23,131) | (7,782) | - | - | - |
| LONG-TERM DEBT | - | 120,591 | - | 4,728 | 204,689 | - | - | 330,008 | 371,584 |
| INTERSYSTEM PAYABLE (RECEIVABLE) - NONCURRENT | 55,064 | 152,905 | (10,120) | (61,654) | (341,355) | 205,160 | - | - | - |
| UNEARNED REVENUES | 6,202 | 6,362 | - | 121,515 | 4,590 | - | (10,066) | 128,603 | 99,631 |
| OTHER LIABILITIES (4) | 10,976 | 13,849 | 9,025 | 2,706 | - | 29 | - | 36,585 | 58,547 |
| TOTAL LIABILITIES (4) | 87,861 | 332,863 | (612) | 111,297 | (130,282) | 229,308 | (10,066) | 620,369 | 657,243 |
| DEFERRED INFLOWS OF RESOURCES | 18,504 | 38,839 | 2,199 | 41,564 | 750 | 336 | - | 102,192 | 52,639 |
| TOTAL NET POSITION (3) (4) | 227,576 | 254,579 | 91,736 | 685,393 | 174,255 | 24,885 | - | 1,458,424 | 1,299,893 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION (3) (4) | \$ 333,941 | \$ 626,281 | \$ 93,323 | \$ 838,254 | \$ 44,723 | \$ 254,529 | \$ (10,066) | \$ 2,180,985 | \$ 2,009,775 |

ELECTRIC

| As of September 30 | 2022 | 2021 |
|--|--------|--------|
| Number of Customers | 50,393 | 49,926 |
| Number of Residential Customers | 41,027 | 40,556 |
| YTD Average Residential Rate (Cents/kWh) | 3.42 | 3.37 |

POWER GENERATION (MWh) (000)

| 9 months ended September 30, 2022 | 2022 | 2021 |
|-----------------------------------|-------|-------|
| Lake Chelan | 335 | 296 |
| Rocky Reach | 5,033 | 4,161 |
| Rock Island | 2,208 | 1,909 |

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

| 9 months ended September 30, 2022 | 2022 | 2021 |
|-----------------------------------|-------|-------|
| Lake Chelan | \$ 19 | \$ 23 |
| Rocky Reach | 12 | 15 |
| Rock Island | 32 | 37 |

NOTES TO CONDENSED STATEMENTS

(1) Intra-District transactions are eliminated.

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

(3) Figures 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.

(4) Figure for 2021 restated resulting from the implementation of GASB 87 - Lease Accounting.

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.