



PUBLIC UTILITY DISTRICT NO. 1 of CHELAN COUNTY

P.O. Box 1231, Wenatchee, WA 98807-1231 • 327 N. Wenatchee Ave., Wenatchee, WA 98801

(509) 663-8121 • Toll free 1-888-663-8121 • www.chelanpud.org

October 27, 2015

via E-File

Ms. Kimberly D. Bose, Secretary
Mr. Nathaniel J. Davis, Sr., Deputy Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Application for Municipal Exemption From Annual Charges for Lake Chelan
Hydroelectric Project, FERC No. 637

Dear Ms. Bose and Mr. Davis:

This letter and the attached information are submitted by Public Utility District No. 1 of Chelan County, Washington (“Chelan PUD”), a municipal corporation, pursuant to Article 201 of the Federal Energy Regulatory Commission (“FERC”) license for Lake Chelan Hydroelectric Project, FERC No. 637, and Section 10(e) of the Federal Power Act concerning exemptions from annual charges.

In accordance with Section 10(e) of the Federal Power Act and 18 CFR 11.6 sections (c) and (d), Chelan PUD is entitled to a partial exemption from the payment of the annual charges. Some of the power is used by the project itself for municipal purposes and a portion of the project generation is sold to the Chelan PUD’s retail electric distribution system, which is, in turn, ultimately sold to the consumer without profit.

Set forth separately is a statement of power generation and quantities used and sold by Chelan PUD as licensee between October 1, 2014, and September 30, 2015, and a breakdown, on a megawatt hour and percentage basis, of the ultimate disposition of that power by Chelan PUD. The power quantities shown on the utilization table represents a generalization based on Chelan PUD’s contractual arrangements and distribution system customer loads as applied to the portion of all power received by Chelan PUD. This was done because the power from Chelan PUD’s three FERC-licensed projects, as well as power obtained through Columbia River Treaty entitlement benefits and other contractual rights, is commingled in Chelan PUD’s distribution

Kimberly D. Bose
Nathaniel J. Davis, Sr.
October 27, 2015
Page 2

system. We have no way of specifically tracing the flow of power from any individual project or resource when power is delivered from our distribution system. Accordingly, this information is submitted on a system-based operation in accordance with 18 C.F.R. § 11.6(h).

All of the uses of energy identified in the attached table are categorized as either “used by licensee” (municipal use-exempt) or “sold by licensee.” “Sold by licensee” is further classified as either “sales to public” or “sales for resale” and “exempt” or “not exempt,” where applicable. All “exempt” versus “not exempt” energy is summarized at the end of the table.

Chelan PUD maintains a separate accounting system for the project in accordance with the FERC Uniform System of Accounts. Chelan PUD is submitting the attached tables of system revenues and expenses for the project, as well as the distribution retail electric system which shows that the portion of power sold to the distribution system was ultimately sold to the consumer without profit. This information is presented pursuant to 18 C.F.R. § 11.6(d) for the calendar year ending December 31, 2014. While this financial data does not fully overlap with the power usage data because it is based on a calendar year rather than a fiscal year, it represents the most current audited financial data. Excluded from the income side of the enclosed statement is any and all interest income earned by Chelan PUD (FERC Account No. 419) and miscellaneous system revenues that do not constitute “revenues from the sale of project power” within the meaning of Section 11.6(d)(2) of FERC’s regulations on exemption from annual charges. Excluded from both the income and expense side of the enclosed statement are any payments received or made by Chelan PUD for the principal portion of its long-term indebtedness.

Please consider this letter and the supporting information contained herein as Chelan PUD’s application for partial exemption from annual charges under Section 10(e) of the Federal Power Act with regard to the power from Lake Chelan Hydroelectric Project, FERC No. 637, utilized by Chelan PUD as identified above. If you have any questions or require any further information with regard to this application, please contact me.

Sincerely,



Kelly Boyd
Chief Financial Officer/Chief Risk Officer
Kelly.boyd@chelanpud.org
(509) 661-4289

Verification Attached

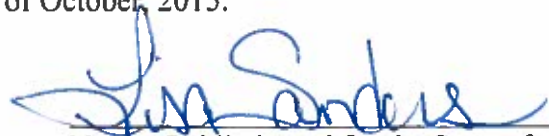
VERIFICATION

Kelly Boyd, being first duly sworn on oath, deposes and says: that I am the CFO/CRO of Public Utility District No. 1 of Chelan County, Washington, and Licensee of the Lake Chelan Hydroelectric Project, FERC No. 637, and that the facts set forth on the foregoing statement are true to the best of my knowledge.



Kelly Boyd
Chief Financial Officer/Chief Risk Officer

Subscribed and sworn to me on this 27th day of October, 2015.



Notary Public in and for the State of
Washington residing in Wenatchee



LAKE CHELAN PROJECT NO. 637

October 1, 2014 to September 30, 2015

Production

Gross amount of power generated	425,900	MWH
Power for station service and losses	<u>10,334</u>	MWH
Net amount of power available	415,566	MWH
A. Used by Licensee	6,050	MWH
B. Sold by Licensee	409,516	MWH

Utilization of Power Used by Licensee

<u>Use</u>	<u>Percentage</u>	<u>Approximate MWH</u>
<u>“State or municipal use” - EXEMPT</u>		
Use in Chelan PUD Facilities	1.5%	6,050
Total Used by Licensee	1.5%	6,050

Utilization of Power Sold by Licensee

<u>Use</u>	<u>Percentage</u>	<u>Approximate MWH</u>
<u>“Sales to Public – Without Profit” - EXEMPT</u>		
Service for Residential Customers ⁱ Within the Chelan PUD Service Area	45.9%	190,548
Service for Commercial Customers ⁱ Within the Chelan PUD Service Area	29.5%	122,622
Service for Industrial Customers ⁱ Within the Chelan PUD Service Area	16.1%	67,084

Service for Agricultural Customers ⁱ Within the Chelan PUD Service Area	2.7%	11,411
Street Lighting ⁱ Within the Chelan PUD Service Area	0.2%	906
<u>"Sales for Resale" – NOT EXEMPT</u>	4.1%	16,945
Total Sold by Licensee	98.5%	409,516
Total Used & Sold by Licensee	100.0%	415,566
<hr/>		
TOTAL EXEMPT	95.9%	398,621
TOTAL NOT EXEMPT	4.1%	16,945
TOTAL EXEMPT & NOT EXEMPT	100.0%	415,566

The figures above for "Use in Chelan PUD facilities" and for "Sales to public" "Within the Chelan PUD Service Area" are estimates. It was not possible to obtain final figures for sales to all other customers through September 30, 2015, the date this report was prepared. Although the meters for customers are read monthly, the reading times are at varying times of the month.

**PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY
DISTRIBUTION RETAIL ELECTRIC POWER
SOLD TO CONSUMER WITHOUT PROFIT
IN ACCORDANCE WITH 18 C.F.R. 11.6 (d)
FOR CALENDAR YEAR ENDING DECEMBER 31, 2014**

	Uniform System of Accounts	CCPUD Distribution Retail Power
Revenues		
Operating Revenues from Distribution Retail Electric Power Sales ⁽²⁾		\$ 48,937,904
Expenses		
Purchased Power (allocated to retail)		(34,188,450)
Operating Expenses	401	(29,256,533)
Maintenance Expenses	402	(6,478,494)
Depreciation and Amortization	403	(7,368,135)
Taxes	408.1	(4,946,851)
Subtotal Expenses		\$ (82,238,463)
NET LOSS IN ACCORDANCE WITH 18 C.F.R. § 11.6(d) ⁽¹⁾		\$ (33,300,559)
Retail KWh ⁽²⁾		1,585,000,000 KWh
Loaded cost per Retail KWh delivered		\$ 0.0519
Average Retail Rate/KWh sold		\$ 0.0309

⁽¹⁾ Distribution retail electric sales are ultimately sold to the consumer without profit and are classified as exempt. The distribution retail electric power sold is generated by the Rocky Reach, Rock Island and Lake Chelan hydroelectric projects. Once this power enters the distribution electric power system, it is impracticable to specifically identify where the distribution retail power was generated. In accordance with 18 C.F.R. § 11.6(h) an income statement of the power sold to distribution retail electric customers is shown as part of the Chelan County Public Utility District's distribution electric power system as a whole. Distribution retail electric system power sales include residential, industrial, commercial, interdepartmental, irrigation, frost protection and street lighting power sales. The revenues associated with distribution retail electric sales are not sufficient to cover the cash flow requirements as noted by this statement, therefore are classified as exempt.

⁽²⁾ Per Public Utility District No. 1 of Chelan County, 2014 Annual Report, Page 67 - Distribution Division Customers, Energy Sales and Revenues.

**PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY
LAKE CHELAN HYDROELECTRIC PROJECT #0637
STATEMENT OF REVENUES AND EXPENSES
IN ACCORDANCE WITH 18 C.F.R. 11.6 (d)
FOR CALENDAR YEAR ENDING DECEMBER 31, 2014**

	Uniform System of Accounts	Lake Chelan #0637
Revenues		
Operating Revenues from Power Sales	400	\$ 13,270,328
Less: Principal Installments on Debt		(3,612,226)
Depreciation and Amortization	403	1,864,258
Subtotal Revenues		\$ 11,522,360
Expenses		
Operating Expenses	401	(2,993,707)
Maintenance Expenses	402	(2,654,032)
Depreciation and Amortization	403	(1,864,258)
Taxes	408.1	(93,081)
Interest Expense	427	(3,789,837)
Amortization of Deferred Debt Costs	428	0
Subtotal Expenses		\$ (11,394,915)
NET INCOME/(LOSS) IN ACCORDANCE WITH 18 C.F.R. 11.6(d)		\$ 127,445

RECONCILIATION TO FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

Net Income/(Loss) From Above in Accordance with 18 C.F.R. 11.6(d)	\$ 127,445
Other Operating Revenue Derived from Sources Other than Sales of Project Power	720,806
Investment Income	68,464
Other Income/Expense Unrelated to Sales of Project Power	(752,440)
Principal Installments on Debt	3,612,226
Depreciation and Amortization	(1,864,258)
Net Income (Loss) Before Capital Contributions ⁽¹⁾	\$ 1,912,243

⁽¹⁾ Per Public Utility District No. 1 of Chelan County, 2014 Annual Report, Page 57 - Combining Schedule of Revenues, Expenses and Changes in Net Assets.

Combining Schedule of Revenues, Expenses and Changes in Net Position
 For the year ended December 31, 2014, with comparative totals for December 31, 2013

(amounts in thousands)	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions ⁽¹⁾	2014	2013
Operating Revenues									
Retail sales	\$ -	\$ -	\$ -	\$ 54,782	\$ -	\$ -	\$ (936)	\$ 53,846	\$ 53,555
Wholesale sales	92,554	105,806	13,270	225,653	8,557	-	(124,149)	321,691	298,722
Other operating revenues	561	200	721	31,129	-	17,504	(25,264)	24,851	19,830
	<u>93,115</u>	<u>106,006</u>	<u>13,991</u>	<u>311,564</u>	<u>8,557</u>	<u>17,504</u>	<u>(150,349)</u>	<u>400,388</u>	<u>362,107</u>
Operating Expenses									
Purchased power and water	-	-	-	219,381	-	-	(121,745)	97,636	57,109
Generation	43,060	42,462	5,648	-	-	-	(13,623)	77,567	60,281
Utility services	-	-	-	54,270	-	-	(14,215)	40,055	37,628
Other operation and maintenance	-	-	-	-	-	12,230	(766)	11,464	9,657
Taxes	1,335	576	93	5,650	-	-	-	7,654	7,700
Depreciation and amortization	16,512	10,904	1,864	16,113	-	3,015	-	48,408	48,373
	<u>60,927</u>	<u>53,942</u>	<u>7,605</u>	<u>295,414</u>	<u>-</u>	<u>15,245</u>	<u>(150,349)</u>	<u>262,764</u>	<u>226,746</u>
Operating Income	32,188	52,064	6,386	16,150	8,557	2,259	-	117,604	133,359
Other Income (Expense)									
Interest on long-term debt	(741)	(14,355)	-	(56)	(20,154)	-	189	(35,117)	(38,775)
Interest on intersystem loans	(13,467)	(11,033)	(3,790)	(319)	30,360	(1,562)	(189)	-	-
Amortization of losses on refunding debt	(1)	(214)	-	-	(1,947)	-	-	(2,162)	(3,483)
Investment income	395	1,767	68	1,549	568	198	-	4,545	3,636
Regulatory asset amortization - swap termination fees	-	-	-	-	(3,150)	-	-	(3,150)	(4,218)
Other	5	(1,987)	(732)	3,721	886	(83)	-	1,790	(2,062)
	<u>(13,809)</u>	<u>(25,622)</u>	<u>(4,474)</u>	<u>4,895</u>	<u>6,563</u>	<u>(1,447)</u>	<u>-</u>	<u>(31,094)</u>	<u>(44,642)</u>
Income before Capital Contributions & Interfund Equity Transfers	18,379	26,242	1,912	21,045	15,120	812	-	83,510	88,517
Capital Contributions	-	555	-	4,071	-	-	-	4,626	3,481
Interfund Equity Transfers	(1,614)	(608)	-	-	2,222	-	-	-	-
Change in Net Position	16,765	26,189	1,912	25,116	17,342	812	-	88,136	91,998
Total Net Position									
Beginning of year	<u>132,218</u>	<u>(19,679)</u>	<u>18,429</u>	<u>305,998</u>	<u>35,639</u>	<u>5,305</u>	<u>-</u>	<u>557,990</u>	<u>465,992</u>
Total Net Position	\$ 148,983	\$ 6,510	\$ 20,341	\$ 411,114	\$ 52,981	\$ 6,197	\$ -	\$ 646,126	\$ 557,990

1. Eliminating entries reduce operating revenue and expense to account for intradistrict transactions.

Distribution Division
Customers, Energy Sales and Revenues

Calendar Year	2010	2011	2012(1)	2013	2014
Customers					
Retail:					
Residential	35,687	35,806	36,057	36,402	37,047
Commercial	6,074	6,092	6,133	6,162	6,246
Industrial	31	30	31	31	31
Irrigation, frost, lighting	5,710	5,708	5,690	5,683	5,673
Interdepartmental	549	537	552	556	560
Total retail customers	48,051	48,173	48,463	48,654	49,557
Resale:	73	78	79	84	85
Total customers	48,124	48,251	48,542	48,938	49,642
Energy Sales (000 MWh)					
Retail:					
Residential	738	776	762	768	762
Commercial	447	470	466	474	482
Industrial	296	284	273	272	252
Irrigation, frost, lighting	40	41	42	42	46
Interdepartmental	19	19	22	24	23
Total retail sales	1,540	1,580	1,565	1,600	1,565
Resale:					
Alcoa Power (2)	1,341	1,622	2,138	59	69
Douglas County PUD	140	231	404	345	363
Other - firm/slice	19	586	2,059	2,114	1,945
Other - non firm/block/preschedule/real time	1,187	1,733	2,995	4,190	6,224
Total sales for resale	2,687	4,172	7,596	6,706	8,601
Total energy sales	4,227	5,752	9,161	8,306	10,166
Revenue (\$000)					
Retail:					
Residential	\$ 25,132	\$ 26,560	\$ 24,520	\$ 25,170	\$ 25,068
Commercial	16,687	17,468	15,860	16,083	16,391
Industrial	6,246	6,089	5,502	5,490	5,154
Irrigation, frost, lighting	1,719	1,688	1,589	1,651	1,656
Interdepartmental	583	583	664	697	683
Total retail revenue	50,367	52,388	48,135	49,099	48,938
Resale:					
Alcoa Power (2)	24,740	24,340	39,394	1,899	2,008
Douglas County PUD	2,074	2,395	4,231	4,532	4,980
Other - firm/slice	771	19,402	65,866	78,527	76,136
Other - non firm/block/preschedule/real time	43,358	47,863	88,066	94,646	127,052
Total resale revenue	70,943	94,000	197,557	179,604	210,976
Other revenue (3)	1,511	2,791	12,996	25,064	30,943
Total revenue	\$ 122,821	\$ 149,179	\$ 258,688	\$ 253,767	\$ 290,857

1. In 2013, year 2012 total sales statistics were restated.
2. Prior to 2013, contractual power sales to Alcoa were accounted for in the Distribution Division.
3. Includes transmission, real-time agreement and environmental attribute revenues.