



Chelan County PUD

# Financial Resiliency Update

## March 18, 2019



# What we will cover today

- Financial resiliency: ability to weather the storm during financial down times
- Today's scenario – What-if we have consecutive years of low revenue outcomes?

**Preview of Topic Team Materials only**  
**No action required**

# Assumptions – What if?

**Low water:  
82% of avg**

**Low prices:  
\$20/MWh**

**Higher capital  
costs:  
+5% to forecast**

**Higher O&M  
costs:  
+5% to forecast**

# Key Tools

Cost containment

Debt financing for capital

Electric rate increases

# What-if? June 2017

## Key Actions to maintain financial metrics:

- Limit O&M increases to forecasted growth (avg ~4.25% year)
- Limit capital increases to existing forecast
- External Debt issue early 2020s for ~50% of capital plans
  - Does not include capital plans of Fiber, Water and Wastewater
- **5% Annual Electric Rate increases (2027: 4.8¢/kwh: residential)**

## Projected Results 2020 - 2027

Liquidity (>\$175M)	●	Some pay-as-you-go capital
Debt Leverage (<35%)	●	Managing under 35%, ~\$500M at 2027
Debt Service Coverage unusual case (>1.25x)	●	Averaging ~2.0x

**Cost containment, new debt and moderate annual rate increases  
maintain financially sound results even in stress case**

# What-if? March 2019

## Key Actions to maintain financial metrics:

- Limit O&M increases to forecasted growth (avg ~4.25% year)
- Limit capital increases to existing forecast
- Issue new external debt in early 2020s for ~50% of capital plans
  - Does not include capital plans of Fiber, Water and Wastewater
- **3% Annual Electric Rate increases (2027: 4.1¢/kwh: residential)**

## Projected Results 2020 - 2027

Liquidity (>\$175M)	●	Some pay-as-you-go capital
Debt Leverage (<35%)	●	Managing under 35%, ~\$500M debt at 2027
Debt Service Coverage unusual case (>1.25x)	●	Averaging ~1.9x

**Cost containment, new debt and small annual rate increases  
maintain financially sound results even in stress case**

# What-if? Delay Rate Increases to 2024

## Key Actions to maintain financial metrics:

- Limit O&M increases to forecasted growth (avg ~4.25% year)
- Limit capital increases to existing forecast
- Issue new external debt in early 2020s for ~50% of capital plans
  - Does not include capital plans of Fiber, Water and Wastewater
- **10% Annual Electric Rate increases beginning in 2024** (2027: 4.8¢/kwh residential)

## Projected Results 2020 - 2027

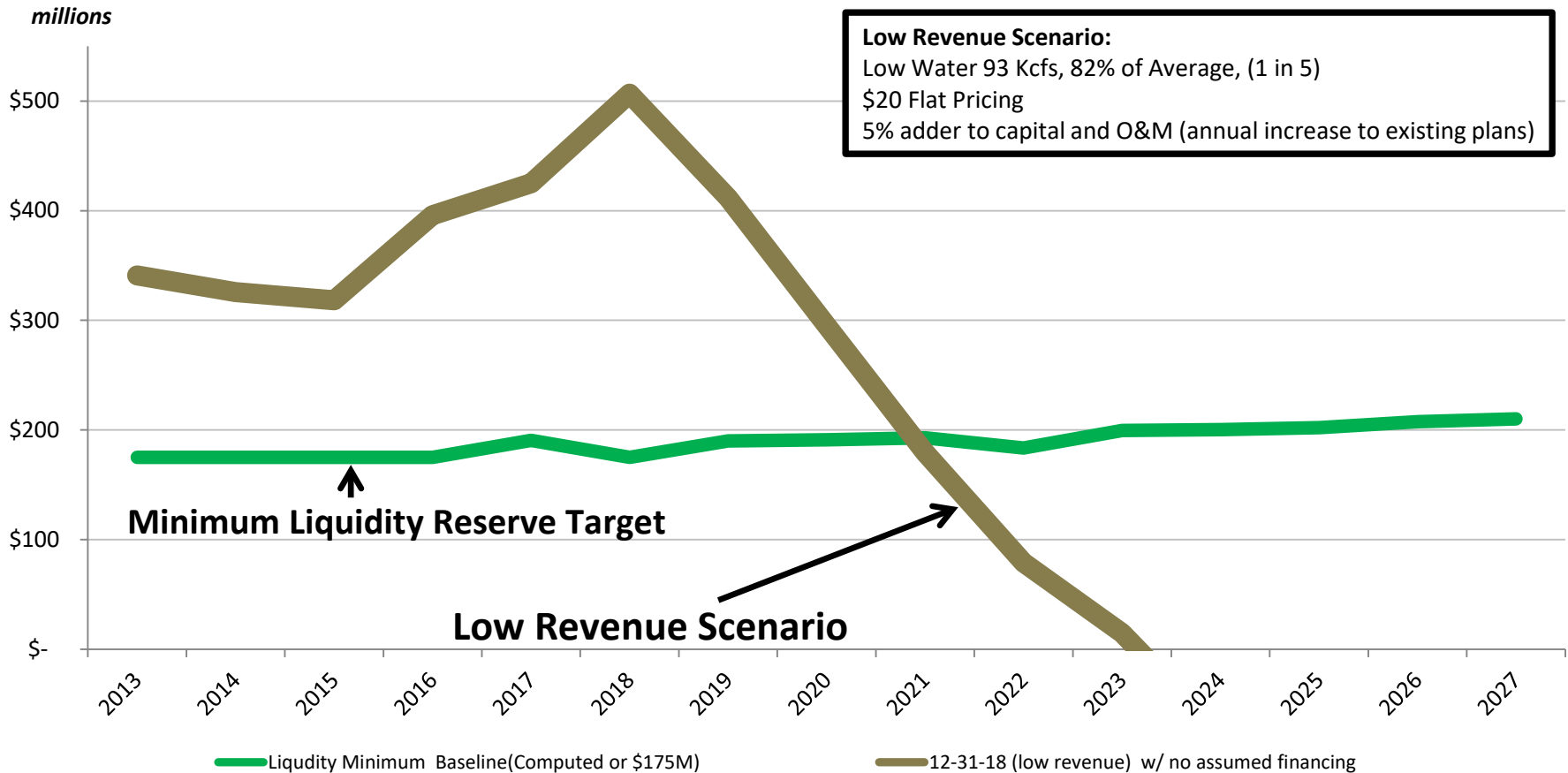
Liquidity (>\$175M)	●	Some pay-as-you-go capital
Debt Leverage (<35%)	●	Managing under 35%, ~\$500M debt at 2027
Debt Service Coverage unusual case (>1.25x)	●	Averaging ~1.9x

**If wait to implement rate increases, larger increases would be needed to achieve same financial results by 2027**

# What-if? Liquidity Forecast

(forecasts change as circumstances, assumptions, long-term plans and financial policies change)

**As of December 31, 2018 Forecast**



\* Does not include capital plans associated with Fiber, Water or Wastewater systems

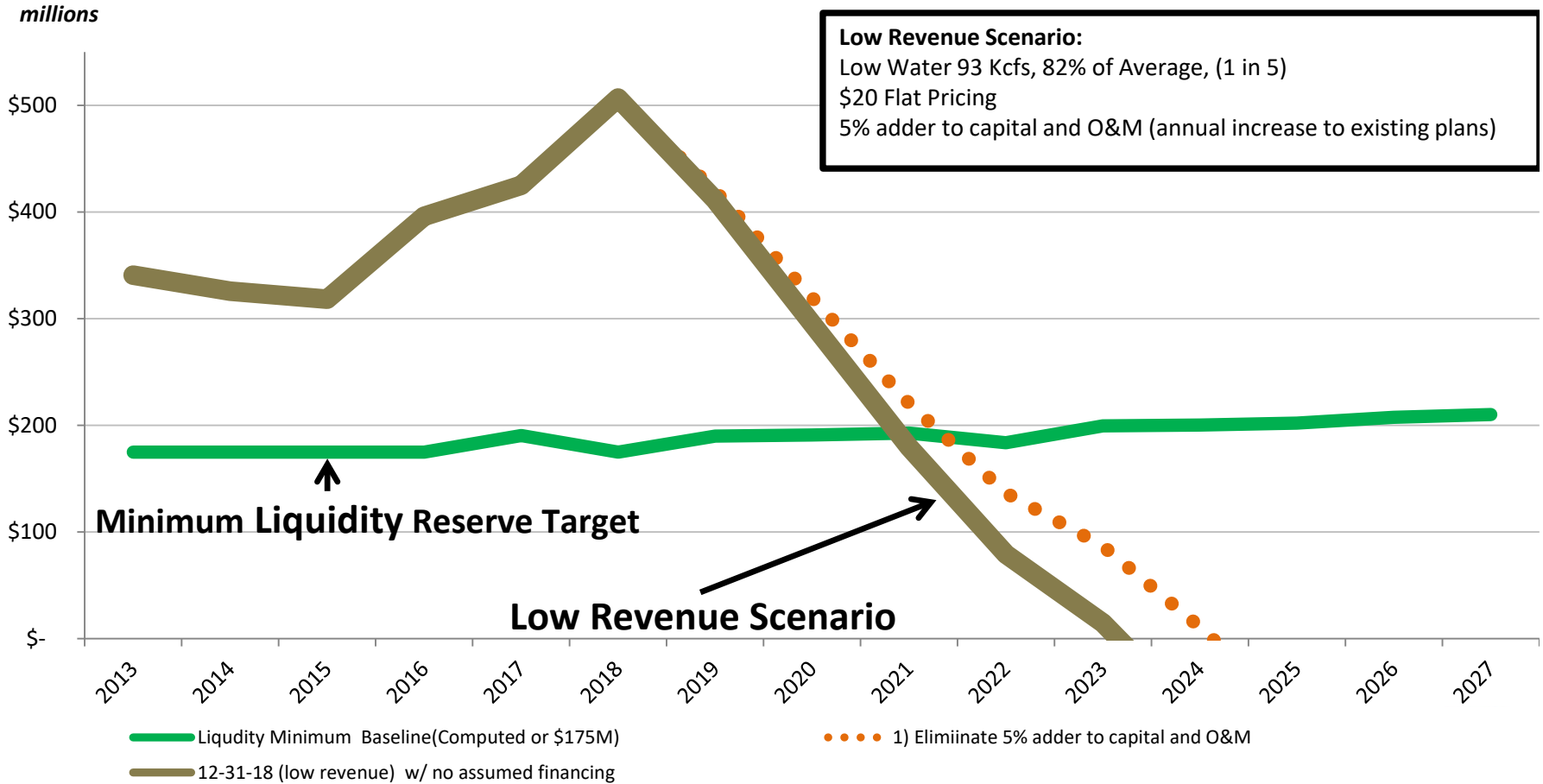
\*\* Does not include existing contract HDL customers



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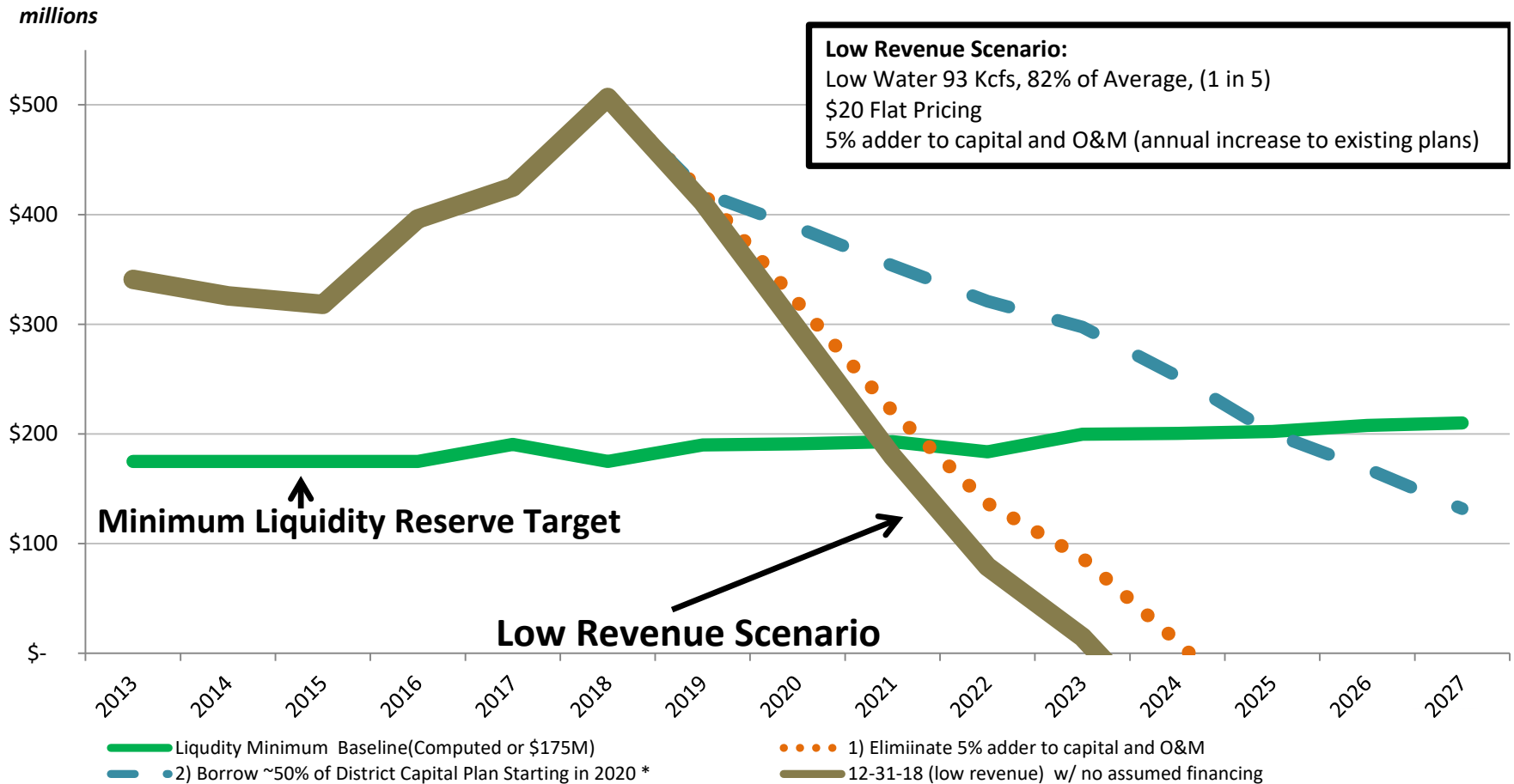
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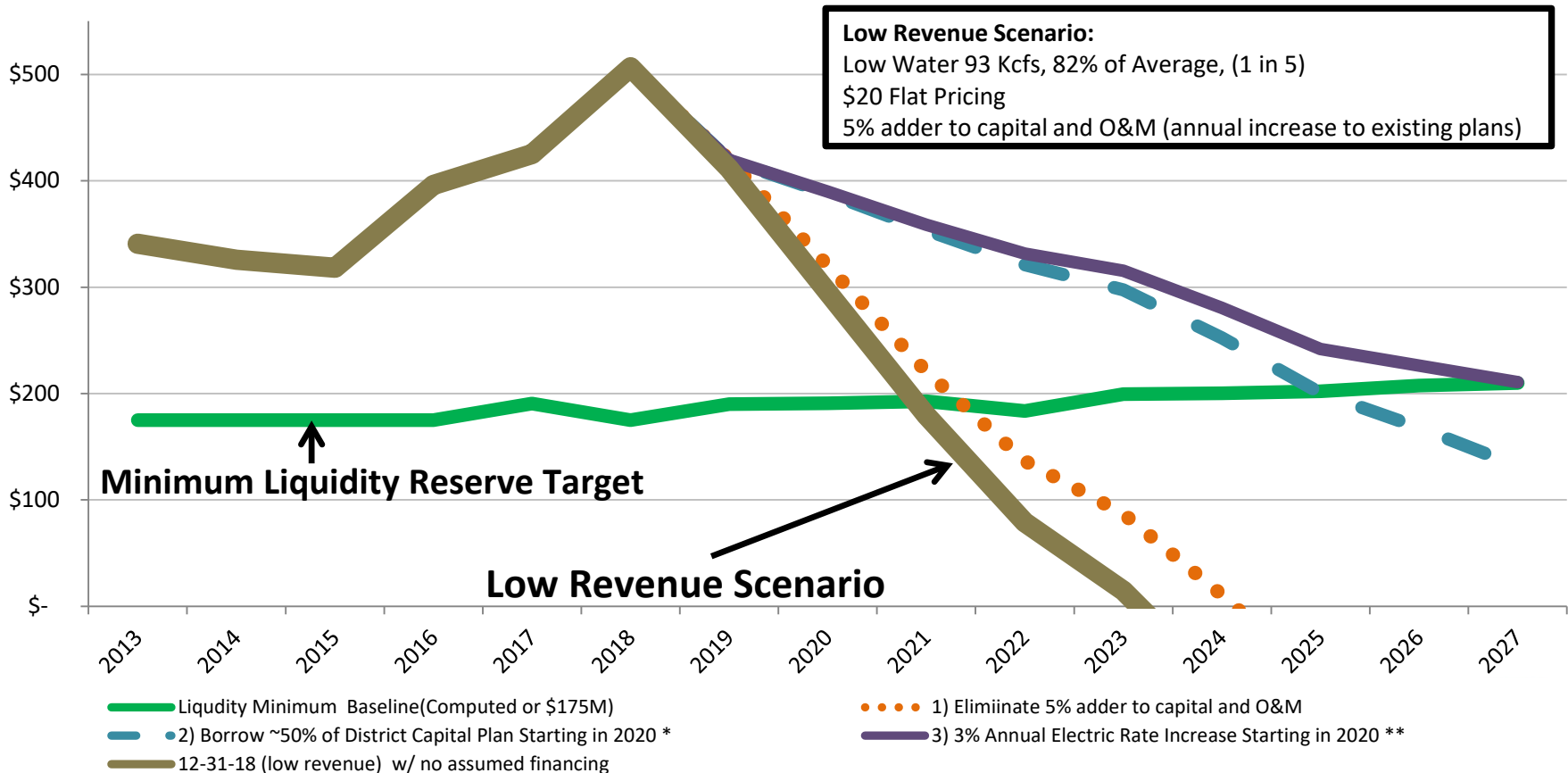
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millions



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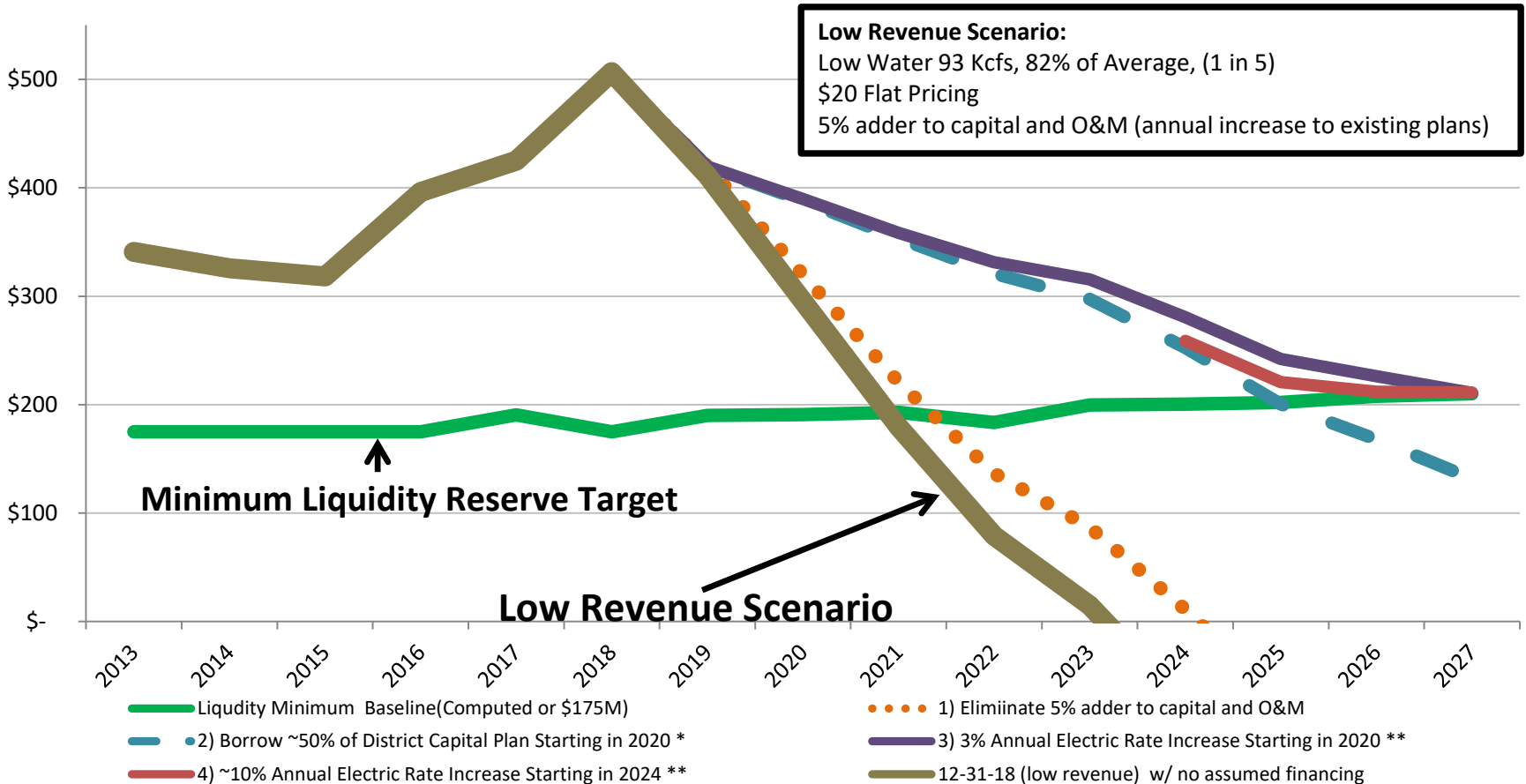
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**As of December 31, 2018 Forecast**

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# Key Take-Aways

- We are financially resilient
- Even in a consecutive low-revenue scenario, our available tools of controlling costs, issuing debt and small rate increases can be combined to maintain our necessary financial metrics
- Small, incremental rate increases over-time help avoid larger increases even in low-revenue scenarios
- We will share this information in our Long-Term Rate Planning Topic Team session on March 28