

# Internal Loans

Information Only  
No Action Requested Today

Heather Irelan  
Director – Treasury/Treasurer  
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# What We Will Cover Today

- Internal funding needs
- Internal funding sources
- Loan mechanics
- Recommendations and timeline

# Hydro System Capital Funding

- Chelan PUD continues to make substantial asset investments
- Forecast 2023/24 Rock Island and Rocky Reach capital plans plus shared Internal Service System projects are approx. \$195M
- Long-term power sales contract capital and debt reduction charges continue to be utilized for pay-as-you-go capital
- However, large capital plans are expected to exceed available power sales contract funds



# Chelan PUD Funding Sources

- Financing Facilities System
  - Internal “bank” used to account for external debt and internal loan transactions
  - Efficiently supports optimum financing choices for Chelan PUD on a combined basis
  - Timing of external outflows may not match timing of internal inflows
- Distribution System
  - 2022 financial results were strong, building cash due to high power market prices
  - Cash reserves are segregated for many purposes including O&M, rate stabilization, and construction
  - Operating Reserves balance in excess of forecast needs

# Internal Loan Mechanics

- Match system funding need with available system cash
- Loan cash from one accounting system to another
- Principal and interest paid back over time per schedule
- Board affirmed Debt Philosophy and Planning Strategies:
  - First, internal loans from unrestricted funds, when available
  - Strategic external bond issuance are also evaluated and recommended when prudent
- Customer benefits of internal loans:
  - Supports debt leverage and coverage metrics
  - Avoids external bond issuance and interest costs
  - Uses available unrestricted cash earning interest at lower rate

# 2023 Internal Loan Recommendations

- Recommending 2 years of capital funding for Hydro projects
  - Loans from Financing to Rocky Reach and Rock Island
  - Terms are governed by power sales contracts
  - “Bridge” loan from Distribution to Financing
  - Leverages available funds with more flexible terms
- Long-term power purchaser impacts (cost-plus contracts)
  - Share of annual principal and interest
  - Some contract adders increase with internal loan increases
  - Advance notice will be provided to power purchasers

# Hydro Loan Terms:

Per Contracts, to be confirmed by Resolution considered March 20

**Interest Rate:**  
to be set March 31  
(estimated at around 6.0%)

**Maturity:**  
25 years

**Amount:**  
not to exceed  
Rocky Reach \$20M  
Rock Island \$75M

# Bridge Loan Terms:

Per Board, to be confirmed by Resolution considered March 20

**Interest Rate:**  
to be set March 31  
(estimated at around 4.2%)

**Maturity:**  
20 years, with optional early payment

**Amount:**  
not to exceed  
\$70M





- March 6-19 Commissioner questions, power purchaser outreach
- March 20 Request Board approval of resolutions
- March 31 Issue internal loans
- 2023 TBD Financing actions associated with Peshastin Water District acquisition will follow project timeline