

# Chelan County PUD



2024 Budget Kickoff  
Timeline and Key Assumptions  
October 16, 2023

# What we will cover today

Purpose

Timeline

Guidelines &  
Assumptions

Next Steps

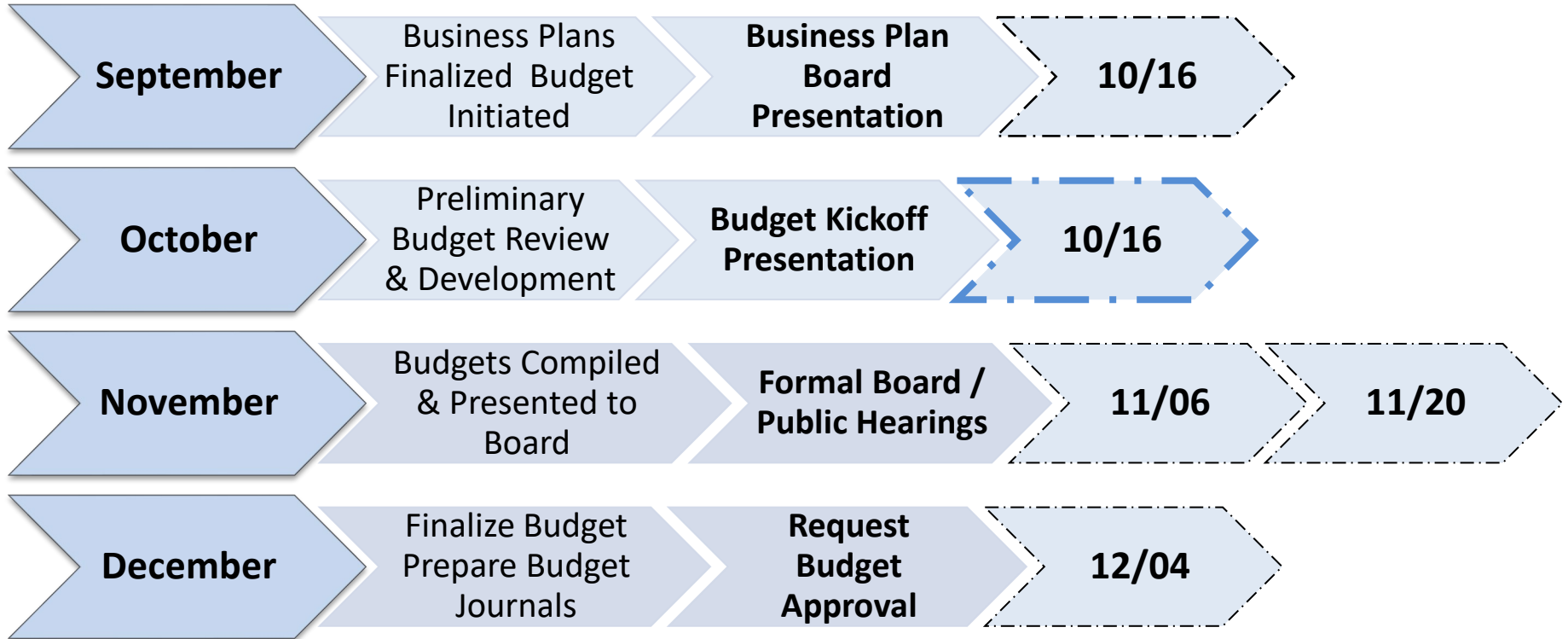
**No Board Action Required**

# Cascading Planning Cycle

- District mission & vision/challenge
- District strategic plan (4 goals – 8 objectives)
- District-wide priorities for 5-year business planning
- District-wide 5-year business plan
- Business unit 5-year business plans
- **Annual budget** ← *We are here*
- District-wide annual performance plan
- Department work plans
- Annual employee performance plans

Levels of organization

# Budget Timeline



Indicates Board Meetings

# Strategic Focus

## Strategic Plan

- Board developed and approved 2020-2024 Strategic Plan, including strategic plan goals

## Balanced Scorecard

- The foundation of our strategic initiatives and budget is at the top of our balanced scorecard: Customer-owner satisfaction

## Areas of Focus

- Strategic shifts
- Organizational vision principles

## Business Plan

- 2024-2028 five-year business plan initiatives identified to accomplish strategic plan goals

## Budget

- 2024 Annual Budget and 5-year financial plan compliant with District financial policies

# Strategic Plan Goals

**1**

Invest in assets and people and seek industry top-quartile performance for hydro generation, retail reliability, and safety while improving our customer service technology

**2**

Sustain excellent financial resiliency while mitigating the risk of large rate increases

**3**

Enhance the quality of life in Chelan County through programs that distribute the benefits of public power

**4**

Engage in countywide growth planning and job creation efforts while ensuring the District's rates and policies remain stable and predictable

# Investing in Assets and People - Goal 1

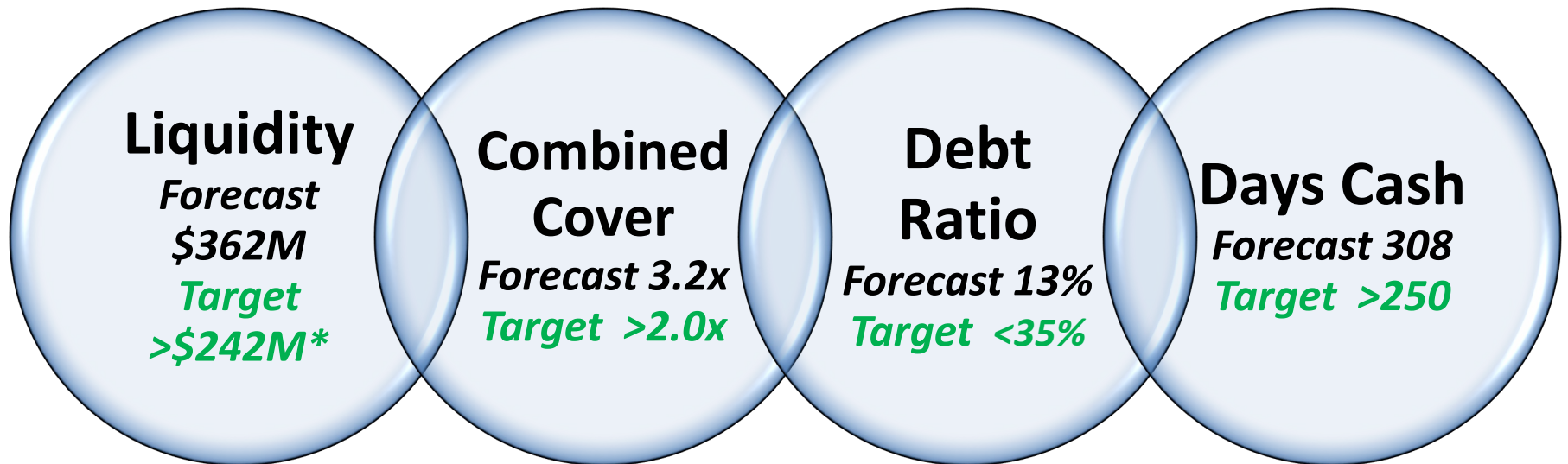
- Seeking improvement in hydro capability to optimize our generation assets, shifted schedule to use more District resources
  - Modernization work on RI Powerhouse 1 units B2, B3 and B8; Powerhouse 2 units U3, U5 and U7 including advancing work on converting to air-filled hub
  - Turbine repair work on Rocky Reach units C11 and C10 including conversion to water filled hubs
- Improve distribution reliability to reduce customer-owner outage time, while mitigating wildfire risk
  - Focus on vegetation management, underground cable replacement, animal guarding, and technology innovations
  - Implementing wildfire mitigation plan to protect public safety and property
- Utilize Human and Organizational Performance to engage with all levels of the organization and promote a culture of learning and safety ownership
- Focus on developing leaders, building employee resiliency, advancing capabilities
- Adding technology: Web and mobile customer engagement platforms; field workforce and engineering platform

# Financial Resiliency - Goal 2

- Maintain AA/AA+ bond ratings through resilient financials and strong financial policy metrics
- Continuing to execute on the long-term marketing strategy to secure long-term revenue by capturing the strong market and value of hydropower and carbon-free resources
- Expanding long-term financial planning assumptions to support decision-making around surplus portfolio and financial risk mitigation
- Significant expenditures planned for 2024 to support the 5-year business plan
- Fifth year of the 5-year retail rate plan in June 2024 consistent with the Board Resolution and the 2020-2024 Strategic Plan
- Strong liquidity and low debt leverage allows flexibility to adapt to changing circumstances



# 2024 District Financial Policies



\*Liquidity target is the greater of \$175M or methodology calculation which is calculated at approx. \$242M for 2024 based on the August 2023 forecast

# Public Power Benefit - Goal 3

- Public Power Benefit Program of \$10M for 2024
- Board approved projects planned for 2024 return incremental value to the community;
  - Continuing the fiber expansion program to reach more people in our county
  - Fiber expansion design for finalization planning
  - Stehekin reliability study
  - Manson Parks connection
  - Electric Avenue (5<sup>th</sup> Street redevelopment)
  - Pre-funded projects continue but don't require added funding

# Engage in Countywide Efforts - Goal 4

- Focus on distribution substations and infrastructure adds more flexibility to support county growth and new large loads
  - Bavarian substation and interconnections construction
- Local loads expanding
  - Largest single retail load is now ~19 MWs
  - Switchyard/Substation construction for planned data center load
- Significant interest for large local retail/end-use loads
  - Developing a large load process with respect to all energy services and all associated utility infrastructure.

# Early 2024 External Indicators

Continuing investments in projects with the highest long-term customer value

Wholesale electric market prices strong and remain volatile; carbon prices strengthening

Technology and cyber security needs are advancing rapidly; District focusing on being an industry leader

System load growth, customer profiles, large loads are changing; retaining flexibility in portfolio to adapt

Wildfire risk remains, driving insurance premiums higher; expanding risk mitigation efforts through investment

# Key 2024 Budget Assumptions

## Wholesale Revenue

- Average water, current forward energy and carbon price curves
- Hedge program fully implemented and continuing
- Includes planned unit outage impacts
- Consistent hydro fish spill in accordance with requirements

## System Load Growth

- 1.6% Electric (~3.5 aMW total net of conservation, ~2 aMW HDL/Crypto)
- 0.7% Retail Electric organic growth
- 1.5% Water, 1.0% Wastewater
- 1,000 new Fiber connections (650 current service territory, 350 PPB)

## Business Line Service Revenues

- Business line rate increases consistent with approved long-term rate plan
- Fifth year of 5-year plan effective June 1
  - 3% Electric, 4% Water, 4% Wastewater and 3% Fiber

# *Key Budget Assumptions*

## **Labor Bargaining Unit**

- Bargaining unit increases are according to the collective bargaining agreement in effect through March 2025

## **Labor Non-Bargaining Unit**

- Budget includes assumptions for merit increases, market adjustments and promotions
- Final decisions will be informed by actual market data

## **Long-term “cost-plus” power contracts**

- Debt Reduction Charge (DRC) – continues at 3.0%
- Capital Recovery Charge (CRC) – continues at 50%

# Key Budget Assumptions

## Capital & Operating Expenditures

- Capital key drivers: Rock Island modernization, distribution substations and infrastructure, service center
- O&M key drivers: Rocky Reach large unit repairs, distribution vegetation management, IT initiatives

## Debt & Interest Income

- Net scheduled principal payments of \$39 million plus a \$15 million 2025 prepayment
- Interest earnings estimated at 3.06%

## Public Power Benefit Program

- Includes \$10M for 2024; continuation of fiber expansion, parks improvements, Electric Avenue, Board selected projects
- Budget revisions will be processed as new projects are designated

# Next Steps

## Develop Sept-Oct

- Preliminary budgeting in process

## Review Oct-Nov

- Review and revise in Oct. and Nov.
- 1<sup>st</sup> Budget Hearing November 6th
- 2<sup>nd</sup> Budget Hearing November 20th

## Approve Dec

- Request Board approval on December 4th