

**PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY  
203 OLDS STATION ROAD, WENATCHEE WA 98801**

**REGULAR COMMISSION MEETING**

**SEPTEMBER 16, 2024**

**STUDY SESSION**

**10:00 AM**

1. Pledge of Allegiance and Safety/H&OP Minute – Sara O’Neal
2. Approval of the Agenda
3. CPO Winner Recognition
4. Public Hearing @ 10:15: Rates
5. Strategic Vision, Business, and Budget Planning
6. Public Comment  
*Time reserved for public comments or questions related to matters not on the agenda*

**BUSINESS SESSION**

**Consent Agenda**

7. Minutes of the September 3, 2024 Regular Meeting and September 4, 2024 Special Meeting
8. Vouchers: Accounts Payable Summary Report dated September 10, 2024:
  - a. Vouchers totaling \$19,667,565.29;
  - b. Approval of Customer Deposit Returns and Conservation Incentive payments for the period August 27, 2024 through September 09, 2024 in the amount of \$58,452.45.
  - c. Approval of the net Payroll, Warrant Nos. 238563 through 238573 and Advice Nos. 784103 through 784958 for the pay period ending August 25, 2024 in the amount of \$2,803,681.81.
  - d. Approval of Warrant Nos. 31986 through 32064 totaling \$23,209.90 for claim payments from the workers’ compensation self-insurance fund for the period ending September 09, 2024.
  - e. Approval of Parks Reservation System customer refunds for the period August 27, 2024 through September 09, 2024 in the amount of \$2,660.00.

9. A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1 THROUGH 6, AUTHORIZING FINAL ACCEPTANCE OF WORK PERFORMED UNDER BID NO. 23-13000 WITH SE, INC. DBA SMITH EXCAVATION OF CASHMERE, WA AND AUTHORIZING RELEASE OF BOND IN LIEU OF RETAINAGE

**Regular Agenda**

10. A RESOLUTION AUTHORIZING AMENDMENT NO. 5 TO SERVICES AGREEMENT (SA NO. 22-12349) WITH AECOM TECHNICAL SERVICES, INC. FOR HYDRO PROJECT STRUCTURAL ENGINEERING AND STABILITY ANALYSES
11. A RESOLUTION AUTHORIZING AMENDMENT NO. 2 TO SERVICES AGREEMENT (SA NO. 23-13046) WITH HDR ENGINEERING, INC. FOR PROJECT ENGINEERING AND CONTROLS
12. A RESOLUTION REJECTING ALL BIDS AND DECLARING THAT NO BIDS WERE RECEIVED FOR THE WATER SYSTEM SCADA UPGRADE PHASE 1 (BID NO. 23-12958) AND AUTHORIZING THE WATER SYSTEM SCADA UPGRADE PHASE 1 BE OBTAINED BY NEGOTIATION
13. A RESOLUTION RESTATING AND REVISING LONG RANGE FINANCIAL POLICIES FOR THE DISTRICT WHICH AMENDS AND SUPERSEDES THE PRIOR RESOLUTIONS
14. A RESOLUTION AUTHORIZING LOANS FROM THE DISTRIBUTION SYSTEM TO THE FINANCING FACILITIES SYSTEM IN AN AMOUNT NOT TO EXCEED \$100,000,000 AND FROM THE FINANCING FACILITIES SYSTEM TO THE ROCK ISLAND SYSTEM IN AN AMOUNT NOT TO EXCEED \$125,000,000, TO FINANCE CERTAIN ROCK ISLAND CAPITAL IMPROVEMENTS FOR 2024, 2025, AND 2026
15. Manager Items
16. Commission Items
17. Follow-up on Delegation of Action Items from Previous Board Meeting
18. Delegation of Action Items
19. Additional Public Comment
20. Matters of general business as may necessarily come before the Commission
21. Executive Session: To discuss with legal counsel agency enforcement actions, litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i) for \_\_\_ minutes

This agenda and resolutions (if any) may be revised by the Commission as appropriate.

## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION RATIFYING FIELD WORK ORDER NOS. 1 THROUGH 6, AUTHORIZING FINAL ACCEPTANCE OF BANK STABILIZATION WORK 2023 AT MULTIPLE PARK LOCATIONS PERFORMED UNDER BID NO. 23-13000 WITH SE, INC. DBA SMITH EXCAVATION OF CASHMERE, WA AND AUTHORIZING RELEASE OF BOND IN LIEU OF RETAINAGE

**FACTUAL BACKGROUND AND REASONS FOR ACTION**

The Board of Commissioners (the “Commission”) of Public Utility District No. 1 of Chelan County, Washington (the “District”) by Resolution No. 17-14215 delegated authority to the General Manager to advertise, award and execute contracts when the total contract price is \$3,000,000 or less. Authority was also granted to the General Manager and the staff to execute field work orders under certain circumstances.

On September 20, 2023, the District entered into a contract (Bid No. 23-13000) with SE, Inc. dba Smith Excavation of Cashmere, Washington for Bank Stabilization Work 2023 at multiple park locations, in the amount of \$1,394,350.00 (the “Contract”). This Contract was advertised for public bid and was awarded as required by RCW 54.04.070 and .080.

The work in Field Work Order Nos. 1-6 consists of conditions and work not anticipated or included in the Contract but within the scope of it. The District’s staff has executed Field Work Order Nos. 1-6, which are on file in the offices of the District and summarized as follows:

<b>Field Work Order No.</b>	<b>Field Work Order Description</b>	<b>Amount</b>
1	Addition of Exhibit V, Item B1 Permit copy	\$0.00
2	Modification of Bid Price Schedules B and C	\$58,065.00
3	Work Delays for Schedule B and Asphalt Trail Addition for Schedule C	\$12,543.46
4	Schedule C Time Extension for Paving	\$0.00
5	Addition of Bench, Relocate Temporary Fence and Sod Replacement	\$7,800.00
6	Irrigation Repairs and Rip Rap Quantity Reconciliation	\$17,816.61
<b>Total</b>		<b>\$96,225.07</b>

Field Work Order Nos. 1 through 6 results in a net increase in the Contract price of \$96,225.07, which resulted in a revised total price of \$1,490,575.07 (excluding sales tax), which the District's Engineers recommend be ratified.

Resolution No. 17-14215 provides that this type of field work order shall be presented to the Commission for approval as part of the final acceptance resolution.

District staff has determined that the completion of all Contract work occurred on August 26, 2024. In accordance with the terms of the Contract, the Contractor has provided a bond in lieu of retainage equal to 5% of the Contract price.

The General Manager of the District concurs with staff's recommendations that the District accept the work performed by the Contractor, ratify Field Work Order No. 1 through 6 and authorize the release of the related bond in lieu of retainage, subject to the requirements of the Contract and state law.

### **ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. Field Work Order Nos. 1 through 6 to Bid No. 23-13000 with SE, Inc. dba Smith Excavation of Cashmere, Washington for Bank Stabilization Work 2023, which will result in a net increase in the purchase price of \$96,225.07, for a total revised Contract price of \$1,490,575.07, plus Washington State sales tax, is hereby ratified.

Section 2. All the Contract work required under Bid No. 23-13000 was completed on August 26, 2024 and the same is hereby accepted, subject to Section 3 hereof. Release of the Contractor's bond in lieu of retainage is authorized subject to Section 3 and Section 4 hereof, and subject to the provisions and limitations of Chapter 39.12 RCW (Prevailing Wages on Public Works) and 60.28 (Liens for Labor, Materials and Taxes on Public Works).

Section 3. This Resolution shall not constitute an acceptance by the District of any work performed or goods supplied pursuant to the aforementioned Contract, which are not in strict compliance with the Contract's terms and conditions.

Section 4. After the expiration of the forty-five (45) day period for giving the District notice of lien and after receipt of the Department of Revenue's certification of the Contractor's payment of taxes, the Employment Security Department's Certificate of Payment of Contributions, Penalties and Interest on Public Works Contracts, and the Department of Labor & Industries' Certificate of Release of the State's Lien on Public Works Contracts, and the District being satisfied that taxes certified as due or to become due are discharged and the filed claims of materialmen and laborers, if any, together with a sum sufficient to pay costs of foreclosing the liens and attorney's

fees, have been paid, the District's General Manager is authorized and directed to release the bond in lieu of retainage. In the event said taxes, claims, expenses and fees have not been paid, the General Manager is authorized and directed to file a claim against the bond in lieu of retainage in an amount equal to unpaid taxes and unpaid claims, together with a sum sufficient to defray the costs and attorney fees incurred in foreclosing the lien of such claims, and following payment of such claim, release the bond in lieu of retainage.

DATED this 16th day of September 2024.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Vice President

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Commissioner

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Commissioner

Seal

## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION AUTHORIZING AMENDMENT  
NO. 5 TO SERVICES AGREEMENT (SA NO. 22-  
12349) WITH AECOM TECHNICAL SERVICES,  
INC. FOR HYDRO PROJECT STRUCTURAL  
ENGINEERING AND STABILITY ANALYSES

**FACTUAL BACKGROUND AND REASONS FOR ACTION**

Public Utility District No. 1 of Chelan County, Washington (the “District”) entered into a Services Agreement (SA No 22-12349) on September 20, 2022 with AECOM Technical Services, Inc., of Greenwood Village, Colorado, for hydro project structural engineering and stability analyses, in an amount not to exceed \$150,000.00.

Amendment No. 1 to the Services Agreement, executed on June 7, 2023, updated the rate schedule for services.

Amendment No. 2 to the Services Agreement, executed on December 18, 2023, added \$150,000.00, for a revised not to exceed contract amount of \$300,000.00 and extended the completion date to June 30, 2025.

Amendment No. 3 to the Services Agreement, executed on March 5, 2024, updated the rate schedule for services.

Amendment No. 4 to the Services Agreement, executed on May 3, 2024, added \$199,000.00 for a revised not to exceed contract amount of \$499,000.00.

District staff has identified the need for additional hydro project structural engineering and stability analyses services. Resolution No. 17-14215 requires that the Commission, by resolution, authorize Amendments to Service Agreements when the Amendment increases the total contract price to over \$500,000.

District staff recommends that it is in the best interest of the District to amend Services Agreement No. 22-12349 with AECOM Technical Services, Inc. in the amount of \$610,000.00, for a total revised contract price not to exceed \$1,109,000.00 through December 31, 2026.

The General Manager has reviewed District staff's recommendation and concurs in the same.

**ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY  
DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON as follows:

Section 1. The General Manager is hereby authorized to execute Amendment No. 5 to Services Agreement (SA No. 22-12349) with AECOM Technical Services, Inc. to provide the additional services identified above. The revised contract price will not exceed \$1,109,000.00 without prior Commission approval. A copy of the Amendment is on file in the offices of the District.

DATED this 16th day of September 2024.

\_\_\_\_\_  
President

ATTEST:

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Vice President

\_\_\_\_\_  
Secretary

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Commissioner

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Commissioner

Seal

## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION AUTHORIZING AMENDMENT  
NO. 2 TO SERVICES AGREEMENT (SA NO. 23-  
13046) WITH HDR ENGINEERING, INC. FOR  
PROJECT ENGINEERING AND CONTROLS**FACTUAL BACKGROUND AND REASONS FOR ACTION**

Public Utility District No. 1 of Chelan County, Washington (the “District”) entered into a Services Agreement (SA No 23-13046) on August 24, 2023 with HDR Engineering, Inc., of Bellevue, Washington, to provide project engineering and controls, in an amount not to exceed \$3,000,000.00.

Amendment No. 1 to the Services Agreement, executed on January 10, 2024, updated the rate schedule for services.

District staff has identified the need for additional project engineering and controls services. Responding to requests from the Federal Energy Regulatory Commission (FERC) and the Board of Consultants (BOC) to investigate, monitor, and remediate the effects of Alkali-Aggregate Reactivity (AAR) at Rock Island Dam will require significant time and resources in excess of those originally scoped. Resolution No. 17-14215 requires that the Commission, by resolution, authorize Amendments to Service Agreements when the Amendment increases the total contract price to over \$500,000.

District staff recommends that it is in the best interest of the District to amend Services Agreement No. 23-13046 with HDR Engineering, Inc. in the amount of \$4,000,000.00, for a total revised contract price not to exceed \$7,000,000.00 through August 31, 2026.

The General Manager has reviewed District staff's recommendation and concurs in the same.

**ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY  
DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON as follows:

Section 1. The General Manager is hereby authorized to execute Amendment No. 2 to Services Agreement (SA No. 23-13046) with HDR Engineering, Inc. to provide the additional services identified above. The revised contract price will not exceed \$7,000,000.00 without prior Commission approval. A copy of the Amendment is on file in the offices of the District.



DATED this 16th day of September 2024.

\_\_\_\_\_  
President

ATTEST:

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Vice President

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

Seal

## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION REJECTING ALL BIDS AND DECLARING THAT NO BIDS WERE RECEIVED FOR THE WATER SYSTEM SCADA UPGRADE PHASE 1 (BID NO. 23-12958) AND AUTHORIZING THE WATER SYSTEM SCADA UPGRADE PHASE 1 BE OBTAINED BY NEGOTIATION

**FACTUAL BACKGROUND AND REASONS FOR ACTION**

On July 11, 2024, an invitation for sealed bids was published in accordance with RCW 54.04.070 and Resolution 17-14215 to provide Water System SCADA Upgrade Phase 1 (Bid 23-12958). Bid Proposals were opened on August 15, 2024, at 2:00 pm, in the offices of the District. Three bids were received as shown in Table 1 below.

*Table 1*

Bidder:	Bid Amount
Irrigation Technology and Control, Inc. East Wenatchee, WA	\$262,339.20
Farmers Electric II, LLC Othello, WA	\$343,000.00
Technical Systems, Inc. Lynwood, WA	\$404,100.00

The bid by Irrigation Technology and Control, Inc. did not include the bidders' data, as required by the specifications of Bid 23-12958. This bid should be rejected as non-responsive.

The bid by Farmers Electric II, LLC did not include the bidders' data, as required by the specifications of Bid 23-12958. This bid should be rejected as non-responsive.

The bid by Technical Systems, Inc. exceeded the engineer's estimate by more than fifteen percent (15%) and RCW 54.04.080 precludes the District from awarding contracts for more than 15% in excess of the engineer's estimate. This bid should be rejected as non-responsive.

Resolution No. 17-14215 requires that the rejection of bids must come before the Commission for action when staff is recommending an action other than rebidding.

Pursuant to RCW 54.04.080, the District may procure the work on the open market and negotiate a contract rather than re-advertising if no bids are received. District staff recommends that, due to time constraints and project requirements, the Water System SCADA Upgrade Phase 1 be procured by negotiation.

The General Manager of the District has reviewed District staff's recommendation and concurs in the same.

**ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY as follows:

Section 1. The bids received to furnish the Water System SCADA Upgrade Phase 1 (Bid No. 23-12958) are rejected. District staff is authorized to obtain the Water System SCADA Upgrade Phase 1 by negotiation and the General Manager (or his designee) is authorized to execute a contract for the same with acceptable terms and conditions.

DATED this 16th day of September, 2024.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Vice President

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Secretary

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Commissioner

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Commissioner

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## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION RESTATING AND REVISING LONG RANGE  
FINANCIAL POLICIES FOR THE DISTRICT WHICH AMENDS  
AND SUPERSEDES THE PRIOR RESOLUTIONS**FACTUAL BACKGROUND AND REASONS FOR ACTION**

As part of the 2010 Strategic Plan, Resolution Nos. 10-13555 and 11-13616 establishing the District's Financial Policies ("Financial Policies") were adopted by the Board of Commissioners (the "Commission") of Public Utility District No. 1 of Chelan County, Washington (the "District") on June 21, 2010 and January 24, 2011 respectively. In addition, in advance of the 2015-2019 Strategic Plan, Resolution No. 14-13878 was adopted by the Commission on May 28, 2014 to amend and extend the provisions of Resolution No. 10-13555 and 11-13616. The Commission adopted Resolution No. 17-14124 on March 20, 2017 to further refine and extend these policies beyond 2019, including long-range targets for Debt Leverage Ratio, Debt Service Coverage Ratio, Financial Liquidity, and Days Cash on Hand. This Policy is in support of ensuring financial stability to meet the District's vision of providing the best value for the most people for the longest time.

During 2024, the Commission has undertaken a substantial long range planning process to develop a 50-year vision. These efforts, and many others such as capital asset investment decisions, require a great deal of forward-looking information. One critical component when considering financial forecasts for planning purposes is having metrics to compare against projected results, so that decisions may be made with an understanding of how results will compare to targets. In addition, the Commission receives quarterly reports of the District's five-year financial plans, forecast results and Financial Policy compliance.

One component of that compliance process is for staff to conduct a biennial review to ensure that the Financial Policies are aligned with guiding principles including maintaining a strong AA credit rating and a sustainable long-term plan to inform comprehensive and cohesive decision making while promoting:

- Transparency
- Achieving strategic objectives
- Accountability to our customers & customer satisfaction
- Long-term rate predictability for customers
- Operational excellence and fiscal health
- Prudent allocation and recovery of capital costs over time
- Uninterrupted access to the financial markets at the lowest reasonable cost
- Maintenance of long-lived, value-adding assets and responsible stewardship of the environment
- Proactive risk management

Additionally, regularly benchmarking to peer entities and reviewing rating agency methodologies helps to determine if the Financial Policies and results continue

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to be in line with the expectations of a highly rated public electric utility. It is also recognized that the Financial Policies should continue to be responsive to the preferences outlined by our customers and also other financial stakeholders who have a vested interest in the financial health of the District. These financial stakeholders include the District's current and prospective bondholders, bond rating agencies, various banks that provide services to the District, power sales counterparties and other entities that have material business relationships with the District.

The Financial Policies were last refined in 2017 and included targets for high levels of cash as a risk mitigation tool. Since then, a variety of factors have positively evolved. Specifically, the District's debt metrics including Debt Leverage and Debt Service Coverage ratios have substantially improved. In addition, the District has a mature power sales hedging program with consistent execution of market-based slice contracts and in the past few years has entered into new long-term contracts with credit worthy counterparties. Prudent action to adopt multi-year rate plans with small incremental rate increases over time has also been demonstrated. Further, the District continued to perform well even through high degrees of uncertainty and challenging operational and financial conditions in 2020. In consideration of the District's improved risk profile, staff is recommending adjustments to better balance debt- and cash-related Financial Policies.

Staff's review of the Financial Policies also included financial modeling incorporating current revenue and expense forecasts based on "expected" operations and market conditions – as well as "unusual" scenarios based on probabilistic net wholesale sales revenues over the 5-year planning horizon. The District has implemented numerous risk mitigation tools, such as the power sales hedging program and small incremental rate increases, which are anticipated to help the District maintain financial stability throughout expected and unusual hydrological and market conditions. In the event longer-term influences and pressures begin to put strain on the District's finances, it is the intent of these long range Financial Policies and the associated processes and forecasting tools, to anticipate such pressures in advance. In most cases, assuming appropriate financial discipline is followed, this process should allow for needed course corrections, other strategic actions, and/or any rate adjustments, if necessary, to be anticipated in advance and layered in incrementally over time.

The financial analyses, risk evaluations, benchmarking results and customer preferences were all incorporated into staff's recommendations, outlined herein. These recommendations are designed to refine and balance the existing Financial Policies to further promote long term rate stability and predictability for customers, maintain modest debt levels over time, prudent levels of financial liquidity/reserves and uninterrupted access to financial markets at the lowest reasonable costs. Staff presented their recommendations of financial policy options for consideration and discussion at the September 3, 2024 regular Commission meeting.

District staff recommends that it is in the best interest of the District to refine and balance the Financial Policies for 2024 and beyond as described below. Such metrics will be reported for a 5-year forecast period and evaluated on the basis of 1)

expected conditions which are determined by applying the District's most current financial assumptions, which may change over time to match District philosophies, objectives, risk appetite or action plans. This expected outcome includes a 50% confidence level for net wholesale sales revenue, with a relative equal probability of those net revenues being better or worse, and 2) unusual conditions which are determined by applying the District's most current financial stress impacts, which may change over time to match the District's financial risk profile. This unusual outcome includes a 90% confidence level for the annual net wholesale sales revenue, with only a 10% chance of those annual net revenues being worse. The unusual outcome will be accumulated over the 5-year reporting period.

1. **Financial Liquidity** – Financial Liquidity is computed on a District combined basis in accordance with the Financial Liquidity Methodology, which is intended to provide a framework to ensure adequate liquidity to support operating reserves for normal business needs, contingency reserves for infrequent or unexpected events and planning reserves for future planned events. The Financial Liquidity Methodology is specific to the District's unique operating conditions and risk profile and therefore not easily comparable to other entities. Sources of Financial Liquidity include Primary Liquidity, such as unrestricted cash and investments, and Secondary Liquidity, such as general bank lines or letters of credit or similar instruments and other internal sources, including certain Hydro system funds that could be used to meet the District's short-term liquidity needs. The minimum Financial Liquidity, in both the expected and unusual conditions, would be the greater of the requirements computed under the Financial Liquidity Methodology or \$225 million (Primary and Secondary liquidity). As inflationary pressures can impact certain components of the Financial Liquidity Methodology, such as operation and maintenance expenses and capital costs, staff will periodically review the required minimum (initially \$225 million in 2024) and make adjustments to ensure that the amount keeps pace with changing needs. An illustrative example of the Financial Liquidity Methodology computation and the associated numbers is included as Exhibit A.
2. **Days Cash on Hand** – Days Cash on Hand is calculated as unrestricted cash divided by operating expenses (excluding depreciation) multiplied by 365 days. The result is intended to communicate financial flexibility relative to expenses. The target is to maintain Days Cash on Hand of > 150 days under both the expected and unusual conditions. This target is consistent with rating agency expectations and other highly rated peer utilities. Days Cash on Hand is useful as a simple comparative metric to other entities, however it lacks the District-specific context of the Financial Liquidity Methodology.
3. **Debt Leverage** – The Debt Leverage ratio is calculated as total outstanding debt divided by the sum of the total outstanding debt plus total net position. The target is to maintain a Debt Leverage ratio of < 35% under both the expected and unusual conditions. This target is consistent with investor/rating agency guidelines.

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4. **Debt Service Coverage** – The Debt Service Coverage ratio is calculated on a District combined basis and in accordance with the District’s bond covenants. The calculation would also be performed on each individual lien in accordance with the specific bond indenture requirements. The Debt Service Coverage ratio on the combined basis would be a target of  $> 2.00x$  under expected conditions and a minimum of  $> 1.25x$  under unusual conditions. The target range is consistent with rating agency targets and comparably rated peers.

The Chief Financial/Risk Officer or designee will monitor the District’s financial metrics and report compliance, including any key assumptions, with these Financial Policies to the Commission on a quarterly basis or more frequently if conditions warrant. Modifications to the Financial Liquidity Methodology minimum due to inflation, if any, will also be communicated on a quarterly basis. In addition, staff will conduct a biennial review of the Financial Policies, or more often if circumstances warrant, and any recommended refinements to policy metrics will be presented to the Commission for consideration.

To facilitate proactive management to the financial metrics and create more advance awareness, communication to the Commission of potential challenges to metrics within the 5-year reporting period and corrective action or monitoring plans will occur when the forecast reaches 10% of any of the financial metric targets during the reporting process, for example, the District will report corrective action or monitoring plans to the Board when the forecast for Debt Service Coverage is  $< 2.2x$  or Debt Leverage is  $> 31.5\%$ . Corrective action or monitoring will depend on the expected severity and duration of the variance, and the strength of other metrics.

The General Manager and the Chief Financial/Risk Officer have reviewed staff’s recommendations and recommend that they be approved and adopted by the Commission.

### **ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. The Commission restates and revises the Financial Policies for the District for 2024 and beyond as follows:

1. Establish a minimum Financial Liquidity target of the greater of the computed Financial Liquidity Methodology or \$225 million of Primary and Secondary liquidity under the expected and unusual conditions. Refinements to the Financial Liquidity Methodology may be made by the General Manager or Chief Financial/Risk Officer, including adjustments due to inflation, and reported to the Board in the quarterly financial report but fundamental shifts or changes will be presented for Board consideration and approval.
2. Maintain Days Cash on Hand of  $> 150$  days under both expected and unusual conditions.

- 3. Achieve a Debt Leverage ratio of < 35% under both the expected and unusual conditions.
- 4. Maintain a Debt Service Coverage ratio on a combined basis of > 2.00x under expected conditions with minimum Debt Service Coverage ratio of > 1.25x under unusual conditions.

Section 2. The Commission hereby directs the General Manager to submit annual budgets and five-year financial plans to the Commission for consideration and approval as part of the District’s typical budget cycle (December adoption). Such annual budget and five-year financial plan will include key assumptions and identify compliance with these Financial Policies on a current and prospective basis.

Section 3. The District’s Chief Financial/Risk Officer or designee shall report compliance with such Financial Policies for the 5-year forecast period to the Commission on a quarterly basis. If projections reflect that future results will be within 10% of the established targets for any of the financial metrics, the recommended corrective action or monitoring plans will be presented for Commission consideration and action. In addition, the Chief Financial/Risk Officer or designee shall direct staff to conduct a biennial review of the Financial Policies, or more often if circumstances warrant, and any recommended refinements to policy metrics will be presented to the Commission for consideration.

Section 4. Resolution Nos. 10-13555, 11-13616, 14-13878 and 17-14124 are hereby amended and superseded by the provisions of this Resolution. To the extent additional prior resolutions of the District impose limitations or directions which are being amended or superseded by this Resolution and which are inconsistent with this Resolution, said prior resolutions are hereby rescinded and amended to the extent they conflict with this Resolution. This Resolution shall take effect upon its adoption.

DATED this 16th day of September 2024.

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President

ATTEST:

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Vice President

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Commissioner

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Commissioner

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Resolution No. \_\_\_\_\_  
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## EXHIBIT A - FINANCIAL LIQUIDITY

The sources for the District's Financial Liquidity include Primary Liquidity, such as unrestricted cash and investments. The sources also include Secondary Liquidity, such as general bank lines or letters of credit or similar instruments and other internal sources, including certain Hydro system funds, if available, that could be used to meet the District's short-term liquidity needs. Both Primary Liquidity and Secondary Liquidity sources must provide adequate liquidity to support and supplement the Total Liquidity Requirements derived through application of the Financial Liquidity Methodology illustrated below.

### LIQUIDITY METHODOLOGY

Updated as of 6/30/2024 \*\*\*AMOUNTS ARE IN MILLION DOLLARS AND PROVIDED FOR ILLUSTRATIVE PURPOSES ONLY\*\*\*

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Methodology Description</u>
<b><u>OPERATING RESERVES</u></b>						
Working Capital	\$ 74	\$ 75	\$ 70	\$ 71	\$ 73	<b><u>Operating Reserves:</u></b> Amounts for normal business needs including a) three months average of combined District operation, maintenance and taxes expense, and b) additional amounts as may be deemed prudent.
Subtotal (full dollar impact)	\$ 74	\$ 75	\$ 70	\$ 71	\$ 73	
<b><u>CONTINGENCY RESERVES</u></b>						
Power Reserves*	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	<b><u>Contingency Reserves:</u></b> Amounts for infrequent or unexpected events including a) exposure to power transactions (margin, termination, collateral, default), b) revenue stabilization regarding energy revenue and interest rate volatility, c) combined contingency risks on uncorrelated risks identified and fire and weather risk, and d) additional amounts as may be deemed prudent.
Revenue Stabilization - Energy*	\$ 26	\$ 38	\$ 57	\$ 101	\$ 103	
Revenue Stabilization - Interest Rates*	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	
Other Enterprise Risk Reserves	\$ 17	\$ 17	\$ 17	\$ 17	\$ 17	
Fire and Weather Risk	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	
Subtotal (full dollar impact)	\$ 52	\$ 64	\$ 83	\$ 126	\$ 129	
<b><u>PLANNING RESERVES</u></b>						
Bond Requirements	\$ 25	\$ 22	\$ 22	\$ 22	\$ 22	<b><u>Planning Reserves:</u></b> Amounts to meet future planned events or expenditures including; a) capital reserves for a portion of annual capital requirements net of available sources (eg bond proceeds & Contributions in Aid), b) a portion of the next years required principal and bond sinking funds consistent with terms of associated agreements if not already covered by covenant requirements, & c) additional amounts as may be deemed prudent.
Future Capital Funding	\$ 96	\$ 85	\$ 86	\$ 78	\$ 62	
Subtotal (full dollar impact)	\$ 121	\$ 108	\$ 108	\$ 101	\$ 84	
<b><u>PORTFOLIO EFFECT (RSS Computation)</u></b>	\$ (7)	\$ (6)	\$ (7)	\$ (7)	\$ (7)	<b><u>Portfolio Effect :</u></b> A mathematical computation that reduces the sum of the certain liquidity components to reflect that not all of the risks of each component are likely to happen at the noted magnitude at the same time.
<b><u>Total Required Liquidity (rounded)</u></b>	\$ 240	\$ 240	\$ 254	\$ 291	\$ 278	
<b><u>SUMMARY OF RESERVE REQUIREMENTS</u></b>						
Operating Reserves	\$ 74	\$ 75	\$ 70	\$ 71	\$ 73	<b><u>Total Computed Liquidity:</u></b> The net of the Operating Reserves, Contingency Reserves, Planning Reserves, less the Portfolio Effect result in the computed Total Liquidity Requirements for which sources of primary and secondary liquidity should be secured for reasonable and prudent liquidity reserve levels.
Contingency Reserves	\$ 52	\$ 64	\$ 83	\$ 126	\$ 129	
Planning Reserves	\$ 121	\$ 108	\$ 108	\$ 101	\$ 84	
*Less Portfolio Effect (RSS)	\$ (7)	\$ (6)	\$ (7)	\$ (7)	\$ (7)	
Total Computed Liquidity (rounded)	\$ 240	\$ 240	\$ 254	\$ 291	\$ 278	
Minimum Requirement	\$ 240	\$ 240	\$ 254	\$ 291	\$ 278	Greater of the Computed Liquidity or \$225M

\*Shaded amounts subject to the Portfolio Effect that not all events are likely to happen at the stated magnitude and at the same time.  
Columns may not foot due to rounding.

## RESOLUTION NO. \_\_\_\_\_

A RESOLUTION AUTHORIZING LOANS FROM THE DISTRIBUTION SYSTEM TO THE FINANCING FACILITIES SYSTEM IN AN AMOUNT NOT TO EXCEED \$100,000,000 AND FROM THE FINANCING FACILITIES SYSTEM TO THE ROCK ISLAND SYSTEM IN AN AMOUNT NOT TO EXCEED \$125,000,000, TO FINANCE CERTAIN ROCK ISLAND CAPITAL IMPROVEMENTS FOR 2024, 2025, AND 2026

**FACTUAL BACKGROUND AND REASONS FOR ACTION**

In accordance with the 2024 Budget adopted on December 4, 2023, certain projects for Public Utility District No. 1 of Chelan County, Washington's (the "District") Rock Island System require funding in 2024, and are anticipated to also require funding for 2025, and a portion of 2026 over and above the amount of Rock Island System cash anticipated to be available for Capital Improvements during the same period.

The District's strategy regarding funding of capital projects has been to use internal funds when available and if it is in the best interest of the District. The Financing Facilities System cash balance was \$61 million as of June 30, 2024. In addition, the Distribution System cash balance was \$274 million as of June 30, 2024, which is more than sufficient to meet the system's near-term operational, capital project, and reserve needs. Further, the District's total financial liquidity was \$416 million as of June 30, 2024 well in excess of the current financial policy targets.

District Resolution No. 13-13830 adopted by the Commission on December 2, 2013, establishes internal loan procedures. Said Resolution also states that the provisions for the issuance or incurrence of Debt Obligations for the Rock Island and Rocky Reach Systems shall be as specified under the Power Sales Agreements by and between the District and Puget Sound Energy, Inc. and the District and Alcoa Power Generating Inc. and Alcoa Corporation (the "Power Sales Agreements").

District Resolution 13-13830 further provides guidance for loans to District systems other than Rocky Reach and Rock Island. Per the Resolution, the loan term shall be 20 years and have a market based tax-exempt interest rate assuming the underlying long-term credit rating of the District (estimated to be around 4.3% when set on the loan date which is expected to be on September 30). In accordance with that Resolution, the District's Asset Liability Management Committee has reviewed and determined the need for loans to the Rock Island System with consideration for Power Sales Agreements terms and forecasted capital funding requirements. The Asset Liability Management Committee has also reviewed the sources for loans with consideration for individual system cash balances and forecasted uses.

As a result, the Treasurer and Asset Liability Management Committee recommend the Financing Facilities System issue loans adequate to meet approximately the next 18 months' budgeted and forecasted capital requirements of the Rock Island System in an amount not to exceed \$125,000,000. To facilitate these loans and leverage available unrestricted funds, it is further recommended that the Distribution System issue a loan to the Financing Facilities System in an amount not to exceed \$100,000,000.

The Chief Finance/Risk Officer and General Manager concur with staff's recommendation.

### **ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON as follows:

Section 1. It is in the best interest of the District to loan funds from the Financing Facilities System to the Rock Island System for the forecasted remaining 2024, 2025, and a portion of 2026 Capital Improvements in an amount not to exceed \$125,000,000.

Section 2. The Financing Facilities System loan shall be repaid with interest in accordance with the procedures specified in District Resolution No. 13-13830 and the long-term Power Sales Agreements. The loan term shall be 25 years and have a fixed interest rate anticipated to be determined as of September 30, 2024 equal to 110% of the taxable market rate assuming the underlying long-term credit rating of the District.

Section 3. It is in the best interest of the District to loan funds from the Distribution System to the Financing Facilities System in an amount not to exceed \$100,000,000.

Section 4. The Distribution System loan shall be repaid with interest in accordance with the procedures specified in District Resolution No. 13-13830. The loan term shall be 20 years and have a fixed interest rate anticipated to be determined as of September 30, 2024 equal to 100% of the tax-exempt market rate assuming the underlying long-term credit rating of the District. The loan may be repaid at any time without penalty or Commission action.

Section 5. The District's Treasurer is hereby authorized to take such other action as may be necessary to implement this Resolution.

Dated this 16th day of September 2024.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Vice President

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

SEAL