

Chelan County PUD



2024-2028 Business Planning

October 16, 2023

What we will cover today...

- Mission, vision, values and objectives
- Overview of 2024-2028 district-wide plans
- Key drivers
- Known unknowns
- Summary

***Seeking Board feedback, but
no action required today***

An aerial photograph of a town in Chelan County, Washington. The town is nestled in a valley, surrounded by rolling hills and mountains. A large river flows through the town. The sky is clear and blue. The town features a mix of residential and commercial buildings, with many houses and some larger structures. The mountains in the background are rugged and have a mix of green and brown tones, suggesting a semi-arid climate. The overall scene is bright and sunny.

Mission

To enhance the quality of life in Chelan County by providing sustainable, reliable utility services.

Vision / Challenge

In a rapidly changing utility environment, we will provide:

The Best Value for the Most People for the Longest Time.

Safety:

Protect public and employee health and safety



Trustworthiness:

Competence, integrity, respect, collaboration



Stewardship:

Acting on behalf of customer-owners, protecting public resources entrusted to us



Operational Excellence:

High quality, innovative work execution through supporting personal accountability



MISSION: To enhance the quality of life in Chelan County by providing sustainable, reliable utility services.



CUSTOMER-OWNER

FINANCIAL

INTERNAL

ENABLERS

Commit to the highest level of customer-owner satisfaction

Protect natural resources impacted by operations

Ensure financial stability

Seek operational excellence through continuous improvement mindset (with emphasis on efficiency, effectiveness, compliance, risk assessment, and resiliency)

Invest in creating long-term value

Advance human and organizational performance

Foster a culture of serving the public interest

Encourage innovation

STRATEGIC SHIFTS



Silos/Single Points of Failure

Collaboration/Resiliency

Centralized Decision Style

Delegated Authority for Decisions

Working Managers

Managers who Manage and Lead

Excessive Effort

Optimum Effort

SMT Implementation

Senior Leader Implementation

SMT Expectations

Senior Leader Expectations

Success Measured by Projects

Success Measured by Capabilities

Organizational Principles

1. Clear decision-making authority aligned with strategic drivers.
2. Shift leaders' mindset and behavior from siloed solutions and processes to holistic processes.
3. Optimize fiscal accountability and desired levels of service.
4. Enhance our ability to shift resources based on District priorities.
5. Leverage resources across functions to reduce risks of single points of failures for critical positions and processes.
6. Encourage innovation in process improvement.
7. Reasonable span of control for leaders.

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

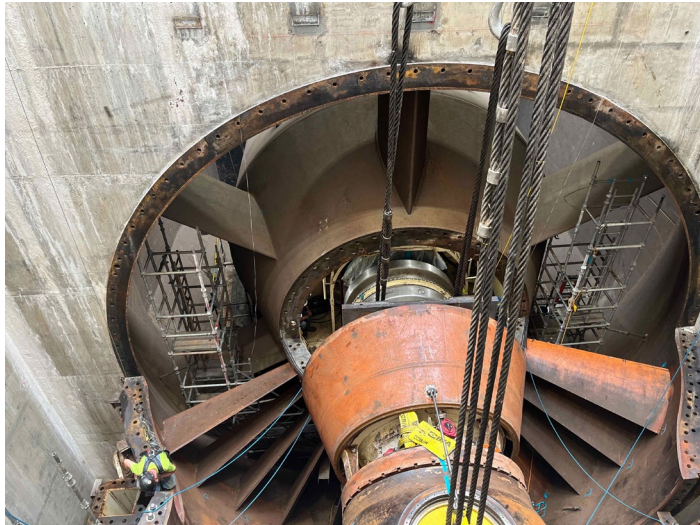
4

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

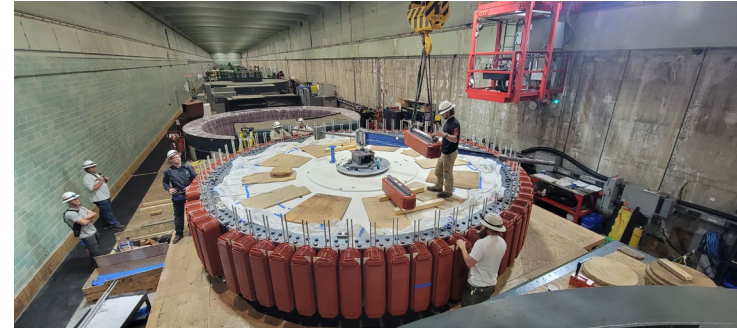
Investing in Assets and People - Goal 1

- Making great progress towards achieving goal of 89% hydro capability by 2026 to optimize our generation assets.
 - Complete RI Powerhouse 1 (PH1) in 2026, complete modernization of first PH2 unit in 2024, complete Rocky Reach 2 large units by 2025
 - Complete/test first air-filled (U5) and water-filled (C11) hub conversions
- Seeking balance of strong distribution reliability metrics to reduce outage time, while enhancing wildfire mitigation measures
- Develop and enhance purpose-driven Safety Programs leveraging Operations staff expertise and effective training
- Utilize Human and Organizational Performance building blocks throughout all levels of the organization, while focusing on leadership and staff development
- Adding incremental customer-owner benefits through broadband service, technology, tools and data analytics to provide more access to more information

Significant Investment in Assets

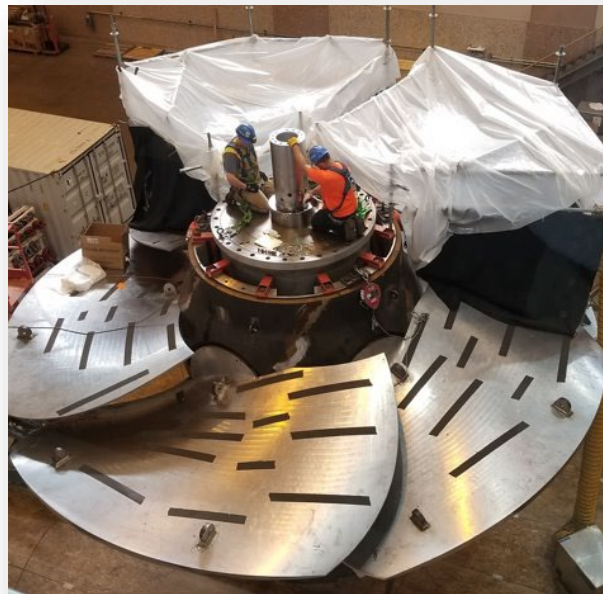


**Rock Island PH2
Modernization**
Est. Completion:
2031 (all 8 units)
2024-2028:
\$347M

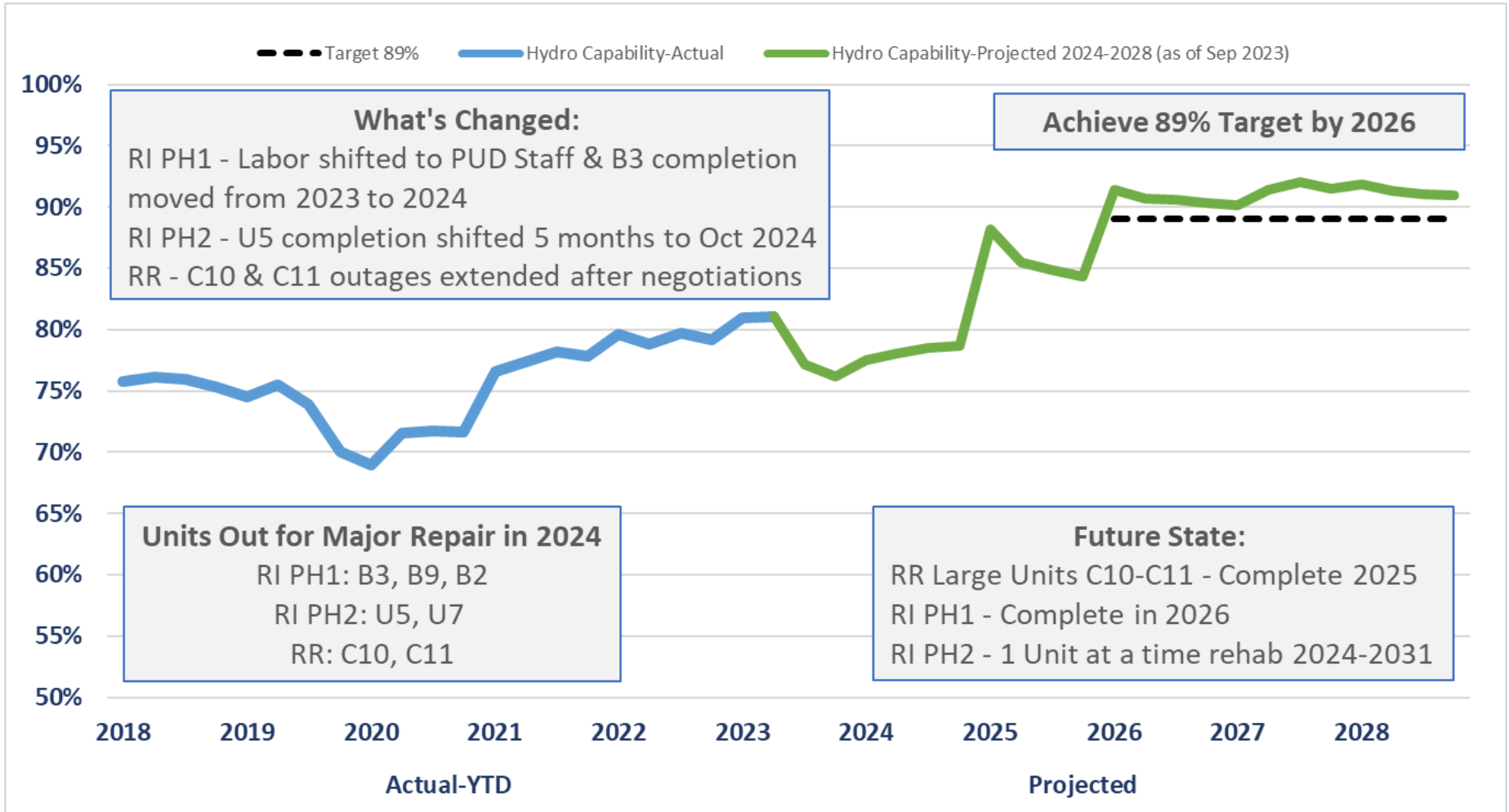


**Rock Island PH1
Modernization**
Est. Completion: **2026**
2024-2026: \$49M

Rocky Reach C10-C11
Est. Completion: **2025**
2024-2025: \$8M



Improving Hydro Capability



Significant Investment in Assets



**Distribution
Infrastructure
(Subs, AMI)
2024-2028:
\$54M**



**Jumpoff Ridge Switchyard
2024-2025: \$75M**



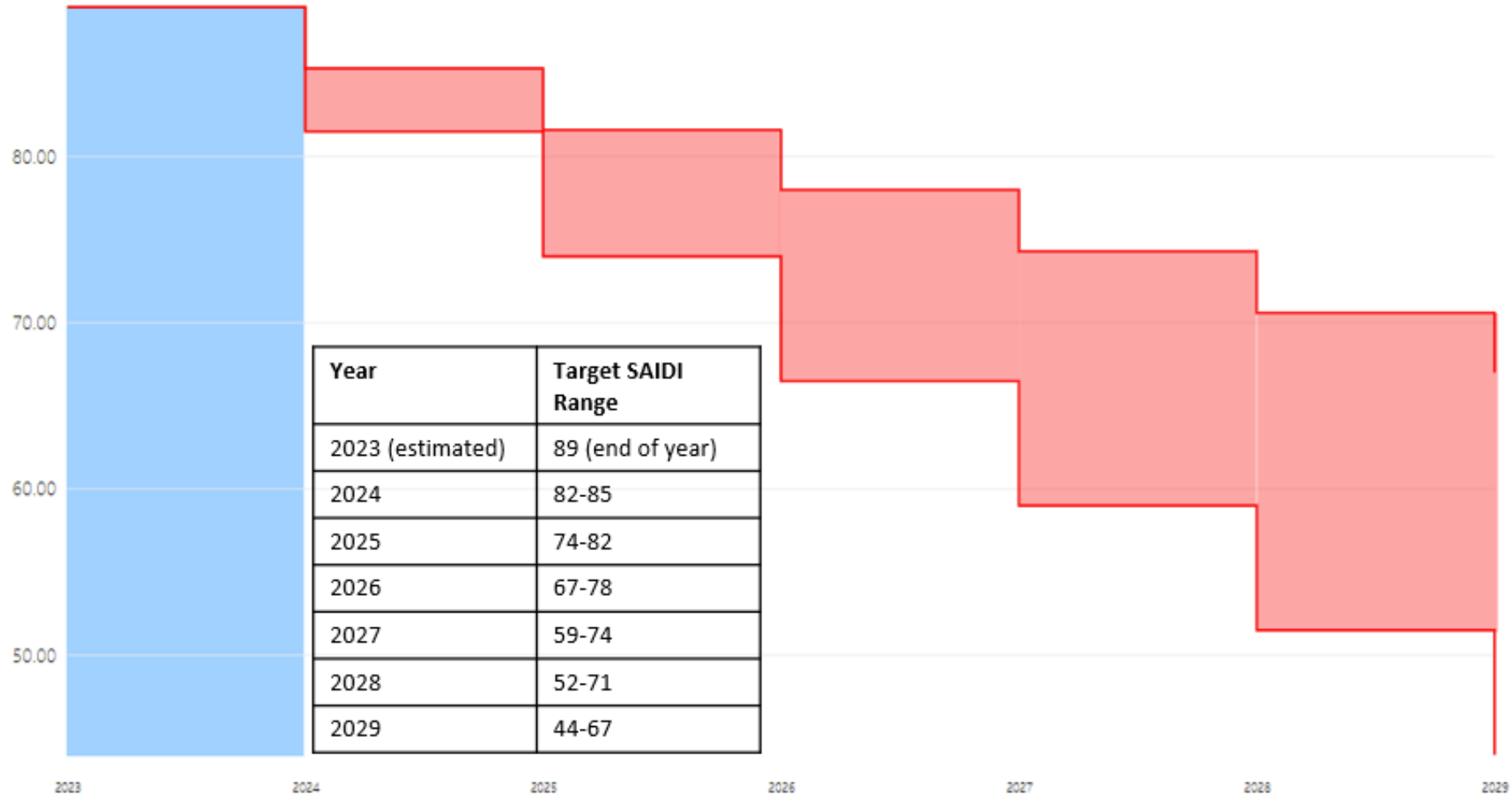
**Operations/Service Center
Full Completion: 2024: \$14M**

Distribution Reliability

Forecasted 5-Year Range

Future 5 Years

SAIDI Minutes



Wildfire Mitigation Plan

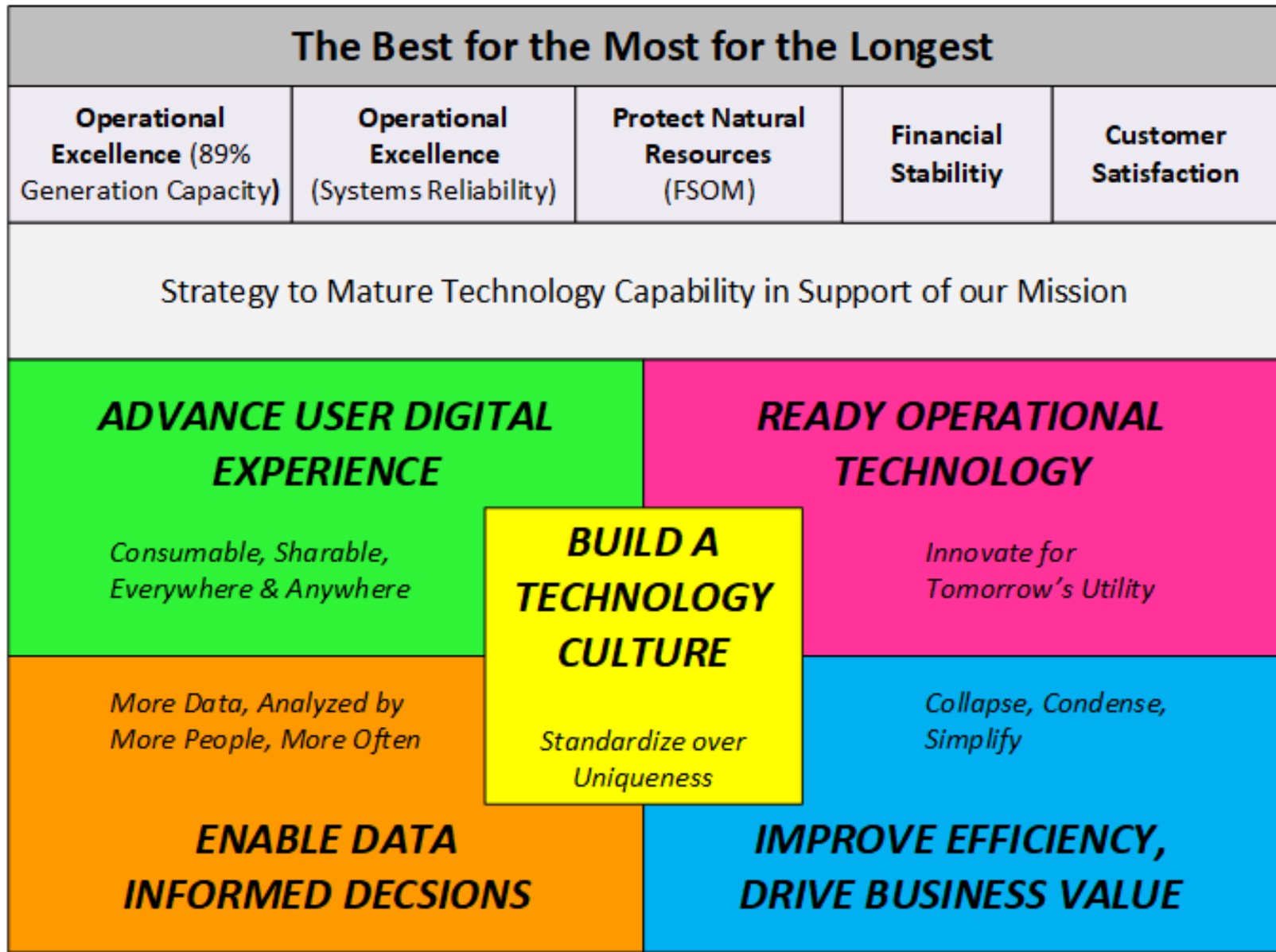


Vegetation management:

- Trim each circuit every 4 years
- Revisit circuits with fast growing tree species every 2 years
- Inspect critical circuits every year
- Remove hazardous trees

- Fire hardening by using steel structures, fire resistant pole coverings, animal guarding and undergrounding where appropriate
- Active Fire Safety Outage Management (FSOM) program
- Investing in operational technology and data analytics / dashboards
- Continue to advance our wildfire mitigation plan

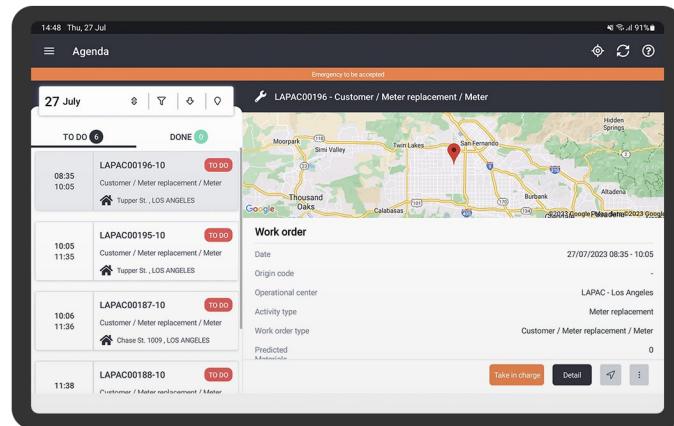
District Technology Strategy 2023-2028



In Progress Technology Initiatives

Advanced Field Mobile Technology

- iPads with OverIT (2nd Qtr 2024)
- paperless work orders,
- advanced map analytics,
- improved scheduling,
- uber like customer experience

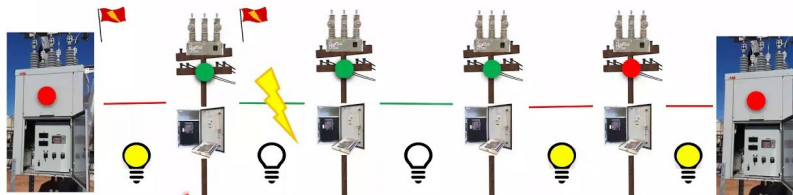


Modern Data Analytics Platform

- advanced cloud-based data analytics platform
- increases real-time access to data,
- simplifies the user search - AI natural language
- provides outside sharing opportunities

Smart Grid Initiatives

- real-time remote access
- improve reliability and
- reduce fire risk



INVESTING IN EMPLOYEES



Developing Leaders from Within Program (DLW)



Advancing Capability



Building Resiliency

Safety

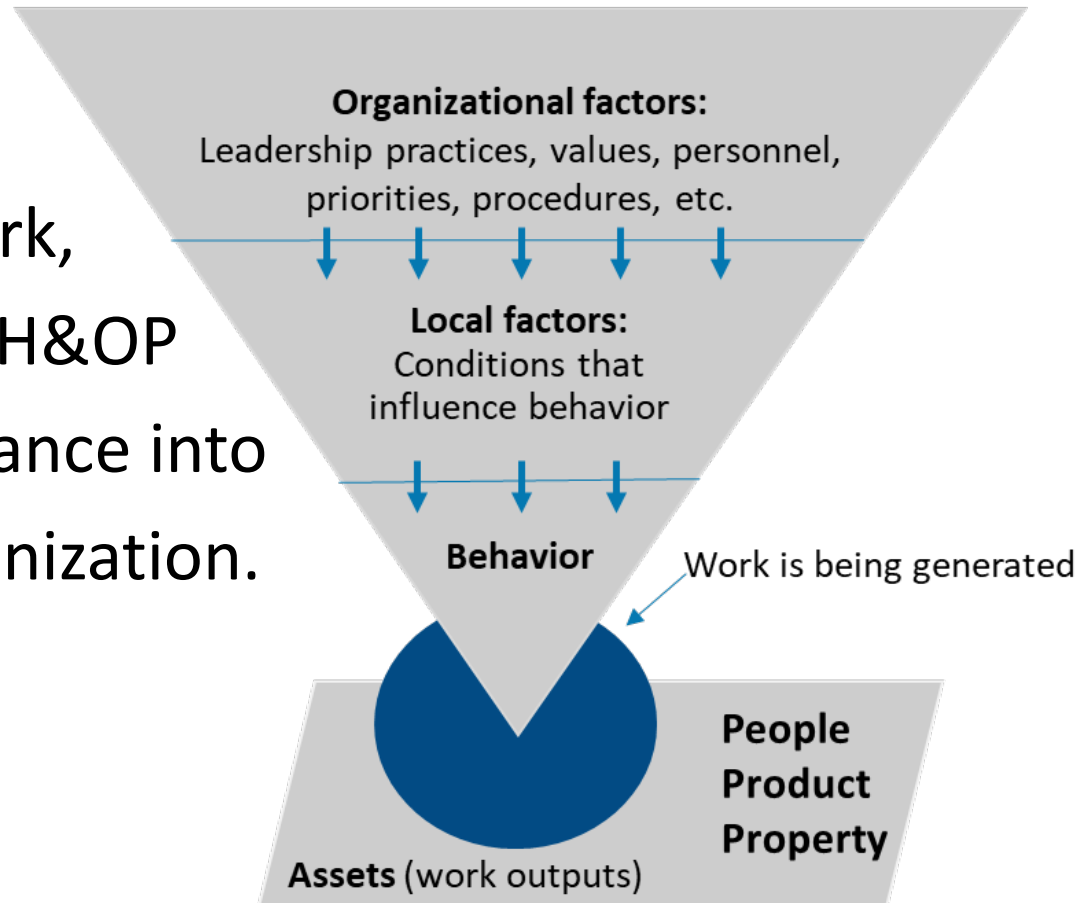
Partner with operations to develop **purpose-driven safety programs** and **effective training** so workers:

- Understand the hazards associated with assigned tasks.
- Understand how those hazards are meant to be controlled.

Human & Organizational Performance

Systems Thinking for H & OP

Leverage prior HPI work,
evolving efforts using H&OP
building blocks to advance into
a High-Reliability Organization.



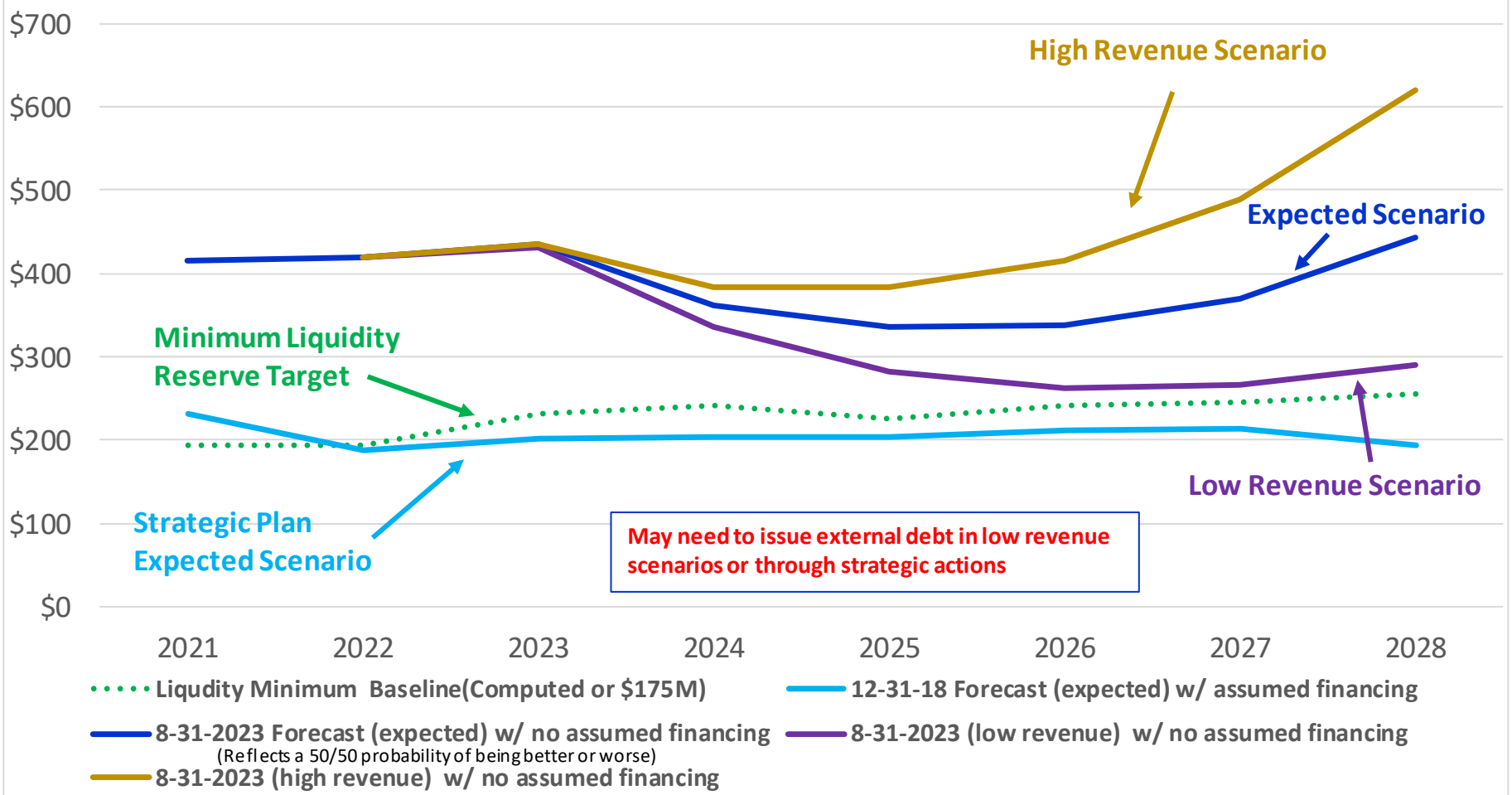
Financial Resiliency – Goal 2

- Maintain strong bond ratings, resilient financials and prudent financial policy metrics
- Secure long-term revenue streams for financial certainty and long-term decision-making
- Provide strong liquidity for flexibility to adapt to changing circumstances
- Maintain low debt leverage and high debt coverage to preserve ability for new external debt as needed

Long-Term Outlook Compared to Strategic Planning

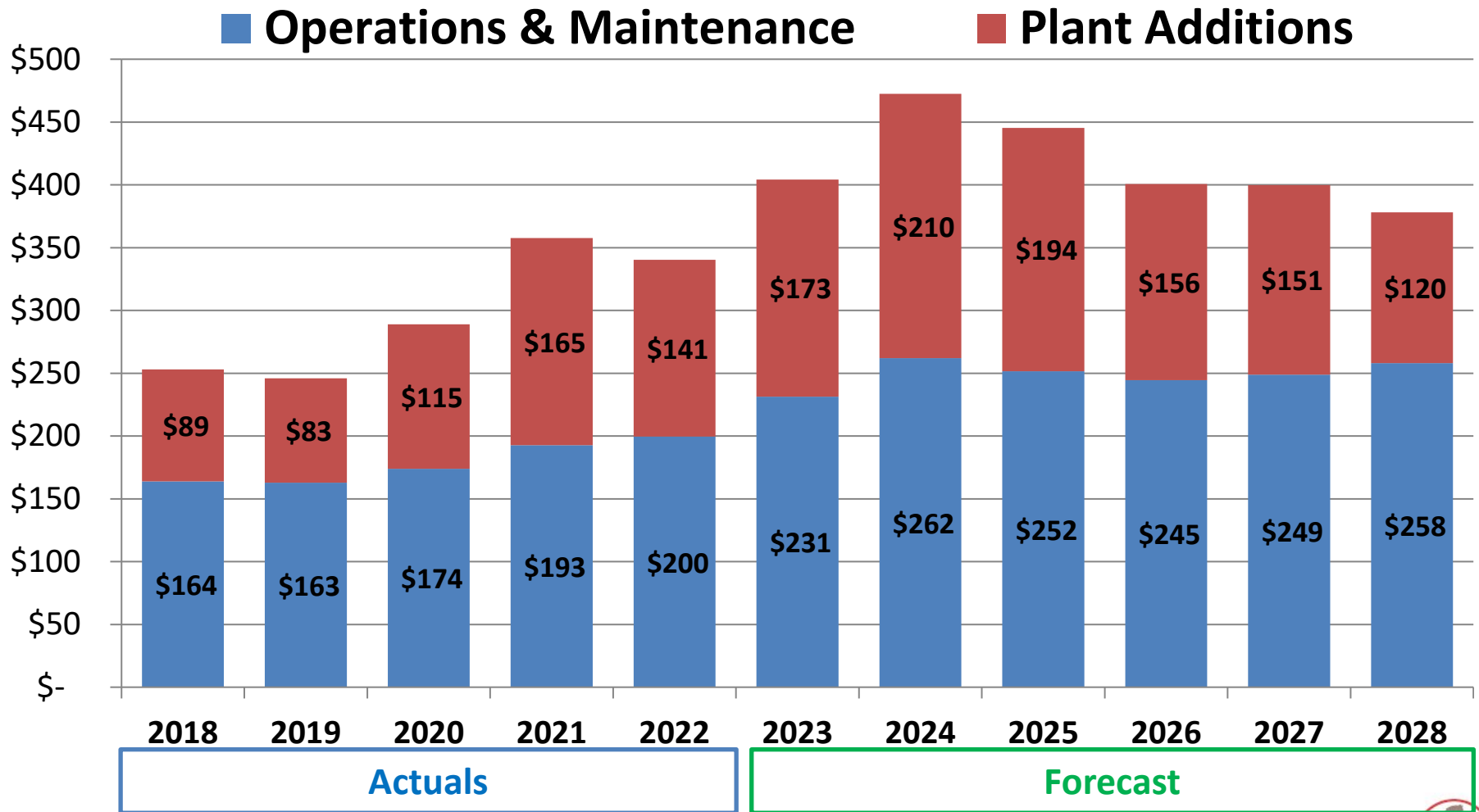
Liquidity Forecast: Future Scenarios

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

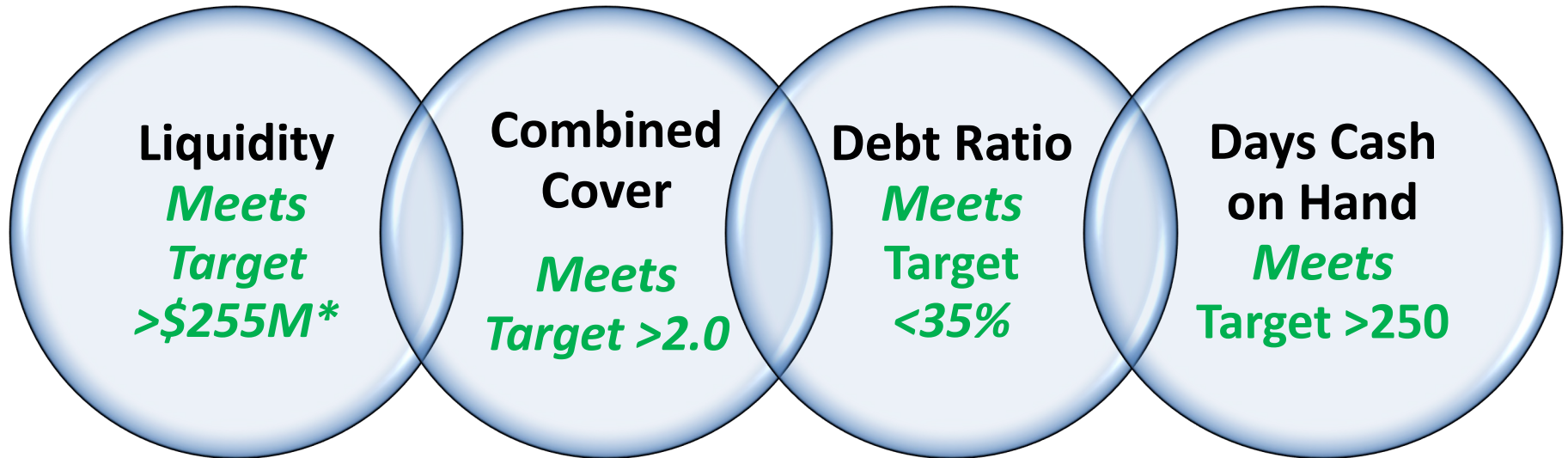


NOTE: 8-31-23 scenarios assume no new debt in the periods 2023-2028 to fund long lived capital projects based on the Expected Scenario. The debt ratio for the District remains at or below 35% for all the forecasted scenarios.

Investing in Assets and People (amounts in millions)



2024-2028 Plans Reflect our Prudent Financial Policies



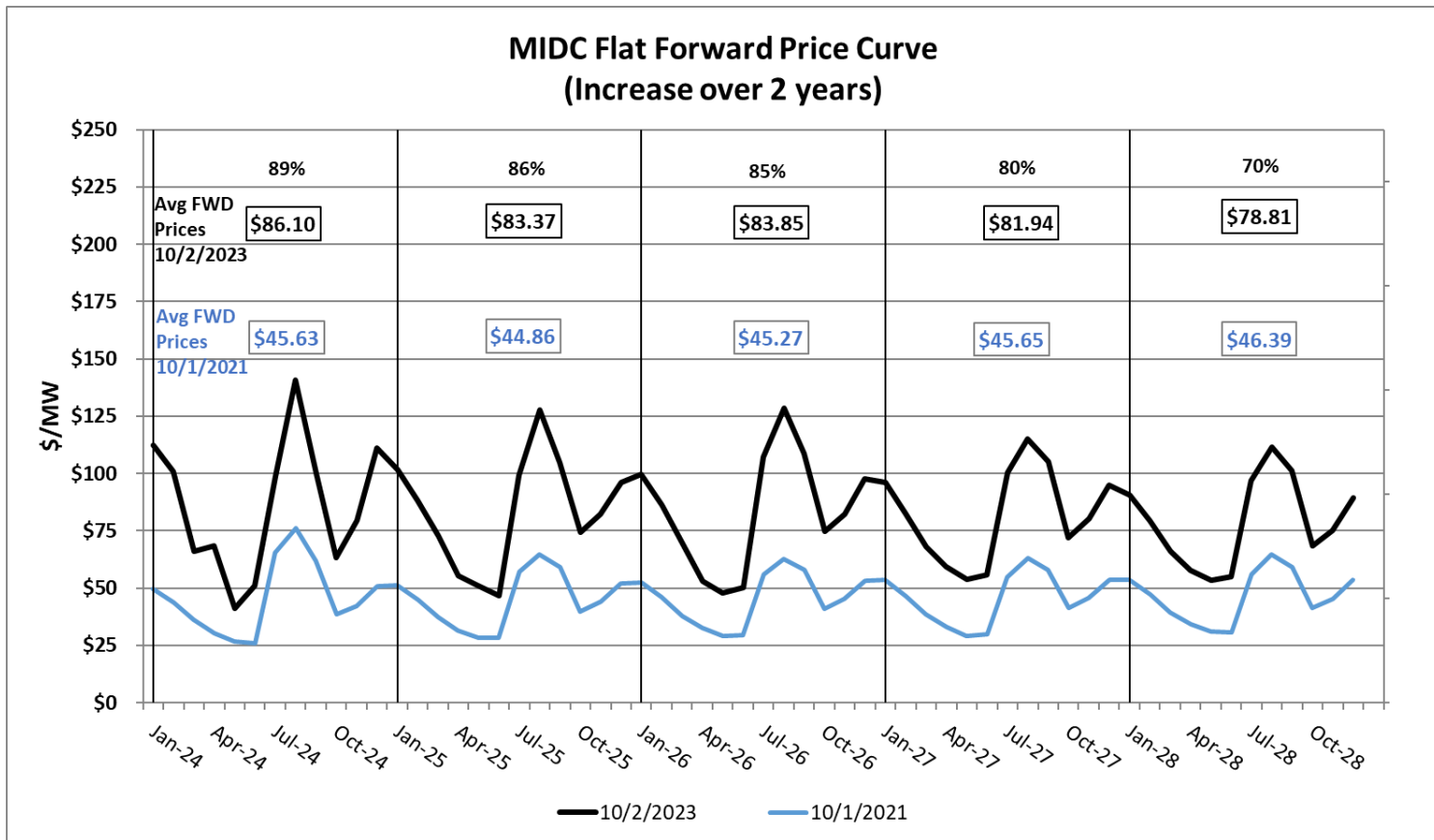
Results based on expected conditions

We have a Board reporting requirement to provide an action plan when metrics come within 10% of the target. Based on the August 2023 forecast, none of the District level financial metrics fall within that 10% threshold.

*Liquidity target is the greater of \$175M or methodology calculation – calculation is approx. \$255M in 2028

Long-Term Energy Planning

- Uncertainty remains with new regulations
- Power markets continue to evolve
- Executing on Long-Term Marketing Strategy



Public Power Benefit – Goal 3

In-Flight Projects

(as of August 2023)

Project	Year Funded	Allocated	Spent	Remaining
Fiber Expansion + Acceleration	2015-2023	\$24.9M	\$14.7M	\$10.2M
Horan Area Rehab	2015-2016	\$100k	\$29k	\$71k
Supported Employment	2015-2016 + 2022	\$312k	\$182k	\$130k
Loop Trail Extension	2019 + 2023	\$2.0M	\$282k	\$1.72M
Day Use Parks Pass	2015-2022	\$531k	\$454k	\$77k
Dryden Treatment Plant	2020 + 2023	\$2.17M	\$0	\$2.17M
Riverfront Park: Phase 1*	2021-2023	\$3.51M	\$690k	\$2.82M
Substation Aesthetics	2021-2022	\$550k	\$0	\$550k
Wen Valley Museum: Coyote's Corner	2022	\$460k	\$0	\$460k
Chelan Ballpark Masterplan	2022	\$100k	\$0	\$100k
Sports Court Reconfiguration	2023	\$500k	\$29k	\$471k
LC Research Institute: Water Quality	2023	\$270k	\$0	\$270k

* City of Wenatchee will contribute \$2M for total project of \$5.51M

Public Power Benefit – Goal 3

Forecast of Requests to Support Ongoing projects

	2024	2025	2026	2027
Fiber Expansion	\$2.1M	Projects pending solicitation and Board selection	Projects pending solicitation and Board selection	Projects pending solicitation and Board selection
Sports Court Reconfiguration	TBD			
Lake Chelan Research Inst.	Pre-funded			
Jobs Readiness	Pre-funded			
Supported Employment	Pre-funded			
Parks Day Use Passes	Pre-funded			
Wenatchee Riverfront Park	TBD			
Dryden Treatment Plant	TBD			
Loop Trail Extension to new SC	TBD			
Stehekin Reliability	\$1M			
Fiber Expansion Design	\$750k			
Manson Parks Connection	\$500k			
5 th Street Redevelopment-Electric Avenue	\$4M			
Total Requests	\$8.35M			
Forecasted PPB Total	\$10.0M	Forecast Assumption \$6.0M	Forecast Assumption \$6.0M	Forecast Assumption \$6.0M

Engage in Countywide Efforts – Goal 4

- Focus on distribution substations and infrastructure adds more flexibility to support county growth and new large loads
- Local loads expanding
 - Largest single retail load is now ~19 MWs
 - Work is progressing on transmission and distribution infrastructure that will serve Jumpoff Ridge load
 - Developing a large load process with respect to all energy services and all associated utility infrastructure.
- Supporting 5th Street Development in a manner consistent with the community's vision for the site.

Known Unknowns

- **Carbon policy / pricing**
- **Changing global economic and political conditions**
- **Pace of large fleet transportation electrification**
- Potential new large loads could slow pace of other priorities
- Increasing evolution of environmental issues, such as fish, climate, and wildfires
- Ability to compete for and retain top talent
- Cyber security threats advance as technology advances
- New and changing compliance/regulatory requirements
- And more...

Summary

- **Business Plans support 2020-24 Strategic Plan:**
 - The Best, For the Most, For the Longest provides clear direction
 - Emphasis on strategic shifts and organizational principles
 - Focus on hydro capability, distribution reliability, wildfire mitigation, human & organizational performance, safety, and broadband build-out
 - Sustained financial resiliency to adapt to changing circumstances
 - Extensive workload and resource constraints continue
- **Next steps**
 - Incorporate Board feedback on draft plans
 - Finalize business plans for Q3 financial forecast and reporting
 - Five-year business planning transitions to the one-year 2024 Budget