



2020-2024 Business Planning

Oct. 7, 2019



CHELAN COUNTY

What we will cover today...

- Mission, Vision, Values and Objectives
- Overview of 2020-2024 District-wide plans
- Technology Roadmaps
- Known unknowns
- Operating unit business plans

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



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

Commit to the highest level of customer-owner satisfaction

Protect natural resources impacted by operations

FINANCIAL

Ensure financial stability

INTERNAL

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

Invest in creating long-term value

ENABLERS

* Advance human and organizational performance

* Denotes updates to strategic objectives

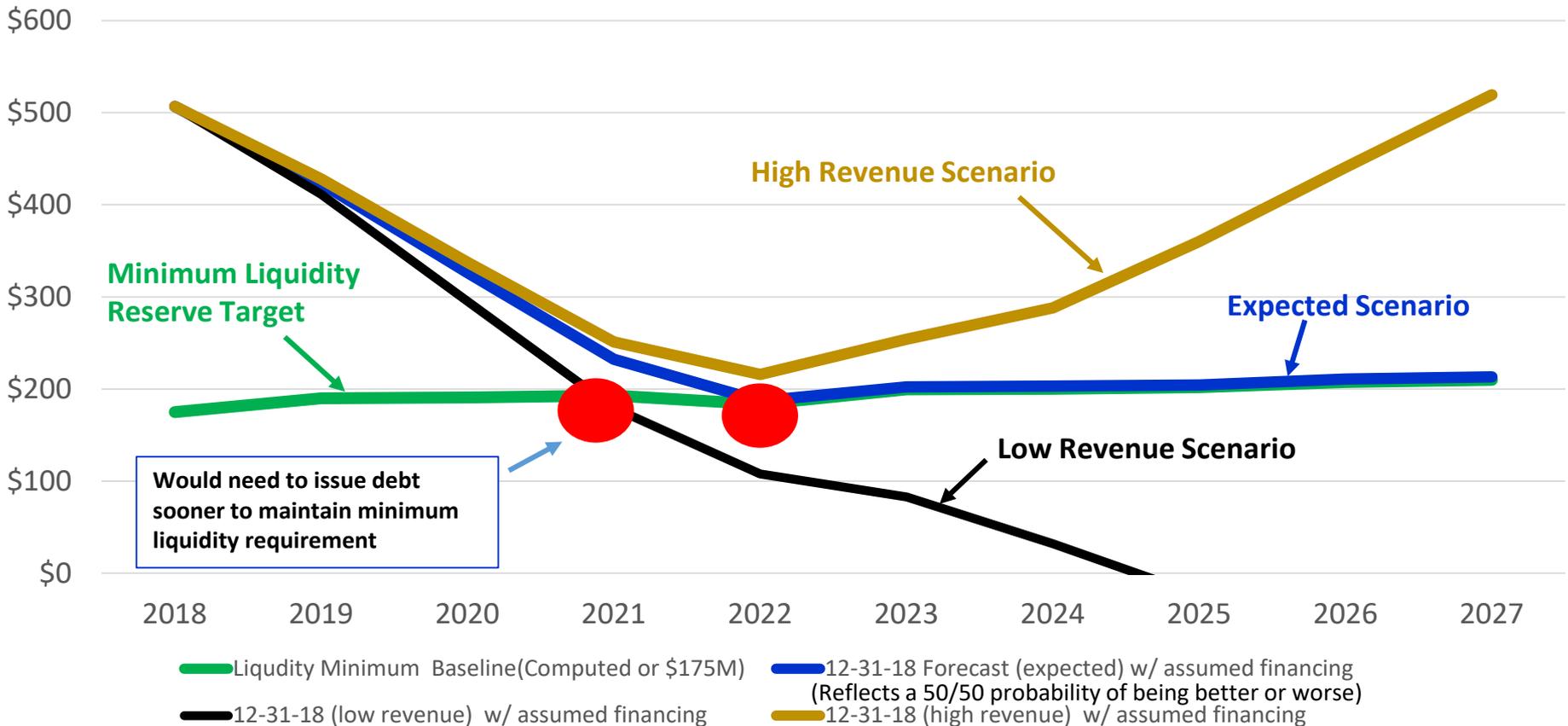
* Encourage innovation

Liquidity Forecast

Long-Term Outlook: Q4- 2018

Liquidity Forecast: Two Future Scenarios

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



NOTE: Both the Q4-2018 expected and low revenue scenarios assume approximately \$200M of new debt in the periods 2022-2027 to fund long lived capital projects. The debt ratio for the District remains at or below 35% for both the forecasted scenarios.

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

Key learning from this planning cycle

- Seeking to achieve 1st quartile in hydro capability, distribution reliability, and safety. Aiming to improve customer service technology
- Technology and better access to data and tools play a central role in advancing key initiatives
- Energy markets continue to evolve and remain uncertain
 - wholesale power market value (energy, capacity, carbon) showing signs of strengthening
- Large retail loads shift generation use from wholesale to retail which impacts subsidy and adds rate pressure
- Key financial policies and long-term financial resilience forecasted to be achieved over 5-year period
 - bottom-line financials similar to last year's business plan
 - long-term rate planning coming into focus
- Financial numbers presented here are based on August 2019 forecasts and do not reflect contemplated actions identified in the strategic plan, such as long-term rating planning

What's different now compared to the 2015-2019 Strategic Plan?

(August 2019 vs. December 2014 Forecasts)

Description	2019-2024	To 2027
Bottom line	(\$130M)	(\$220M)
Net Wholesale Revenue	(\$244M)	(\$239M)
Service Revenue (local load)	\$58M	\$114M
Off-System end use sale	\$102M	\$102M
Cost-plus long-term contract revenue	\$154	\$219
Operating Expenses	\$164M	\$230M
Capital Expenditures	\$189M	\$223M
Total Liquidity	(\$51M)	(\$152M)
Debt Outstanding	\$212M	\$277M
Heavy load market prices (est. for 2024 and 2027)	37.12 v. 54.17	38.20 v. 63.29
Light load market prices (est. for 2024 and 2027)	28.04 v. 43.26	29.31 v. 52.19

NOTE: Actuals for 2015-2018 + 2019 Forecast are \$83M better than 2015-2019 Strategic Plan Forecast

What's different now compared to last year?

(August 2019 vs. Forecast at 2019 Budget)

Description	2019-2024
Bottom line	\$8M
Net wholesale revenue	(\$94M)
Service revenues (local load)	\$9M
Off-system end use sale	\$102M
Cost-plus long-term contract revenue	\$21M
Other Revenues	\$13M
Operating expenses	\$54M
Non-op expenses (net interest exp)	(\$11M)
Capital expenditures	\$2M
Total liquidity	\$19M
Debt outstanding	\$3M
Heavy load market prices (est. for 2024)	37.12 v. 34.14
Light load market prices (est. for 2024)	28.04 v. 26.02

Key Drivers

The Best, For the Most, For the Longest

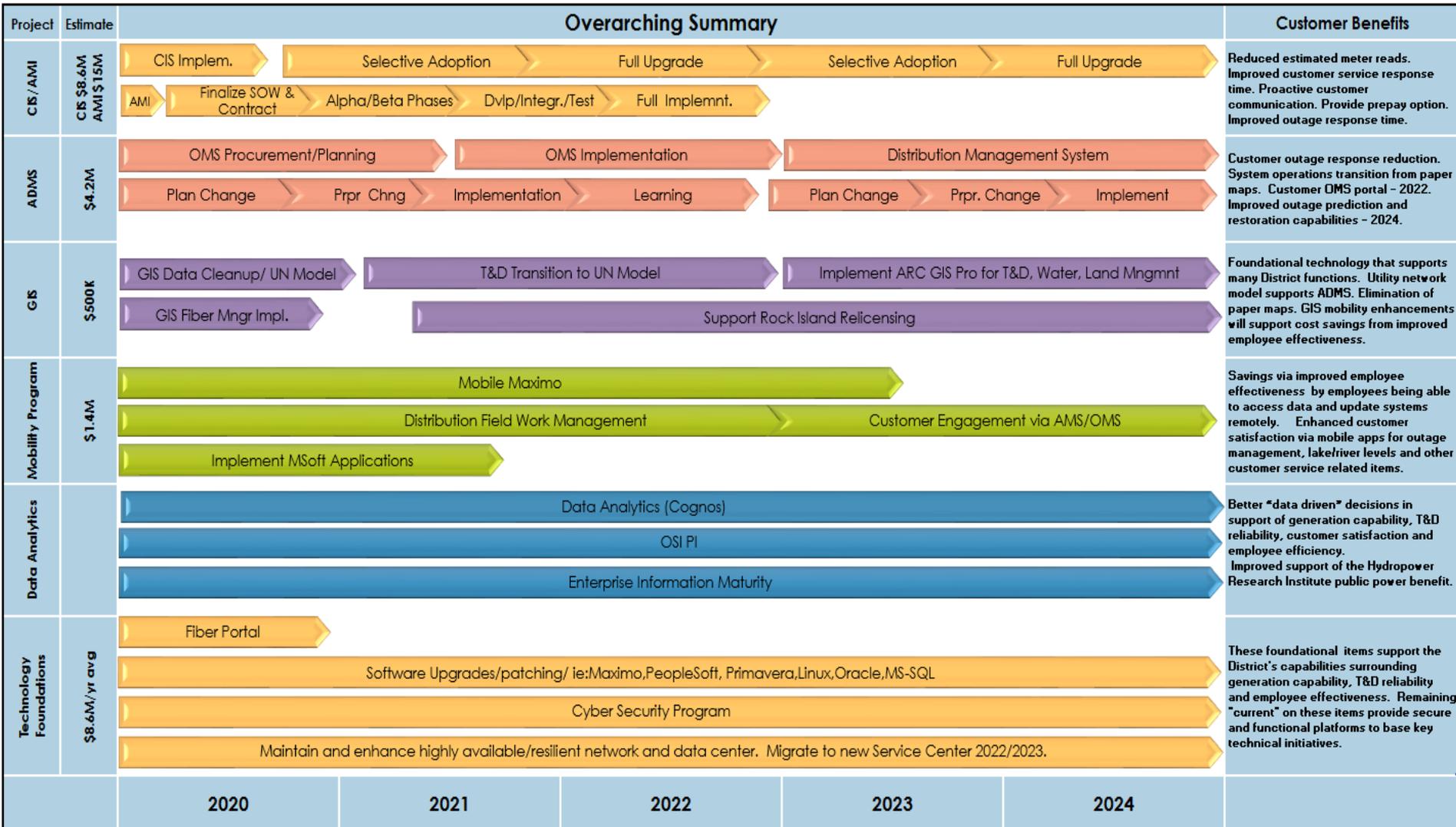
- Maintaining strong and resilient District financials
- Seeking to improve hydro capability to 89% range, while challenged by competing project schedules
- Improved performance in key metrics sought for distribution system reliability
- Human Performance Initiative and embedding in culture will drive operational excellence and safe workplace
- Support economic growth by identifying the appropriate rates for new loads, while ensuring stable and predictable rates for the County
- Continuing to support Public Power Benefit program commensurate with financial strength
- Leverage innovation to drive operational excellence

Technology Roadmaps

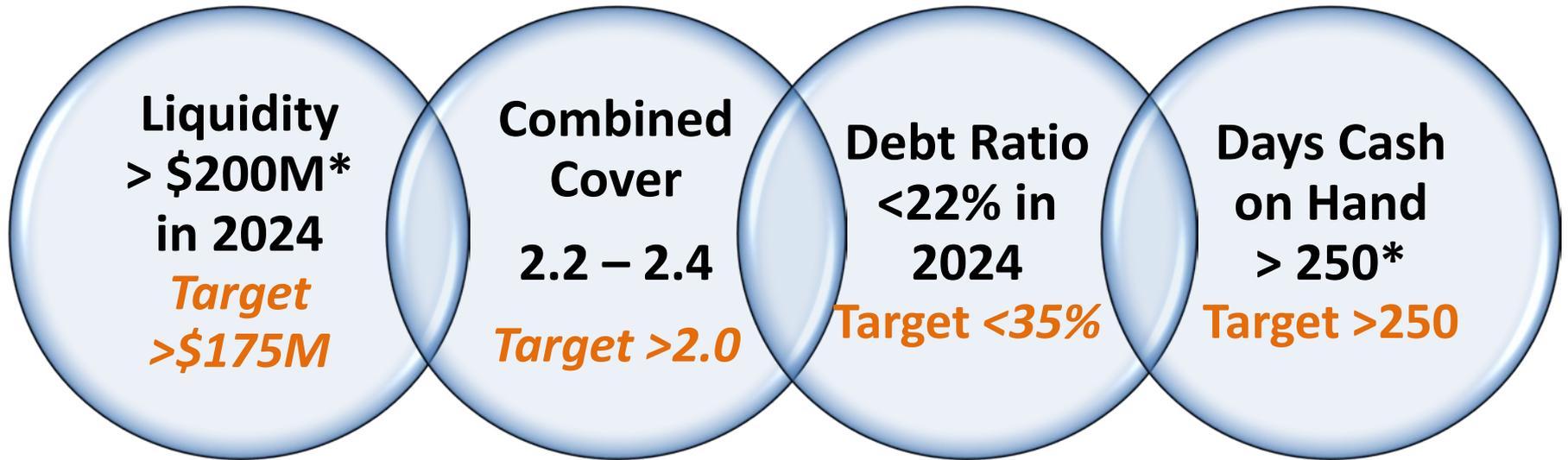
- Developing 5-year technology roadmaps to support IT infrastructure and operational needs to support the District’s “Innovation” strategic objective
 - Engaging outside consultant to provide feedback on roadmaps, program risks, interdependencies, critical path and resource pinch points
- Roadmaps include key initiatives that focus on benefiting hydro capability, distribution reliability, safety, efficiency and customer satisfaction
- Maintain focus on highly available, resilient and cyber-secure IT infrastructure
- Technology roadmaps developed to achieve objectives:
 - Customer Information System/Advanced Metering Infrastructure (CIS/AMI)
 - Advanced Distribution Management System (ADMS)
 - Geographic Information System (GIS)
 - Mobility Program
 - Business Intelligence and Data Analytics + District / Generation and Transmission Digital Transformation
 - Information Technology Foundational Infrastructure

Technology Roadmaps – Working Drafts

District-wide Technology Roadmaps



2020-2024 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. Both of these metrics are within that 10% threshold and our recommended action plan is to issue external debt in 2022 to maintain overall liquidity

*Liquidity target is the greater of \$175M or methodology calculation - approx. \$200M in 2024 (August 2019 forecast)

NOTE: August financial forecast presented in business plans does not include any rate increase assumptions that are contemplated in the strategic planning process.

Known Unknowns

- **Changing system load growth, customer profiles, large loads**
- Electric wholesale market fundamentals/value evolving
- Asset condition assessments impact to project schedules
- Frequency and magnitude of wildfires and storms, climate change
- **Technology and cyber security needs are advancing rapidly**
- **Implementation of independent dam operations**
- New and changing compliance/regulatory requirements
- Columbia River Treaty, Canadian Entitlement outcomes
- Ability to compete for/retain top talent, loss of institutional knowledge
- Keeping pace with stakeholder engagement expectations
- **Insurance markets are hardening, premium uncertainty**
- And more...

Overview of Operating Unit Plans

- Generation and Transmission
- Customer Utilities
- Fiber and Telecommunications
- Energy Resources
- District Services
- Human Resources
- Safety and Human Performance Improvement (HPI)
- Finance, Risk and Information Technology
- Legal and Compliance

Summary

- **Business Plans support 2020-2024 Strategic Plan:**
 - The Best, For the Most, For the Longest provides clear direction
 - Additional focus on hydro capability, retail reliability, safety and customer service technology, resiliency and innovation
 - Achieving District's financial goals
 - Extensive workload associated with plans for investing in core assets and people
- **Next steps**
 - Board feedback on draft plans this week
 - Finalize business plans for Q3 Board report
 - Business Planning transitions to the 2020 Budget at the next Board meeting on October 21