



2021-2025 Business Planning

Oct. 5, 2020

What we will cover today...

- Mission, vision, values and objectives
- Overview of 2021-2025 District-wide plans
- Key drivers
- Known unknowns
- Operating unit business plans

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

An aerial photograph of a town, likely in Chelan County, Washington. The town is densely packed with houses and buildings, surrounded by green trees. In the background, there are rolling hills and mountains under a clear blue sky. A river or lake is visible in the distance. The image is used as a background for a presentation slide.

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

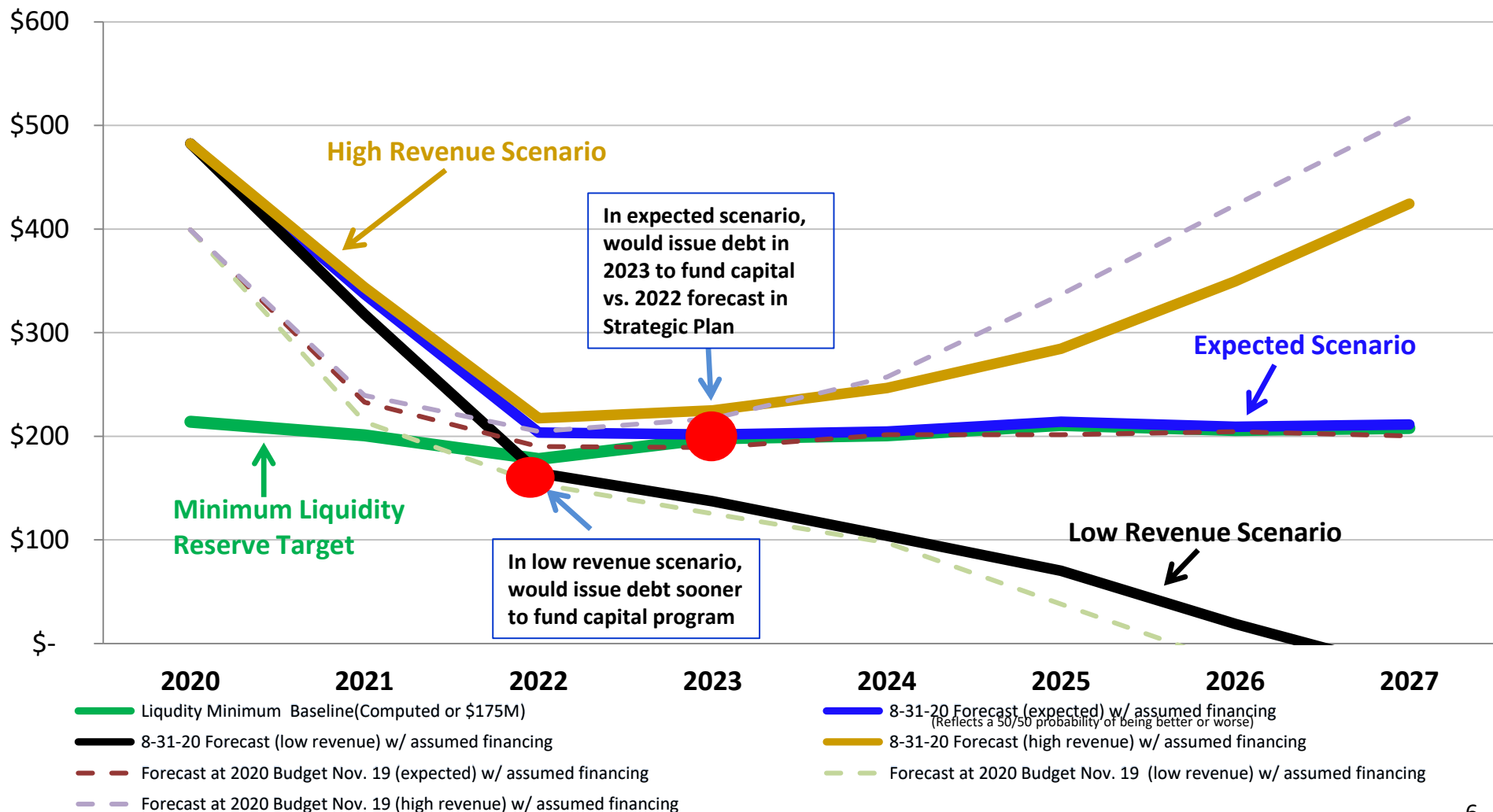
* Encourage innovation

Liquidity Forecast

Long-Term Outlook: August 31, 2020

Liquidity Forecast: Low and High Revenue Scenarios

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



What's different now compared to the 2020-2024 Strategic Plan?

(August 2020 vs. Forecast at 2020 Budget in Nov. 2019)

Forecasted revenues, expenditures and borrowings are all lower over the cumulative period which nets to a little lower bottom line and maintains a similar cash balance

Description	2020-2025	To 2027
Bottom line	(\$7M)	(\$25M)
Net wholesale revenue	(\$17M)	(\$41M)
Service revenue (local load)	(\$8M)	(\$8M)
Off-system end use sale (to Q1 2024)	(\$6M)	(\$6M)
Cost-plus long-term contract revenue	(\$8M)	(\$26M)
Other revenues	(\$4M)	(\$7M)
Operating expenses	(\$7M)	(\$31M)
Non-operating expense	(\$21M)	(\$16M)
Capital expenditures	(\$52M)	(\$60M)
Total liquidity	\$12M	\$10M
Debt outstanding	(\$44M)	(\$17M)
Heavy load market prices (Average \$/MWh)	34.10 v. 36.74	33.77 v. 37.18
Light load market prices (Average \$/MWh)	22.36 v. 25.99	22.59 v. 26.57

Key learning from this planning cycle

- COVID-19 has delayed some 2020 projects/spending and significant work remains during the 5-year period
- Achieving 1st quartile status in hydro capability, distribution reliability, and safety takes time to move the needle
- Key financial policies and long-term financial resilience continue to be forecasted to be maintained over 5-year period
 - Resilience demonstrated during unprecedented period with COVID-19
 - Bottom-line financials similar to last year's business plan; 5-year rate plans in place
- Technology roadmaps key to improving customer service technology; better access to data and tools play a central role in advancing key initiatives
- Energy markets continue to evolve and remain uncertain
 - Capacity and carbon showing signs of strengthening, energy prices remain volatile
 - Resource adequacy rules becoming clearer; hedge policy adjustments in place
- Portfolio mix needs to be flexible for future large retail loads; rate pressure and subsidy impacts need to be considered for future contracts
- Fiber expansion acceleration to add value for county

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
- Plans in place to advance key performance metrics on distribution reliability to the 1st quartile
- New District facilities progressing and set to achieve significant efficiency gains adding value to customer owners
- Human Performance Initiative and embedding in culture critical to ensure workplace safety and advancing projects during COVID-19
- 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, including accelerating fiber expansion
- Leverage innovation and technology to drive operational excellence

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

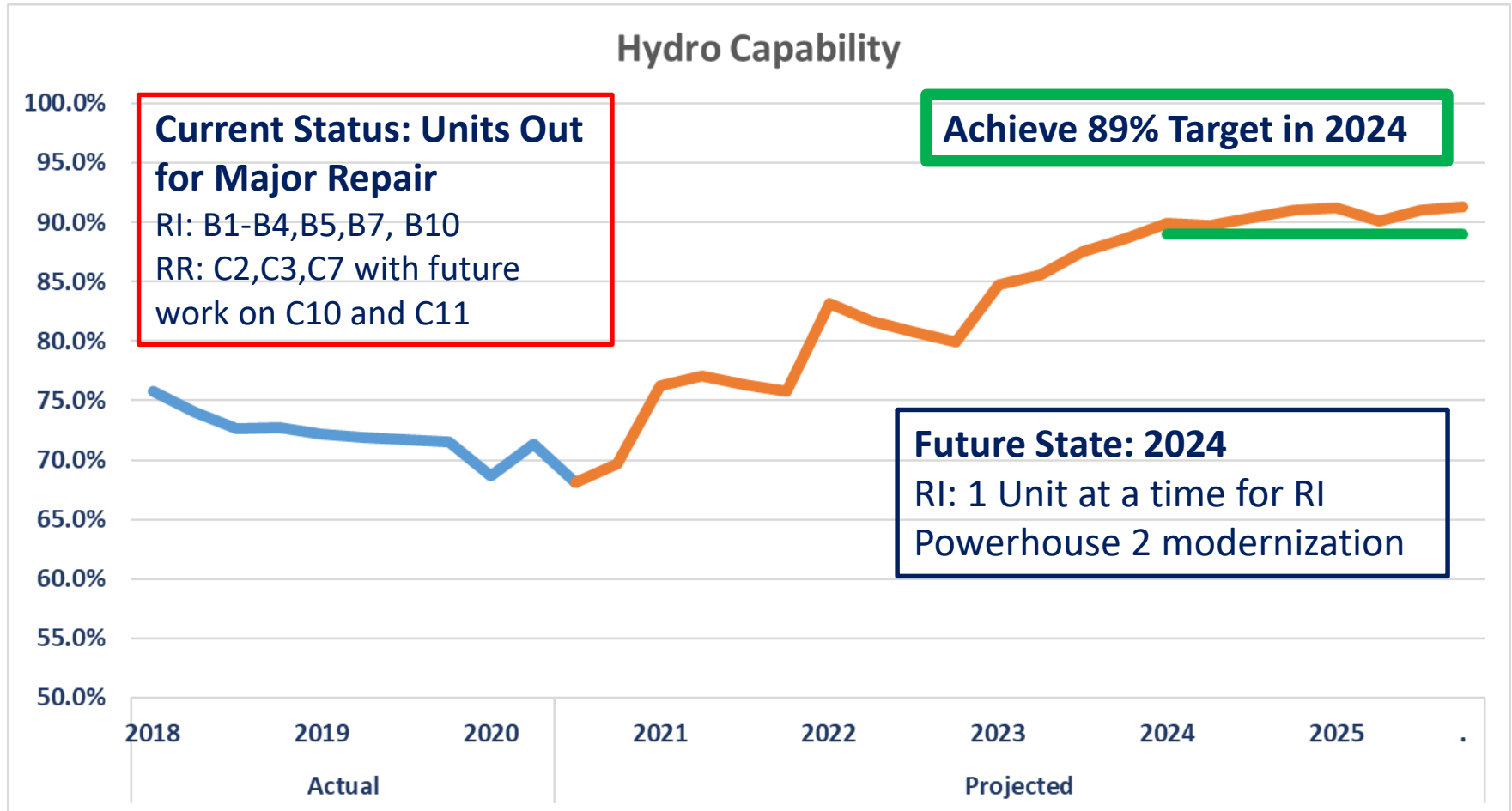
Engage in countywide growth planning and job creation efforts while ensuring the District's rates and policies remain stable and predictable

Investing in Assets and People

Goal 1

- Improving hydro capability to optimize our generation assets adding incremental value
- Pursuing 1st quartile in distribution reliability to reduce customer owner outage time
- Aiming for 1st quartile in safety and HPI to advance the District's safety culture and operational excellence
- Building new facilities to improve efficiencies adding customer owner value
- Adding incremental customer-owner benefits through technology, tools and data analytics

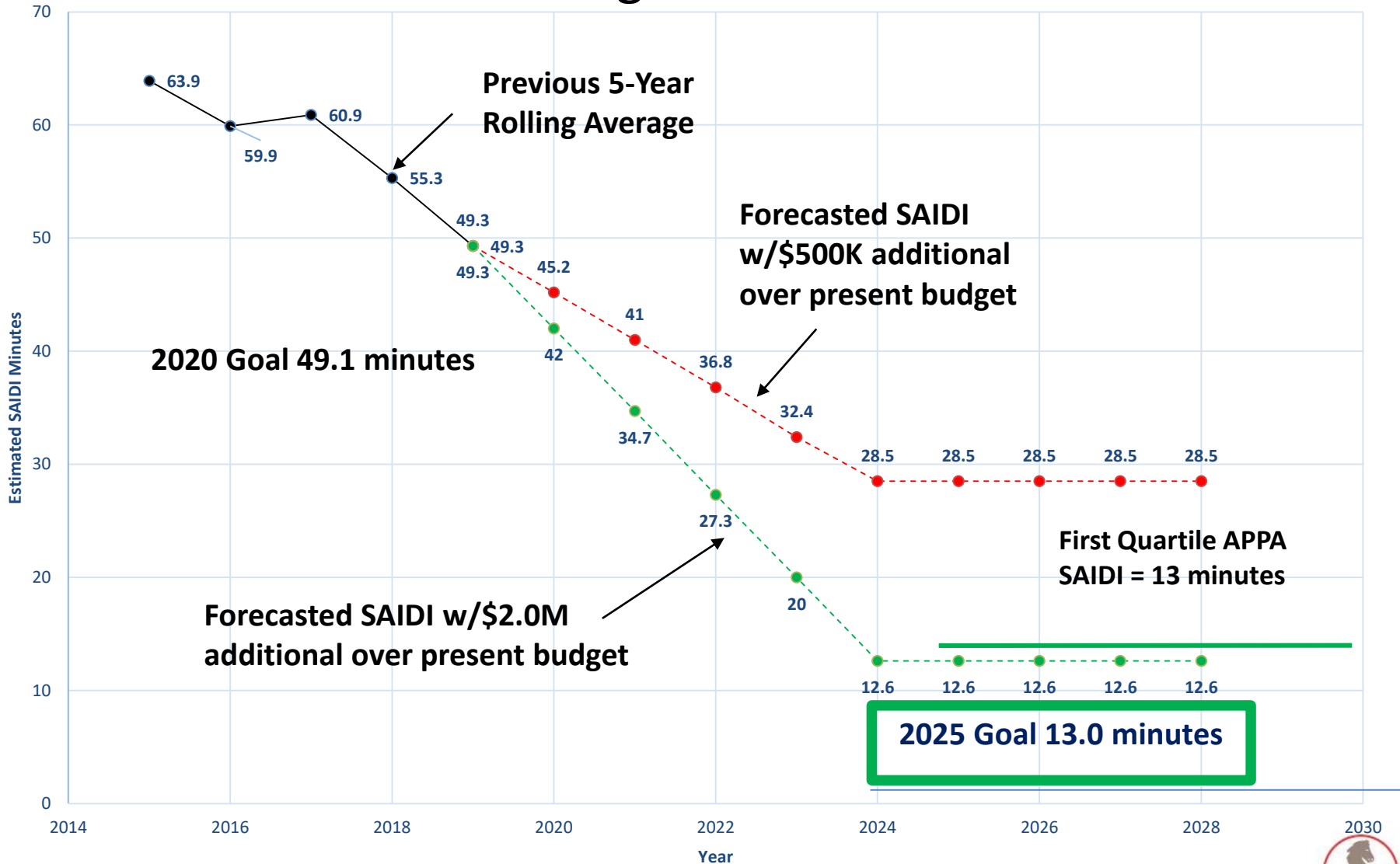
Improving Hydro Capability



Source: Generation and Transmission

Improving Distribution Reliability

Pursuing 1st Quartile



Advancing Safety and HPI

- Safety and Health has defined the industry top quartile for safety.
- Achieving the top safety quartile and implementing HPI will follow a common approach:
 - Identify areas of opportunity specific to each Business Unit
 - Research best practices and capabilities necessary to improve
 - Define initial actions in conjunction with each Business Unit
 - Establish performance metrics for the planned actions (leading indicators)
 - Monitor lagging indicators
- The Safety Department will continue to lead the District's planning and response to COVID-19.

District Facilities

Efficiencies to Add Customer-owner Value



Rocky Reach / Central Maintenance
Est. Completion: November 2022 (all)
Project Budget: \$41.5M



Rock Island
Est. Completion: May 2021 (all)
Project Budget: \$38.1M



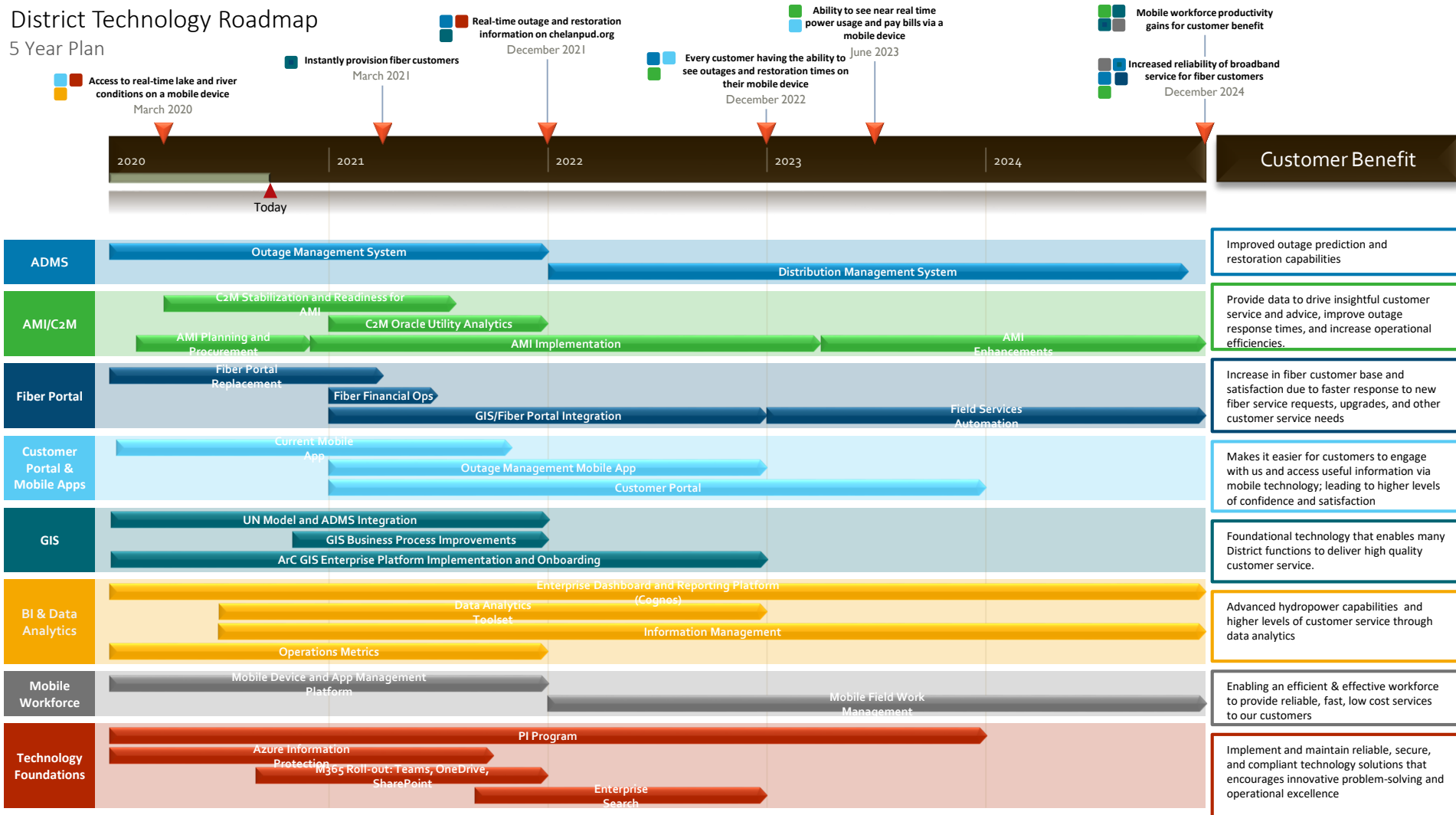
Rocky Reach Discover Center
Est. Completion: June 2021
Project Budget: \$7.7M (\$2.1 PPB)



Operations/Service Center
Est. Completion: December 2022
Project Budget: \$135.0M

Technology Roadmaps

District Technology Roadmap 5 Year Plan



Financial Resiliency – Goal 2

- District is meeting financial policy metrics
- Planning assumptions include relatively flat wholesale forward price curve through planning period
- Cash balance provides flexibility to adapt to changing circumstances, while maintaining debt leverage
- Retail rate increases to be effective on 12/1/2020 with the future annual increases occurring on 6/1/2021
 - consistent with customer-owner feedback from 2020-2024 Strategic Plan
- New debt forecasted in 2023 to support capital program

Public Power Benefit – Goal 3

In-Flight Projects

(as of August 2020)

Project	Year Funded	Allocated	Spent	Remaining
Fiber Expansion	2015-2020	\$13.1M	\$6.5M	\$6.6M
Horan Area Rehab	2015-2016	\$100k	\$18k	\$82k
Jobs & Work Readiness	2015-2016	\$172k	\$87k	\$85k
RR Discovery Center	2017	\$1M	\$420k	\$580k
RR Museum Story	2018-2019	\$1.125M	\$0	\$1.125M
Loop Trail Extension	2019	\$1.2M	\$90k	\$1.1M
Day Use Parks Pass 2020-22	2019	\$100k	\$39k	\$61k
Dryden Treatment Plant	2020	\$1.5M	\$0	\$1.5M

Public Power Benefit – Goal 3

Forecast of Requests to Support Ongoing projects (as of August 2020)

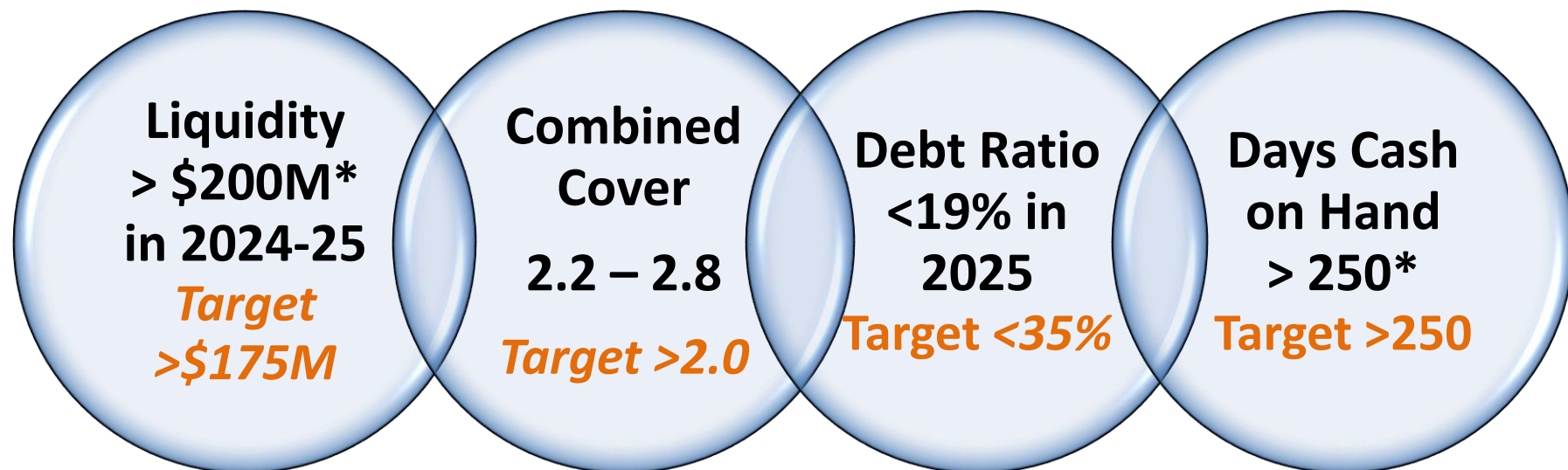
	2020	2021	2022	2023	2024
Fiber Expansion	\$2.5M	\$1.5M	\$2M	\$2M	\$2M
Fiber Acceleration	(buildout) \$1.8M	(buildout) \$3.7M	(connections) \$800K	\$0	\$0
Parks Day Use	Pre-funded	Pre-funded	\$30K	\$30K	\$30K
Jobs Readiness	Pre-funded	Pre-funded	\$70K	\$70K	\$70K
Horan Area Rehab	\$0	\$0	\$100-300K	\$0	\$0
Dryden Treatment Plant	\$1.5M	\$0	??	\$0	\$0
Beebe Camping	\$0	\$0	\$30K	\$30K	\$30K
COVID Support	?	?	\$0	\$0	\$0
Total Requests	\$5.8M	\$5.2M	\$3-3.23M	\$2.13M	\$2.13M
Board-approved PPB	\$6M	\$6M	\$6M	\$6M	\$6M

Source: PPB Board Presentation 9-8-20

Economic Development – Goal 4

- Diamond Foundry
 - Load is currently ~3 MWs, expecting to ramp up to 19 MWs with new substation
 - Potential for adding incremental load as business grows
- Focus on distribution infrastructure adds more flexibility to support new HDL large loads
- Developing non-hydro green market-based rate for larger loads (100+ aMWs)

2021-2025 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 2023 to finance a portion of our capital plans.

*Liquidity target is the greater of \$175M or methodology calculation - approx. \$200M in 2024-25 (August 2020 forecast)

Known Unknowns

- **COVID -19**
- 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
- 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 showing 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 Strategic Plan:**
 - The Best, For the Most, For the Longest provides clear direction
 - Continued focus on hydro capability, retail reliability, safety and customer service technology, resiliency and innovation
 - Achieving District's financial goals with flexibility to adapt to changing circumstances such as COVID-19
 - 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
 - Five-year business planning transitions to the one-year 2021 Budget at the next Board meeting on October 19, 2020