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
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

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

Trustworthiness: Competence, integrity, respect, collaboration

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.

**Our Values:** Safety, Stewardship, Trustworthiness and Operational Excellence

**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
- Denotes updates to strategic objectives
- Encourage innovation

---

* Denotes updates to strategic objectives
**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)

- **High Revenue Scenario**
  - In expected scenario, would issue debt in 2023 to fund capital vs. 2022 forecast in Strategic Plan

- **Expected Scenario**

- **Low Revenue Scenario**
  - In low revenue scenario, would issue debt sooner to fund capital program

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- **Minimum Liquidity Reserve Target**
  - Reflects a 50/50 probability of being better or worse

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**Plot Details:**
- **Color Legend:**
  - Green: Liquidity Minimum Baseline (Computed or $175M)
  - Blue: 8-31-20 Forecast (expected) w/ assumed financing
  - Orange: 8-31-20 Forecast (high revenue) w/ assumed financing
  - Red: Forecast at 2020 Budget Nov. 19 (expected) w/ assumed financing
  - Purple: Forecast at 2020 Budget Nov. 19 (high revenue) w/ assumed financing
What's different now compared to the 2020-2024 Strategic Plan?  
(August 2020 vs. Forecast at 2020 Budget in Nov. 2019)

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

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.
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 1\textsuperscript{st} quartile in distribution reliability to reduce customer owner outage time
- Aiming for 1\textsuperscript{st} 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

Current Status: Units Out for Major Repair
RI: B1-B4, B5, B7, B10
RR: C2, C3, C7 with future work on C10 and C11

Achieve 89% Target in 2024

Future State: 2024
RI: 1 Unit at a time for RI
Powerhouse 2 modernization

Source: Generation and Transmission
Improving Distribution Reliability
Pursuing 1st Quartile

Estimated SAIDI Minutes

Year
2014 2016 2018 2020 2022 2024 2026 2028 2030

Previous 5-Year Rolling Average

2020 Goal 49.1 minutes

Forecasted SAIDI w/$500K additional over present budget

Forecasted SAIDI w/$2.0M additional over present budget

First Quartile APPA SAIDI = 13 minutes

2025 Goal 13.0 minutes

Source: Board Presentation 6/15/2020
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

ADMS
Outage Management System
Distribution Management System

AMI/CaM
C2M Stabilization and Readiness for AMI
AMI Planning and Program
AMI Implementation
AMI Enhancements

Fiber Portal
Fiber Portal Replacement
Fiber Financial Ops
GIS/Fiber Portal Integration
Field Services Automation

Customer Portal & Mobile Apps
Current Mobile App
Outage Management Mobile App
Customer Portal

GIS
UN Model and ADMS Integration
GIS Business Process Improvements
ArcGIS Enterprise Platform Implementation and Onboarding

BI & Data Analytics
Enterprise Dashboard and Reporting Platform (Cognos)
Data Analytics Toolset
Information Management

Mobile Workforce
Mobile Device and App Management Platform
Mobile Field Work Management

Technology Foundations
Azure Information Protection Rollout: Teams, OneDrive, SharePoint
Enterprise Search

Customer Benefit

Access to real-time lake and river conditions on a mobile device
March 2020

Increased reliability of broadband service for fiber customers
December 2024

Ability to see near real time power usage and pay bills via a mobile device
June 2023

Increased reliability of broadband service for fiber customers
December 2024

Makes it easier for customers to engage with us and access useful information via mobile technology; leading to higher levels of confidence and satisfaction

Foundational technology that enables many District functions to deliver high quality customer service.

Implement and maintain reliable, secure, and compliant technology solutions that encourages innovative problem-solving and operational excellence

Enabling an efficient & effective workforce to provide reliable, fast, low cost services to our customers

Advanced hydropower capabilities and higher levels of customer service through data analytics

District Technology Roadmap 5 Year Plan

Improved outage prediction and restoration capabilities

Provide data to drive insightful customer service and advice, improve outage response times, and increase operational efficiencies

Increase in fiber customer base and satisfaction due to faster response to new fiber service requests, upgrades, and other customer service needs

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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)*

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

Source: PPB Board Presentation 9-8-20
## Public Power Benefit – Goal 3

**Forecast of Requests to Support Ongoing projects**

*(as of August 2020)*

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

*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

- **Liquidity**: $200M* in 2024-25
  - **Target**: $175M
- **Combined Cover**: 2.2 – 2.8
  - **Target**: >2.0
- **Debt Ratio**: <19% in 2025
  - **Target**: <35%
- **Days Cash on Hand**: > 250*
  - **Target**: >250

*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