

Strategic Visioning Kickoff



April 23, 2024

AGENDA

Welcome / Call the Meeting to Order – *President McKenna*

Opening Remarks – *Kirk Hudson, General Manager*

The Big Sort – *Rebecca Ryan, Next Generation Consulting*
brief transition / pickup lunch

Strategy Partner Update: State of the PUD – *Kirk Hudson*

Adjourn

Welcome & Call to Order

Steve McKenna, Chelan PUD Board President



Opening Remarks

Kirk Hudson, Chelan PUD General Manager



A Public Power Legacy: An Invitation

Nearly 90 years ago, the Chelan County Public Utility District was formed after a vote of the people. Seventy years ago, courageous decisions were made that put into motion the evolution of the District into a premier provider of clean energy and other essential utility services.

Our assets and strong financial position allow us to measurably improve and enhance the quality of life in our community. This compelling call to action defines our work and points to a central focus: public service – we are owned by the people we serve.

Legacy is broadly defined as anything handed down from the past. What are we doing with the gifts we've inherited and how are we being good ancestors and stewards to those that come after us? This 50-year visioning process will help us answer those questions and best align us for a resilient and prosperous future.

Thank you for joining us on this quest!



Unprecedented,
exponentially increasing
volume and velocity of
change in utility sector



Significant growth in
electricity demand



Community growth and
transition



Inflection point for the
District

Why Now?

Power Usage

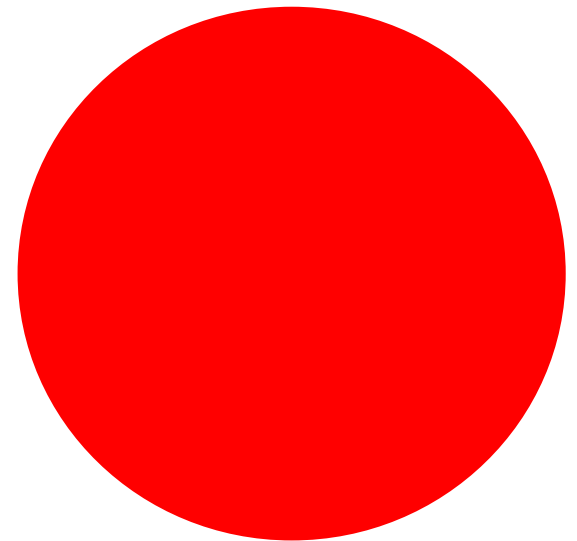
Google search ~ 0.0003 kilowatt-hours

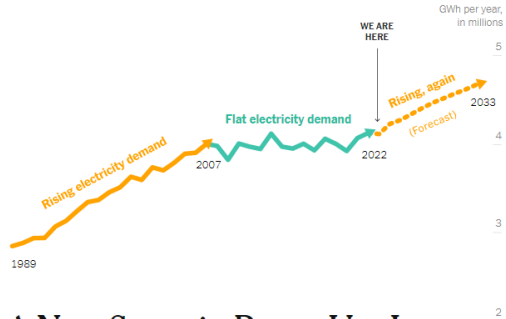


ChatGPT prompt ~ 0.003 kilowatt-hours



Training Gen AI model > 1,000,000 kilowatt-hours





A New Surge in Power Use Is Threatening U.S. Climate Goals

BUSINESS

Amid explosive demand, America is running out of power

Climate Lab | Environment | Local News

Surge in electricity demand spells trouble for PNW, forecasts show

April 11, 2024 at 6:00 am | Updated April 11, 2024 at 6:00 am



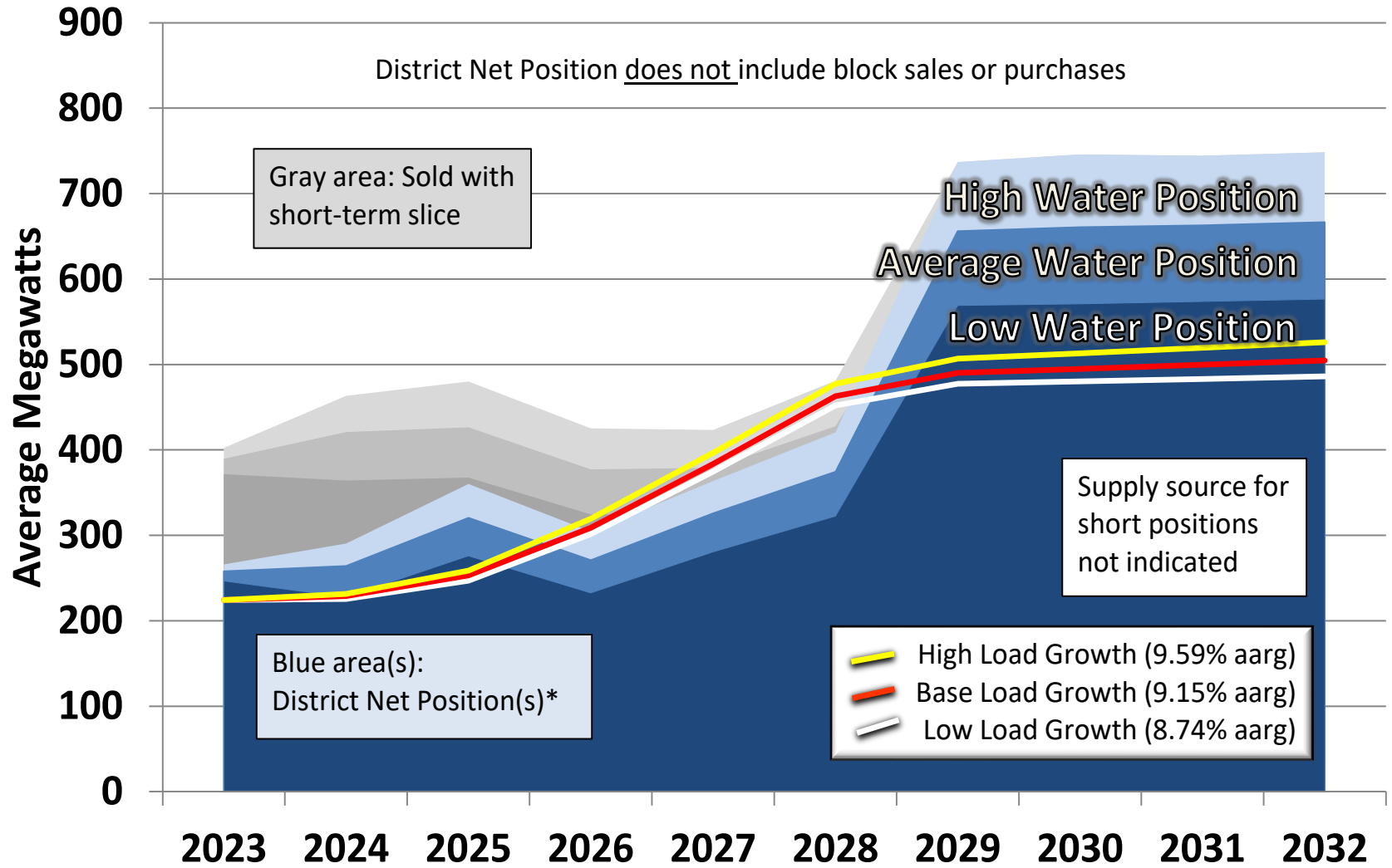
Pacific Northwest could experience 'energy droughts,' study finds



By Monica Samayoa (OPB)

Jan. 1, 2024 6 a.m.

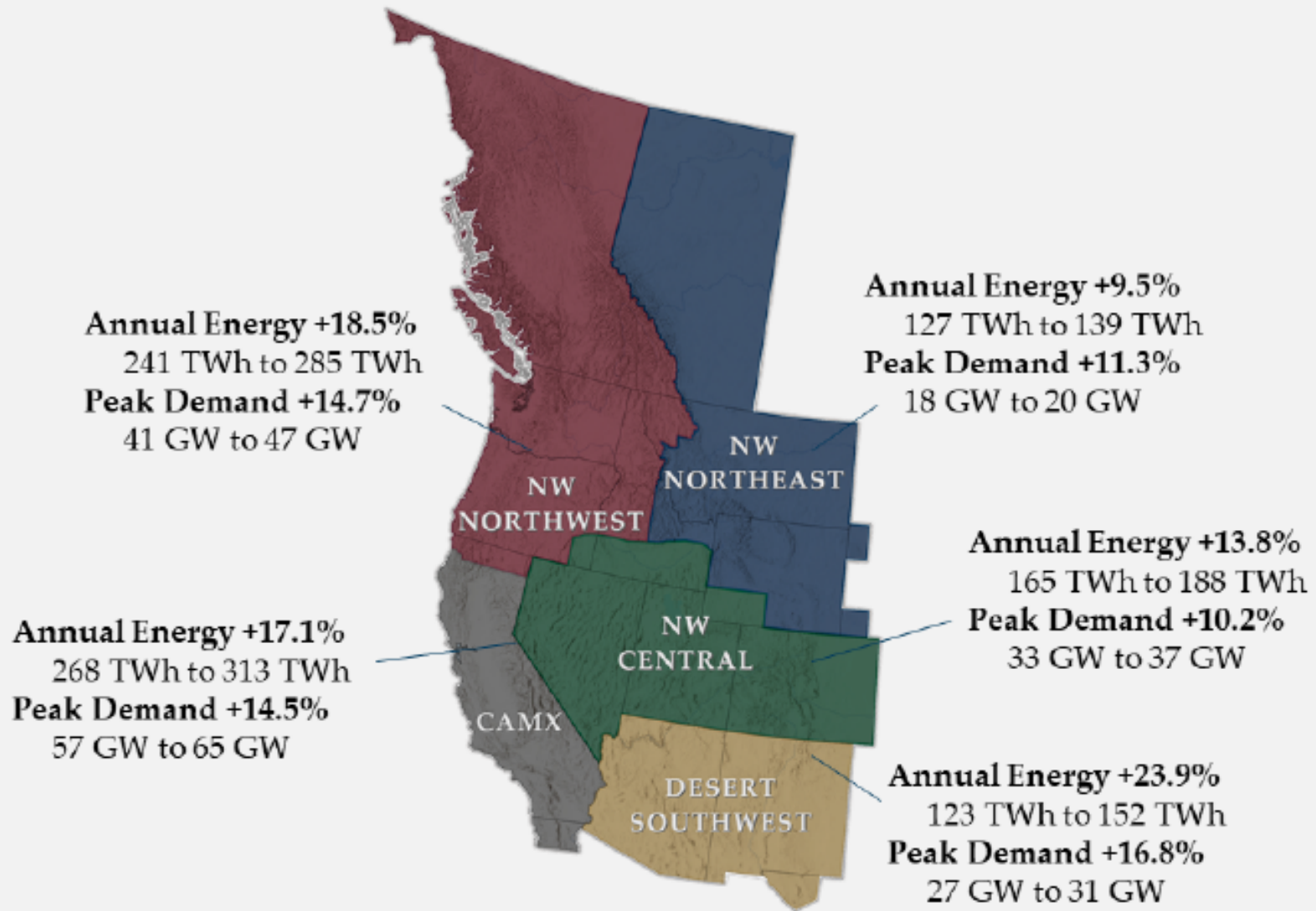
District Net Position and Load Forecasts



*District net position includes the effects of encroachments, forecasted Canadian Entitlement Allocations, other contractual obligations including long-term power sales contracts and short-term hedging strategy slice contracts

Subregional Snapshot

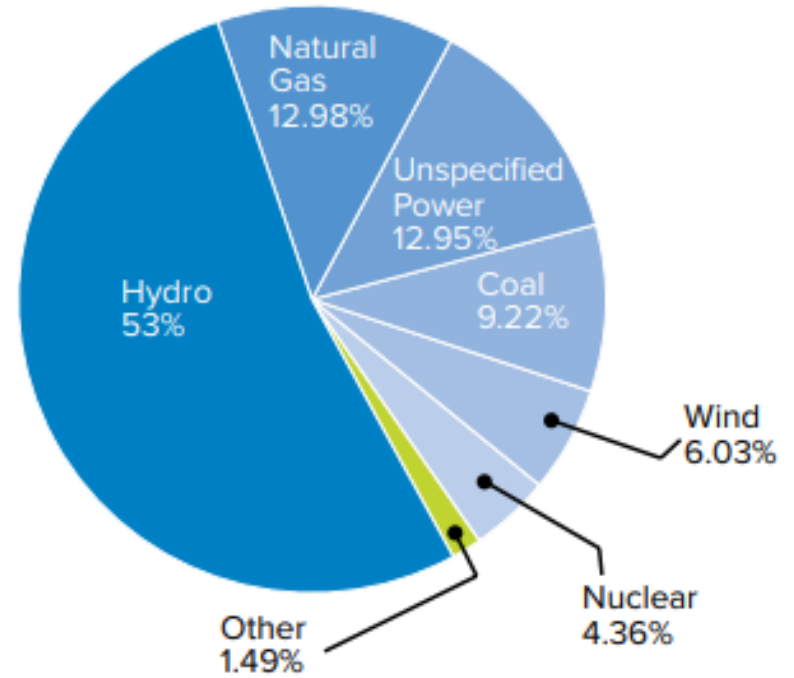
Load and Demand Growth: Forecast Annual Energy and Peak Demand 2024–2033



Welcome to the

CLEAN ENERGY EXPO

Aggregate Fuel Mix for Washington Electric Utilities



NEWSRADIO
560 KPM
101.7 FM

HOME | ON-AIR | LISTEN | APP | MORE ▾



HUNDREDS ATTEND CLEAN ENERGY EXPO IN WENATCHEE

Jason Taylor | Published: January 29, 2024

Tuesday, April 16, 2024

☀️ 53°

THE WENATCHEE WORLD

Clean Energy Expo exhibits emerging technologies, conservation in NCW

By Emily Thornton
World news editor Dec 15, 2023

**Please stay for lunch and join me for a
more detailed PUD update and for a
question-and-answer session**

Now introducing...

Rebecca Ryan, Next Generation Consulting



The Big Sort

Rebecca Ryan, Next Generation Consulting



**T H E R E ' S N O
T I M E L I K E T H E
F U T U R E**





Lunch Stop / Transition
Please Select Lunch and Join Us



CHELAN COUNTY

Chelan County PUD Strategy Partners Update

April 23, 2024

Kirk Hudson, General Manager

Last Year's Takeaways

Making progress on strategic plan goals

Strong, healthy financials support long-term resiliency

Executed significant steps in the long-term marketing strategy

Utility industry is going through major transformation (clean energy policy)

Workforce and supply chain challenges

*Committed to enhancing the quality of life in Chelan County
through the Best for the Most for the Longest vision*

What Has Changed Since Last April?

Energy markets evolving

Rock Island Relicensing formally underway

Load growth forecasts show steep upward trend

Local growth in data centers

Additional new load applications

Clean Energy discussions → new generation?

Service Center Opening

5th Street Campus Redevelopment (YMCA)

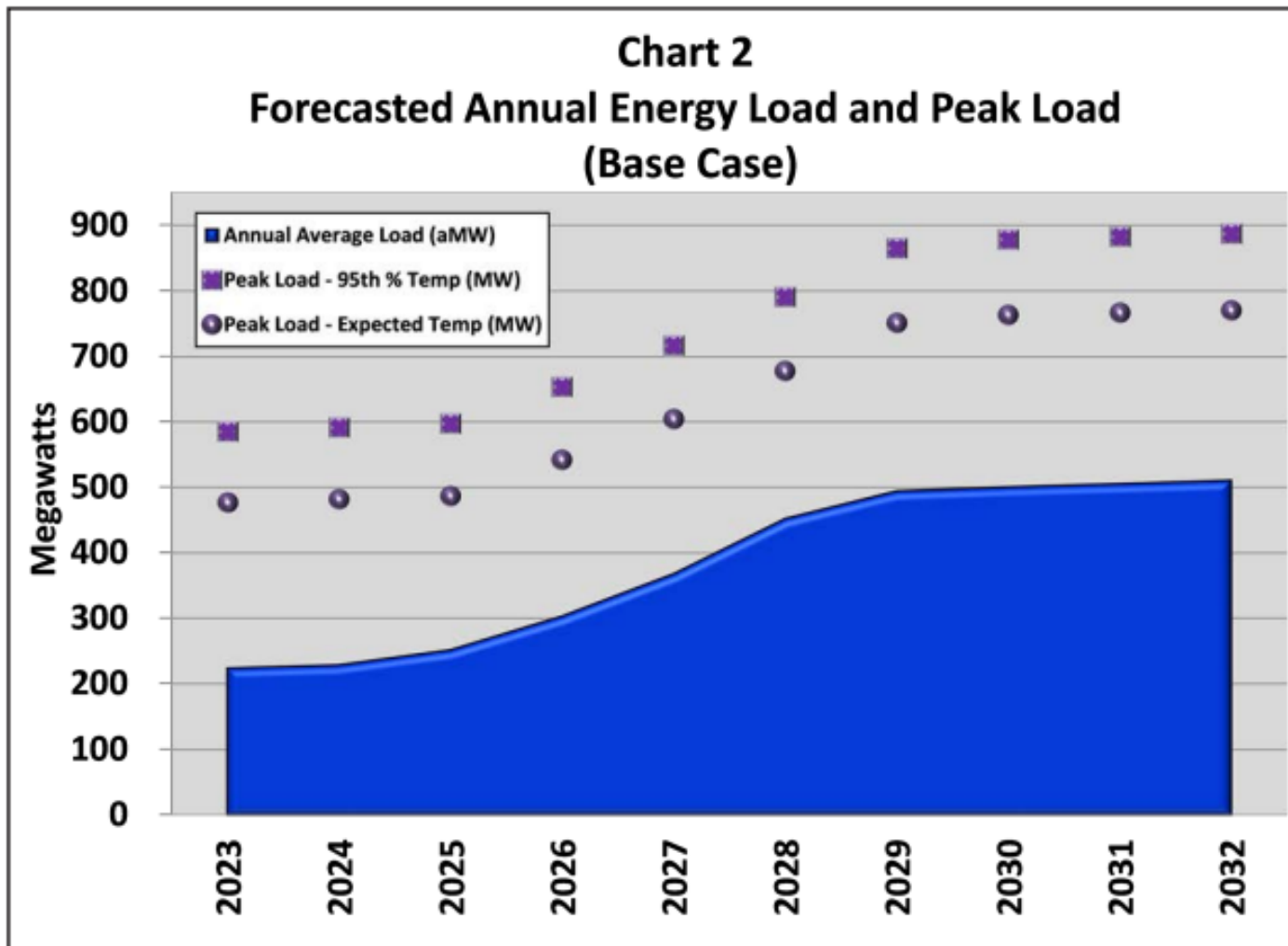
Water Rights secured

DIVE BRIEF

US electricity load growth forecast jumps 81% led by data centers, industry: Grid Strategies

Data from FERC Form 714 shows grid planners expect nationwide power demand to grow 4.7% over the next five years, compared to a previous estimate of 2.6%.

Published Dec. 13, 2023



From the PUD 2023 Integrated Resource Plan Progress Report



We are
Driven by Our
Board-
Adopted
Strategic Plan

Board-Adopted Strategic Priorities

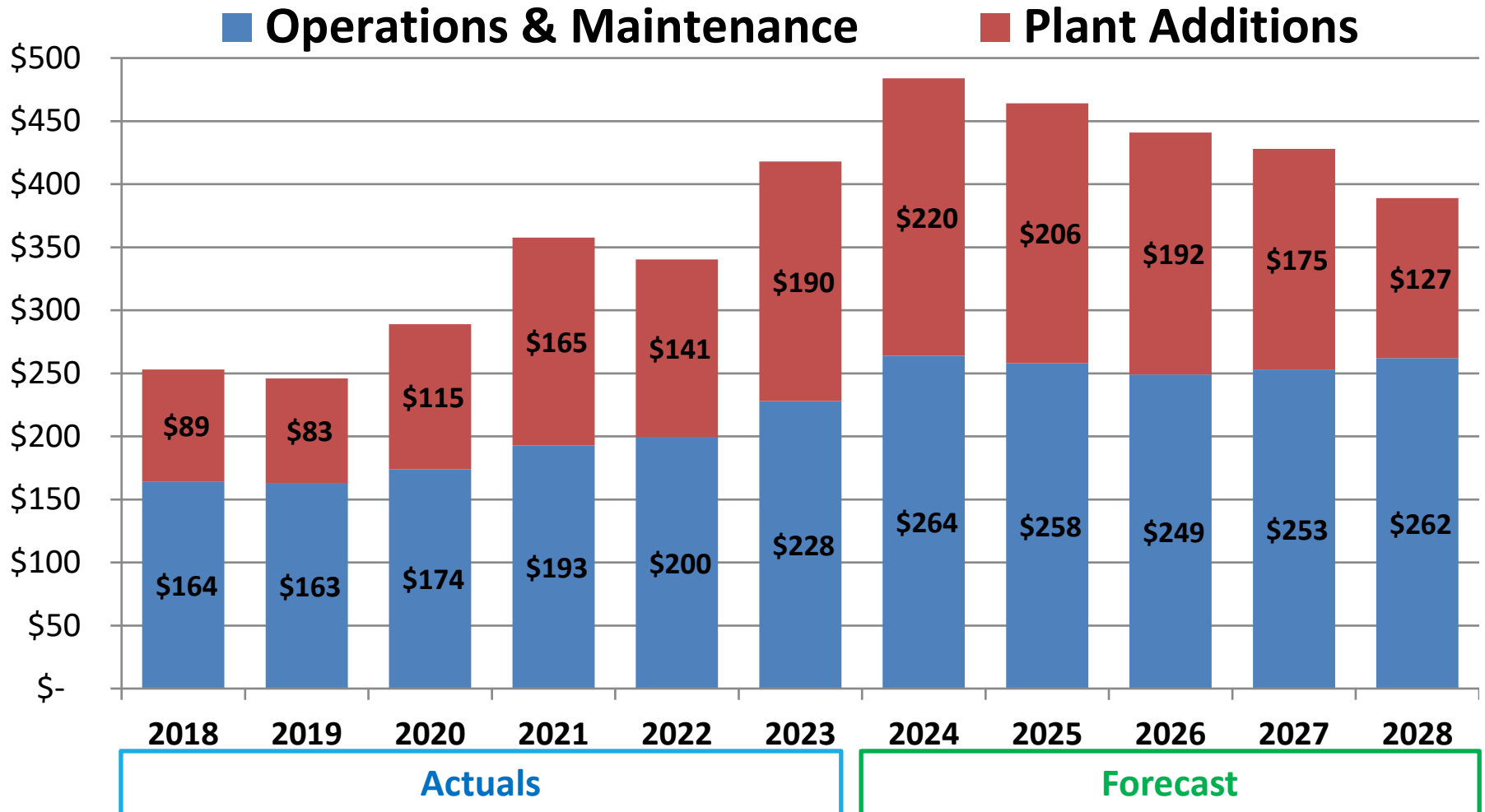
Invest	Invest in assets and people and seek industry top-quartile performance for hydro generation, retail reliability, and safety while improving our customer service technology
Sustain	Sustain excellent financial resiliency while mitigating the risk of large rate increases
Enhance	Enhance the quality of life in Chelan County through programs that distribute the benefits of public power
Engage	Engage in countywide growth planning and job creation efforts while ensuring the District's rates and policies remain stable and predictable

Seek industry top-quartile performance for hydro generation, retail reliability, and safety while improving our customer service technology

Invest in Assets and People



Investing in Assets and People (amounts in millions)



Long Term Marketing Strategy

Demand for clean hydro power continues to increase due to:

- State environmental legislations
- Development of region-wide resource adequacy program
- Large load customers requesting carbon free energy
- Western regional market momentum

Strategic plan goal is to have a diversified energy sales portfolio

- 40% - 50% cost-based wholesale plus margin
- 20% - 30% market-based wholesale
- 20% - 30% retail

2034 use case currently requires 37% for retail

- Final resource adequacy rules and other mitigating options could lower this percentage
- Can reduce market-based percentage should retail amount exceed 30%

Investing in People



DEVELOPING LEADERS
FROM WITHIN

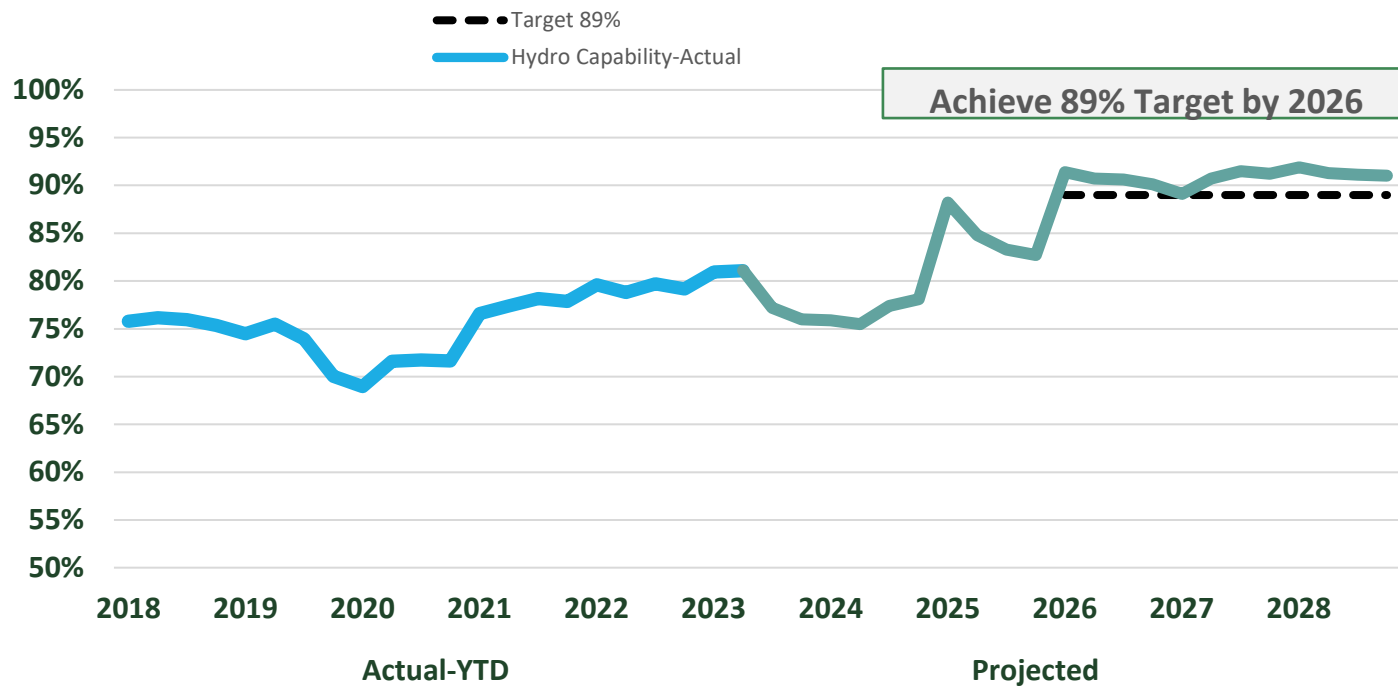


ADVANCING
CAPABILITY



BUILDING RESILIENCY

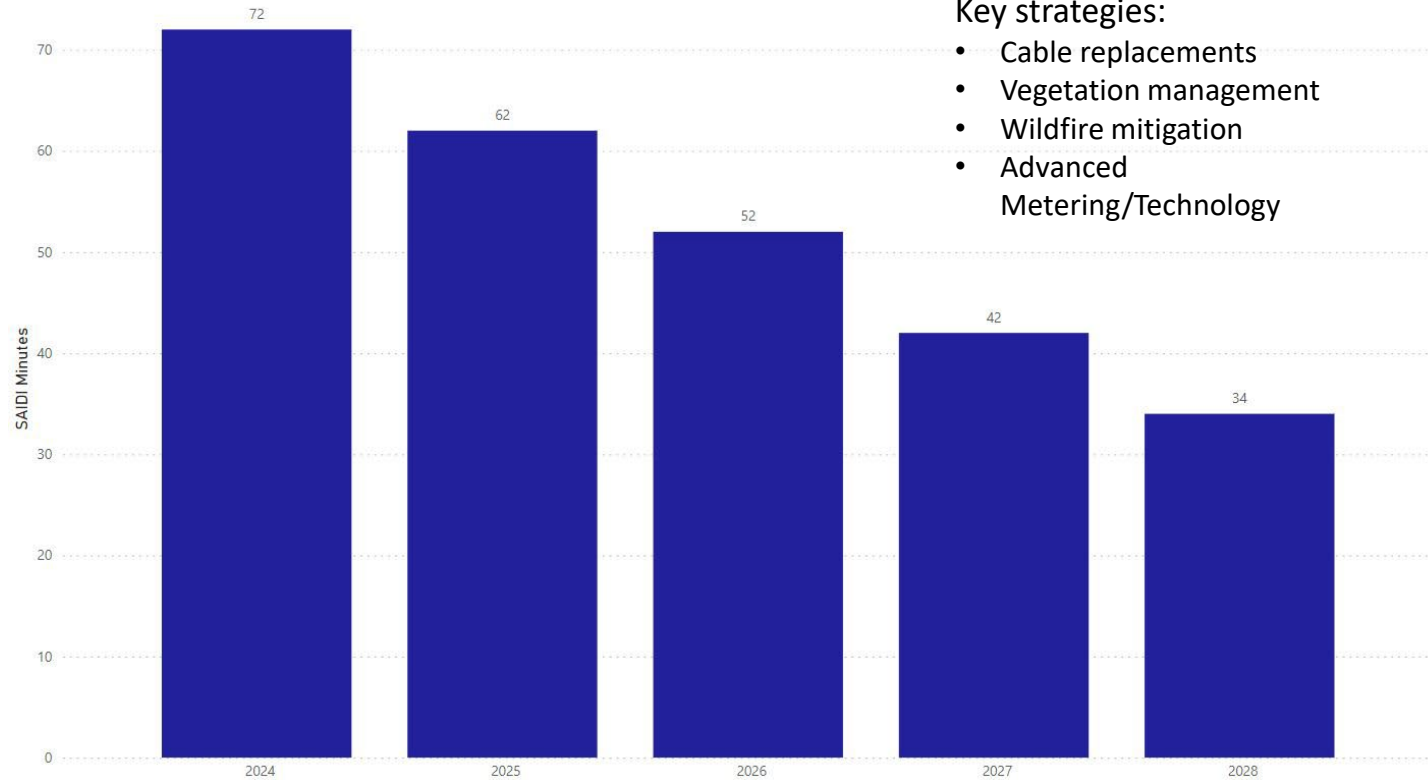
Improving Hydro Capability



Investing in Distribution

Forecasted 5-Year Range – Outage Minutes / # of Customers

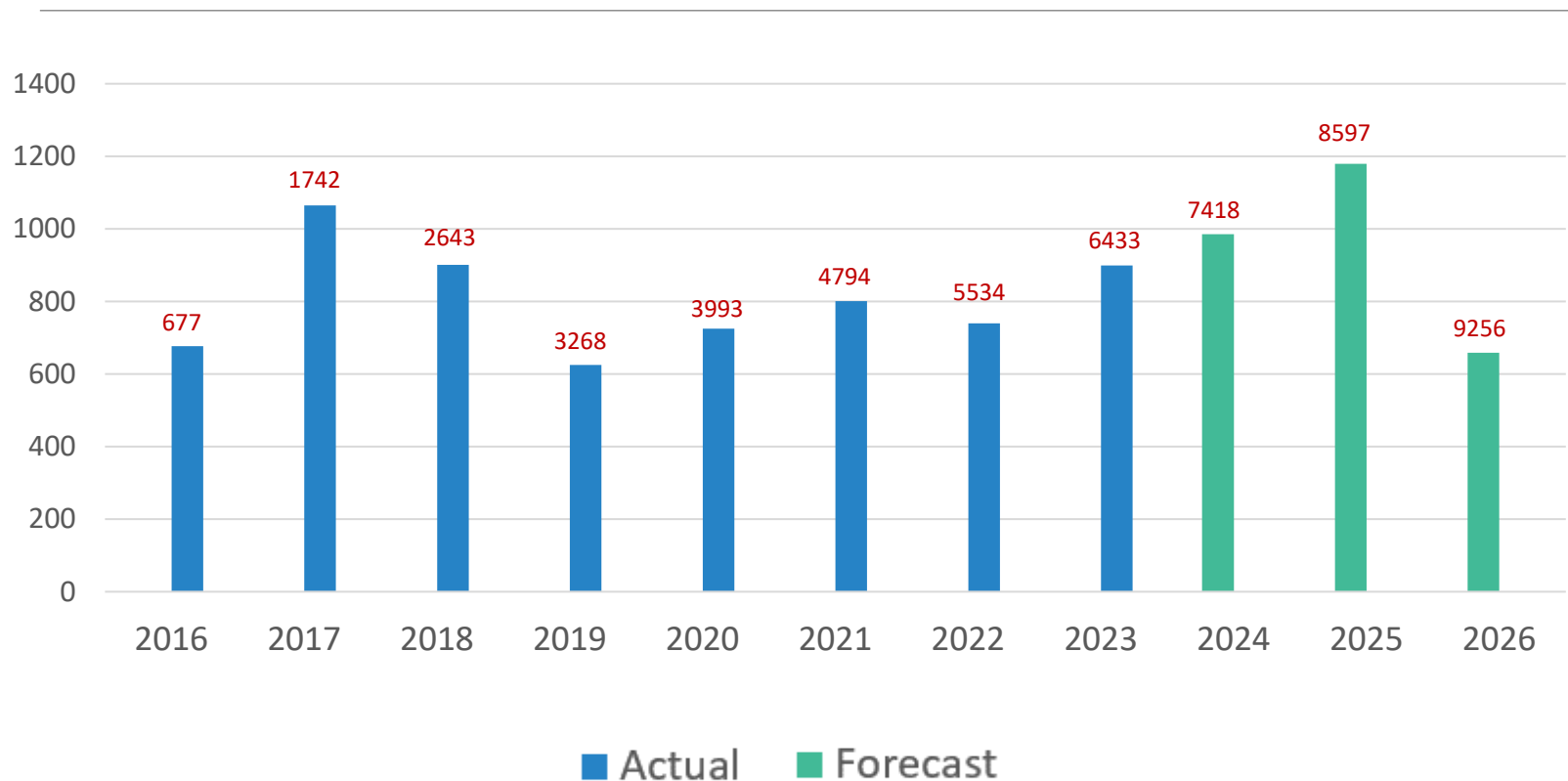
Future 5 Years



Key strategies:

- Cable replacements
- Vegetation management
- Wildfire mitigation
- Advanced Metering/Technology

Fiber Expansion - Premises Passed and Forecast



*Amounts in red represent cumulative amounts



Investing in Facilities to Best Serve



Investing in Safety

Being the Benchmark

Safety:

Increase the District's capacity for safe work by partnering with District operations staff to develop purpose-driven safety programs.

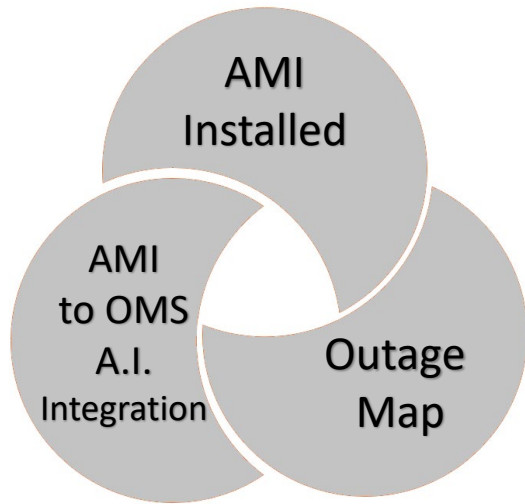
Human & Org Performance (H&OP):

Better embody a high-reliability organization by incorporating H&OP throughout all facets of the District.

Technology Innovation

Simplify Operations / Improve Customer Experience

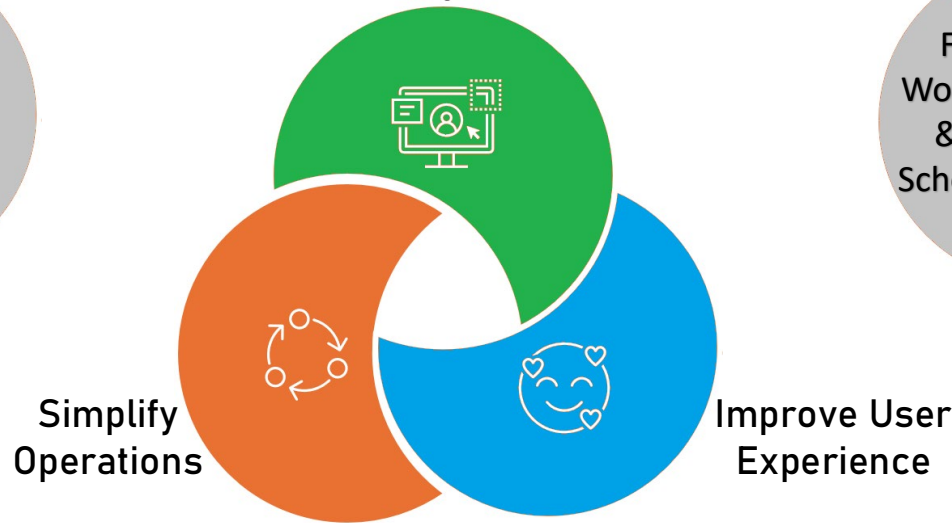
Recent



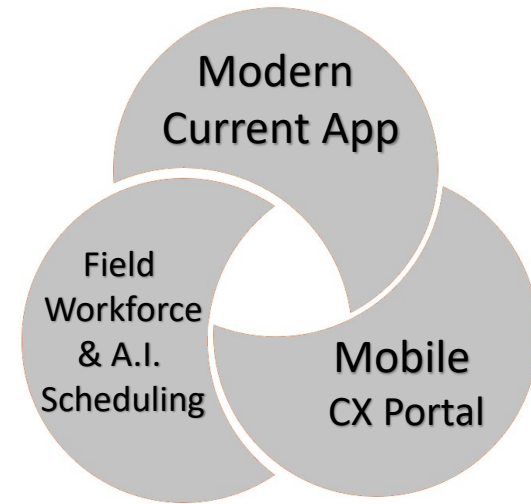
=
*Faster
Response &
Improved
Transparency*

Key Objectives

Modernize Current
Technology



2024



=
*Improved
Tracking &
Customer
Data
Sovereignty*



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

Sustain excellent financial resiliency while mitigating the risk of large rate increases

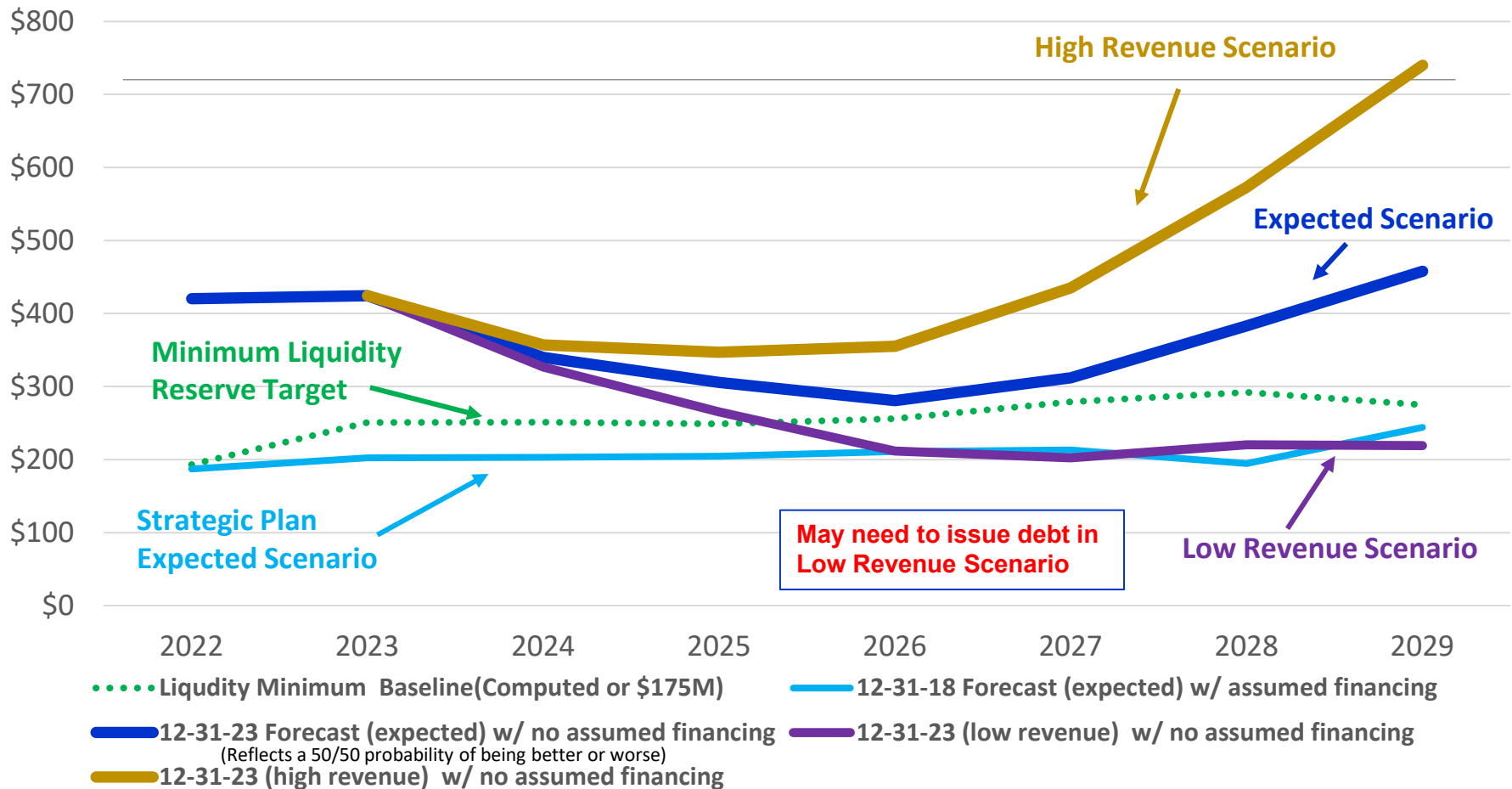
Sustain Excellent Financial Resilience



Long-Term Outlook Compared to Strategic Planning

Liquidity Forecast: Two Future Scenarios

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



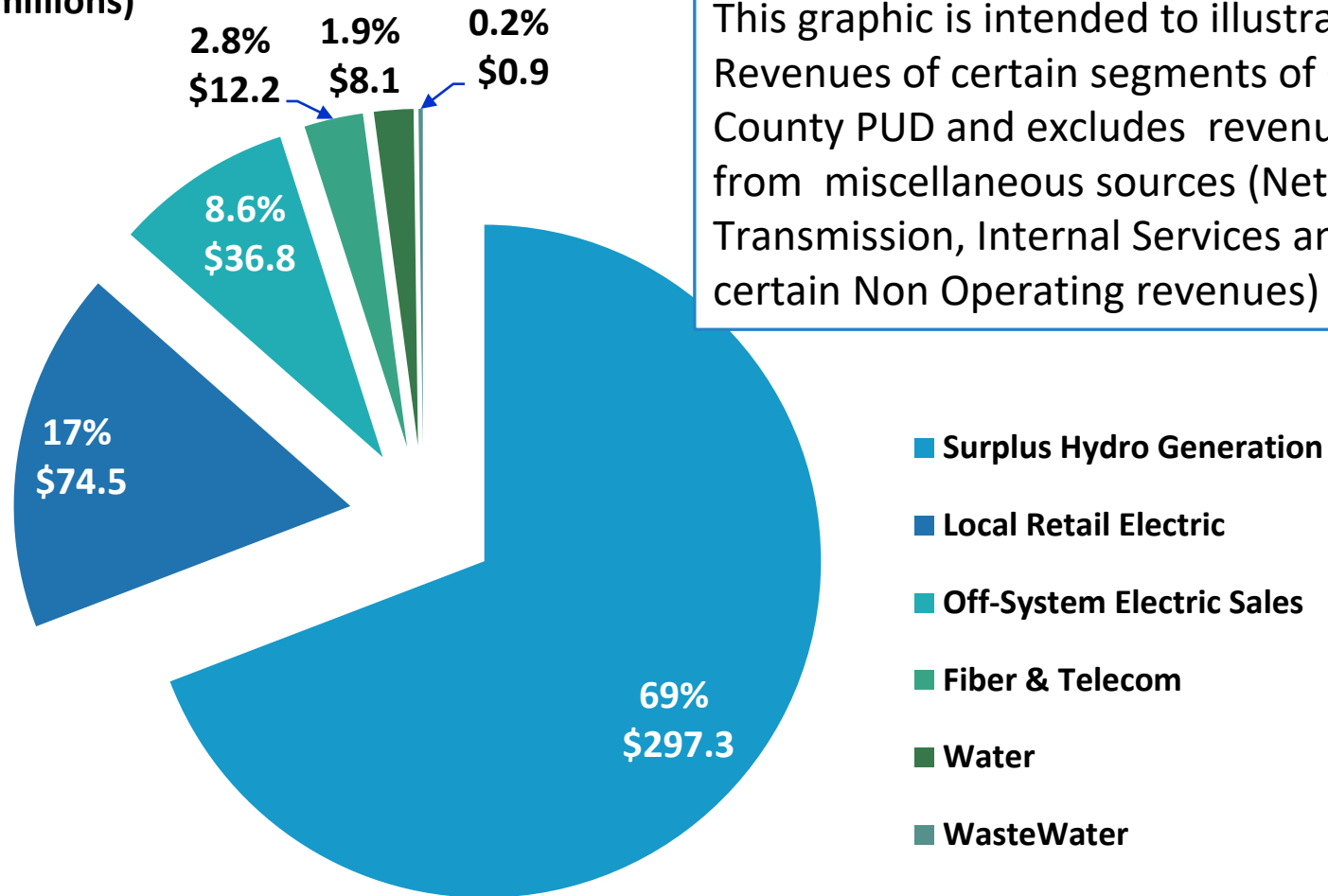
NOTE: Q4-2023 scenarios assume no new debt in the periods 2024-2029 to fund long lived capital projects based on the Expected Scenario. The debt ratio for the District remains at or below 35% for all the forecasted scenarios.

PUD Revenues

Chelan County PUD Selected Revenues

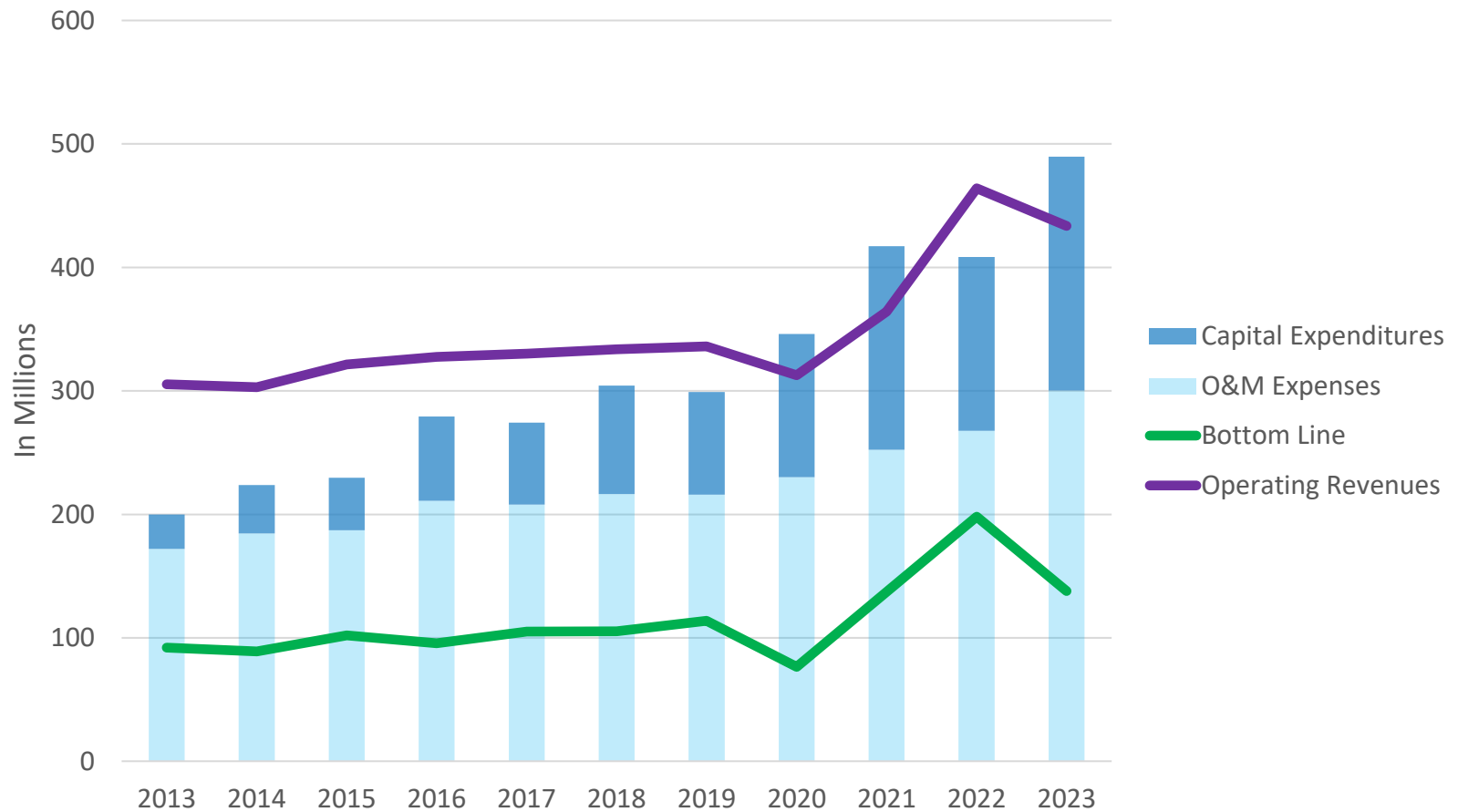
2023 Results

(in millions)



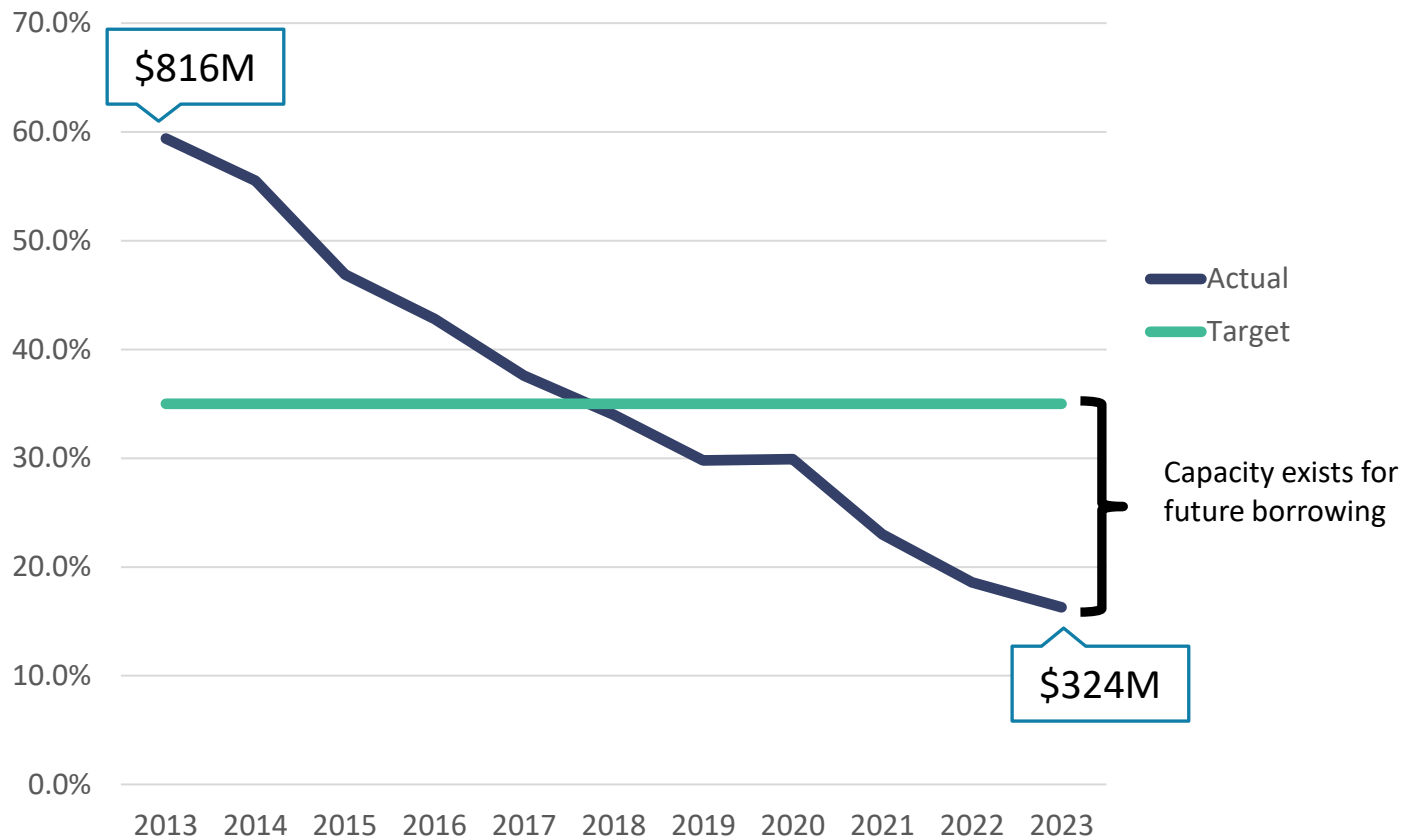
Financials

- Costs increasing as a result of investing in asset strategy
- Inflation impacts



Debt Ratio

Forecasted to continue to provide capacity for future borrowing



Bond Ratings

Among the Highest-Rated Utilities in the Country

Credit Rating Scales by Agency, Long-Term

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment grade speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Substantial risk
Caa2	CCC		Extremely speculative
Caa3	CCC-		Default imminent with little prospect for recovery
Ca	CC	CC	
	C	C	
C	D	D	In default
/			
/			

Yellow circles indicate Chelan PUD ratings

Fitch affirmed AA+ in February 2024

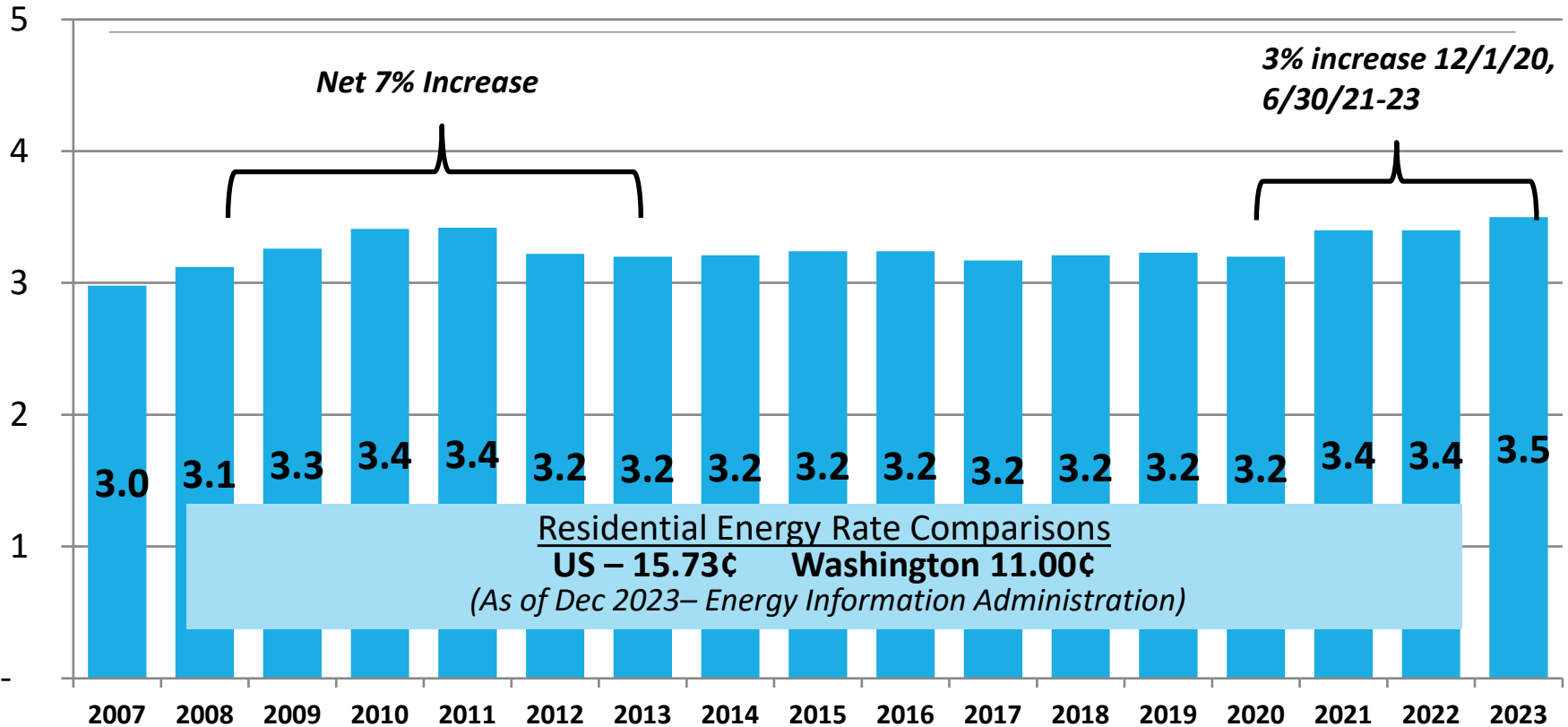
Moody's upgraded to Aa2 and S&P affirmed AA+ in 2022

Below Investment Grade



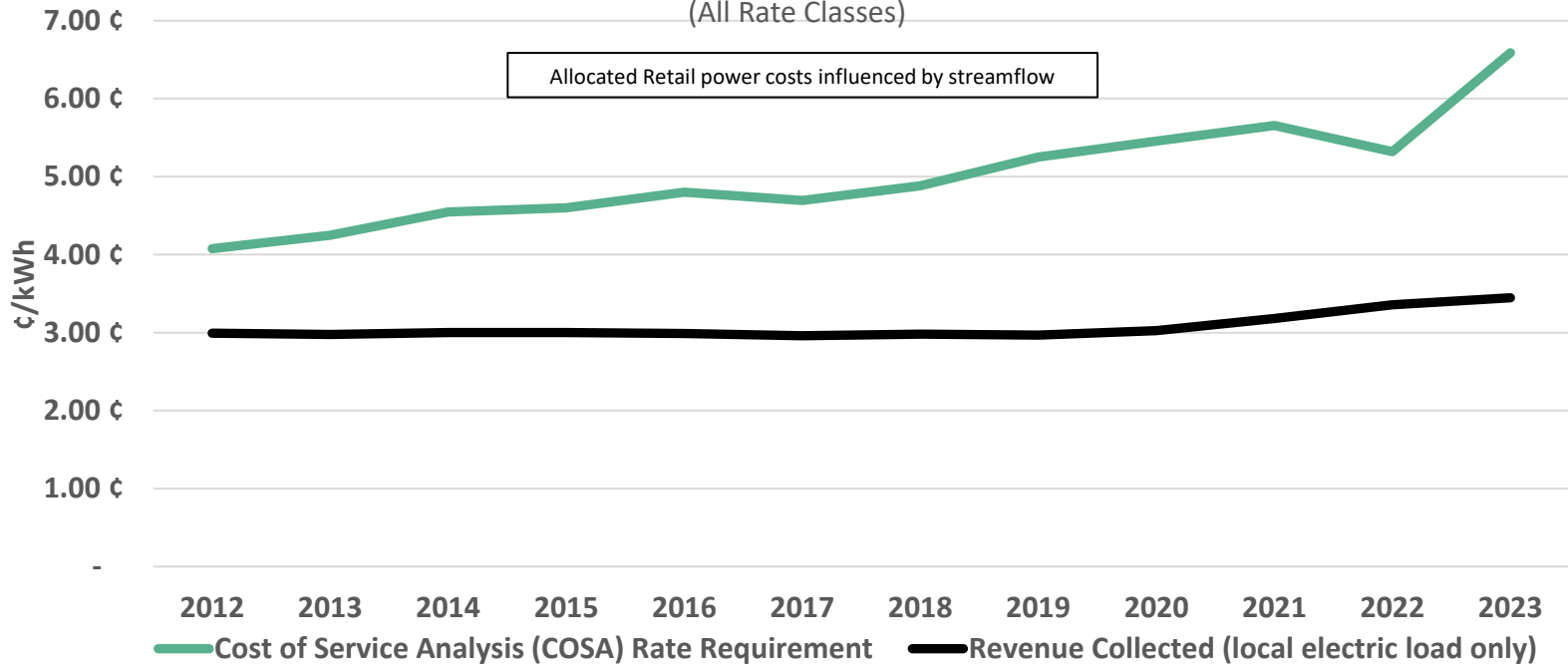
History of Electric System Residential Rate Changes

■ Residential Energy Rate (¢ per KWH)



US Cost of Living rose 18% from 2020-2023

Electric Cost vs Revenue Collected Comparison (All Rate Classes)



Rate Cost Recovery

Electric Rate Increases – 3% per year through 2024
Next increase planned June 2024

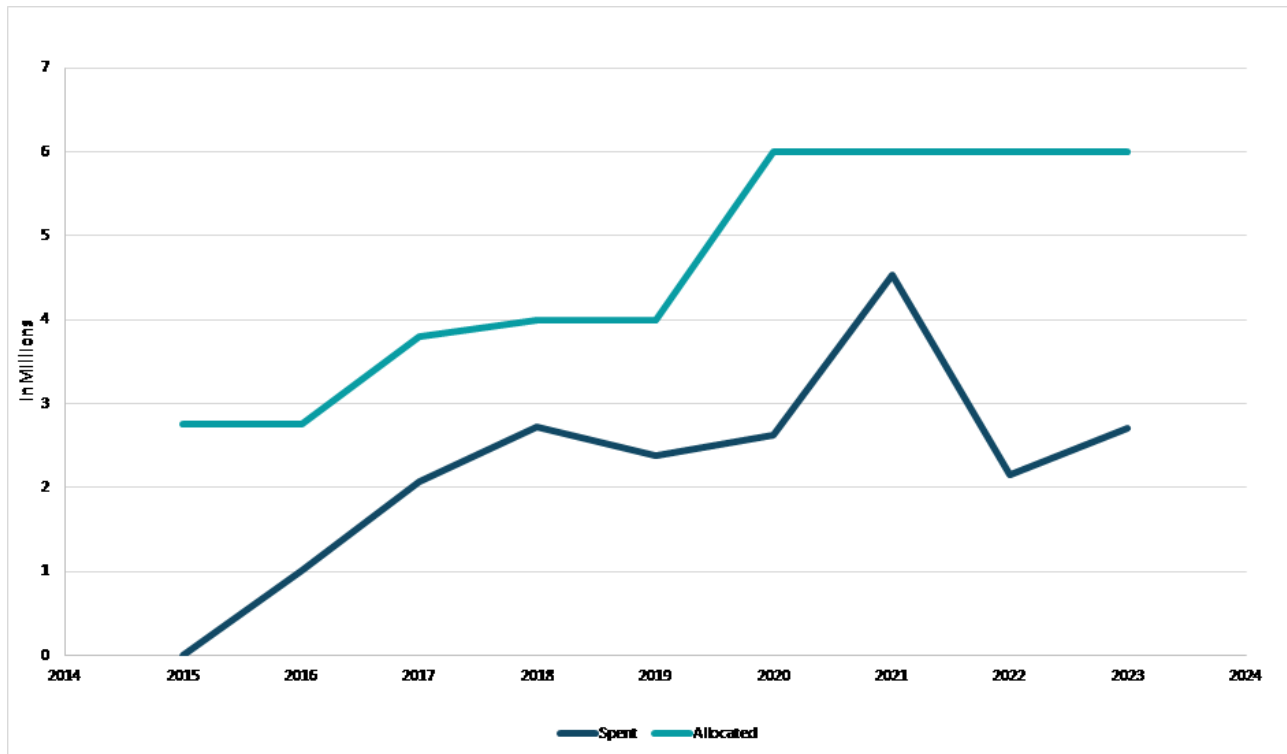
Enhance the quality of life in Chelan County through programs that distribute the benefits of public power

Public Power Benefit



PPB Investment

Modest, but important, investment in community



* 2015 and 2016 were combined and allocated together to kickstart the program

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

Economic Development



Economic Development

Interconnection Requests, expansion of local loads

Cryptocurrency rate review

5th Street Redevelopment

Focus on distribution substations and infrastructure adds more flexibility to support county growth and new large loads

Investments in Parks and recreation sites and in Fiber, Water, Wastewater systems

Conclusion

Making progress on strategic plan goals

Healthy financials

Executing long-term marketing strategy

Utility industry is going through major transformation

Energy demand forecasts highlight substantial challenges ahead for the region/nation

District's 50-year planning horizon presents an opportunity to align strategic initiatives with long-range vision





Questions
