

CHELAN COUNTY

Chelan County PUD Strategy Partners Update

April 21, 2023

Kirk Hudson, General Manager

100-Day Transition

Volume and velocity of change

Leadership culture

Human and Organizational performance

Employee development

Customer experience

Serving the public interest

Innovation culture

Water

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

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

Long Term Marketing Strategy

After years of decline, value of hydropower is increasing due to:

- State legislation
- Resource Adequacy progressing
- Large load customers requesting for 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 mitigations could lower this percentage
- Can reduce market-based percentage should retail amount needed



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

What Has Changed Since Last April

New load applications

Carbon policies

Energy markets

Priorities driven by five focus areas and three enablers

Value of hydropower increasing and remains strong

Balancing wildfire risk mitigation with distribution reliability

Fiber expansion strategy

Chelan County growth continues to inform planning needs

New long-term power sales agreements extend revenue certainty to 2051

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 People



COMPENSATION



TRAINING



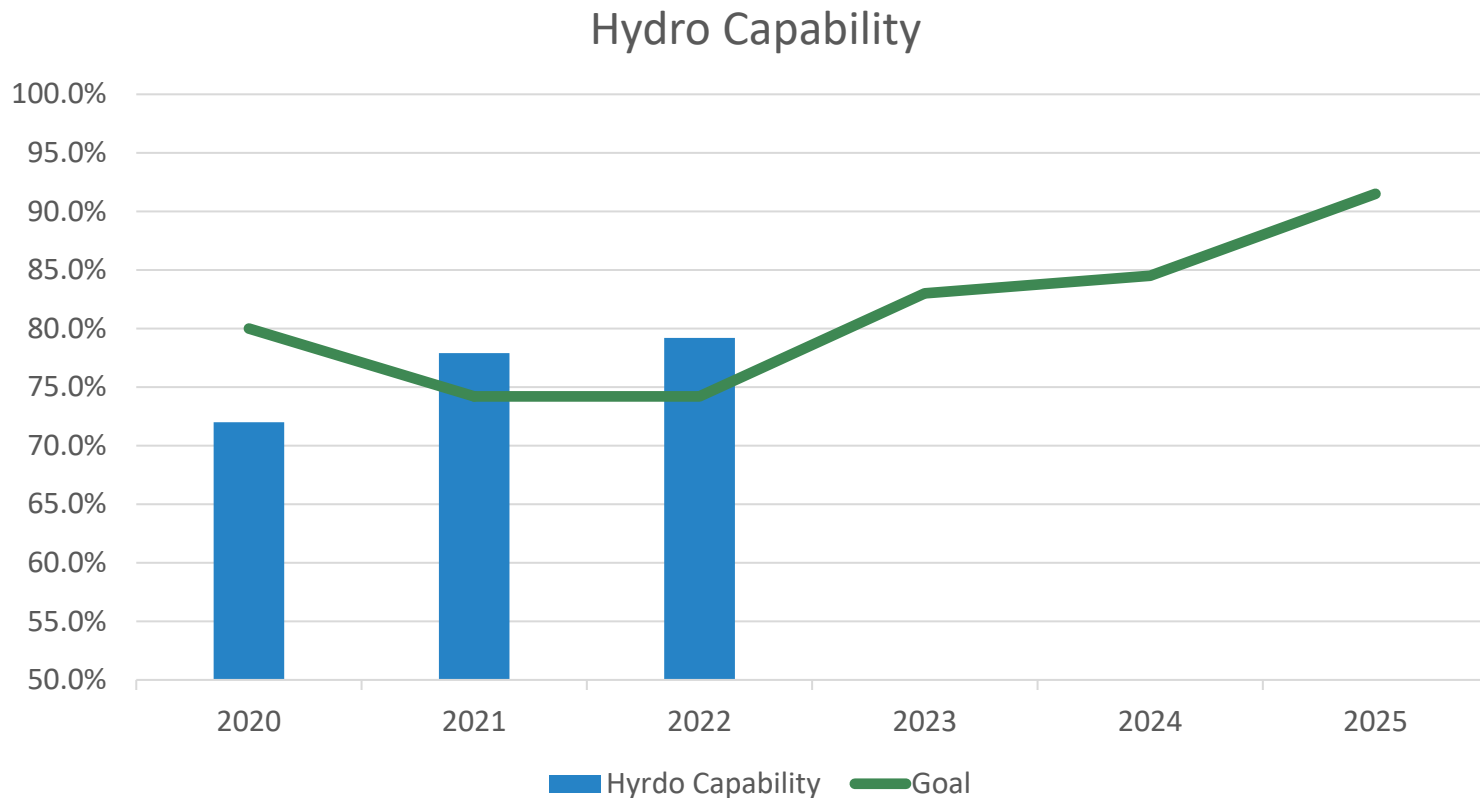
TOOLS

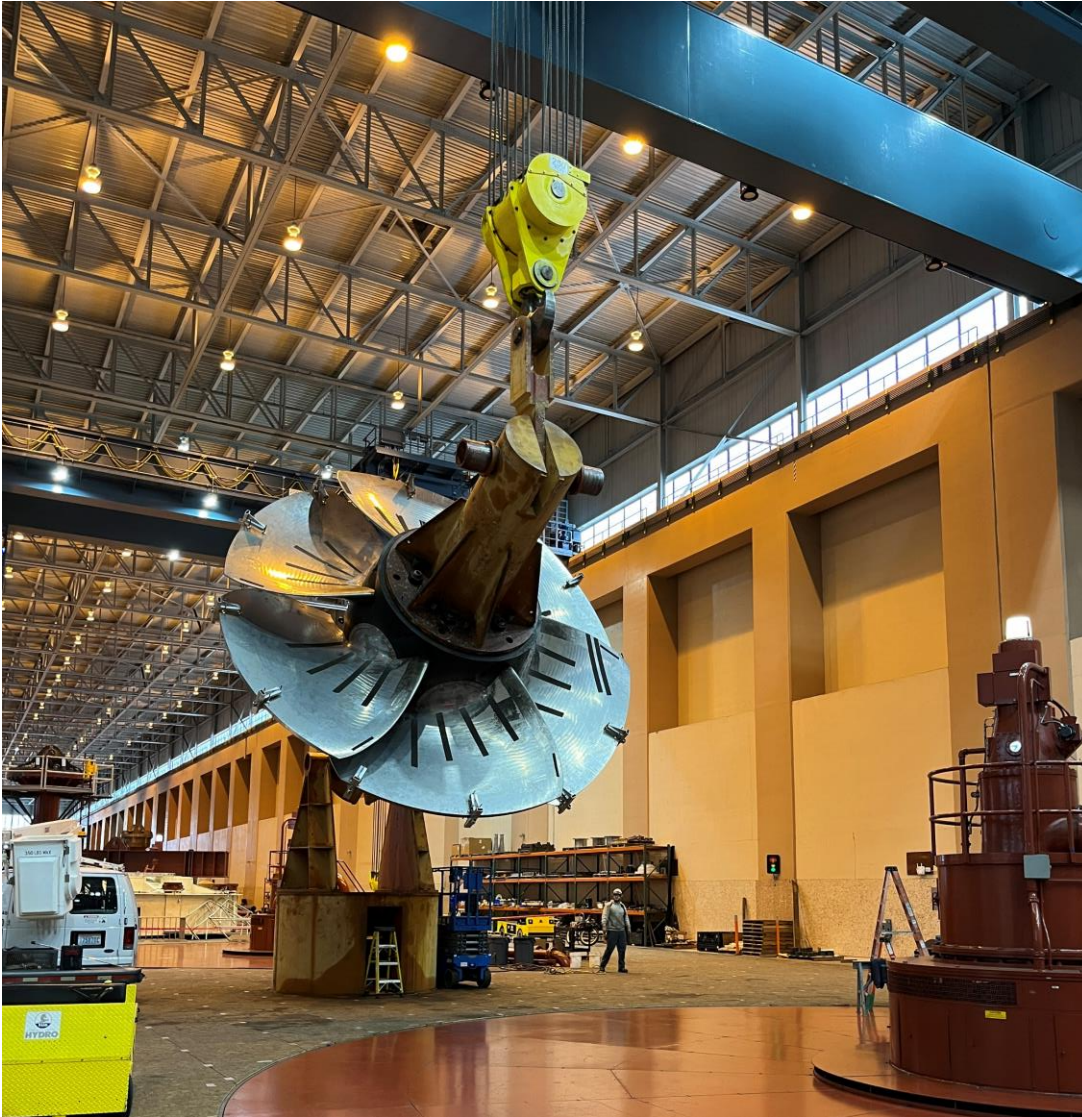


TECHNOLOGY

Investing in Hydro

Reset strategy has us on track to meet target of 89% in Q1 2025





C1-C7 trunnion bushing /
seal repairs completed

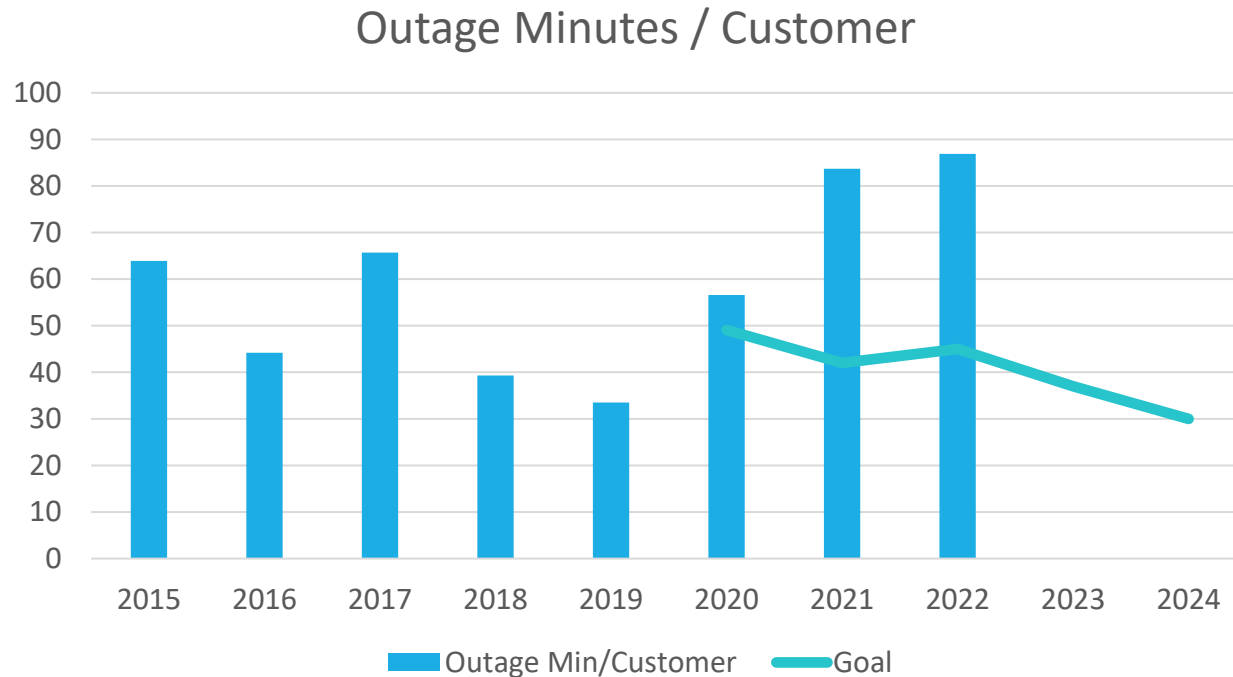
C11 conversion to water-
filled hub starting in 2023

U5 modernization work
and conversion to air-
filled hub

Investing in Distribution

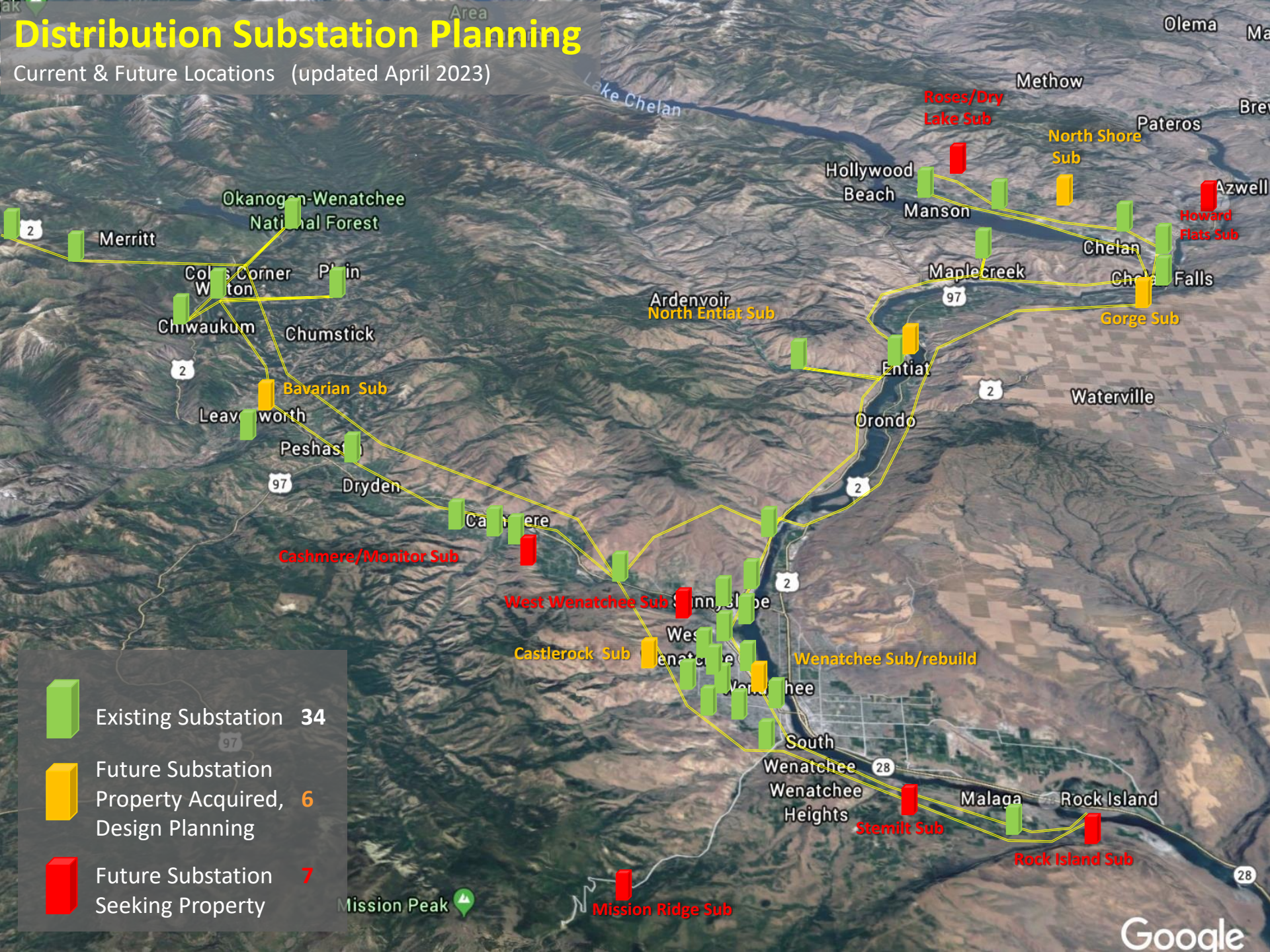
Seeking top quartile reliability aligned with similarly situated utilities




- Underground cable replacement
- Vegetation management
- Wildfire risk management impacting results – revisiting targets
- AMI deployment



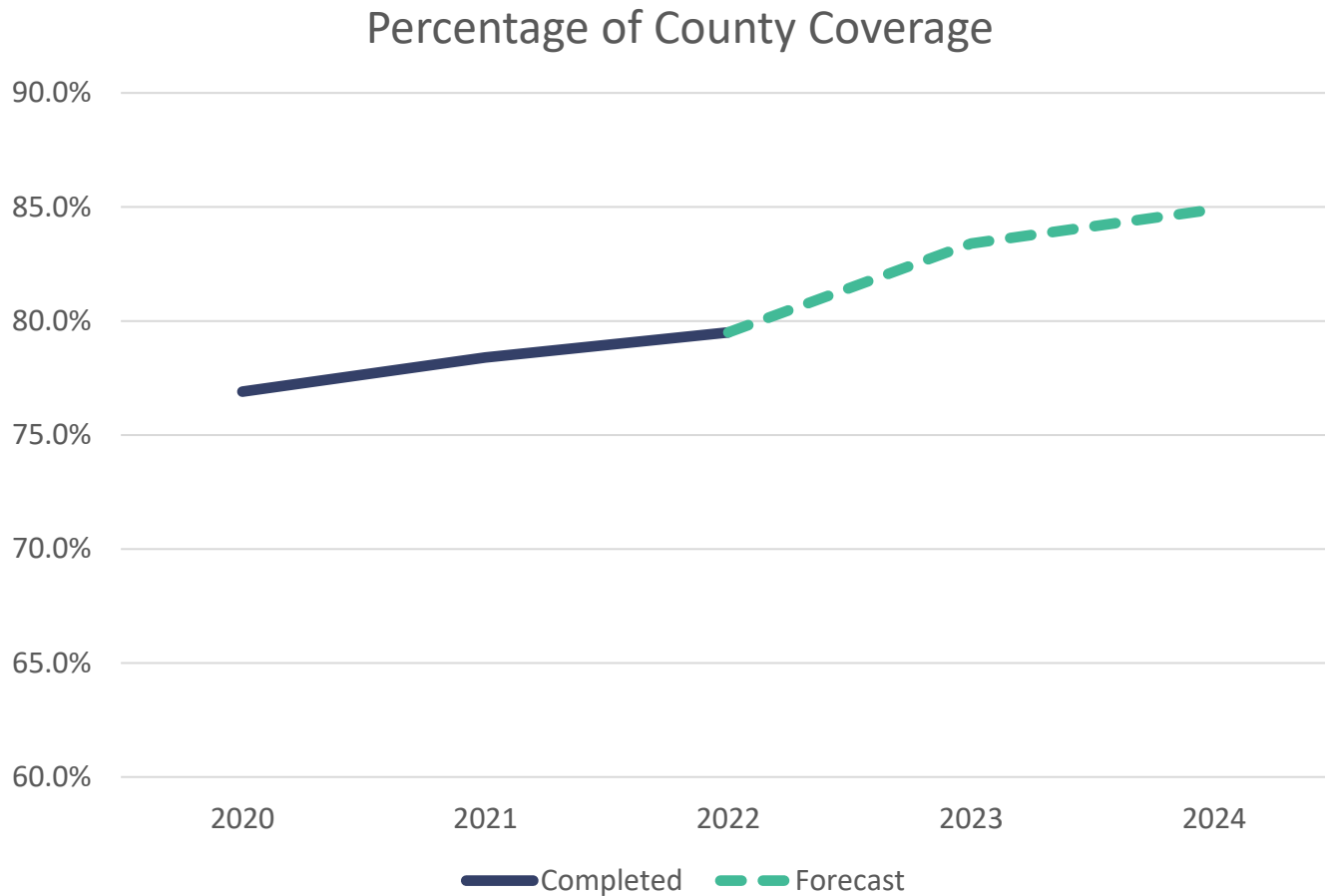
Distribution Substation Planning

Current & Future Locations (updated April 2023)



	Existing Substation	34
	Future Substation Property Acquired, Design Planning	6
	Future Substation Seeking Property	7

Fiber Expansion



Investing in Facilities



Service Center



Rock Island Facilities

Investing in Facilities

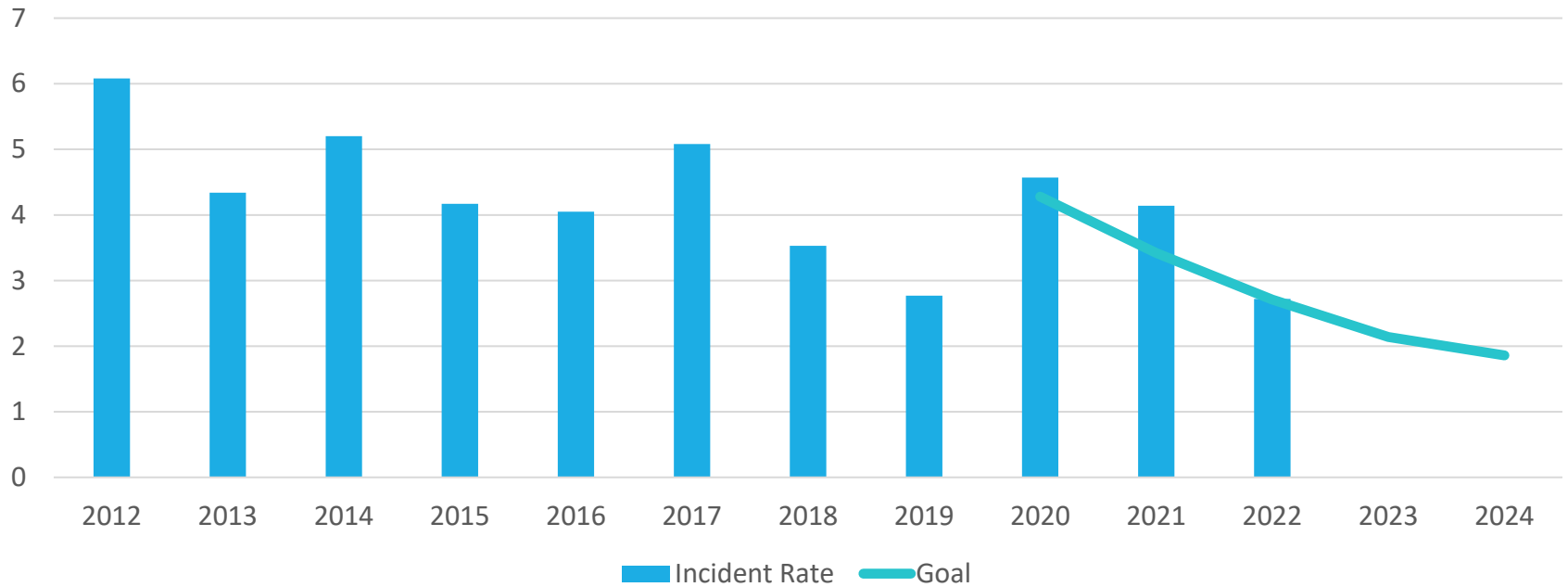


Rocky Reach Facilities



Discovery Center

Incident Rate

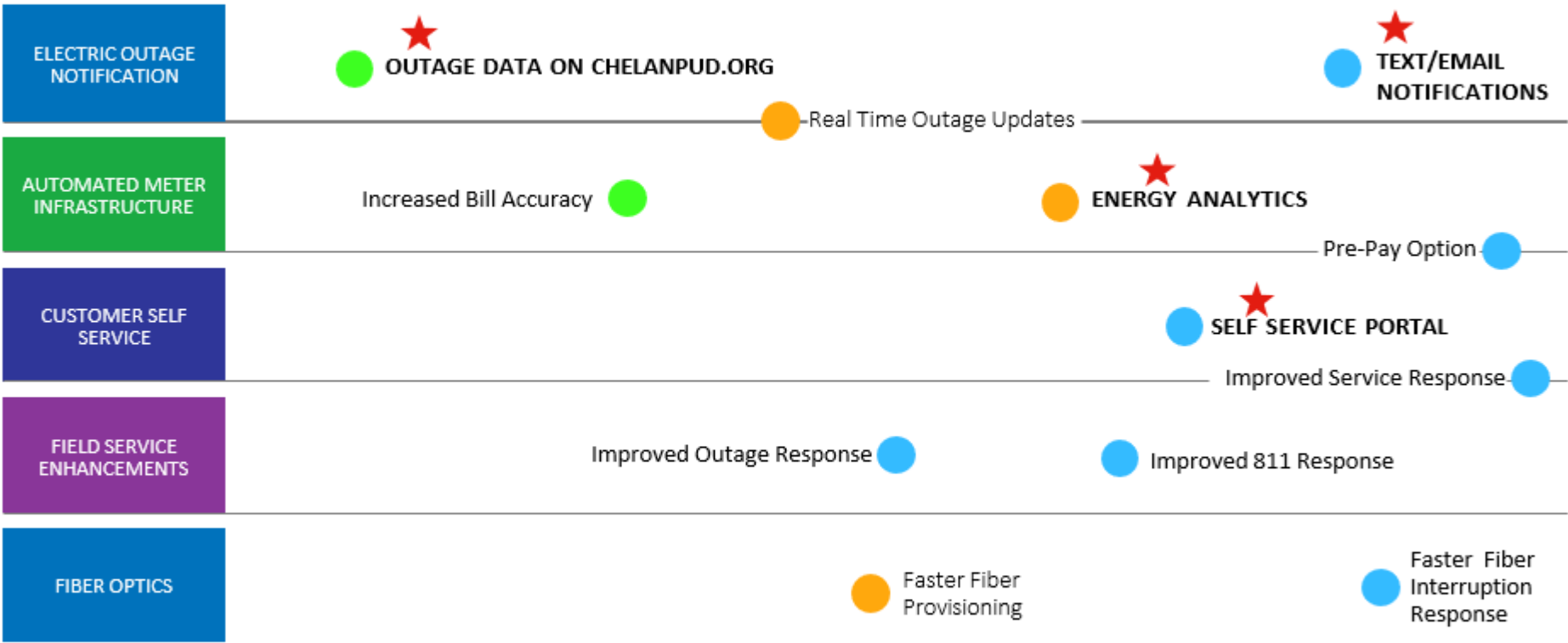


Investing in Safety

Safety seeking top quartile metrics

Customer Value Technology Roadmap

| 2022 | 2023 | 2024 | 2025 | 2026



- Legend**
- Completed
 - In Progress
 - Future Initiatives
 - ★ KEY CUSTOMER TECHNOLOGY REQUESTS

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

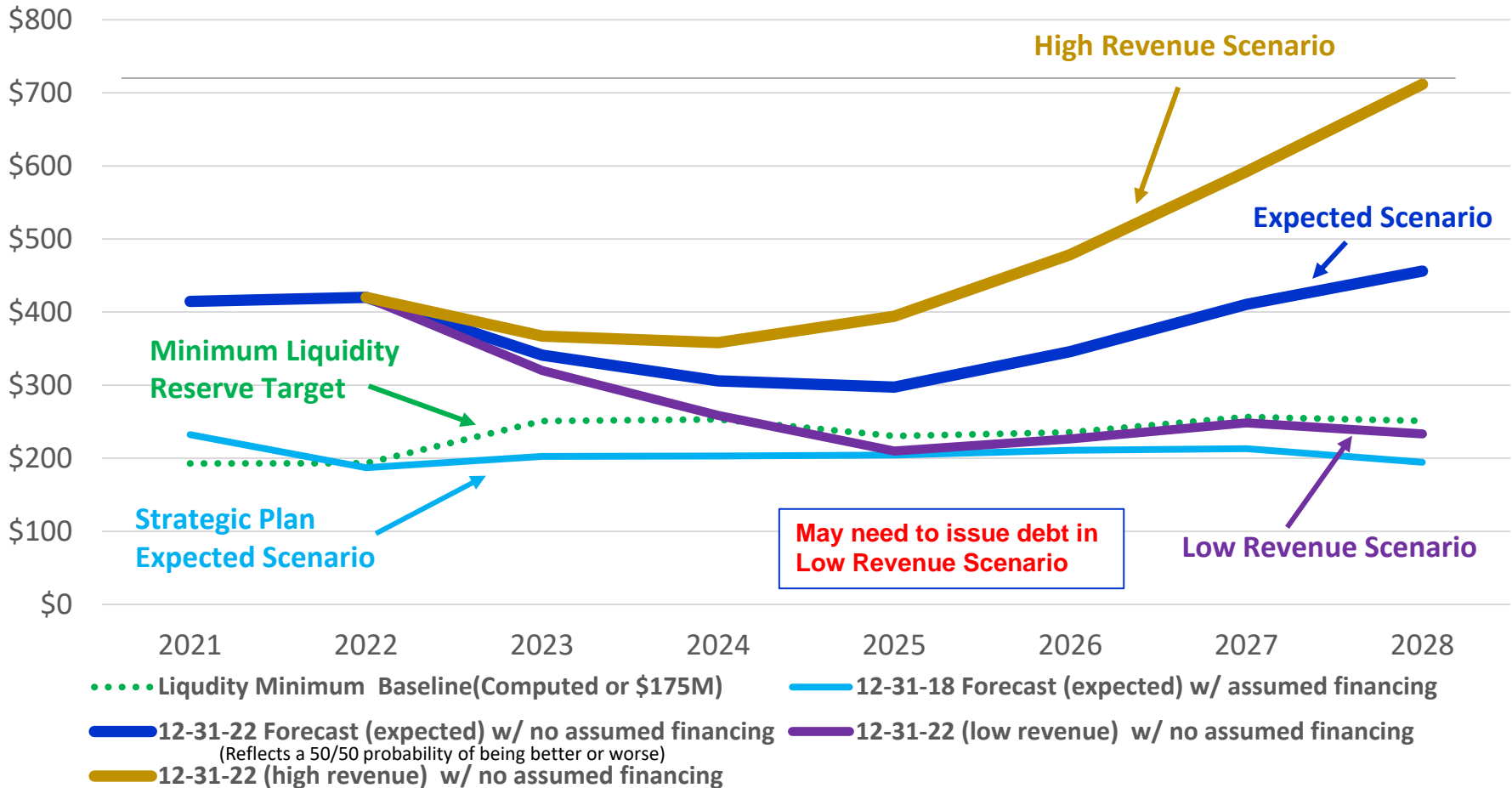
Sustain Excellent Financial Resilience



Long-Term Outlook Compared to Strategic Planning

Liquidity Forecast: Two Future Scenarios

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



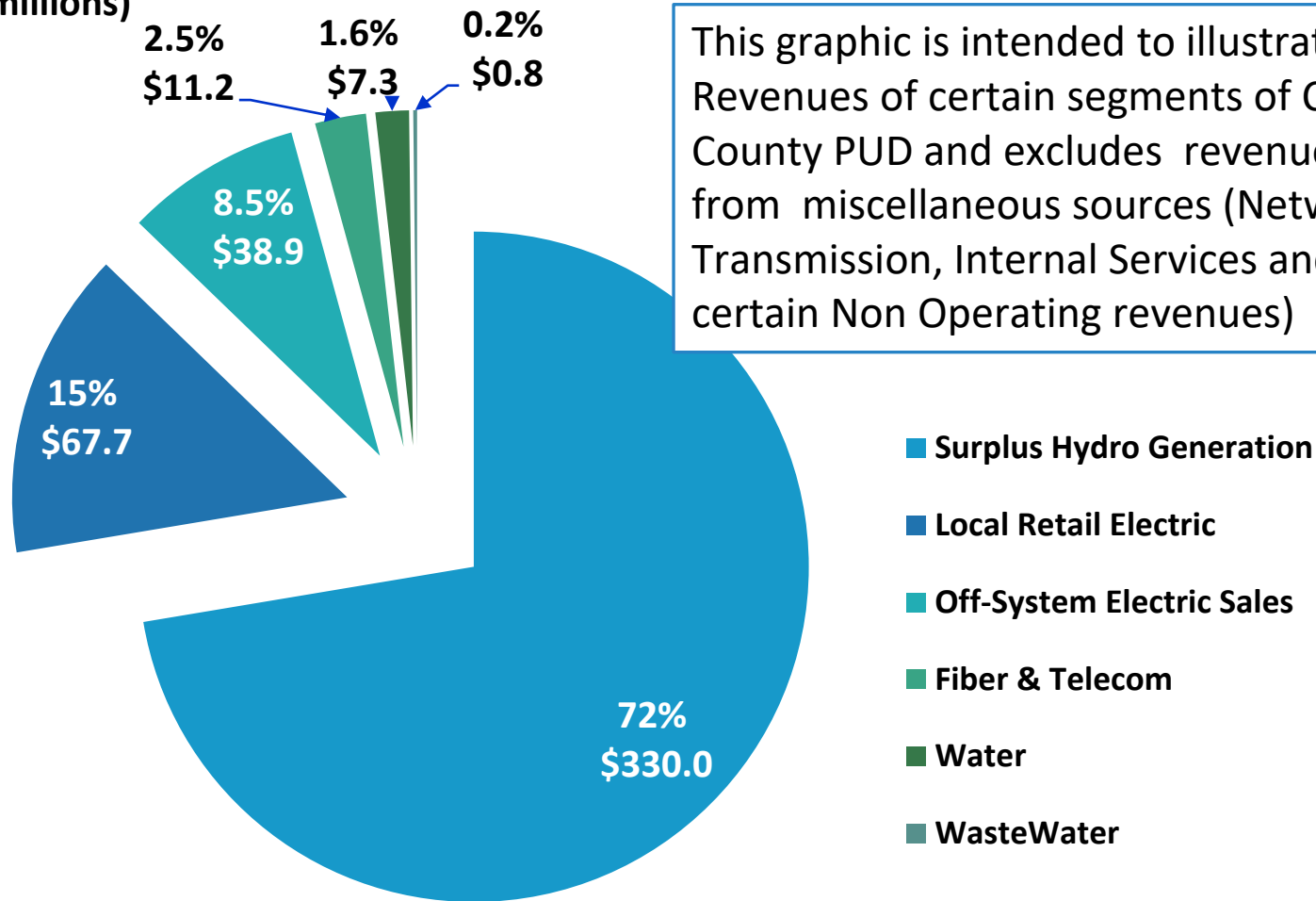
NOTE: Q4-2022 scenarios assume no new debt in the periods 2023-2028 to fund long lived capital projects based on the Expected Scenario. The debt ratio for the District remains at or below 35% for all the forecasted scenarios.

PUD Revenues

Chelan County PUD Selected Revenues

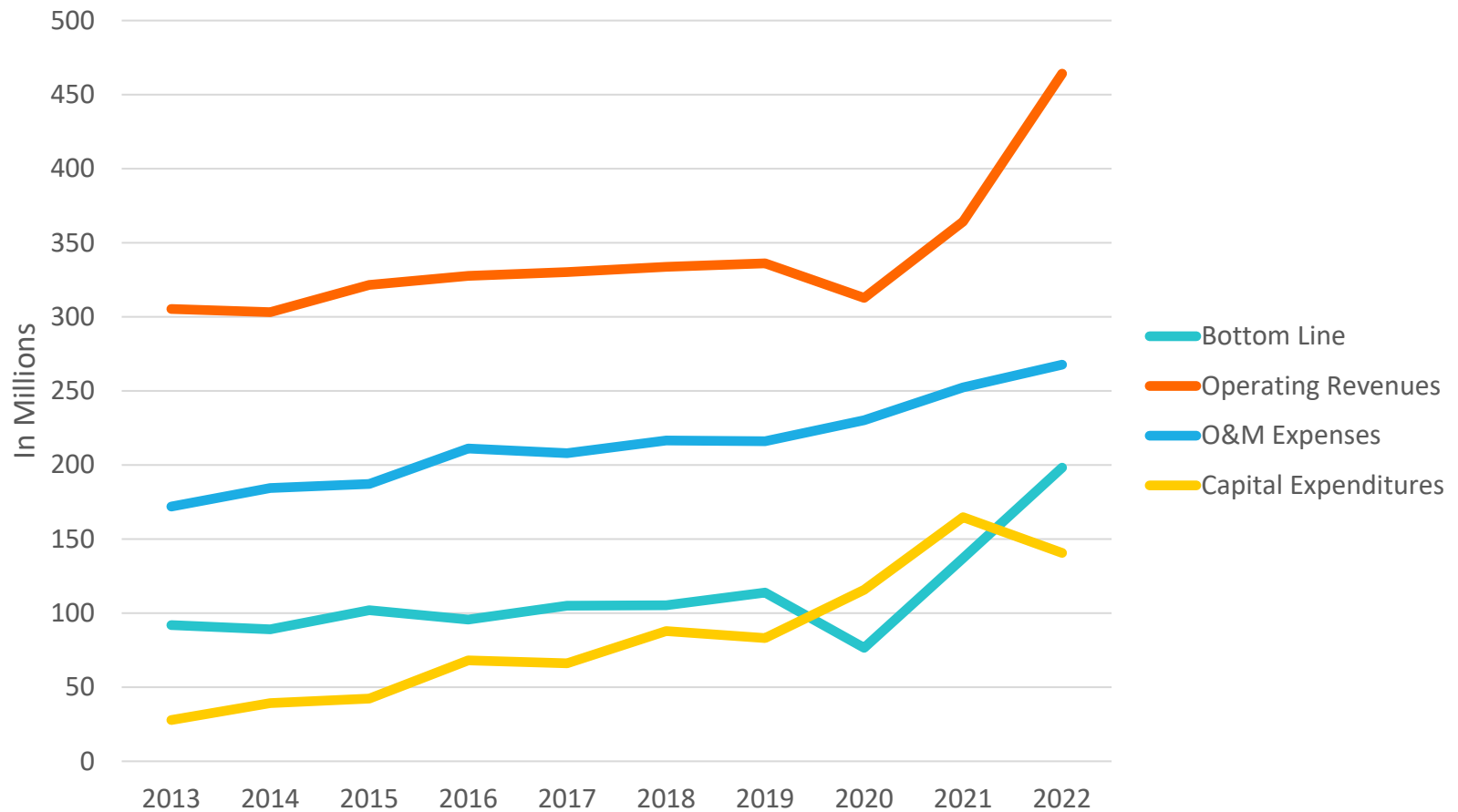
2022 Audited Results

(in millions)



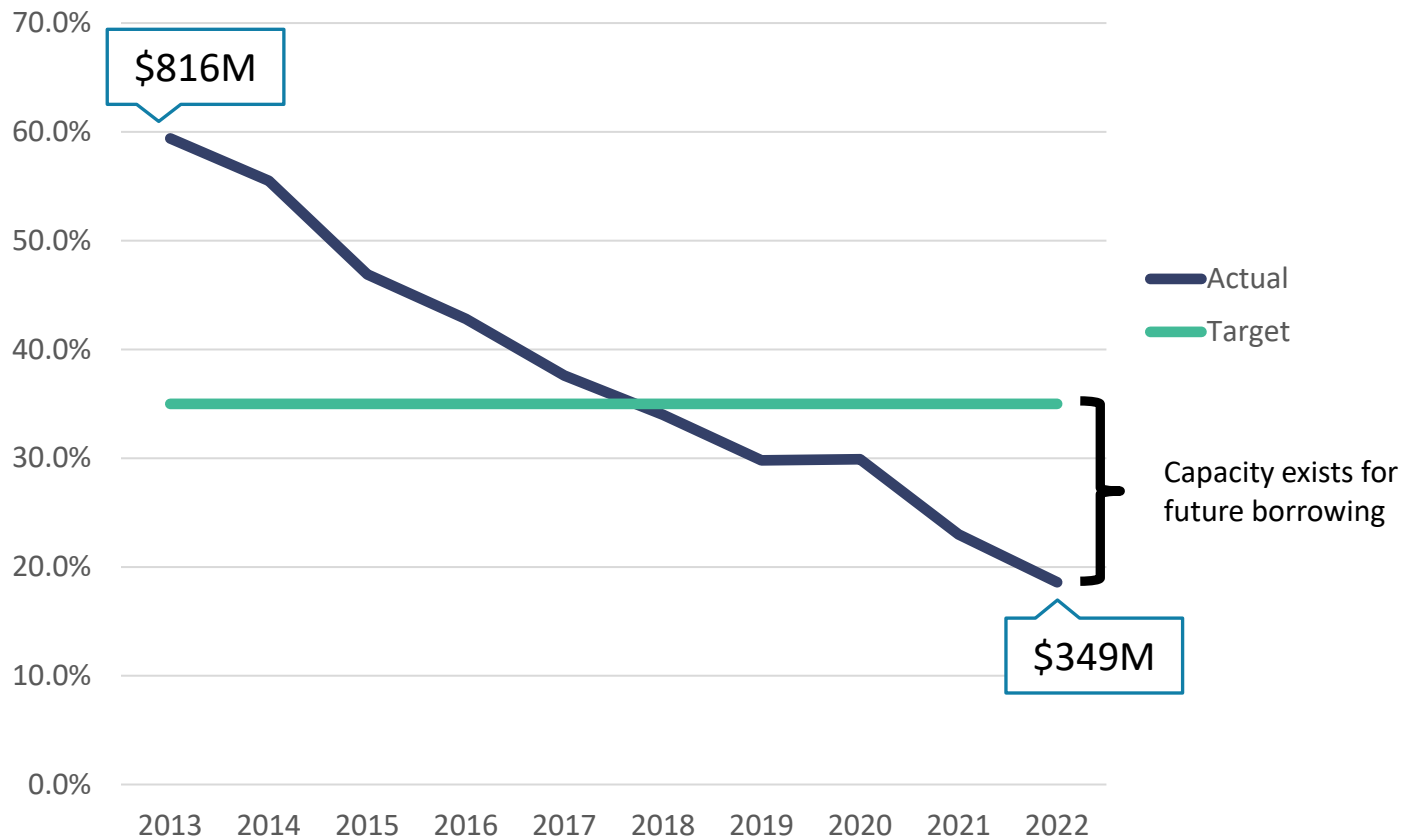
Financials

- 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

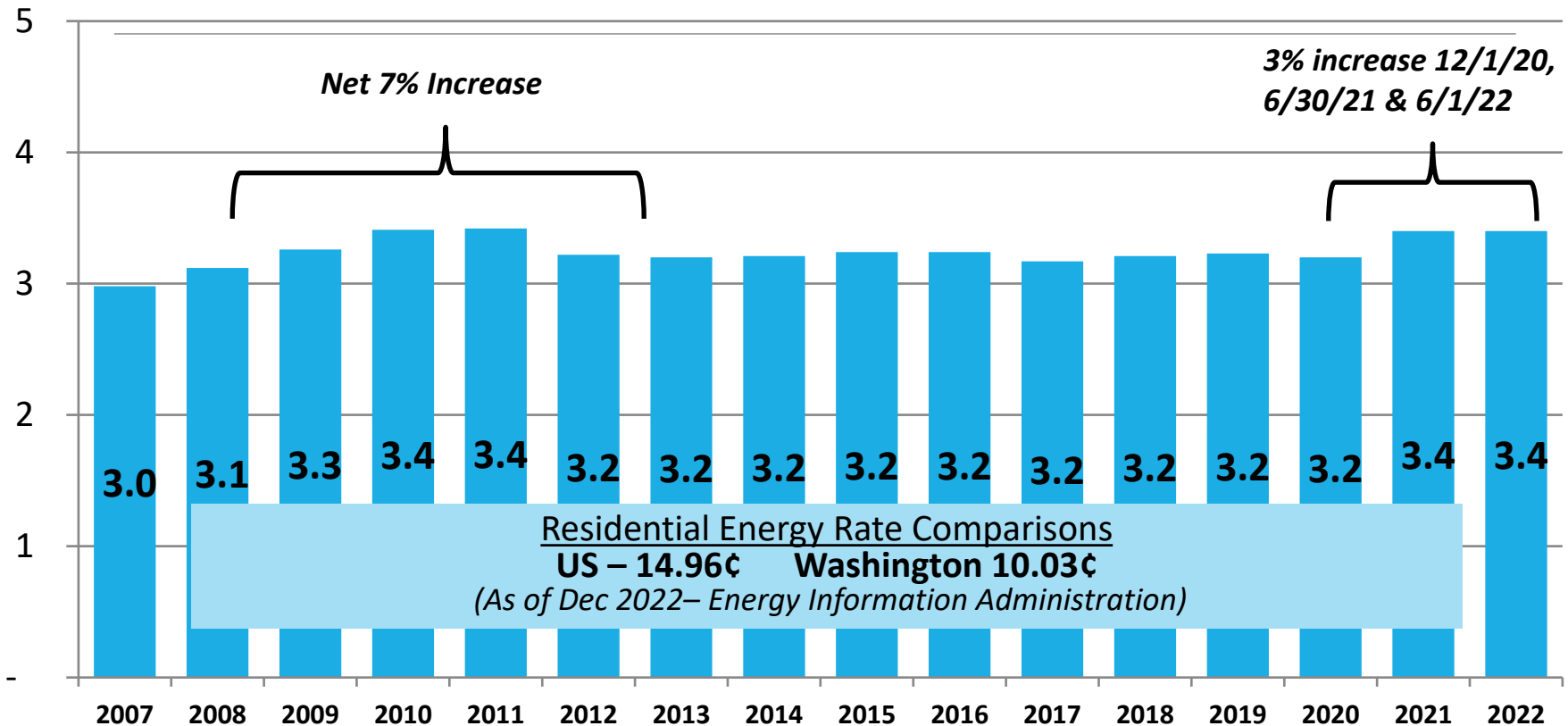
Moody's upgrade to Aa2 in August 2022

Below Investment Grade



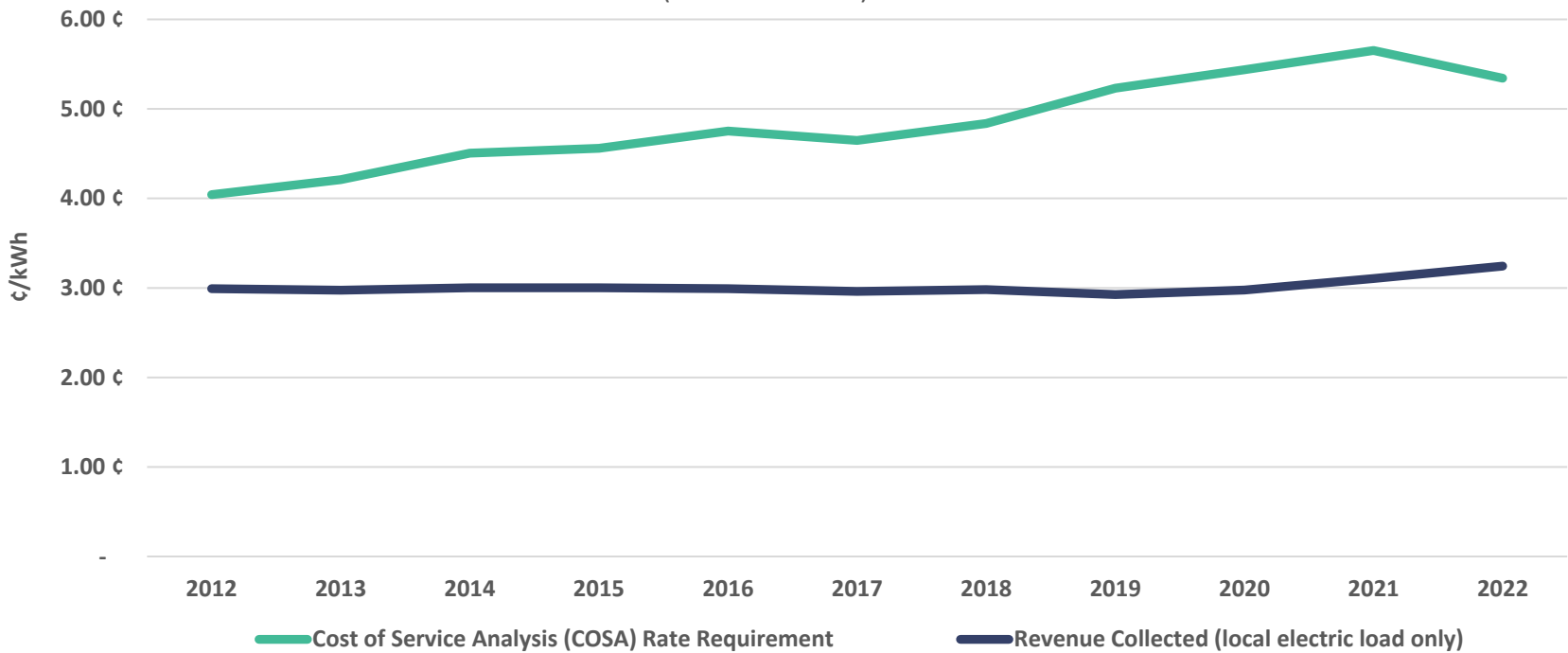
History of Electric System Residential Rate Changes

■ Residential Energy Rate (¢ per KWH)



US Cost of Living rose 13% from 2020-2022

Electric Cost vs Revenue Collected Comparison (All Rate Classes)



Rate Cost Recovery

Electric Rate Increases – 3% per year through 2024

Next increase planned June 2023

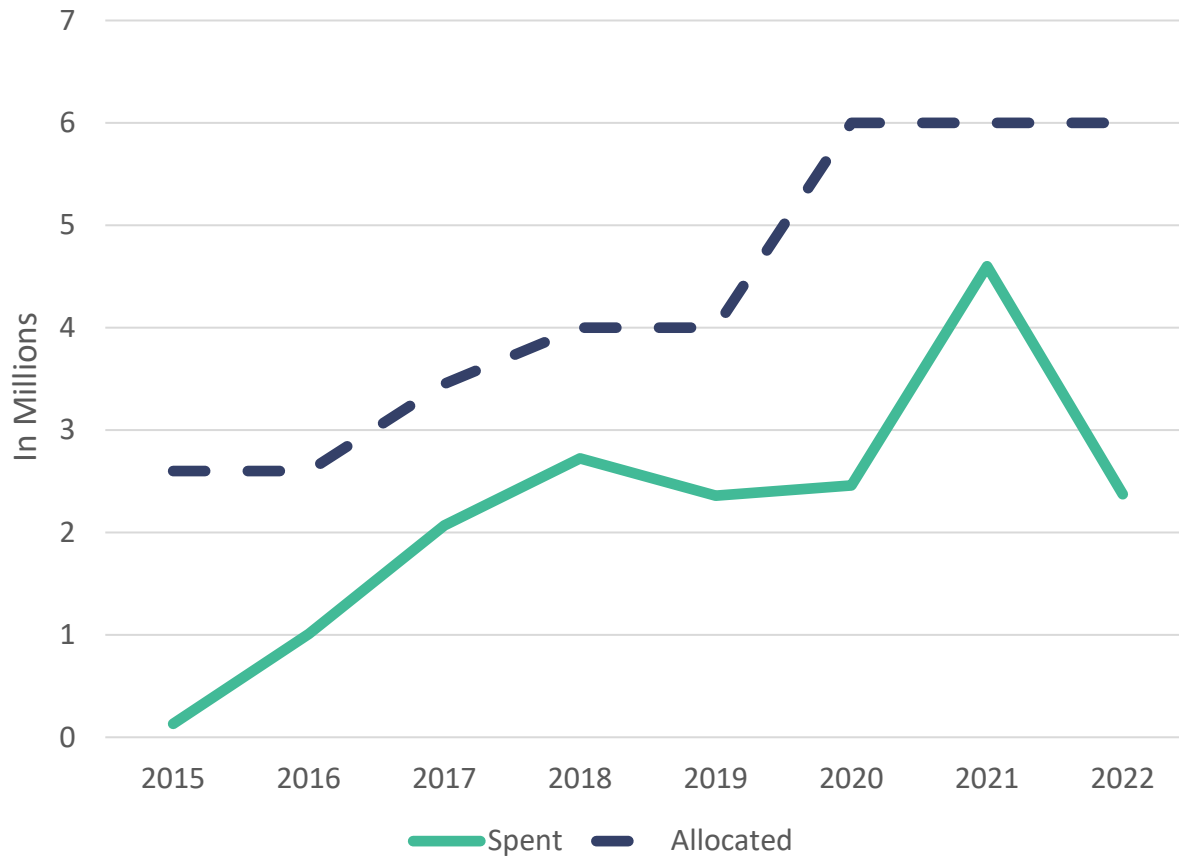
Enhance the quality of life in Chelan County through programs that distribute the benefits of public power

Public Power Benefit



PPB Investment

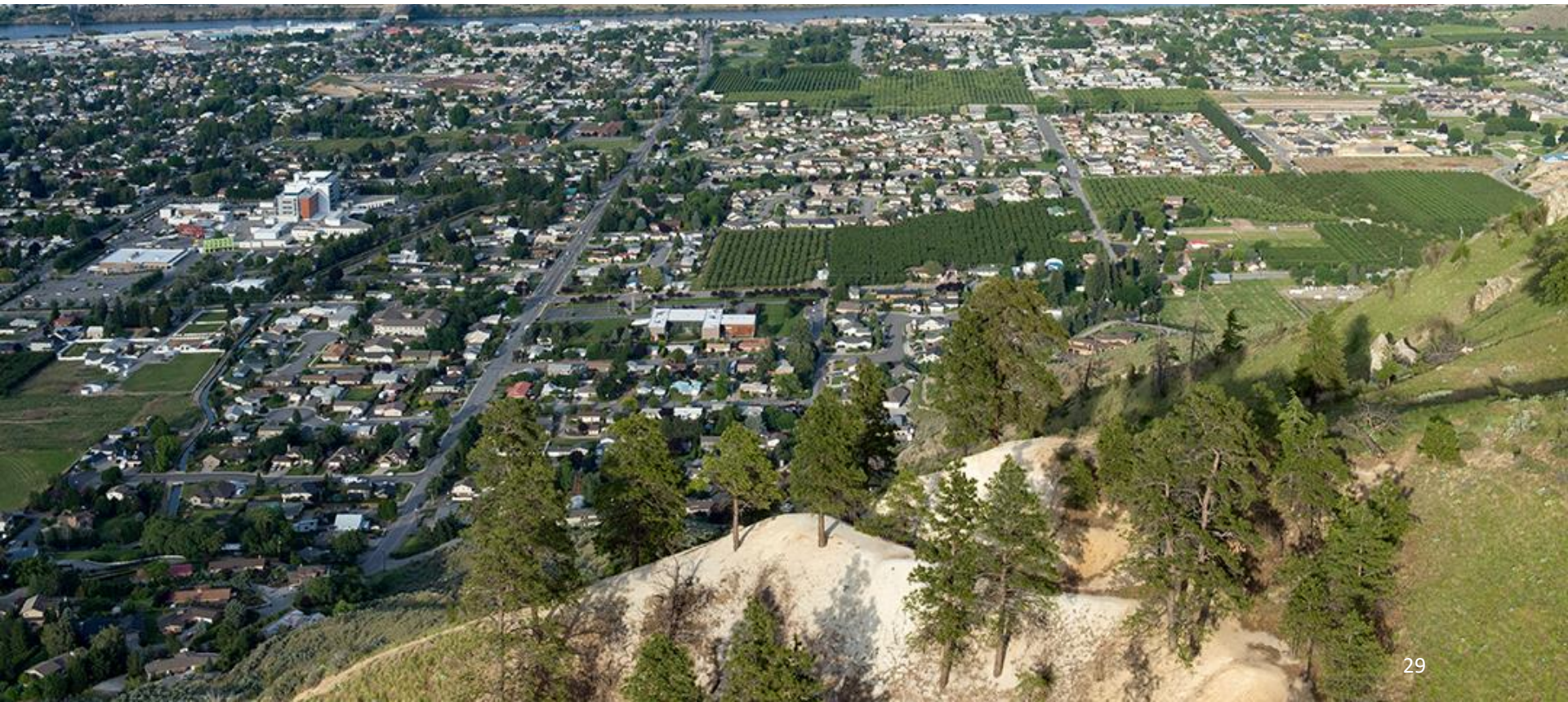
Modest, but important, investment in community



* 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

Cryptocurrency rate review

Five Focus Areas



Innovation



Customer Experience



Water



Investing/Developing People



Serving the Public Interest through Partnerships

Confluence Parkway

Overarching water strategy

Energy efficiency programs

Habitat Conservation Plan

Hydropower Research Institute

Rock Island relicensing

Cybersecurity

Stehekin electrical capacity

Wildfire risk management

Workforce challenges

Inflation/supply chain challenges

EV strategy

Oil-free turbines

5th Street campus

Independent hydro operations

Peshastin water merger

Dryden wastewater

Data analytics – data, tools, culture

Other Activities

Conclusion

Making progress against strategic plan goals

Healthy financials

Executing long-term marketing strategy

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

Workforce and supply chain challenges



Question for you

What should
we be
considering
for the next
round of
strategic
planning?

