Plan of Finance

Information Only
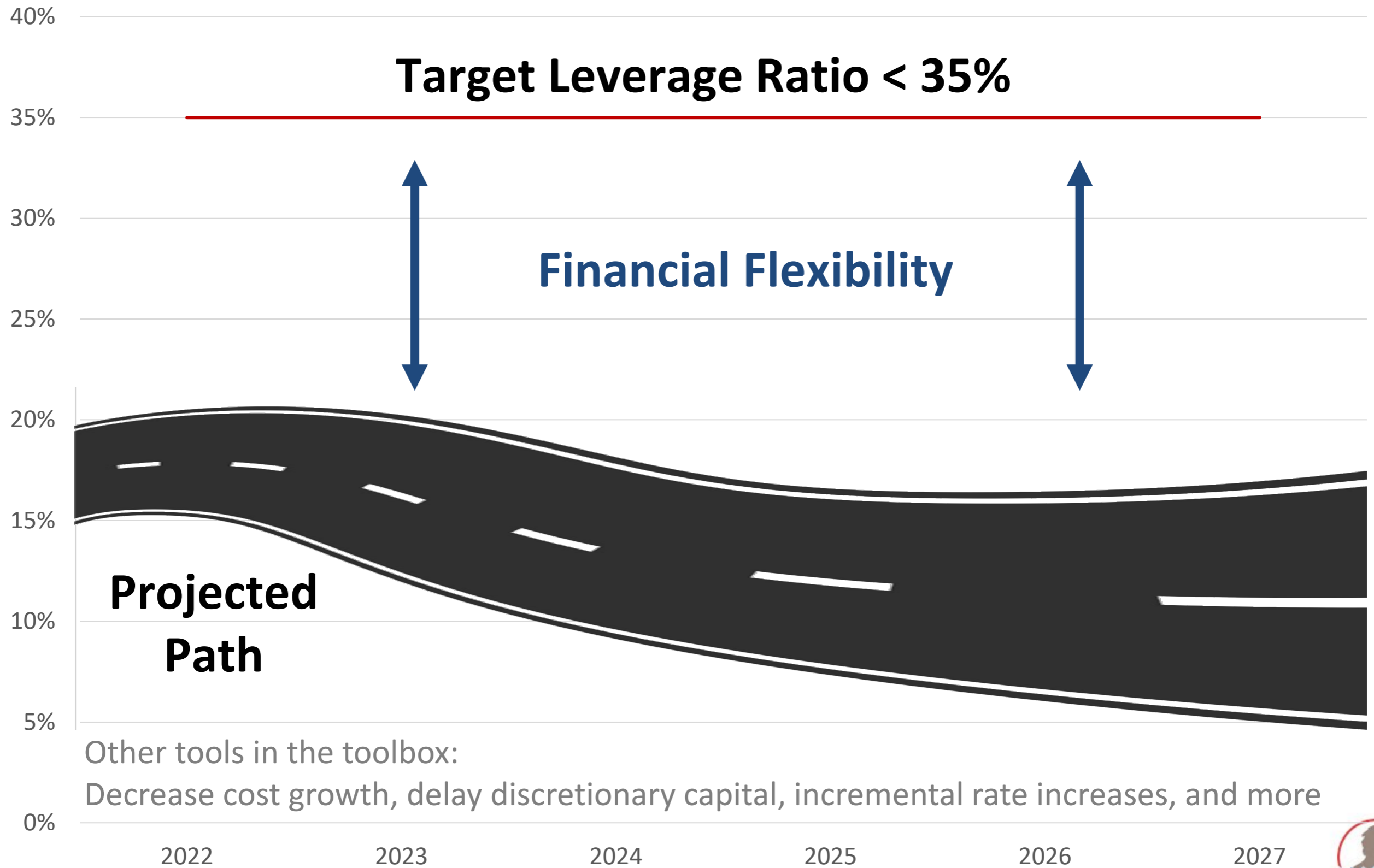## No Action Requested Today

Heather Irelan

Director – Treasury/Treasurer

November 7, 2022

What We Will Cover Today

- Annual plan of finance update
  - External borrowing
  - Internal loan funding

- Board Designated Funds update

- Upcoming Board requests

Debt Maintenance Mode

Target Leverage Ratio < 35%

Financial Flexibility

Projected Path

Other tools in the toolbox:
Decrease cost growth, delay discretionary capital, incremental rate increases, and more

P.U.D. CHELAN COUNTY

Hydro System Capital Funding

- Long-term power sales contract capital and debt reduction charges continue to be utilized for pay-as-you-go capital

- Since 2019, hydros have been using Board approved internal loans to fund a portion of capital spending

- Forecast 2023/24 Rock Island and Rocky Reach capital plans (plus ISS projects) of approximately $185M are expected to exceed available power sales contract funds and require partial loan funding

Internal Loans

- Match system funding need with available system cash

- Loan cash from one District accounting system to another

- Principal and interest paid back over time per schedule

- Board affirmed Debt Philosophy and Planning Strategies:
  - First, internal loans from unrestricted funds, when available
  - Strategic external bond issuance are also evaluated and recommended when prudent

- Customer benefits of internal loans:
  - Supports debt leverage and coverage metrics
  - Avoids external bond issuance and interest costs
  - Uses available unrestricted cash earning interest at lower rate

Electric Rate Support Fund

Current Status:

- ✓ Board Designated Fund established in 2020 – 2024 Rate Plan
- ✓ Directed staff to make deposits annually
- ✓ Annual calculation: electric rate revenue X cumulative increase %
- ✓ Included in Board Quarterly Financial Review

2022 Check In:

- o Team evaluated fund, no projected rate stabilization needs currently
- o Will monitor as fund builds with annual deposits

Future Actions:

- o Return for 2023 annual check in

Upcoming Board Requests

Q1 2023	Resolution to approve internal loans to support hydro capital plans
Following project timeline	Financing actions associated with Peshastin Water District acquisition