



Mission: To provide sustainable, reliable utility services that enhance the quality of life in Chelan County.

PUD PROFILE

Chelan County PUD owns and operates one of the nation's largest nonfederal, customer-owned hydroelectric generating systems.

The District's priorities are keeping our core assets in top shape by investing in our dams, power lines, facilities and people, paying down debt and starting a public power benefit program as funds allow. By doing this we continue to produce clean, renewable, carbon-free energy and create value for our customer-owners.

Chelan PUD's three dams have demonstrated for decades the value of public power and local control. Together the dams can generate nearly 2,000 megawatts of power at their peak. In 2014, they produced 9.6 million megawatt hours of affordable, emission-free electricity.

DISTRICT MEETS \$122 MILLION NET DEBT REDUCTION GOAL FOR THE YEAR

The District took action on initiatives responding to guidance from customer-owners by continuing to reduce debt. Many Chelan PUD customers sent a strong message to the District during strategic planning that their top priority was to have the District pay down debt.

Original plans were to pay off \$65 million in variable-rate debt as part of the District's continuing focus on reducing debt. A review completed to prepare for the planned pay off of the variable-rate bonds showed the benefits in current market conditions of paying off \$66 million in fixed-rate taxable bonds instead. The difference in interest rates on the two types of bonds will provide the primary savings. Current cost of the variable-rate bonds is about 0.5 percent. The fixed rate on the taxable bonds averaged 3.6 percent.

Paying off the \$66 million taxable debt in April 2015 took about \$5 million more from cash this year to cover the bond redemption premium. However, additional positive cash flow during the next four years is estimated to more than offset the premium, providing a net benefit to customer-owners of about \$2 million.

In addition to the \$66 million in accelerated principal payments made in April, principal payments were made in June and July to achieve the total net debt reduction goal this year of \$122 million to meet customer-owner expectations and District financial objectives. These payments included a final payment of an older, "senior" series of debt that eliminates a bond lien, simplifying the District's debt structure. These significant reductions also improve the District's ability to cover its debt and continue to meet the District's strategic plan financial goals of a debt ratio of less than 35 percent by 2019.

REDUCED SNOWPACK RESULTED IN BELOW-AVERAGE STREAMFLOWS FOR 2ND QUARTER

The snowpack that provides spring and summer flows was below average due to abnormally warm weather causing much of the precipitation to fall as rain instead of snow during the winter months.

The April – July water supply on the Columbia River was 74 percent of average. However, the rain pushed the Columbia River flows well above average for the 1st quarter. Combining the above-average stream flows experienced early in the year with below-average spring and summer runoff, the January –July water supply was 92 percent of average. Due to the District's risk management plans, hedging strategies and financial policies, the District expects to meet or exceed financial targets despite the stream flow volatility.

COMMUNITY'S VISION REALIZED FOR PARK AND TRAIL LINKING TWO RIVERS

After a year and half of construction, the completely rebuilt Entiat Park opened to the public in May 2015. The 30-acre park has a campground with 31 new RV sites and 26 new tent sites. The new Entiatqua Trail connects the Columbia Riverfront park to the Entiat River and to the city's riverfront development, as well as recreation opportunities in the Entiat Valley.

More than a decade of planning and cooperation between the city of Entiat and Chelan PUD resulted in the park renovations. Construction of the \$7-million project began in September 2013. The original Entiat Park was constructed in 1978 and was the first park built by Chelan PUD on the Rocky Reach Dam reservoir. Funding for the renovations was in the renewed federal license for the dam issued in 2009.

FIRE DAMAGE

In late June, a wind-driven firestorm scorched approximately 4,000 acres on the outskirts of Wenatchee destroying 30 homes and outbuildings in about 24 hours. Embers also sparked a fire that destroyed four industrial buildings in downtown Wenatchee. The fire struck suddenly and moved quickly through dried grasses and brush, driven by evening winds and high temperatures that made for tinderbox conditions.

The PUD's system fared well. Earlier proactive work identified by the PUD's transmission group and performed by PUD crews to clear brush and protect equipment, particularly transmission lines, was successful. A few distribution poles and transformers in the fire zone were damaged. Fewer than 100 electric customers and fiber system end users lost service, and the outages were concentrated in the areas of the fires.

Chelan PUD crews have since repaired the distribution poles and transmission structures and restored access to structures that were spared. All fiber services have been restored with the exception of those homes that were lost, but some follow-up work remains.

DOUGLAS AND CHELAN PUD CUSTOMERS BENEFIT FROM TRANSFER OF SERVICE AREA

Working together, Chelan and Douglas County PUDs have approved agreements to align electric service in the greater McNeil Canyon area – north and south of Beebe Bridge – with county boundaries and to make transmission reliability improvements that benefit both utilities. Work on the transmission lines will improve transmission system reliability for both utilities and ensure redundancy. The two PUDs will share the cost.

Chelan County PUD has served the greater McNeil Canyon area across the Columbia River in Douglas County since the 1950s when the PUD purchased the Chelan Dam along with transmission and distribution systems from Washington Water Power. The transfer of customers will be complete by mid-July.

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2015, the District recorded a change in net position of \$49.8 million, an increase in earnings of \$8.1 million from the same period in 2014. The increase in earnings is primarily due to an increase in wholesale revenue combined with a decrease in purchased power costs and reduced interest on long-term debt. Wholesale sales are higher as a result of increased generation at the District's hydro projects early in the year combined with lower retail sales resulting in additional energy that was surplus to the District's load requirements and available to sell on the wholesale market. Hydro generation was higher for the first half of the year due to earlier than normal run-off combined with outages in the prior year related to turbine repairs at Rocky Reach and the Wanapum reservoir drawdown. Purchased power costs are down compared to the prior year primarily as a result of lower average market prices. The District continues to purchase power to balance system loads and resources and to support its power hedging strategy. Interest on long-term debt is reduced primarily as a result of the retirement of debt in 2014, lowering balances on which interest is calculated.

As of June 30, 2015, combined unrestricted cash and investments totaled \$247.2 million compared to \$297.9 million from the same period in 2014. The \$50.7 million decrease is primarily attributable to debt repayments. Cash generated by positive operating results was more than offset by early retirements of debt. This also contributed to the \$98.2 million decrease in Current Assets. The \$43.0 million increase in Other Assets was due primarily to an increase in long-term investments as a result of the lengthening of investment strategies.

Current liabilities decreased \$25.0 million from the prior year due primarily to a decrease in the current portion of long-term obligations as a result of changes in regularly scheduled repayments of bond principal on existing debt combined with early debt repayments. Long-term debt decreased by \$124.6 million from the prior year due to continued implementation of the District's aggressive debt reduction plan. The reduced debt leverage supports the District's financial policies, customer-owner priorities, strong credit rating and long-term financial sustainability.



Kelly Boyd
Kelly Boyd
 Chief Financial Officer/
 Chief Risk Officer



CHELAN COUNTY
www.chelanpud.org

CONDENSED COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Unaudited)

Six months ended June 30, 2015

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra- District Transactions (1)	6 Months Ended 06/30/15	6 Months Ended 06/30/14
OPERATING REVENUES	\$ 46,237	\$ 49,218	\$ 3,974	\$ 171,364	\$ 4,529	\$ 8,213	\$ (69,219)	\$ 214,316	\$ 202,491
OPERATING EXPENSES	31,211	24,159	3,457	144,931	-	7,830	(69,219)	142,369	143,205
NET OPERATING INCOME	15,026	25,059	517	26,433	4,529	383	-	71,947	59,286
OTHER INCOME (EXPENSE) (2)	(6,735)	(12,754)	(920)	1,183	(5,500)	708	-	(24,018)	(18,988)
CAPITAL CONTRIBUTIONS	-	330	-	1,525	-	-	-	1,855	1,432
INTERFUND EQUITY TRANSFERS	-	-	58,805	(58,805)	-	-	-	-	-
CHANGE IN NET POSITION	\$ 8,291	\$ 12,635	\$ 58,402	\$ (29,664)	\$ (971)	\$ 1,091	\$ -	\$ 49,784	\$ 41,730

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

June 30, 2015

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra- District Transactions (1)	06/30/15	06/30/14
TOTAL CURRENT ASSETS	\$ 7,758	\$ 7,016	\$ 1,933	\$ 70,864	\$ 20,582	\$ 5,619	\$ -	\$ 113,772	\$ 211,944
NET UTILITY PLANT	318,719	311,752	92,973	303,426	-	28,598	-	1,055,468	1,065,170
RESTRICTED ASSETS - NONCURRENT	37,267	70,689	-	23,449	21,412	4,516	-	157,333	148,327
OTHER ASSETS	8,342	22,357	5,433	125,513	80,030	10,389	(15,063)	237,001	193,993
DEFERRED OUTFLOWS OF RESOURCES	-	2,978	-	-	6,188	-	-	9,166	12,499
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 372,086	\$ 414,792	\$ 100,339	\$ 523,252	\$ 128,212	\$ 49,122	\$ (15,063)	\$ 1,572,740	\$ 1,631,933

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES	\$ 23,674	\$ 33,522	\$ 3,799	\$ 31,258	\$ 18,706	\$ 18,626	\$ -	\$ 129,585	\$ 154,562
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	(450)	(13)	(286)	6,336	-	(5,587)	-	-	-
LONG-TERM DEBT	181,788	325,114	10,008	(1,263)	45,895	28,713	-	590,255	714,814
UNEARNED REVENUES	9,430	9,846	-	84,878	9,258	-	(15,063)	98,349	105,019
OTHER LIABILITIES	-	615	8,045	18,500	-	-	-	27,160	27,180
TOTAL LIABILITIES	214,442	369,084	21,566	139,709	73,859	41,752	(15,063)	845,349	1,001,575
DEFERRED INFLOWS OF RESOURCES	370	26,563	30	2,093	2,343	82	-	31,481	30,638
TOTAL NET POSITION	157,274	19,145	78,743	381,450	52,010	7,288	-	695,910	599,720
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 372,086	\$ 414,792	\$ 100,339	\$ 523,252	\$ 128,212	\$ 49,122	\$ (15,063)	\$ 1,572,740	\$ 1,631,933

ELECTRIC	2015	2014
As of June 30		
Number of Customers	49,504	49,084
Number of Residential Customers	37,034	36,609
YTD Average Residential Rate (Cents/kWh)	3.22	3.17

POWER GENERATION (MWh) (000)	2015	2014
6 months ended June 30		
Lake Chelan	240	185
Rocky Reach	3,376	3,407
Rock Island	1,669	1,444

HYDRO PRODUCTION COST/MWH GENERATED (\$/MWh)	2015	2014
6 months ended June 30		
Lake Chelan	\$ 16	\$ 30
Rocky Reach	11	10
Rock Island	22	27

NOTES TO CONDENSED STATEMENTS

(1) Intra-District transactions are eliminated.

(2) Consists primarily of investment income and interest expense on long-term debt.

Public Utility District No.1 of Chelan County (Chelan County PUD) has prepared condensed financial statements in accordance with generally accepted accounting principles. Condensed financial statements should be read in conjunction with the notes to the financial statements included in Chelan County PUD's Annual Report as of December 31, 2014. This information is provided for general information. Not all the information is intended for nor should it be relied upon for making investment decisions by current or prospective investors.