



**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.

Chelan PUD’s highest priority is keeping our core assets in top shape. Investing in our hydropower projects, distribution systems, facilities and people ensures 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.

**FIVE-YEAR STRATEGIC PLAN UNANIMOUSLY ADOPTED**

Continuing their look into the county’s future to provide the best for the most for the longest period of time, Chelan PUD commissioners relied on more than 6,000 ideas submitted by some 5,500 customer-owners who responded to a survey on various options. Commissioners relied on the responses in ranking options for the future.

In March, Commissioners invited customer-owners to review the draft strategic plan and send their comments in on the utility’s proposal for helping improve the quality of life in Chelan County for 2015-2019 and beyond. After hearing from the District’s Strategy Partners and customer-owners, and responding to the input, board members unanimously approved the District’s next strategic plan in early April.

The strategic plan focuses on investing for the long-term in District assets and people, paying down debt and keeping rates low and stable. The plan targets paying down debt by more than \$350 million through 2019, as well as meeting other financial targets. In addition, the plan provides for potential additional funding under a public power benefit program.

As the goals are accomplished, each year, our Board of Commissioners will consider the amount of the public power benefit based on actual financial performance combined with specific short-term and long-term financial metrics. Commissioners endorsed the cautious approach of “crawl before we walk and walk before we run” for initiating spending under the public power benefit program.

The Commissioners agreed the best way to provide public power benefits to all customer-owners is through low rates and high reliability. Beyond that, possible public power benefit spending would be based on customer responses received from the survey. Six Topic Teams made 20 recommendations that were then ranked by customer-owners. Commissioners prioritized

possibilities for future District projects in five areas:

- Parks
- Water and wastewater systems
- Fiber network
- Electrification
- Economic development

The strategic plan also lays out stewardship objectives for serving customer-owners and managing the core businesses. They are: Commit to the highest level of customer-owner satisfaction; invest to create long-term value for customer-owners; protect and enhance natural resources impacted by operations; ensure financial stability; make continuous improvement in efficient, effective, compliant and risk-assessed operations; enhance District staff skills; and focus on values in relationships with customers, stakeholders and each other.

**COMMISSIONERS HEAR FROM CUSTOMERS ON ELECTRIC SERVICE TO NEW LARGE LOADS**

In February, PUD commissioners weighed comments from customers, staff and large users before deciding to extend the moratorium for at least five months on accepting applications for electric service of 1 average megawatt (aMW) or more at a single location.

Commissioners agreed it is important to take time to finish strategic planning and for staff to study potential policy changes in the face of a dramatic increase in requests from firms seeking service for loads of 1 aMW or more. One megawatt is enough electricity to power 417 average Chelan County homes.

Board members set another hearing for July 6 to take more comment on the moratorium. They also asked for progress updates from staff on development of potential policy and operating changes.

About a dozen comments came in since the board put the moratorium in place in December 2014. Most favored taking time to consider policy changes in line with strategic planning to ensure the District adopts actions that benefit the greatest number of people with the most good for the longest period of time.

The moratorium does not affect normal load growth, such as requests to serve new subdivisions, stores, schools, medium-size fruit warehouses or manufacturing firms. All of those typically use less than 1 aMW. The District load growth for all types of electric customers in the past has been 1 to 3 aMWs a year.

**RECORD LAKE LEVELS AND ABOVE-AVERAGE STREAMFLOWS FOR THE QUARTER DESPITE BELOW-AVERAGE SNOWPACK**

Lake Chelan had the highest inflows on record since January 1 and is about seven feet higher than the expected average for early April, due to heavy fall precipitation in rain rather than in snow. However, the April – July runoff estimates for Lake Chelan are at 60-65 percent of average. Despite the below-average runoff forecasted for the next few months, the District still expects to meet the lake level targets.

Lots of rain also pushed the Columbia River flows well above average for the 1st quarter. Since the precipitation fell as rain rather than snow due to the abnormally warm weather, the snowpack that

provides spring and summer flow is below average. The current forecast is for above-average temperatures and below-average precipitation for the next few months. The April – July water supply forecast on the Columbia River is currently estimated at 85 percent of average. Combining the above average stream flows experienced early in the year with the below-average runoff forecasted, the January – July forecast is estimated to be 100% of average. Due to the District’s risk management plans, hedging strategies and financial policies in place, the District expects to meet or exceed the financial targets despite the stream flow volatility.

**FINANCIAL HIGHLIGHTS**

For the three months ended March 31, 2015, Chelan County PUD recorded a change in net position of \$30.2 million, an increase in earnings of \$11.4 million from the same period in 2014. The increase in earnings is primarily due to an increase in wholesale sales 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 resulting in additional energy that is surplus to the District’s load requirements and available to sell on the wholesale market. Hydro generation was lower in the prior year due to outages related to turbine repairs at Rocky Reach and the Wanapum reservoir drawdown. Purchased power costs are down compared to the prior year due to 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 March 31, 2015, combined unrestricted cash and investments totaled \$282.6 million compared to \$277.9 million from the same period in 2014. The increase in unrestricted reserves is primarily attributable to the District’s positive 2014 operating results. The \$39.8 million increase in Other Assets was due primarily to an increase in long-term investments as a result of higher overall cash and investment balances and in the lengthening of investment strategies.

Current liabilities decreased \$22.4 million from the prior year due 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 an early repayment on the 2011C bonds of \$9.1 million during 2015.

Long-term debt decreased by \$58.8 million 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  
 Chief Financial Officer/  
 Chief Risk Officer



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

Three months ended March 31, 2015

(in thousands)	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	3 Months Ended 03/31/15	3 Months Ended 03/31/14
<b>OPERATING REVENUES</b>	\$ 22,367	\$ 23,930	\$ 1,790	\$ 83,316	\$ 2,265	\$ 4,182	\$ (34,780)	\$ 103,070	\$ 97,307
<b>OPERATING EXPENSES</b>	14,879	11,412	1,537	68,428	-	4,008	(34,780)	65,484	69,228
<b>NET OPERATING INCOME</b>	7,488	12,518	253	14,888	2,265	174	-	37,586	28,079
<b>OTHER INCOME (EXPENSE) (2)</b>	(3,149)	(6,176)	(431)	1,006	972	(260)	-	(8,038)	(9,918)
<b>CAPITAL CONTRIBUTIONS</b>	-	140	-	499	-	-	-	639	630
<b>INTERFUND EQUITY TRANSFERS</b>	-	-	58,805	(58,805)	-	-	-	-	-
<b>CHANGE IN NET POSITION</b>	\$ 4,339	\$ 6,482	\$ 58,627	\$ (42,412)	\$ 3,237	\$ (86)	\$ -	\$ 30,187	\$ 18,791

**CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)**

March 31, 2015

(in thousands)	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	03/31/15	03/31/14
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>									
<b>TOTAL CURRENT ASSETS</b>	\$ 9,429	\$ 16,130	\$ 3,350	\$ 88,095	\$ 40,276	\$ 9,562	\$ -	\$ 166,842	\$ 202,173
<b>NET UTILITY PLANT</b>	321,156	314,159	93,367	302,377	-	28,502	-	1,059,561	1,066,334
<b>RESTRICTED ASSETS - NONCURRENT</b>	40,838	80,635	53	21,807	24,356	3,836	-	171,525	149,177
<b>OTHER ASSETS</b>	7,396	22,712	5,177	109,124	89,450	10,565	(15,289)	229,135	189,364
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	3,032	-	-	7,932	-	-	10,964	12,853
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 378,819	\$ 436,668	\$ 101,947	\$ 521,403	\$ 162,014	\$ 52,465	\$ (15,289)	\$ 1,638,027	\$ 1,619,901
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>									
<b>CURRENT LIABILITIES</b>	\$ 23,832	\$ 34,072	\$ 3,846	\$ 27,878	\$ 14,691	\$ 19,142	\$ -	\$ 123,461	\$ 145,812
<b>INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT</b>	(431)	(101)	(108)	5,224	-	(4,584)	-	-	-
<b>LONG-TERM DEBT</b>	191,987	350,512	11,036	12,346	78,324	31,665	-	675,870	734,674
<b>UNEARNED REVENUES</b>	9,593	10,006	-	86,327	9,414	-	(15,289)	100,051	106,721
<b>OTHER LIABILITIES</b>	-	570	8,157	18,500	-	-	-	27,227	27,159
<b>TOTAL LIABILITIES</b>	224,981	395,059	22,931	150,275	102,429	46,223	(15,289)	926,609	1,014,366
<b>DEFERRED INFLOWS OF RESOURCES</b>	516	28,617	48	2,426	3,367	131	-	35,105	28,754
<b>TOTAL NET POSITION</b>	153,322	12,992	78,968	368,702	56,218	6,111	-	676,313	576,781
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; NET POSITION</b>	\$ 378,819	\$ 436,668	\$ 101,947	\$ 521,403	\$ 162,014	\$ 52,465	\$ (15,289)	\$ 1,638,027	\$ 1,619,901

**ELECTRIC**

As of March 31	2015	2014
Number of Customers	49,609	48,883
Number of Residential Customers	37,103	36,452
YTD Average Residential Rate (Cents/kWh)	3.10	3.04

**POWER GENERATION (MWh) (000)**

3 months ended March 31	2015	2014
Lake Chelan	128	85
Rocky Reach	1,900	1,320
Rock Island	977	600

**HYDRO PRODUCTION COST/MWH GENERATED (\$/MWh)**

3 months ended March 31	2015	2014
Lake Chelan	\$ 14	\$ 30
Rocky Reach	9	14
Rock Island	18	30

**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.