



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 2022, they produced 9.5 million megawatt hours of affordable, emission-free electricity.

CHELAN COUNTY PUD AND PUGET SOUND ENERGY ANNOUNCE LONG-TERM CLEAN ENERGY CONTRACT

In February 2023, the District and Puget Sound Energy (PSE) entered into a contract for renewable hydropower from the District’s two hydro projects on the Columbia River. Under the terms of the 20-year contract, the District is selling PSE 25% of the hydropower output from Rocky Reach and Rock Island dams from 2031 through 2051. PSE’s current contracts with the District, expiring in 2026 and 2031, provide a portion of the output from the projects.

The competitively priced contract helps cover future costs of producing power at Rocky Reach and Rock Island dams and recognizes the increasing value of hydropower as a carbon-free renewable source of energy. The pricing under the cost-plus agreement includes fixed price components for the additional value provided from the output, including from environmental attributes and capacity.

With this new contract, the District continued implementation of its energy marketing strategy through a long-term sales contract designed to ensure that the District’s customer-owners benefit. Under the District’s long-term marketing strategy, the District offers a mix of shorter-term market-based and longer-term cost-based products. Both types of contracts are based on selling a “slice” of Chelan’s hydropower output, which reduces risk of variable output from hydropower production. Overall, the goal of the long-term marketing strategy is to strike the right balance of contracts to reduce risk, create value and provide financial stability for decades to come.

CHELAN COUNTY PUD SIGNS LAND EXCHANGE AGREEMENT WITH THE CITY OF WENATCHEE

Chelan PUD and the City of Wenatchee (the City) entered into a land exchange agreement in March 2023. The agreement includes a range of measures intended to reduce the anticipated impact of the City’s proposed Confluence Parkway project, which is a 2.5-mile bypass to alleviate traffic congestion along North Wenatchee Avenue.

The land exchange agreement trades a parcel of land along the western edges of Horan Natural Area and Confluence State Park for property

roughly equivalent in size from the City. The land swap provides value to the District’s customer-owners by securing and preserving undeveloped land.

The land exchange agreement also includes provisions requiring that the City implement noise abatement in areas where road noise is expected to have the greatest impact and make certain improvements to the Apple Capital Recreation Loop Trail for better safety and user experience.

The agreement also commits the City to reimburse the District to relocate two water wells that support Confluence State Park and replace state park staff housing that is in the path of the proposed roadway. In most cases, the City will cover the relocation of electrical transmission and distribution lines in coordination with roadway construction.

CHELAN COUNTY PUD ENTERS INTO IRRIGATION WATER SUPPLY AGREEMENT WITH OROVILLE-TONASKET IRRIGATION DISTRICT

In March 2023, the District entered into a mitigation water supply agreement with Oroville-Tonasket Irrigation District (OTID) for access to 4,000 acre-feet of water annually from April 1 through October 15 for irrigation from an Okanogan County water bank source. The District will pay \$1 million annually in exchange for the water resource. The term of the agreement is “indefinite,” but after the first two years, the District can terminate with a year’s notice. OTID can only terminate due to breach of the agreement by the District or if a government agency prevents its performance.

Through the agreement, the District gains access to water resources to meet future water supply needs. Future needs include possible use for hatcheries, parks, water systems and power generation. In the near term, the water will be used to maintain in-stream flows until the water is needed for other uses.

The agreement provides value to the District’s customer-owners by providing protection for District assets that enhance the quality of life in Chelan County.

WATER SUPPLY FORECASTS

The early May forecast from the Northwest River Forecast Center forecasts January-July water supply on the Columbia River to be 86 percent of average at Grand Coulee Dam. The District expects below average generation under the forecasted water conditions on the Columbia River. Due to the District’s risk management plans, hedging strategies, financial policies, and higher than budgeted wholesale prices, the District still expects to meet or exceed financial targets.

The April 1st water supply forecast for the Lake Chelan drainage basin is 81 percent of average from April through July. Lake Chelan Hydro Project operations will continue to balance the operating objectives, which puts the District in a good position to fill the lake on time. Last year’s actual water supply from April 1 through July 31 was 108 percent of average.

FINANCIAL HIGHLIGHTS

For the three months ended March 31, 2023, Chelan County PUD recorded a change in net position of \$42.3 million, an increase in earnings of \$7.8 million from the same period in 2022. The increase is due

to increased operating revenues resulting primarily from additional proceeds from a long-term power sales agreement and higher average market prices received on surplus sales of electricity. These increases in operating revenues were partially offset by an increase in purchased power costs that resulted from higher wholesale energy prices.

As of March 31, 2023, combined unrestricted cash and investments totaled \$360.4 million, comparable to the \$377.5 million reported for the same period in 2022. Strong operating results have allowed the District to maintain relatively stable unrestricted cash and investment balances while continuing to fund a portion of both debt repayments and capital spending from unrestricted operating reserves. Current assets are up \$10.9 million compared to the prior year due primarily to increases in cash and cash equivalents and inventories of materials and supplies. The increase in cash and cash equivalents is a result of the District’s ongoing management of its investment portfolio to meet expected cash flows. Material and supply inventories are up due to a combination of supply chain issues and higher material prices. Utility plant balances increased \$107.5 million with investments in major projects including ongoing modernization work at the Rock Island hydropower project, construction of new substations and continued progress towards the District’s new Service Center. The primary driver behind a \$80.9 million increase in Restricted Assets – Noncurrent was the issuance of internal loans from unrestricted cash operating reserves to Rock Island and Rocky Reach hydroelectric systems for restricted use. The loaned funds are now held in the hydros and restricted for capital spending and debt reduction in accordance with long-term power sales agreements. Other assets decreased by \$42.9 million primarily due to a decrease in net pension asset. Deferred outflows of resources increased \$18.0 million. Both the decrease in net pension asset and the increase in deferred outflows of resources are due to a decline in the funded status of the Washington State Department of Retirement Systems’ PERS Plans 2 and 3 as a result of the 2022 actuarial valuation. While the plans are still overfunded, the valuation was negatively impacted by changes of assumptions and differences between projected and actual investment earnings.

Long-term debt decreased by \$41.0 million due to a combination of early retirements and regularly scheduled principal payments on existing debt. The District’s debt level continues to meet established debt leverage metrics while supporting the District’s financial policies, customer-owner priorities, strong credit rating and long-term financial stability. Deferred inflows of resources decreased by \$33.9 million primarily due to a decline in the funded status of the Washington State Department of Retirement Systems’ PERS Plans 2 and 3 as a result of the 2022 actuarial valuation.



Kelly Boyd
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, 2023

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	3 Months Ended 3/31/2023	3 Months Ended 3/31/2022
OPERATING REVENUES	\$ 21,574	\$ 33,089	\$ 3,180	\$ 133,430	\$ 1,458	\$ 7,302	\$ (59,036)	\$ 140,997	\$ 109,089
OPERATING EXPENSES	17,300	17,833	2,144	114,027	-	7,206	(59,036)	99,474	74,611
NET OPERATING INCOME	4,274	15,256	1,036	19,403	1,458	96	-	41,523	34,478
OTHER INCOME (EXPENSE) (2)	(1,745)	(5,463)	(227)	3,643	3,136	342	-	(314)	(2,030)
CAPITAL CONTRIBUTIONS	-	293	-	761	-	-	-	1,054	2,024
CHANGE IN NET POSITION	\$ 2,529	\$ 10,086	\$ 809	\$ 23,807	\$ 4,594	\$ 438	\$ -	\$ 42,263	\$ 34,472

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

March 31, 2023

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	3/31/2023	3/31/2022
TOTAL CURRENT ASSETS	\$ 14,320	\$ 14,413	\$ 2,160	\$ 135,003	\$ 3,395	\$ 22,825	\$ -	\$ 192,116	\$ 181,207
NET UTILITY PLANT	273,844	536,956	83,414	394,452	-	207,331	-	1,495,997	1,388,450
RESTRICTED ASSETS - NONCURRENT	29,861	114,972	-	29,325	14,581	8,234	-	196,973	116,122
OTHER ASSETS	13,898	30,530	6,324	249,863	7,963	49,594	(10,501)	347,671	390,613
DEFERRED OUTFLOWS OF RESOURCES	7,943	8,653	996	10,462	420	459	-	28,933	10,943
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES (3) (4)	\$ 339,866	\$ 705,524	\$ 92,894	\$ 819,105	\$ 26,359	\$ 288,443	\$ (10,501)	\$ 2,261,690	\$ 2,087,335
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES	\$ 3,599	\$ 31,387	\$ 975	\$ 29,448	\$ 12,652	\$ 32,119	\$ -	\$ 110,180	\$ 117,226
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	12,229	10,761	(379)	9,854	(23,118)	(9,347)	-	-	-
LONG-TERM DEBT	-	124,921	-	4,555	202,979	-	-	332,455	373,433
INTERSYSTEM PAYABLE (RECEIVABLE) - NONCURRENT	59,794	211,879	(11,116)	(140,269)	(354,655)	234,367	-	-	-
UNEARNED REVENUES	6,642	6,791	-	113,950	4,271	-	(10,501)	121,153	93,294
OTHER LIABILITIES	13,921	16,535	9,965	12,611	-	7,503	-	60,535	38,411
TOTAL LIABILITIES	96,185	402,274	(555)	30,149	(157,871)	264,642	(10,501)	624,323	622,364
DEFERRED INFLOWS OF RESOURCES	11,328	28,825	1,421	28,377	640	246	-	70,837	104,735
TOTAL NET POSITION	232,353	274,425	92,028	760,579	183,590	23,555	-	1,566,530	1,360,236
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 339,866	\$ 705,524	\$ 92,894	\$ 819,105	\$ 26,359	\$ 288,443	\$ (10,501)	\$ 2,261,690	\$ 2,087,335

ELECTRIC

As of March 31	2023	2022
Number of Customers	50,762	49,962
Number of Residential Customers	41,363	40,640
YTD Average Residential Rate (Cents/kWh)	3.20	3.13

POWER GENERATION (MWh) (000)

3 months ended March 31	2023	2022
Lake Chelan	70	136
Rocky Reach	1,152	1,735
Rock Island	594	823

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

3 months ended March 31	2023	2022
Lake Chelan	\$ 30	\$ 15
Rocky Reach	16	10
Rock Island	39	25

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, 2022. 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.