



**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 2019, they produced 7.7 million megawatt hours of affordable, emission-free electricity.

### PUD SUCCESSFULLY MARKETS REVENUE BONDS

In May 2020, Chelan County PUD successfully marketed \$133.8 million in Consolidated System Revenue Bonds, Series 2020ABC. A portion of the proceeds and available District funds were used to refinance and retire \$65.7 million of existing debt. The remainder of the funding will be used to finance long-lived capital assets at low rates achieved in the current favorable interest rate environment. As part of the Series 2020ABC bond sale, two bond rating agencies, Fitch Ratings and Standard & Poor's Ratings Services, reaffirmed the District's strong overall bond ratings of AA+. The reaffirmation of these favorable bond credit ratings helps to keep the District's cost of borrowing low and reinforces the strong financial health of the utility.

The series 2020A, 2020B and 2020C bonds in the amount of \$109.6 million, \$11.0 million and \$13.2 million, respectively, were issued as fixed rate bonds with coupon interest rates ranging from 4.0% to 5.0% with yields ranging from 1.0% to 2.9% and annual maturities between July 1, 2022, and July 1, 2039.

### CHELAN PUD FORESEES MODEST IMPACT ON 2020 FINANCES FROM COVID-19

Chelan PUD's strong finances are helping it weather what so far have been modest impacts to revenues and costs as a result of the COVID-19 outbreak. Financial results for the first six months of 2020 and our forecasts for the remainder of the year show that the COVID-19 outbreak isn't expected to have significant impacts on year-end results. Proactive measures implemented at the outbreak of the pandemic continue to protect PUD staff and customers, including closing lobbies, requiring non-emergency employees to work from home, implementing social distancing measures for the PUD's on-site essential staff and curtailing projects and maintenance to essential projects that can be completed with minimal contact between employees.

The District's finances remain strong, and all metrics are being met. Chelan PUD's ability to meet predicted impacts show the

resilience gained with prudent financial policies, a strong cash position, robust risk management and hedging policies, as well as business continuity plans and actions.

The PUD also continues to support actions that make an impactful and meaningful difference to community members in need, including waiving late fees, suspending disconnects for failure to pay and delaying already approved rate increases. The District also partnered with local service providers to create up to 50 Wi-Fi access points across the county to provide free internet access to help people who are coping with impacts of the coronavirus crisis, including the need for students to continue learning while schools are physically closed.

### CHELAN COUNTY FAMILIES HAVE NEW, LOW-COST OPTION FOR HIGH-SPEED INTERNET ACCESS

In addition to the new Wi-Fi access points mentioned above, Chelan County PUD is also partnering with local companies to roll out a low-cost internet access package. The package is aimed at reducing the "digital divide" faced by many families as internet access is increasingly vital for students and for people working at home.

A low-cost service option answers a need in the community as internet access has become as vital a service as electricity. In response, the District's board set wholesale fiber rates to encourage retail service providers to create more affordable options.

### TWO FEDERAL AGENCIES JOIN CHELAN PUD RESEARCH GROUP

The nation's largest hydropower producers are partnering with Chelan County PUD to ensure that hydroelectric power remains the most reliable, renewable energy source for decades to come. The Hydropower Research Institute (HRI) is a data-sharing collective intended to help hydropower facilities save money on maintenance and better predict mechanical failures.

The nonprofit was founded in 2018 when Chelan County PUD teamed up with Southern Company, one of the country's largest utilities, based in the southeast U.S. The U.S. Army Corps of Engineers joined HRI in 2019.

The U.S. Bureau of Reclamation and U.S. Department of Energy are HRI's newest partners. The Bureau of Reclamation operates 53 hydropower facilities, which generates enough energy to power nine million homes.

Combined, the partners represent more than 40% of the nation's hydroelectric capacity.

The Department of Energy will use the combined data for research at its Water Power Technologies Office and the Oak Ridge National Laboratory. Recently, its research showed that operations and maintenance costs for many aging hydroelectric facilities are rising.

Data compiled by the group will assist modeling of how equipment will age under operating conditions. This will provide data about operations and failures giving ways to predict the impact of operations and better manage assets. Additionally, this information will allow projects to plan outages rather than experience forced outages reducing maintenance costs and downtime.

### WATER SUPPLY FORECASTS

The Northwest River Forecast Center forecasted January-July water supply on the Columbia River to be 108 percent of average at Grand Coulee Dam. The District expects near average generation under the forecasted water conditions.

The 2020 water supply forecast for the Lake Chelan drainage basin was 89 percent of average from April 1 through July 31. Lake Chelan Hydro Project operations will continue to follow the dry-to-average year lake level range, which puts the District in a good position to meet all lake level targets for the year. Last year's actual water supply from April 1 through July 31 was 74 percent of average.

### FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2020, Chelan County PUD recorded a change in net position of \$36.6 million, a decrease in earnings of \$33.3 million from the same period in 2019. The decrease is due primarily to non-recurring proceeds received last year from a long-term power sales agreement and an insurance settlement. Retail sales were also lower than last year due to weather and COVID-19 impacts, but the decreases were offset by revenue associated with a new off-system retail load.

As of June 30, 2020, combined unrestricted cash and investments totaled \$441.6 million compared to \$438.0 million from the same period in 2019. The \$58.8 million increase in current assets is due to the maturity of long-term investments that were reinvested for a shorter term. Restricted noncurrent assets increased by \$71.0 million due to bond proceeds received from the District's issuance of revenue bonds. Also, while current assets increased, other assets decreased by \$46.2 million due to investment balances that were previously long-term being reinvested over a shorter term. Utility plant balances increased with investments in major projects including ongoing modernization at Rock Island, a Customer Information System upgrade and progress towards the District's new service center.

Long-term debt increased by \$57.3 million due to the District's \$133.8 million issuance of the 2020ABC bonds net of the related refunded and retired balances and regularly scheduled principal payments on existing debt. The debt activity leverages the current favorable interest rate environment to support 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)**

Six months ended June 30, 2020

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	6 Months Ended 06/30/20	6 Months Ended 06/30/19
<b>OPERATING REVENUES</b>	\$ 43,525	\$ 58,860	\$ 6,628	\$ 138,040	\$ 4,089	\$ 12,583	\$ (93,604)	\$ 170,121	\$ 202,043
<b>OPERATING EXPENSES</b>	35,141	30,284	4,400	142,254	-	11,624	(93,604)	130,099	128,867
<b>NET OPERATING INCOME (LOSS)</b>	8,384	28,576	2,228	(4,214)	4,089	959	-	40,022	73,176
<b>OTHER INCOME (EXPENSE) (2)</b>	(3,667)	(11,014)	(714)	5,095	4,271	455	-	(5,574)	(6,464)
<b>CAPITAL CONTRIBUTIONS</b>	-	264	-	1,896	-	-	-	2,160	3,158
<b>INTERFUND TRANSFERS</b>	(92)	(87)	(16)	(106)	-	301	-	-	-
<b>CHANGE IN NET POSITION</b>	\$ 4,625	\$ 17,739	\$ 1,498	\$ 2,671	\$ 8,360	\$ 1,715	\$ -	\$ 36,608	\$ 69,870

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

June 30, 2020

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	06/30/20	06/30/19
<b>TOTAL CURRENT ASSETS</b>	\$ 14,009	\$ 14,213	\$ 3,482	\$ 169,457	\$ 31,639	\$ 23,386	\$ -	\$ 256,186	\$ 197,391
<b>NET UTILITY PLANT</b>	282,710	425,973	86,225	335,030	-	66,832	-	1,196,770	1,161,900
<b>RESTRICTED ASSETS - NONCURRENT</b>	24,596	98,398	-	377	116,226	5,320	-	244,917	173,949
<b>OTHER ASSETS</b>	4,842	17,213	4,264	204,044	48,493	23,746	(11,345)	291,257	337,413
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	2,218	4,128	251	3,245	1,822	170	-	11,834	11,295
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 328,375	\$ 559,925	\$ 94,222	\$ 712,153	\$ 198,180	\$ 119,454	\$ (11,345)	\$ 2,000,964	\$ 1,881,948
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>									
<b>CURRENT LIABILITIES</b>	\$ 14,973	\$ 37,625	\$ 2,236	\$ 21,493	\$ (3,241)	\$ 26,596	\$ -	\$ 99,682	\$ 110,844
<b>INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT</b>	(2,125)	(1,321)	(431)	9,775	-	(5,898)	-	-	-
<b>LONG-TERM DEBT (3)</b>	90,245	308,074	512	(17,145)	61,993	76,453	-	520,132	462,827
<b>UNEARNED REVENUES</b>	7,010	7,222	-	108,201	6,023	-	(11,345)	117,111	130,947
<b>OTHER LIABILITIES</b>	17,034	17,930	10,017	11,398	-	-	-	56,379	64,310
<b>TOTAL LIABILITIES</b>	127,137	369,530	12,334	133,722	64,775	97,151	(11,345)	793,304	768,928
<b>DEFERRED INFLOWS OF RESOURCES</b>	4,992	31,929	622	15,211	4,775	1,111	-	58,640	44,675
<b>TOTAL NET POSITION</b>	196,246	158,466	81,266	563,220	128,630	21,192	-	1,149,020	1,068,345
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; NET POSITION</b>	\$ 328,375	\$ 559,925	\$ 94,222	\$ 712,153	\$ 198,180	\$ 119,454	\$ (11,345)	\$ 2,000,964	\$ 1,881,948

**ELECTRIC**

As of June 30	2020	2019
Number of Customers	52,367	51,816
Number of Residential Customers	39,684	39,159
YTD Average Residential Rate (Cents/kWh)	3.19	3.14

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

6 months ended June 30	2020	2019
Lake Chelan	178	148
Rocky Reach	2,986	2,614
Rock Island	1,389	1,280

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

6 months ended June 30	2020	2019
Lake Chelan	\$ 26	\$ 28
Rocky Reach	13	7
Rock Island	30	33

**NOTES TO CONDENSED STATEMENTS**

(1) Intra-District transactions are eliminated.

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

(3) Utility Services receivable consists primarily of unamortized prepaid Internal Service assets.

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, 2019. 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.