



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.

STRATEGIC FOCUS ON FINANCES KEEPS BOND RATING STRONG

Fitch has affirmed the ‘AA+’ rating with a Stable outlook on all of the District’s outstanding consolidated system revenue and refunding bonds and project revenue bonds. The rating agency firm reported that the key factors leading to the rating included the District’s:

- “Exceptionally” low-cost power resources
- Mitigation for wholesale market risks through its hedging program
- Strong financial performance and metrics
- Favorable debt reduction plan
- Ample unrestricted cash reserves

Customer-owners put a high priority on reducing debt as part of the District’s strategic plan. Earlier this year, the District achieved another milestone of paying down \$122 million in net debt as planned, staying on track with its goal to bring down the District’s debt ratio to under 35 percent by 2019.

TURBINE REPAIRS FOR LARGE UNITS AT ROCKY REACH DAM STAY ON SCHEDULE

In September, District Commissioners heard that turbine repairs for the four largest units at Rocky Reach Dam are on schedule. Commissioners were updated on the schedule for repair of the first unit, unit C8, and on plans to give the contractor notice to proceed on ordering long lead time equipment for a second unit. The work follows strategic direction from commissioners to invest in key District assets and people.

Turbine repairs on the first unit, including commissioning, are expected to take through the first quarter of 2017. The outage to begin work on the second unit is currently estimated for June 2017. Schedules could change depending on work to repair windings in the generators of the four units that will be done at the same time under a separate contract.

CHELAN AREA FIRE DAMAGE

In August, several devastating fires ignited by lightning strikes caused significant damage to transmission and distribution equipment in the Chelan, Manson and Chelan Falls areas. Damage also occurred to the District’s fiber network system.

Several District crews assisted by contract and mutual aid crews from other Public Utility Districts worked quickly to make repairs and restore power as soon as it was safe. Crews were able to restore power to some meters in less than 72 hours. Other outages, especially those in steep and unstable terrain, took some time to repair. Chelan Falls and Beebe Bridge Parks were closed to the public and used as staging areas for fire personnel and the National Guard.

COMMISSIONERS UPDATE AND EXTEND LARGE LOAD MORATORIUM FOR FIVE MONTHS

Seeking to protect low electric rates for customer-owners, in early July District Commissioners extended the moratorium on accepting applications for new electric service of 1 average megawatt (aMW) or more and expanded it to cover all applicants seeking high-intensity power use.

In keeping with the District’s strategic plan, board members decided that more information was needed to ensure the best for the most for the longest as set out in the 2015 – 2019 strategic plan. The action extends the moratorium on those new applications until another hearing in early December 2015, and defines high-intensity energy users as those with plans to use 250 kilowatt hours of electricity per square foot per year or more.

This new and growing electric load uses power at a rate 10 to 100 times greater than typical Chelan County businesses. District staff has found that energy use intensity (EUI) is a characteristic of data processing operations and similar technology industries such as bitcoin (digital currency) miners.

In asking the board to extend the moratorium, District staff will use the time to develop rates and policies that address the financial and operational impact on the electric system of high-intensity users. Updated rates and policies can help protect the low electric rates for the District’s existing customer-owners.

The goal is to maintain value for customer-owners and protect the District’s mission to provide sustainable, reliable utility services that enhance the quality of life in Chelan County. 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 which typically use less than 250 kilowatt hours per square foot per year.

FINANCIAL HIGHLIGHTS

For the nine months ended September 30, 2015, the District recorded a change in net position of \$78.4 million, an increase in earnings of \$10.1 million from the same period in 2014. The increase in earnings is primarily due to an increase in wholesale sales combined with reduced interest on long-term debt. Wholesale sales are higher as a result of increased market prices on slice and block sales of energy that were previously locked in through the District’s hedging program. The increase in wholesale sales is partially offset by higher purchased power expense also due to continued implementation and management of the District’s 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 September 30, 2015, combined unrestricted cash and investments totaled \$223.2 million compared to \$240.9 million from the same period in 2014. The \$17.7 million decrease is primarily attributable to debt repayments. Cash generated by positive operating results as well as a portion of cash reserves were utilized for early retirements of debt. This also contributed to the \$67.9 million decrease in Current Assets. The \$44.1 million increase in Other Assets was due primarily to an increase in long-term investments as a result of the lengthening of investment strategies.

Long-term debt decreased by \$114.2 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
 Chief Financial Officer/
 Chief Risk Officer

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

Nine months ended September 30, 2015

(in thousands)	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	9 Months Ended 09/30/15	9 Months Ended 09/30/14
OPERATING REVENUES	\$ 68,582	\$ 73,378	\$ 6,998	\$ 254,222	\$ 6,294	\$ 12,632	\$ (103,805)	\$ 318,301	\$ 299,453
OPERATING EXPENSES	46,121	35,895	5,201	217,928	-	11,633	(103,805)	212,973	206,914
NET OPERATING INCOME	22,461	37,483	1,797	36,294	6,294	999	-	105,328	92,539
OTHER INCOME (EXPENSE) (2)	(9,945)	(18,910)	(1,468)	2,787	(3,474)	776	-	(30,234)	(27,144)
CAPITAL CONTRIBUTIONS	-	513	-	2,747	-	-	-	3,260	2,909
INTERFUND EQUITY TRANSFERS	-	-	58,805	(58,805)	-	-	-	-	-
CHANGE IN NET POSITION	\$ 12,516	\$ 19,086	\$ 59,134	\$ (16,977)	\$ 2,820	\$ 1,775	\$ -	\$ 78,354	\$ 68,304

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

September 30, 2015

(in thousands)	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	09/30/15	09/30/14
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
TOTAL CURRENT ASSETS	\$ 5,944	\$ 5,227	\$ 1,210	\$ 48,989	\$ 7,968	\$ 2,995	\$ -	\$ 72,333	\$ 140,228
NET UTILITY PLANT	315,680	311,192	92,509	306,174	-	28,441	-	1,053,996	1,061,640
RESTRICTED ASSETS - NONCURRENT	39,879	79,736	-	24,746	21,680	6,167	-	172,208	156,799
OTHER ASSETS	9,303	24,050	7,287	149,162	62,359	11,866	(14,838)	249,189	205,109
DEFERRED OUTFLOWS OF RESOURCES	-	2,925	-	-	5,909	-	-	8,834	11,988
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 370,806	\$ 423,130	\$ 101,006	\$ 529,071	\$ 97,916	\$ 49,469	\$ (14,838)	\$ 1,556,560	\$ 1,575,764
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES	\$ 22,584	\$ 32,841	\$ 3,756	\$ 26,898	\$ (10,644)	\$ 17,659	\$ -	\$ 93,094	\$ 93,340
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	47	3	(24)	4,337	-	(4,363)	-	-	-
LONG-TERM DEBT	176,790	326,764	9,726	(1,062)	40,857	28,029	-	581,104	695,350
UNEARNED REVENUES	9,266	9,685	-	83,428	9,102	-	(14,838)	96,643	103,315
OTHER LIABILITIES	-	660	8,003	18,500	-	-	-	27,163	27,202
TOTAL LIABILITIES	208,687	369,953	21,461	132,101	39,315	41,325	(14,838)	798,004	919,207
DEFERRED INFLOWS OF RESOURCES	620	27,581	70	2,833	2,800	172	-	34,076	30,263
TOTAL NET POSITION	161,499	25,596	79,475	394,137	55,801	7,972	-	724,480	626,294
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 370,806	\$ 423,130	\$ 101,006	\$ 529,071	\$ 97,916	\$ 49,469	\$ (14,838)	\$ 1,556,560	\$ 1,575,764

ELECTRIC

As of September 30	2015	2014
Number of Customers	49,559	49,421
Number of Residential Customers	37,108	36,917
YTD Average Residential Rate (Cents/kWh)	3.27	3.23

POWER GENERATION (MWh) (000)

9 months ended September 30	2015	2014
Lake Chelan	307	289
Rocky Reach	4,590	4,879
Rock Island	2,300	2,046

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

9 months ended September 30	2015	2014
Lake Chelan	\$ 19	\$ 29
Rocky Reach	12	11
Rock Island	24	29

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.