Project: 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 condition. 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.

**CHelan COUNTY PUD EARS TOP MARKS FROM ITS PARTNERS**
Chelan County PUD has earned extraordinary high marks for working collaboratively, according to key organizations that work with the PUD.

Every two years since 2014, the PUD has asked its key partners about their top concerns, and how well the PUD works with them to address those issues. This year’s assessment scores as among the highest they’ve observed.

Bourke Business Intelligence, a Texas-based firm, interviewed partners and said they were “extremely satisfied.”

The PUD’s strategic planning process.

**BOARD APPROVES DESIGN CONTRACT FOR ROCK ISLAND POWERHOUSE**
Chelan PUD commissioners approved a $4.5 million contract with GE Renewables to begin the design process for the rehabilitation of eight bulb-generating units at Rock Island Powerhouse 2. These units, installed in the late 1970s with a 40-year design life, are beginning to show signs of wear.

The design is expected to be completed in late 2020. The work to rehabilitate the eight generating units is expected to begin in 2021 and be completed by 2030. Rock Island Dam is the second largest of three hydroelectric sites operated by Chelan County PUD. There are eight horizontal bulb-generating units in Powerhouse 2, and they are the only such turbines on the Columbia River and one of the few in North America. Each unit will be down for a year for rehabilitation.

**Chelan PUD breaks ground on new Service center at Olds Station**
In August 2020, Chelan PUD commissioners dug the first shovelful of earth at Olds Station, future home of the PUD’s comprehensive Service Center. After years of careful study, the Board of Commissioners determined that a centralized facility would provide the best value and experience for the most people over the next 50 to 100 years. The 39-acre campus will combine most of the PUD’s non-hydro services, including Customer Service, Warehouse, Fish and Wildlife and Customer Energy Solutions.

The Olds Station site is the geographic center of Chelan County, which will help reduce response times and operational costs. The centralized location also creates one convenient stop where customer-owners can pay bills, apply for new services, and meet with staff and commissioners.

Construction is slated through 2022, with a gradual move-in planned for late 2022 or early 2023. About 78% of the first-phase work was awarded to local contractors. Sales tax payments associated with the nearly $140 million project will also provide a local economic boost.

The new Service Center will replace several aging PUD facilities, including its downtown headquarters built in 1955. The PUD is working with the City of Wenatchee, Regional Port Authority, Wenatchee Valley Chamber, Wenatchee Downtown Association and a citizen advisory committee to explore future development of the 7.5-acre downtown campus.

**COMMISSIONERS Approve Acceleration of FIBER BUILD OUT**
Chelan PUD commissioners approved an accelerated schedule to build the fiber network to about 5,800 homes by 2024. This project will be up to 120 homes sooner than originally planned. The fiber expansion would connect more rural neighborhoods to the PUD’s fast broadband network ahead of schedule. In 2016, the PUD committed $25 million to reach 85-90 percent of the county by 2026. With the accelerated schedule, the PUD will spend an additional $2 million in Public Power Benefit program funding to bring more homes online by 2024. An accelerated build-out was one of the top requests from customer-owners during the PUD’s strategic planning process.

**COVID-19 IMPACTS ON 2020 FINANCES REMAIN MODEST**
Chelan PUD’s strong finances continue to help it weather the modest impacts to revenues and costs as a result of the COVID-19 pandemic. Financial results for the first nine months of 2020 and our forecasts for the remainder of the year show that the pandemic isn’t expected to have significant impacts on year-end results. Proactive measures remain in place to protect PUD staff and customers, including closed lobbies, non-emergency employees working from home, and required safety measures for on-site essential staff.

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, delaying already approved rate increases, and partnering with local service providers to create Wi-Fi access points across the county to provide free internet access to help the community and students in need of Wi-Fi access.

**MISSION HIGHLIGHTS**
For the nine months ended September 30, 2020, Chelan County PUD recorded a change in net position of $53.4 million, a decrease in earnings of $33.4 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-site renewable energy project.

As of September 30, 2020, combined unrestricted cash and investments totaled $433.9 million, compared to $478.5 million from the same period in 2018. The $63.6 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 $63.3 million due to bond proceeds received from the District’s issuance of revenue bonds. Also, while current assets increased, other assets decreased by $58.7 million due to investment balances that were previously long-term being reinvested for 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 $62.5 million due to the District’s $133.8 million issuance of the 2020AABC bonds net of 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.
### HYDRO PRODUCTION COST/MWh GENERATED

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td>Lake Chelan</td>
<td>$25</td>
<td>$28</td>
</tr>
<tr>
<td>Rocky Reach</td>
<td>$13</td>
<td>$11</td>
</tr>
<tr>
<td>Rock Island</td>
<td>$32</td>
<td>$35</td>
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### POWER GENERATION (MWh) (000)

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<tbody>
<tr>
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<td>223</td>
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<tr>
<td>Rocky Reach</td>
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<td>3,705</td>
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<tr>
<td>Rock Island</td>
<td>2,006</td>
<td>1,778</td>
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### ELECTRIC

- **As of September 30**

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

#### September 30, 2020

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### 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.