



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 2020, they produced 8.8 million megawatt hours of affordable, emission-free electricity.

CHELAN PUD NAMES KIRK HUDSON AS NEW GENERAL MANAGER

After an extensive national search, the Chelan County PUD Commission unanimously selected Kirk Hudson, Chelan PUD's current managing director of generation and transmission, as its new general manager. Hudson, who will assume the role on Jan. 1, 2022, has served in several positions for Chelan PUD in the past 24 years and is a recognized public power leader in the Pacific Northwest. Commissioners stated that Hudson was the best candidate to lead the implementation of the PUD's critical strategic priorities. He replaces the retiring Steve Wright who has served as general manager since 2013.

In addition to his experience at Chelan PUD, in 2018 Hudson led the formation of the Hydropower Research Institute, a data-driven collaborative aimed at driving the digital transformation of hydropower. He also worked in the consulting industry for seven years prior to joining the PUD. Hudson graduated from the University of Washington with a degree in civil engineering. Hudson is the 13th general manager since Chelan PUD was formed in 1936.

FIVE-YEAR PRIORITIES FOCUSED ON ENERGY GENERATION, CUSTOMER SERVICE

Chelan PUD commissioners conducted their annual review of a five-year plan that maps out how the PUD will provide the best value for the most people for the longest time. The five-year business plan continues large investments in dam modernization, expanded access to fiber internet, and better customer service tools. Here's a summary of the initiatives planned to support the PUD's four strategic goals:

- **Invest in assets and people.** The five-year plan calls for improving hydropower capability, from about 77 percent now to 89 percent in 2025, by investing in maintenance and improvements at Rocky Reach and Rock Island dams. The PUD will also invest in new customer service technology to support real-time outage and energy usage information, including mobile-friendly options.
- **Maintain strong and resilient financials.** The PUD plans to continue to meet its financial goals with flexibility to adapt to changing circumstances. The debt ratio is expected to be well below the 35% target throughout the five-year plan, ending with less than 16% in 2026.

- **Enhance quality of life in Chelan County.** The five-year plan maintains a \$6-million investment annually for public power benefit projects, including the expansion of the utility's fiber internet network to 5,800 more homes by 2024.
- **Support economic development.** The PUD is planning to build more electrical distribution infrastructure in Chelan County, including additional substations, to accommodate residential and industrial growth and to improve reliability.

The combination of financial strength, better-than-forecasted revenues in 2021, and an energy market that values renewable, carbon-free hydropower keeps the PUD on the path to invest in capital projects without taking on new debt until 2023 or thereafter.

CHELAN PUD PREPARES LONG-TERM POWER CONTRACTS FOR A NEW ENERGY MARKET

Chelan PUD is taking steps toward implementing its long-term energy marketing strategy as it looks to replace long-term, cost-based contracts due to expire over the next 10 years. Chelan PUD produces more than enough power to meet local demand for electricity. Surplus energy produced by Rocky Reach and Rock Island dams is sold in wholesale power markets using cost-based and market-based contracts. The PUD uses that revenue to keep local rates low and enhance the quality of life for customer-owners with services like parks and high-speed internet.

Chelan PUD will have energy available for sale after long-term contracts with Alcoa and Puget Sound Energy expire in 2028 and 2031, respectively. Under the long-term marketing strategy, the PUD plans to offer some cost-based products that would produce more revenue than existing contracts while also offering purchasers capacity and carbon-free energy at a price below other renewables.

Driven by a regulatory pull toward more carbon-free energy sources, demand for renewable energy is rising, which has increased prices. Hydropower is a cornerstone among renewables because it economically produces energy around-the-clock without sun, wind, or air emissions.

The District has developed a template for long-term energy contracts, which will serve as a starting point for negotiations with potential buyers. Included in the new contract template are the best features of past agreements, including:

- It provides buyers a "slice," which is a percentage of energy produced from the dams. The PUD and purchasers would share the output of Rock Island and Rocky Reach aligning interests to maximize the value of Chelan PUD hydropower.
- Buyers would agree to cover a slice of costs related to producing and delivering energy, to help mitigate risks such as low river flows, and equipment outages. The contract template retains PUD control of all capital, operations and maintenance expenditures related to its dams and transmission lines.

The PUD is engaging potential purchasers in discussions about the contract template.

COVID-19 IMPACTS ON 2021 FINANCES REMAIN MODEST

Chelan PUD's strong finances continue to help it weather the modest

impacts to revenues and costs because of the COVID-19 pandemic. The District'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. As more employees transitioned back into the office in July, proactive safety measures remained in place to protect PUD staff and customers.

The PUD also supports actions that make an impactful and meaningful difference to community members in need including providing support for vaccination site infrastructure 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. Additionally, through September 30, 2021, the District waived late fees and suspended disconnects for failure to pay. Chelan PUD commissioners also approved a PUD match of customer donations to the Helping Hand fund that assists low-income people in covering their utility bills.

FINANCIAL HIGHLIGHTS

For the nine months ended September 30, 2021, Chelan County PUD recorded a change in net position of \$84.1 million, an increase in earnings of \$30.7 million from the same period in 2020. The improvement in earnings 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. The higher revenue was partially offset by increased operating expenses, which rose due to a combination of purchased power costs exceeding those from the same period last year because of higher market prices, and increased maintenance costs due primarily to repair work on various hydro assets at the District's Rock Island hydroelectric project.

As of September 30, 2021, combined unrestricted cash and investments totaled \$317.3 million, compared to \$433.9 million from the same period in 2020. Unrestricted cash balances are down due to funding a portion of both debt repayments and capital spending from unrestricted operating reserves. Lower unrestricted cash and investment balances were the primary driver of the \$79.5 million reduction in current assets. Utility plant balances increased \$111.7 million with investments in major projects including ongoing modernization work at the Rock Island hydropower project, construction of new substations and progress towards the District's new Service Center.

Long-term debt decreased by \$125.8 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.



Kelly Boyd

Kelly Boyd
 Chief Financial Officer/
 Chief Risk Officer



CHELAN COUNTY
www.chelanpud.org

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

Nine months ended September 30, 2021

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	9 Months Ended 9/30/2021	9 Months Ended 9/30/2020
OPERATING REVENUES	\$ 67,194	\$ 98,930	\$ 10,312	\$ 305,540	\$ 5,382	\$ 19,460	\$ (173,519)	\$ 333,299	\$ 256,641
OPERATING EXPENSES	54,569	53,876	6,562	286,527	-	20,404	(173,519)	248,419	198,549
NET OPERATING INCOME (LOSS)	12,625	45,054	3,750	19,013	5,382	(944)	-	84,880	58,092
OTHER INCOME (EXPENSE) (2)	(6,262)	(16,536)	(916)	6,226	10,318	949	-	(6,221)	(8,581)
CAPITAL CONTRIBUTIONS	-	419	-	5,034	-	-	-	5,453	3,875
INTERFUND EQUITY TRANSFERS	1,997	-	4,419	(6,416)	-	-	-	-	-
CHANGE IN NET POSITION	\$ 8,360	\$ 28,937	\$ 7,253	\$ 23,857	\$ 15,700	\$ 5	\$ -	\$ 84,112	\$ 53,386

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

September 30, 2021

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	9/30/2021	9/30/2020
TOTAL CURRENT ASSETS	\$ 12,169	\$ 10,314	\$ 2,280	\$ 108,102	\$ 6,312	\$ 8,823	\$ -	\$ 148,000	\$ 227,506
NET UTILITY PLANT	284,894	476,047	84,782	364,940	-	111,953	-	1,322,616	1,210,924
RESTRICTED ASSETS - NONCURRENT	39,023	106,846	-	14,573	14,850	37,328	-	212,620	246,444
OTHER ASSETS	4,482	20,116	5,986	226,665	18,729	18,770	(10,239)	284,509	314,566
DEFERRED OUTFLOWS OF RESOURCES	2,483	4,134	313	3,769	862	135	-	11,696	11,646
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 343,051	\$ 617,457	\$ 93,361	\$ 718,049	\$ 40,753	\$ 177,009	\$ (10,239)	\$ 1,979,441	\$ 2,011,086
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES	\$ 4,405	\$ 29,632	\$ 1,051	\$ 29,778	\$ 34,716	\$ 27,108	\$ -	\$ 126,690	\$ 119,388
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	9,577	8,670	151	9,827	(21,935)	(6,290)	-	-	-
LONG-TERM DEBT	-	134,123	-	5,515	231,945	-	-	371,583	497,373
INTERSYSTEM PAYABLE (RECEIVABLE) - NONCURRENT	92,246	186,713	(7,027)	(40,414)	(364,975)	133,457	-	-	-
UNEARNED REVENUES	6,214	6,396	-	92,033	5,227	-	(10,239)	99,631	113,591
OTHER LIABILITIES	16,763	17,890	9,732	11,422	-	-	-	55,807	56,383
TOTAL LIABILITIES	129,205	383,424	3,907	108,161	(115,022)	154,275	(10,239)	653,711	786,735
DEFERRED INFLOWS OF RESOURCES	2,712	26,794	365	19,781	2,014	974	-	52,640	58,553
TOTAL NET POSITION	211,134	207,239	89,089	590,107	153,761	21,760	-	1,273,090	1,165,798
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 343,051	\$ 617,457	\$ 93,361	\$ 718,049	\$ 40,753	\$ 177,009	\$ (10,239)	\$ 1,979,441	\$ 2,011,086

ELECTRIC

As of September 30

	2021	2020
Number of Customers	53,503	52,692
Number of Residential Customers	40,780	40,012
YTD Average Residential Rate (Cents/kWh)	3.37	3.24

POWER GENERATION (MWh) (000)

9 months ended September 30, 2021	2021	2020
Lake Chelan	296	268
Rocky Reach	4,161	4,409
Rock Island	1,909	2,006

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

9 months ended September 30, 2021	2021	2020
Lake Chelan	\$ 23	\$ 25
Rocky Reach	15	13
Rock Island	37	32

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, 2020. 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.