



**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 and distribute 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 over 2,000+ megawatts of power at their peak. In 2023, they produced 7.4 million megawatt hours of affordable, emission-free electricity.

**DISTRICT CONTINUES TO MEET MILESTONES FOR ROCK ISLAND PROJECT RELICENSING**

The road to relicensing Rock Island hydroelectric project is currently underway. The District filed a pre-application and notice of intent to relicense in December 2023. In March 2024, the Federal Energy Regulatory Commission (FERC) performed an environmental site review of the Rock Island Project and held public scoping meetings focused on receiving input from resource agencies, Tribes, non-government organizations and the public. The District submitted a revised study plan (RSP) to FERC in September 2024. RSP comments are due to FERC in October 2024.

The District has operated Rock Island for 68 years. The next license will be Rock Island’s third. The license is anticipated to be a 30 to 50-year permit from FERC that authorizes the District to continue generating power. The current 40-year license for Rock Island, the District’s second largest power producer, expires in 2028.

Relicensing is a public process that requires the District and FERC to evaluate the resources associated with the project including: fish and wildlife, flood control, power generation, cultural resources, recreation, and other aspects of environmental quality. The new license will require the District to invest in protection, mitigation, and enhancement measures. FERC determines what those measures should be, based on scientific studies and historical information. The formal process takes a minimum of five years, but the District has been preparing since 2021. The District has conducted six formal studies, three evaluations, and organized several technical working groups that involved more than 130 people from 43 entities. The final license application is due December 31, 2026. A new license may be issued as early as January 2029.

**NORTH SHORE SUBSTATION ENERGIZED FOR A MORE RELIABLE, RESILIENT ELECTRICAL GRID**

The new North Shore Substation is now serving customers, providing more flexibility and reliability for years to come in the growing communities of Chelan and Manson. The North Shore Substation site, about 5 acres along Henderson Road, was selected in 2017 with community input. Substation design began in 2020 and construction broke ground in 2023. The substation project budget was about \$10.5 million.

The PUD planted native landscaping around the substation to help it blend in with the environment and worked with the neighboring properties to reduce light pollution.

Substations reduce high-voltage electricity (transmission) to low-voltage electricity (distribution) for residential and commercial use. Chelan PUD has 33 distribution substations strategically located throughout its service territory. A substation typically serves about 1,500 residential homes.

The North Shore Substation is a milestone in the utility’s plan to add 15 more substations county-wide over the next decade. Chelan PUD uses growth forecasting, planning standards, and long-range planning to predict how much and where electrical load growth will occur so the utility can build the necessary infrastructure, including substations.

Based on current forecasts, more substations are in the works to meet growing electrical demand around Manson, Wenatchee, and Leavenworth.

**COMMISSIONERS CONSIDER FRAMEWORK TO EVALUATE FUTURE DATA CENTER REQUESTS**

Demand for electricity is expected to rise exponentially over the next several years, as large-load customers – mainly data centers – seek out potential sites to locate. In July, Chelan PUD commissioners evaluated how the utility can meet that demand in a way that protects reliability and stable, predictable rates for everyone else.

Large-load customers include a wide range of industries, including data centers, manufacturing plants, and other power-intensive operations. Commissioners considered a set of guiding principles to evaluate new large-load requests:

- Neutral-to-positive impact on other PUD customers
- Maintain reliability and stable, predictable rates
- Preserve local control
- Achieve a comprehensive and durable framework that treats large-load customers comparably and consistently
- Protect existing management of hydropower through wholesale energy marketing strategy

Building from the guiding principles, staff recommended a framework that allows Chelan PUD to serve large-load customers while also recovering the cost of power and delivery.

- Short-term supply: Chelan PUD procures wholesale energy from the market and resells to the large-load customer.
- Customer choice: Large-load customer identifies and procures wholesale energy, which Chelan PUD purchases and re-sells to them.
- Negotiated contract: At the Board’s discretion, Chelan PUD negotiates a contract which may include Chelan PUD generation, consistent with the PUD’s wholesale energy marketing strategy.

Under all three options, each arrangement with a large-load customer would be presented to the Board for approval.

**FINANCIAL HIGHLIGHTS**

For the nine months ended September 30, 2024, Chelan County PUD recorded a change in net position of \$125.1 million, an increase in earnings of \$6.8 million from the same period in 2023. The increase in earnings is due primarily to additional operating revenue resulting from increased wholesale sales under long-term power sales agreements and the sale of no-cost allowances received under Washington State’s Climate Commitment Act (CCA) that were in excess of the District’s CCA compliance obligation. In addition, declining debt balances resulted in lower interest expense on long-term debt, contributing to the improved results. The improvement in earnings resulting from these factors was partially offset by increased depreciation expense resulting from recent large asset additions, including the District’s new operations and service center.

As of September 30, 2024, current assets increased \$17.2 million compared to the prior year due primarily to increases in cash and short-term investments, as well as accounts receivable balances. The District is holding shorter term investments compared to the prior year to capitalize on higher short-term investment yields. Accounts receivable is up as a result of increased balances related to wholesale power sales. Strong operating results continue to allow the District to fund a portion of both debt repayments and capital spending from operating reserves, while meeting its liquidity target.

Utility plant balances increased \$115.3 million with investments in major projects including ongoing modernization work at the Rock Island hydroelectric project, the District’s new Service Center, installation of advanced meter infrastructure and ongoing work on various substations.

The primary driver behind a \$72.6 million increase in restricted assets – noncurrent was the issuance of an internal loan from unrestricted operating reserves to the Rock Island hydroelectric system for restricted use. The loaned funds are now held in the hydro and restricted for capital spending and debt reduction in accordance with long-term power sales agreements. Other assets decreased by \$97.9 million primarily due to a decrease in long-term investments as a result of the internal loan made to the Rock Island hydroelectric system and the District’s ongoing management of its investment portfolio to optimize investment yields.

Long-term debt decreased by \$43.7 million due to regularly scheduled principal payments on outstanding 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.



**Sri Krishnan**  
 Chief Financial Officer/Chief Risk Officer



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

Nine Months Ended September 30, 2024

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	9 Months Ended 9/30/2024	9 Months Ended 9/30/2023
<b>OPERATING REVENUES</b>	\$ 78,153	\$ 117,288	\$ 8,016	\$ 401,334	\$ 4,350	\$ 30,297	\$ (200,287)	\$ 439,151	\$ 426,078
<b>OPERATING EXPENSES</b>	66,719	68,721	8,118	351,568	-	28,043	(200,287)	322,882	312,630
<b>NET OPERATING INCOME (LOSS)</b>	11,434	48,567	(102)	49,766	4,350	2,254	-	116,269	113,448
<b>OTHER INCOME (EXPENSE) (2)</b>	(5,039)	(18,134)	(743)	14,204	10,962	1,017	-	2,267	(561)
<b>CAPITAL CONTRIBUTIONS</b>	-	528	-	6,005	-	-	-	6,533	5,343
<b>CHANGE IN NET POSITION</b>	\$ 6,395	\$ 30,961	\$ (845)	\$ 69,975	\$ 15,312	\$ 3,271	\$ -	\$ 125,069	\$ 118,230

## CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

September 30, 2024

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	9/30/2024	9/30/2023
<b>CURRENT ASSETS</b>	\$ 20,028	\$ 17,416	\$ 3,019	\$ 164,444	\$ 5,766	\$ 13,180	\$ -	\$ 223,853	\$ 206,618
<b>NET UTILITY PLANT</b>	265,368	616,708	82,429	474,431	-	253,213	-	1,692,149	1,576,819
<b>RESTRICTED ASSETS - NONCURRENT</b>	29,266	167,414	-	15,811	14,677	4,914	-	232,082	159,458
<b>OTHER ASSETS</b>	10,292	32,757	4,477	179,718	7,147	11,730	(9,101)	237,020	334,902
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	6,955	7,607	857	9,224	158	443	-	25,244	28,734
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 331,909	\$ 841,902	\$ 90,782	\$ 843,628	\$ 27,748	\$ 283,480	\$ (9,101)	\$ 2,410,348	\$ 2,306,531
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>									
<b>CURRENT LIABILITIES</b>	\$ 4,844	\$ 32,888	\$ 799	\$ 50,536	\$ 27,895	\$ 27,869	\$ -	\$ 144,831	\$ 130,103
<b>INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT</b>	11,572	13,525	(320)	7,329	(22,099)	(10,007)	-	-	-
<b>LONG-TERM DEBT</b>	-	91,019	-	3,871	150,025	-	-	244,915	288,592
<b>INTERSYSTEM PAYABLE (RECEIVABLE) - NONCURRENT</b>	40,462	316,421	(11,047)	(231,124)	(346,007)	231,295	-	-	-
<b>UNEARNED REVENUES</b>	5,510	5,625	-	65,824	3,316	-	(9,101)	71,174	109,142
<b>OTHER LIABILITIES</b>	12,792	15,493	10,163	9,326	-	11,406	-	59,180	60,473
<b>TOTAL LIABILITIES</b>	75,180	474,971	(405)	(94,238)	(186,870)	260,563	(9,101)	520,100	588,310
<b>DEFERRED INFLOWS OF RESOURCES</b>	11,601	28,245	1,431	61,244	311	241	-	103,073	75,903
<b>TOTAL NET POSITION</b>	245,128	338,686	89,756	876,622	214,307	22,676	-	1,787,175	1,642,318
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ 331,909	\$ 841,902	\$ 90,782	\$ 843,628	\$ 27,748	\$ 283,480	\$ (9,101)	\$ 2,410,348	\$ 2,306,531

### ELECTRIC

As of September 30

	2024	2023
Number of Customers	51,646	51,098
Number of Residential Customers	42,191	41,663
YTD Average Residential Rate (Cents/kWh)	3.70	3.54

### POWER GENERATION (MWh) (000)

9 months ended September 30

	2024	2023
Lake Chelan	234	200
Rocky Reach	3,520	3,717
Rock Island	1,653	1,667

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

9 months ended September 30

	2024	2023
Lake Chelan	\$ 34	\$ 38
Rocky Reach	20	18
Rock Island	52	46

### 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, 2023. 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.