



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 2016, they produced 9.3 million megawatt hours of affordable, emission-free electricity.

COMMISSIONERS AGREE WITH MOVING TO NEXT STEPS ON ADVANCED METERS

Commissioners agreed to move into developing detailed system design requirements and preparing a Request for Proposal (RFP) by year's end asking for information from vendors wanting to supply digital two-way electric meters to the District.

The District will ask potential vendors to provide the District with detailed information on how they will address some of the concerns the District heard from customers about privacy, data security, potential radio frequency health effects and fire safety. The District also will develop "opt-out" and "opt-up" alternatives during the next several months. "Opt-out" would be an alternative for customers to retain their existing meter. "Opt-up" would be an alternative to get a smart meter that does not use radio frequency. Pricing and policies for these options need further development.

Commissioners said gathering more information is vital and developing the RFP is an important step in continuing to research customer concerns. The advanced, two-way digital meters are one element of the District's "technology vision" for an intelligent grid that provides value for customers with increased service options along with efficiency gains for the District to help keep electric rates low.

COMMISSIONERS CONTINUE SUPPORT FOR PUBLIC POWER BENEFIT PROJECTS

Commissioners affirmed support for Public Power Benefit project funding for the rest of 2017 and for 2018. Board members allocated \$4 million for 2018 that includes \$2.5 million for fiber network expansion and continuing the day use parking pass for PUD parks managed by the state.

Commissioners also continued support for funding three hydro research projects to improve operations, better predict unit conditions and outages and identify research opportunities. They allocated \$250,000 from remaining 2017 funds and \$250,000 from 2018 funds. In addition to the value for the District and customer-owners, the hydro research projects are attracting interest from other hydro operators. City of Wenatchee and Port of Chelan County officials also support the projects for potential benefits to the local economy if the work attracts new firms to the area.

Also allocated was \$1 million from remaining 2017 funds to renovate Rocky Reach Visitor Center's fish viewing area. Plans include new windows that are double the size of the originals and a new exhibit on the "anatomy" of a river from bank to streambed, plus building work to improve safety. The work will be the first major improvements for the center since it opened in 1963.

PUD FLEET RANKS IN THE TOP 100 IN NORTH AMERICA

The National Association of Fleet Administrators, an industry trade association, announced 2017 top performers, including Chelan PUD's Fleet Service at its annual conference. Judging was based on an application completed by the District and reviewed by peers, best practices and site visits by industry judges.

Some of the factors that contributed to the award recognition included:

- Overall availability of vehicles in the fleet – the District had a 99 percent availability on critical equipment – well above industry standard
- Reduced emissions due to use of biodiesel fuels
- Overall stewardship and maintenance of the fleet
- Personal accountability by Fleet personnel to ensure efficiency and cost savings by doing more work in-house rather than outsourcing it

Judging included performance factors such as accountability, use of technology, collaboration, creativity, evidence of a high-trust culture, overall performance, operation costs, doing it right the first time, staff development and resource stewardship.

CHELAN PUD INSTALLS FIFTH ELECTRIC VEHICLE CHARGING STATION

Electric vehicles are part of the future to lower vehicle operating costs and reduce the amount of CO2 from internal combustion engines. Chelan PUD heard from customers

loud and clear that they want their electric utility to be part of the solution. And now, there are five new public electric charging stations in the greater Wenatchee area. Charging up at these stations is free, compliments of Cascade Auto Center. The charging stations are available to the public.

Installation of the five electric vehicle charging stations was funded by allocations from the District's Public Power Benefit program. The District will assess installing additional charging stations based on demand and use.

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2017, Chelan County PUD recorded a change in net position of \$57.1 million, an increase in earnings of \$9.2 million from the same period in 2016. The increase in earnings is primarily due to increases in retail sales and other operating revenues. Retail sales are higher due to increased consumption during a cold winter with average degree days being 14 percent lower than the prior year combined with a new rate class for high density load sales, which was effective January 1, 2017. Other operating revenues are up due to receipt of a one-time long-term power sales contract payment that was recorded during the second quarter of 2017.

As of June 30, 2017, combined unrestricted cash and investments totaled \$353.0 million compared to \$285.9 million from the same period in 2016. The increase in unrestricted reserves is primarily attributable to cash generated by the District's positive operating results after paying for debt reduction and capital expenditures out of cash reserves. The \$14.1 million decrease in Other Assets was due primarily to a decrease in long-term investments as a result of holding more cash and cash equivalents in anticipation of July debt service payments.

As of June 30, 2017, Long-term debt decreased by \$24.6 million from the same period in 2016 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)

Six months ended June 30, 2017

(in thousands)

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	6 Months Ended 06/30/17	6 Months Ended 06/30/16
OPERATING REVENUES	\$ 49,018	\$ 49,288	\$ 3,912	\$ 153,420	\$ 4,190	\$ 9,645	\$ (85,344)	\$ 184,129	\$ 177,949
OPERATING EXPENSES	36,162	25,604	3,578	128,951	-	9,858	(85,344)	118,809	119,695
NET OPERATING INCOME	12,856	23,684	334	24,469	4,190	(213)	-	65,320	58,254
OTHER INCOME (EXPENSE) (2)	(5,225)	(11,510)	(657)	2,727	2,714	156	-	(11,795)	(12,725)
CAPITAL CONTRIBUTIONS	-	782	-	2,831	-	-	-	3,613	2,415
CHANGE IN NET POSITION	\$ 7,631	\$ 12,956	\$ (323)	\$ 30,027	\$ 6,904	\$ (57)	\$ -	\$ 57,138	\$ 47,944

CONDENSED COMBINING STATEMENTS OF NET POSITION (Unaudited)

June 30, 2017

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	06/30/17	06/30/16
TOTAL CURRENT ASSETS	\$ 13,454	\$ 13,165	\$ 3,316	\$ 117,525	\$ 47,496	\$ 12,162	\$ -	\$ 207,118	\$ 131,921
NET UTILITY PLANT	303,572	345,852	89,485	315,119	-	30,555	-	1,084,583	1,057,202
RESTRICTED ASSETS - NONCURRENT	48,890	61,475	-	2,932	21,542	4,511	-	139,350	161,118
OTHER ASSETS	6,357	17,037	4,646	141,571	86,096	12,251	(13,513)	254,445	268,541
DEFERRED OUTFLOWS OF RESOURCES	3,127	5,717	403	4,594	3,998	-	-	17,839	14,204
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 375,400	\$ 443,246	\$ 97,850	\$ 581,741	\$ 159,132	\$ 59,479	\$ (13,513)	\$ 1,703,335	\$ 1,632,986
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION									
CURRENT LIABILITIES	\$ 22,511	\$ 36,889	\$ 2,592	\$ 19,622	\$ (3,838)	\$ 20,923	\$ -	\$ 98,699	\$ 106,431
INTERSYSTEM PAYABLE (RECEIVABLE) - CURRENT	(1,150)	(959)	(104)	7,871	-	(5,658)	-	-	-
LONG-TERM DEBT	143,892	290,701	7,026	(5,970)	70,536	35,759	-	541,944	566,524
UNEARNED REVENUES	8,364	8,783	-	84,592	8,009	-	(13,513)	96,235	96,099
OTHER LIABILITIES	26,832	27,354	11,015	25,830	-	-	-	91,031	79,721
TOTAL LIABILITIES	200,449	362,768	20,529	131,945	74,707	51,024	(13,513)	827,909	848,775
DEFERRED INFLOWS OF RESOURCES	468	25,974	51	2,017	1,968	30	-	30,508	44,172
TOTAL NET POSITION	174,483	54,504	77,270	447,779	82,457	8,425	-	844,918	740,039
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 375,400	\$ 443,246	\$ 97,850	\$ 581,741	\$ 159,132	\$ 59,479	\$ (13,513)	\$ 1,703,335	\$ 1,632,986

ELECTRIC

As of June 30	2017	2016
Number of Customers	50,458	49,953
Number of Residential Customers	37,922	37,452
YTD Average Residential Rate (Cents/kWh)	3.12	3.20

POWER GENERATION (MWh) (000)

6 months ended June 30	2017	2016
Lake Chelan	228	241
Rocky Reach	3,480	3,228
Rock Island	1,665	1,535

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

6 months ended June 30	2017	2016
Lake Chelan	\$ 17	\$ 17
Rocky Reach	12	14
Rock Island	22	25

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, 2016. 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.