

Chelan County PUD



2025 Budget Kickoff
Timeline and Key Assumptions
October 21, 2024

What we will cover today

Purpose

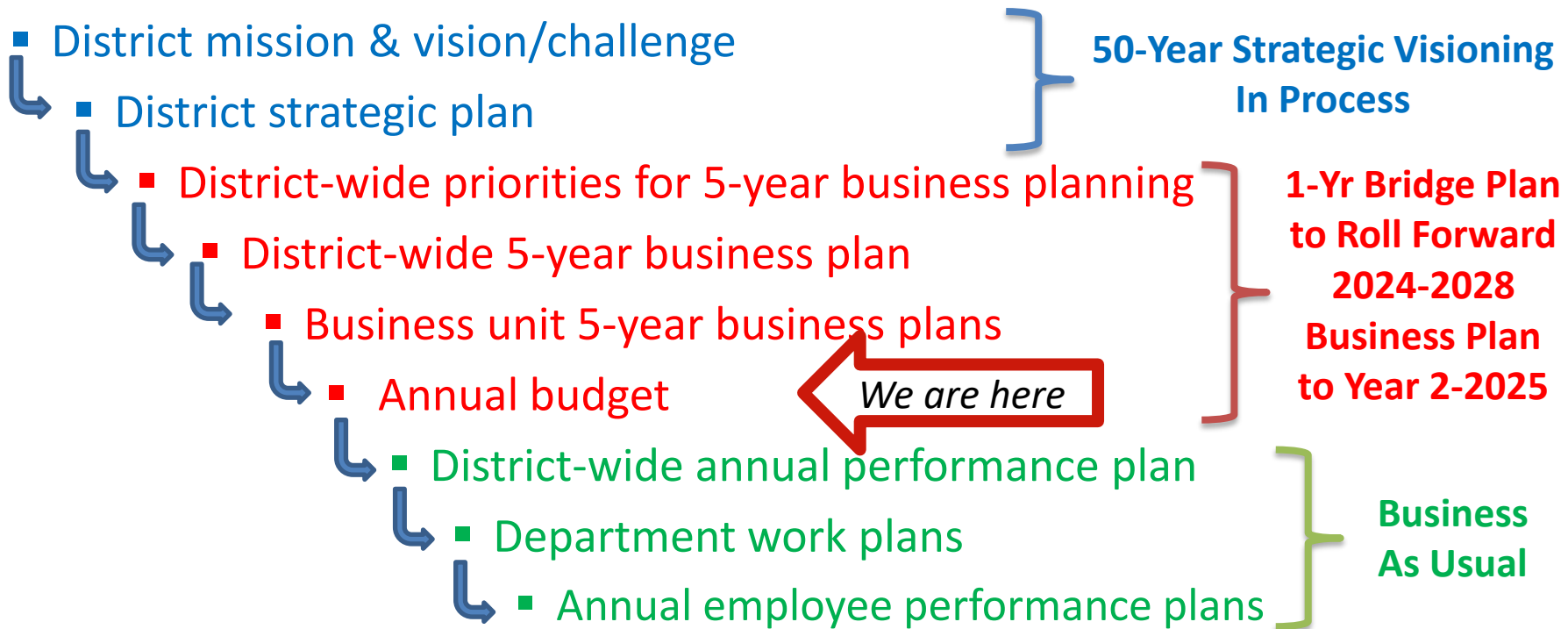
Timeline

Guidelines &
Assumptions

Next Steps

No Board Action Required

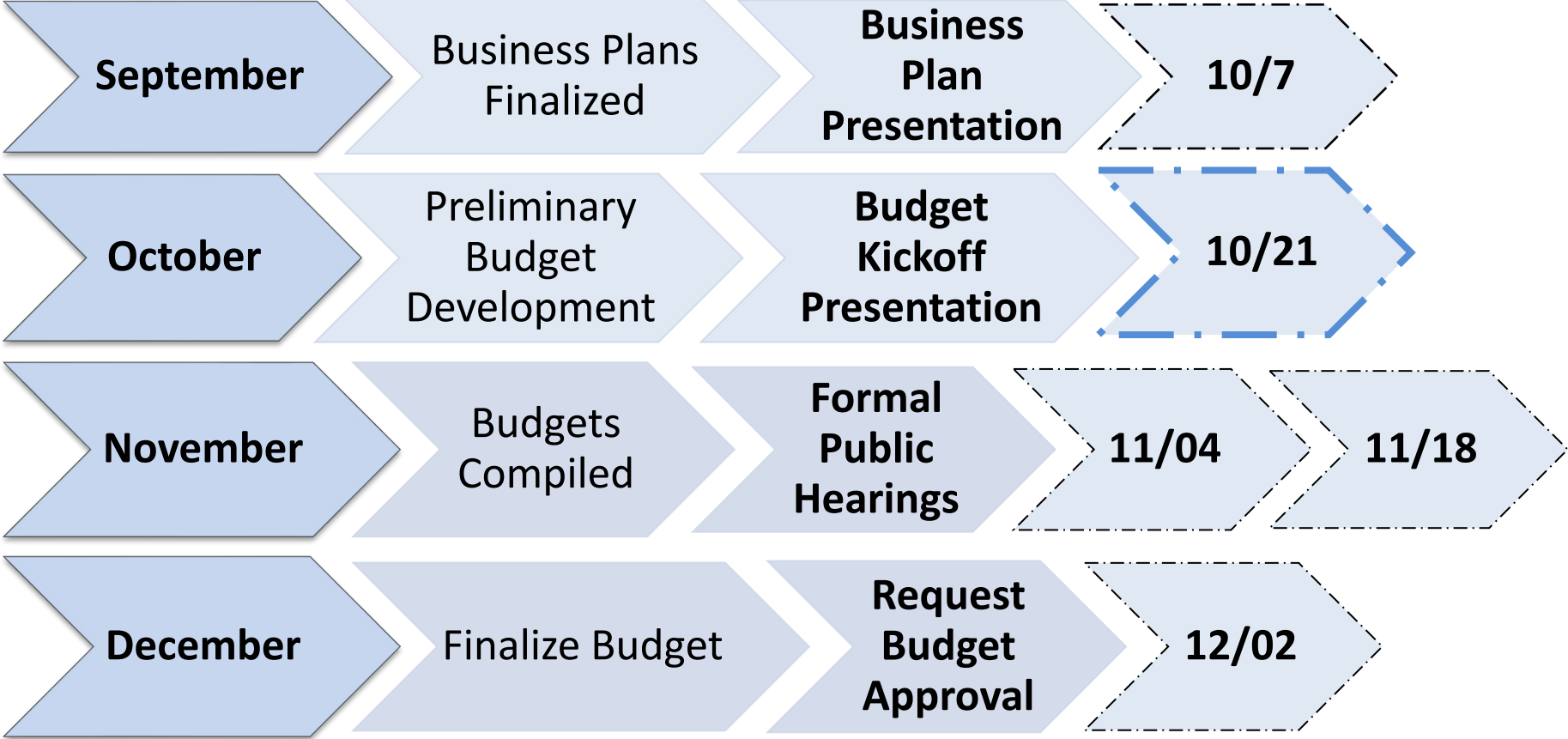
Cascading Planning Cycle



Levels of organization



Budget Timeline



Indicates Board Meetings

Strategic Focus

Strategic Plan

- 2020-2024 Strategic Plan, including strategic plan goals, extended to 2025 to allow for completion of 50-year Strategic Visioning

Balanced Scorecard

- The foundation of our strategic initiatives and budget is at the top of our balanced scorecard: Customer-owner satisfaction

Areas of Focus

- Strategic shifts and organizational vision principles

Business Plan

- 2025-2029 five-year business plan initiatives to accomplish strategic plan goals

Budget

- 2025 Annual Budget and 5-year financial plan compliant with District policies

Strategic Plan Goals

1

Invest in assets and people and seek industry top-quartile performance for hydro generation, retail reliability, and safety while improving our customer service technology

2

Sustain excellent financial resiliency while mitigating the risk of large rate increases

3

Enhance the quality of life in Chelan County through programs that distribute the benefits of public power

4

Engage in countywide growth planning and job creation efforts while ensuring the District's rates and policies remain stable and predictable

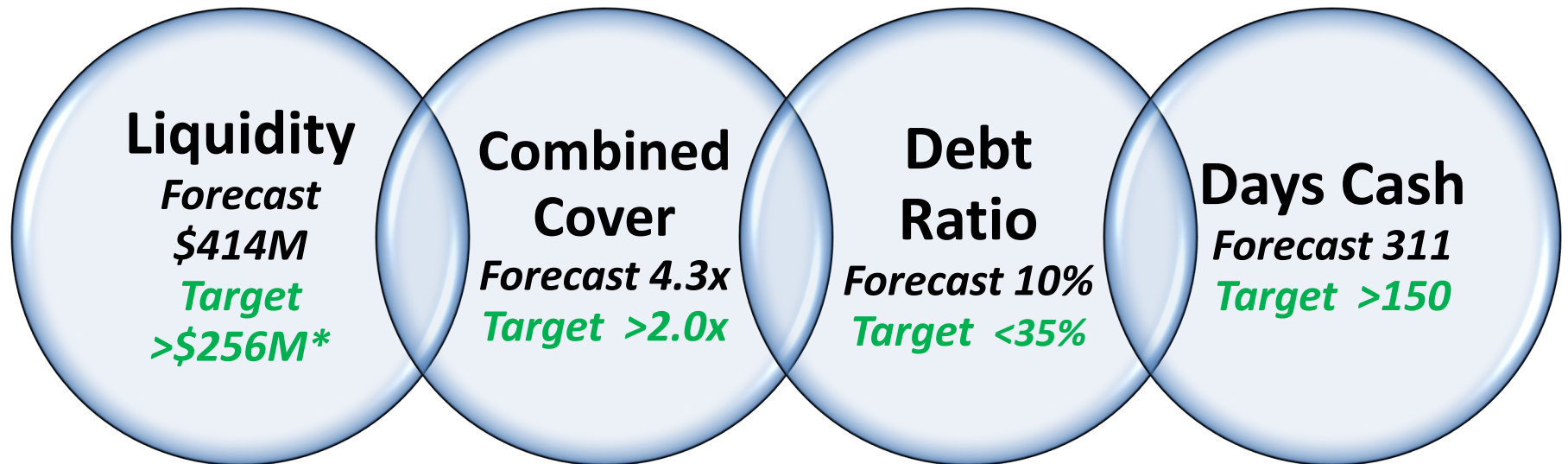
Goal 1: Investing in Assets and People

- Seeking improvement in hydro capability
- Improve distribution reliability and mitigate risk
- Incorporate Human and Organizational Performance
- Focus on developing leaders, building employee resiliency, advancing capabilities
- Implementing Technology for customer engagement and workforce mobility

Goal 2: Financial Resiliency

- Maintain AA/AA+ bond ratings
- Execute on long-term marketing strategy
- Investment in maintenance and assets
- Strong liquidity and low debt leverage allows flexibility
- Continued rate planning

2025 District Financial Policies



*Liquidity target is the greater of \$225M or methodology calculation which is calculated at approx. \$256M for 2025 based on the September 2024 forecast

Goal 3: Public Power Benefit

- 2025 includes \$6M in funding and \$1.65M of unallocated money from 2024
- Continuing the fiber expansion program
- Riverfront Park
- Stehekin reliability study
- Electric Avenue (5th Street redevelopment)
- Pre-funded projects continue
- And more...

Goal 4: Engage in Countywide Efforts

- Focus on distribution substations and infrastructure
- New large load in Malaga begins ramping up
- Execute on large load framework
- Supporting 5th Street Development consistent with the community's vision for the site, including Electric Avenue

Early 2025 Key Indicators

Wholesale electric market prices strong and remain volatile; carbon prices strengthening

Continuing investments in projects with the highest long-term customer value

System load growth, customer profiles, large loads are changing; retaining flexibility in portfolio to adapt

Wildfire risk remains, driving insurance premiums higher; expanding risk mitigation efforts through investment

Progress in technology modernization, aligned with rapid changes in innovation and cyber security risks

Labor Market Pressures on Talent Acquisition: Increased competition for skilled talent and contractors affects project timelines and operational continuity

Key 2025 Budget Assumptions

Wholesale Revenue

- Average water, current forward energy and carbon price curves
- Hedge program fully implemented and continuing
- Includes planned unit outage impacts
- Consistent hydro fish spill in accordance with requirements

System Load Growth

- 1.4% Electric (~3.3 aMW total net of conservation, ~1 aMW HDL/Crypto)
- 1.0% Retail Electric organic growth
- 1.5% Water, 1.0% Wastewater
- 900 new Fiber connections

Business Line Service Revenues

- Business line rate increases consistent with 2020-24 Strategic Plan
- First year of 2-year plan effective June 1 (continuing prior 5-year plan)
 - 3% Electric, 4% Water, 4% Wastewater

Key Budget Assumptions

Labor Bargaining Unit

- Bargaining unit increases are according to the collective bargaining agreement in effect through March 2025

Labor Non-Bargaining Unit

- Budget includes assumptions for merit increases, market adjustments and promotions
- Final decisions will be informed by actual market data

Long-term “cost-plus” power contracts

- Debt Reduction Charge (DRC) – continues at 3.0%
- Capital Recovery Charge (CRC) – continues at 50%

Key Budget Assumptions

Capital & Operating Expenditures

- Capital key drivers: Rock Island modernization and parapet wall, distribution substations and infrastructure
- O&M key drivers: Rocky Reach large unit repairs, Rock Island spillway concrete issues, distribution vegetation management, IT initiatives

Debt & Interest Income

- Net scheduled principal payments of \$43 million plus a \$16 million 2026 prepayment
- Interest earnings estimated at 3.25%

Public Power Benefit Program

- Includes \$6M for 2025; continuation of fiber expansion, parks improvements, Electric Avenue, Board selected projects
- Budget revisions will be processed as new projects are designated

Next Steps

Develop Sep-Oct

- Preliminary budgeting in process

Review Oct-Nov

- Review and revise
- 1st Budget Hearing November 4th
- 2nd Budget Hearing November 18th

Approve Dec

- Request Board approval on December 2nd

Appendix

- Additional detail on Goals 1-4

Goal 1: Investing in Assets and People

- Seeking improvement in hydro capability to optimize our generation assets
 - Complete first air-filled hub on Rock Island PH2 unit U5; advance work on U7 and U3;
 - Continue modernization work on Rock Island PH1 units B1, B2 and B8
 - Complete turbine repair work on Rocky Reach units C11 and C10 including conversion to water filled hubs
 - Rock Island parapet wall, spillway concrete growth, modernization related projects
- Improve distribution reliability to reduce customer-owner outage time, while mitigating wildfire risk
 - Focus on vegetation management, underground cable replacement, animal guarding, and technology innovations
 - Implementing wildfire mitigation plan to protect public safety and property
- Incorporate Human and Organizational Performance to engage with all levels of the organization and promote a culture of learning and safety ownership
- Focus on developing leaders, building employee resiliency, advancing capabilities
- Technology: Web/mobile customer engagement platforms; advance digital experience in field workforce; CoPilot for MS365; continuing cloud migration

Goal 2: Financial Resiliency

- Maintain AA/AA+ bond ratings through resilient financials and strong financial policy metrics
- Continuing to execute on long-term marketing strategy to secure long-term revenue by capturing the strong value of carbon-free resources
- Significant O&M and Capital expenditures planned for 2025 to support continuation of strategic goals and 5-year business plan
- Strong liquidity and low debt leverage allows flexibility to adapt to changing circumstances
- First year of the proposed 2-year retail rate plan starting in June 2025 is included to be consistent with continuation of current Strategic Plan

Goal 3: Public Power Benefit

- Public Power Benefit Program of \$6M for 2025, plus \$1.65M of unallocated money from 2024
- Board approved projects planned for work in 2025 to return incremental value to the community;
 - Continuing the fiber expansion program
 - Riverfront Park
 - Stehekin reliability study
 - Electric Avenue (5th Street redevelopment)
 - Pre-funded projects continue but don't require added funding
 - And more...

Goal 4: Engage in Countywide Efforts

- Focus on distribution substations and infrastructure supports reliability and adds more flexibility to support county growth
 - Bavarian substation and interconnections construction
 - South Shore Feeder
 - Confluence Parkway Relocate South
 - South Wenatchee Pedestrian Bridge
- New large load in Malaga begins ramping up
 - Complete Jumpoff Ridge transmission and distribution infrastructure
- Execute on Board approved large load framework inform decision making on all energy services and utility infrastructure
- Supporting 5th Street Development in a manner consistent with the community's vision for the site, including Electric Avenue