

Chelan County PUD



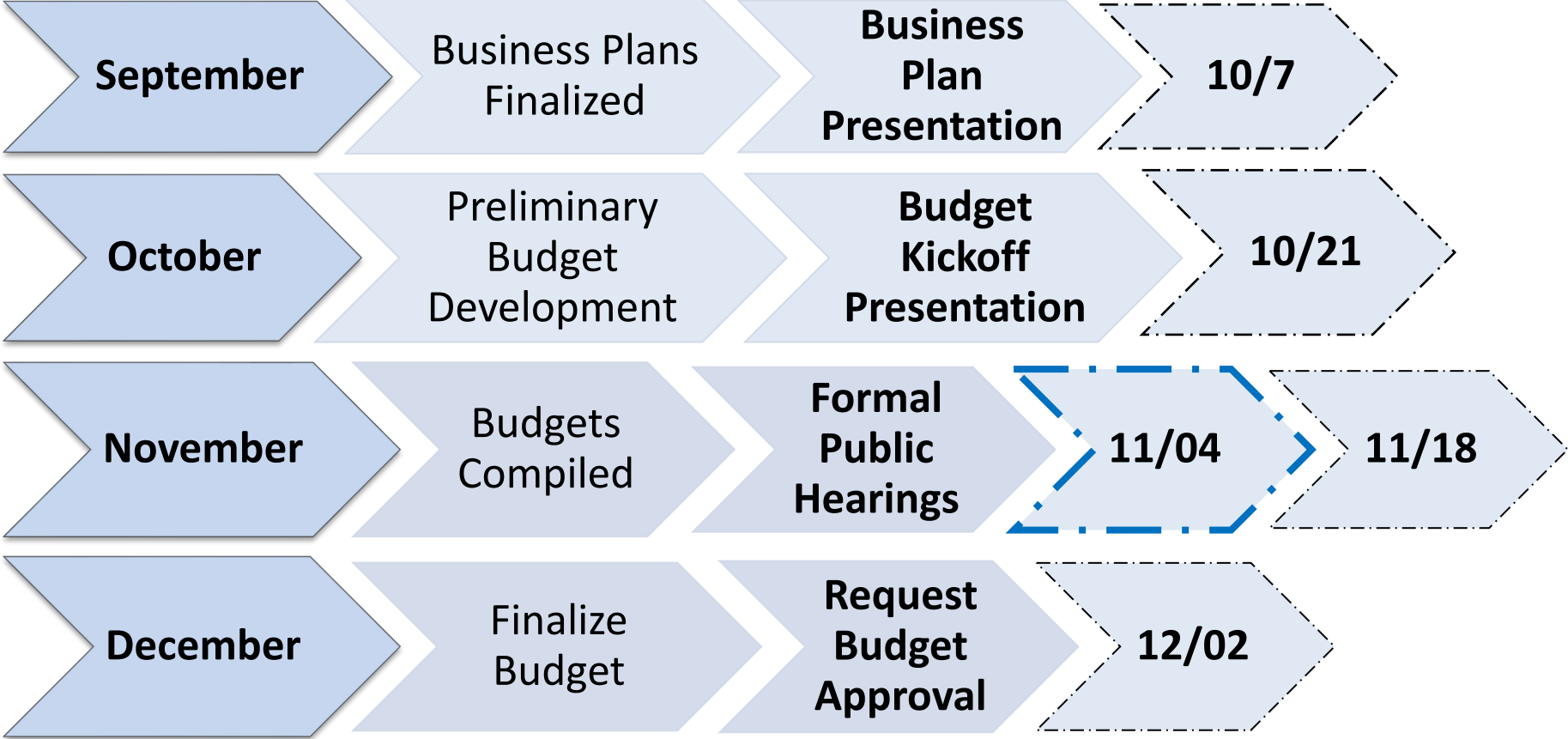
2025 Preliminary Budget
November 4, 2025

What we will cover today



No Board Action Required

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

Business Plan

- 2025-2028 business plan initiatives to accomplish strategic plan goals

Budget

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

Five-Year Financial Plan 2025-2029

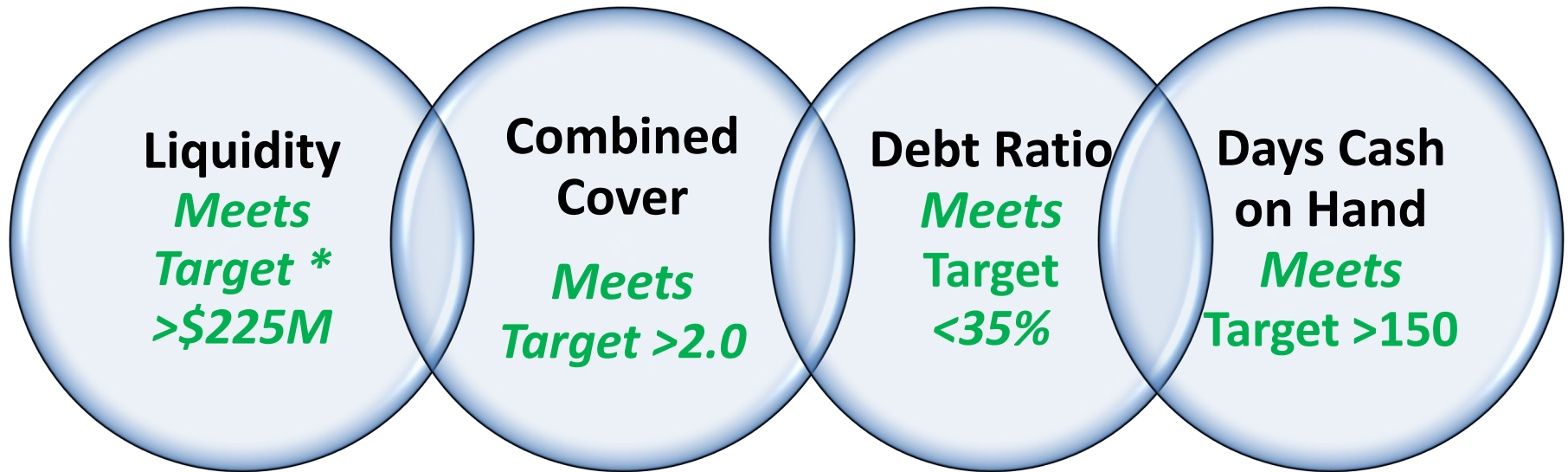
(in 000's)	Prelim Budget 2025	Forecast 2026*	Forecast 2027*	Forecast 2028*	Forecast 2029*
Service Revenue	131,926	97,245	100,060	101,631	103,369
Net Surplus Energy Revenue	343,432	331,939	368,037	395,138	381,297
Other Operating Revenue	28,100	26,149	26,748	26,082	27,289
Operating Expense	(267,473)	(256,631)	(270,092)	(269,499)	(276,562)
Depreciation & Tax Exp	(82,592)	(85,656)	(90,234)	(95,957)	(99,555)
Net Operating Income	153,393	113,046	134,520	157,396	135,838
Non-Operating Activity	6,041	11,134	12,827	16,320	21,195
Combined "Bottom-Line"	159,434	124,181	147,347	173,716	157,033

2025-2028 Business Plan	159,830				
Last Year's Budget Adoption	144,937	125,365	155,211	171,013	142,127

➤ **5-Year results are better than the 2025-2029 Business Plan and also better overall when compared to last year's forecast for the 2024 Budget**

* Forecast as of Q3 2024

2025-2029 Plans Meet District Financial Policies



Results based on expected conditions (based on Q3 2024 forecast)

*Liquidity target is the greater of \$225M or methodology calculation - approximately \$265M in 2025.

We have a Board reporting requirement to provide an action plan when metrics come within 10% of the target. Based on the preliminary budget, no metrics fall within that 10% threshold under expected conditions.

Combined Financials 2025

(in 000's)	Prelim Budget 2025	Adopted Budget 2024	\$ Change	% Change
Service Revenue	131,926	137,760	(5,834)	-4.2%
Net Surplus Energy Revenue	343,432	297,057	46,375	15.6%
Other Operating Revenue	28,100	28,821	(722)	-2.5%
Operating Expense	(267,473)	(263,650)	(3,823)	1.5%
Depreciation & Tax Expense	(82,592)	(80,338)	(2,253)	2.8%
Net Operating Income	153,393	119,650	33,743	28.2%
Non-Operating Activity	6,041	5,981	60	>100%
Combined "Bottom-Line"	159,434	125,631	33,803	26.9%
2025-2028 Business Plan	159,830			

Service Revenue

(in 000's)	Prelim Budget 2025	Adopted Budget 2024	Variance
Residential Electric	36,183	33,898	<i>Growth from current 2024 forecasted usage is partially offset by impacts of energy conservation efforts</i>
Commercial Electric	19,398	18,872	
Industrial Electric	5,507	5,007	
Off-System end use	38,836	49,582	<i>Lower market based component of Off-system end use sale</i>
HDL Electric	10,525	10,438	<i>1.4% service growth / 3% rate increase included in 2025</i>
Other Electric	1,796	1,623	
Electric Service	112,244	119,419	
Water Service	9,047	8,192	<i>1.5% growth / 4% rate increase 2025</i>
Wastewater Service	975	921	<i>1.0% growth / 4% rate increase 2025</i>
Fiber & Telecom	9,659	9,228	<i>4% growth 2025</i>
Service Revenue	131,926	137,760	

2025-28 Business Plan	131,926
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Net Surplus Energy Revenue

(in 000's)	Prelim Budget 2025	Adopted Budget 2024	Variance
Slice Contracts	143,118	120,534	<i>Higher priced 5% slice replacing lower priced slice</i>
Block/ Pre-Schedule/ Real Time	12,803	(2,651)	<i>Canadian Entitlement adjustments; forecasted lower market prices</i>
Net Wholesale	155,920	117,883	
LT Hydro Contracts	188,284	180,140	<i>Cost-based: Increased loans to Rock Island to fund Capital</i>
Less: Nine Canyons & Other Purchased Power	(772)	(965)	<i>Decreased cost forecast</i>
Net Surplus Energy Revenue	343,432	297,057	

2025-28 Business Plan	341,979
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Other Operating Revenue

(in 000's)	Prelim Budget 2025	Adopted Budget 2024	Variance
Transmission/Wheeling	14,243	13,704	<i>Cost based: Increased investments in operations/compliance</i>
Real Time Contract – Fixed	4,000	4,000	<i>Consistent with 2024 budget</i>
Real Time Contract – Variable	3,000	3,000	<i>Consistent with 2024 budget</i>
Service/Late Charges	308	314	<i>Consistent with 2024 budget</i>
Misc Other Items	6,549	7,803	<i>LT contract admin fees</i>
Other Operating Revenue	28,100	28,821	

2025-28 Business Plan	28,056
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Major O&M Activities

RR Turbine Repairs \$4.0M

Hatcheries \$8.9M

Tree Trimming \$3.0M

**5th Street HQ Building
Demolition \$3.5M**

Electric Avenue \$2.0M



Operating Expense

(in 000's)	Prelim Budget 2025	Adopted Budget 2024	Variance and Key Drivers
Hydro Operations & Maintenance	77,029	86,619	RR unit repair costs (↓ vs '24), PH1 spillway repairs, ↓ Tumwater dam spillway repairs '24
Hydro Fish & Wildlife	21,218	24,292	↓ RI fishway ladder drop structure '24; ↓ Fish passage study '24
Hydro Parks & Recreation	11,007	10,278	Parks maintenance and Visitor Center operations
Electric Distribution	23,344	23,000	Consistent with 2024 budget
Electric Transmission	19,205	17,874	Switchyard maintenance, Plain & Lake Wenatchee Maintenance
Power Supply Mgmt	5,994	7,203	↓ Professional fees
Fiber Network	5,721	5,214	Network growth, pole inspections

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Operating Expense

(in 000's)	Prelim Budget 2025	Adopted Budget 2024	Variance and Key Drivers
Water/Wastewater	4,496	4,352	<i>Peshastin Water District</i>
Customer Accts & Svc	6,500	5,789	↑ <i>Added staff and contract spending</i>
Conservation	7,821	7,237	↑ <i>Support for conservation programs</i>
Insurance	16,221	13,716	↑ <i>Increase in premiums</i>
FERC Fees	1,550	1,526	<i>Estimated consistent with last year's actual billing</i>
Other Admin & General	67,366	56,548	↑ <i>Demolition of 5th HQ Building, PPB Electric Avenue</i>
Total Operating Expense	267,473	263,649	

2025-28 Business Plan	264,509
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Non-Operating Expense

(in 000's)	Prelim Budget 2025	Adopted Budget 2024	Variance
Investment Earnings	17,230	15,901	<i>Higher cash balance and interest rates</i>
Contribution Income	9,460	8,132	<i>Amortization of contributed Distribution & Transmission Assets</i>
Interest Expense	(13,091)	(15,446)	<i>Declining debt balances</i>
Other Inc/(Exp)	(7,559)	(2,607)	<i>Higher unallocated Public Power Benefit (PPB) funding</i>
Net Non-Op Inc/(Exp)	6,041	5,981	

2025-28 Business Plan	6,084
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2025 Major Capital Projects

Rock Island – Major Driver

RI Modernization

- PH1 B1-B4 \$12 million
(Total project \$91 million)
- PH1 B8 \$6 million
(Total project \$53 million)
- PH2 U1-U8 \$53 million U5, U7, U3, U2
(Current project budget of \$246 million)



RI - Other

- Spillway Parapet Wall \$30 million
(Total project forecast \$60 million)
- PH2 Motor Control Centers \$4 million
(Total project \$5 million)
- PH1 Gantry Crane \$6 million
(Total project \$10 million)

2025 Major Capital Projects

Rocky Reach Tailrace Gantry Crane

- \$6 million (*Total project \$8 million*)

Rocky Reach Trashrack Refurbishment

- \$ 2 million (*Total Project \$13 Million*)

Lake Chelan Auto Closure Gate

- \$4.5 million (*Total project \$6 million*)



2025 Major Capital Projects

Jumpoff Ridge Switchyard

- \$17 million *(Customer funded total project \$86 million)*

C2M Cloud Migration

- \$2 million *(Total project \$2.6 million)*

PeopleSoft Cloud Migration

- \$1.8 million *(Total project \$16 million)*



2025 Major Capital Projects

Bavarian Substation, Interconnection & Getaways

- \$9 million (*Total project \$14M*)

Riverfront Park (Public Power Benefit)

- \$7 million (*Total project \$12M*)

Confluence Parkway Relocate South

- \$4 million (*Total project \$5M*)

Fiber Expansion (Public Power Benefit)

- \$4.7 million



Capital Expenditures

(in 000's)	Prelim Budget 2025	Adopted Budget 2024	\$ Change	Major Project Focus
Electric Distribution	52,529	61,058	(8,528)	Jumpoff Ridge Switchyard DS, Substations and Interconnections, PPB projects (Riverfront park)
Electric Transmission	12,391	18,280	(5,888)	Jumpoff Ridge Switchyard XT, S Wen Ped Bridge Relocate XT
Rocky Reach Hydro	14,449	16,740	(2,291)	Tailrace Gantry Crane, Trashracks
Rock Island Hydro	99,397	86,585	12,813	PH1 and PH2 Modernizations, Parapet Wall, PH1 Gantry Crane
Lake Chelan Hydro	3,924	789	3,135	Auto Closure Gate
Corporate/Shared Assets	11,540	21,291	(9,751)	C2M Cloud Migration, PeopleSoft Cloud Migration, Fieldworkforce Management
Integrated Electric	194,231	204,741	(10,510)	

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Capital Expenditures

(in 000's)	Prelim Budget 2025	Adopted Budget 2024	\$ Change	Major Project Focus
Fiber	9,086	8,201	885	Public Power Benefit network expansion continuation & upgrades
Water	3,789	3,072	717	Confluence Pkwy Relocate S, Water mains
Wastewater	27	2,498	(2,471)	New services (Dryden in '24)
Total Capital	207,133	218,512	(11,379)	
Less: Contributions	(7,179)	(7,249)	71	Capital paid by others
Regulatory Liability Contributions In Aid of Construction (CIAC)	(17,908)	(38,323)	20,415	Jumpoff Ridge Switchyard and Capital paid by others
Fiber Make Ready Offset	(2,925)	(2,650)	(275)	Make ready costs: intersystem
Regulatory Assets & Other	26,281	16,762	9,519	Conservation, license obligations, extended warranty, Subscription-Based Information Technology Arrangements (SBITA)
Net Capital & Reg. Assets	205,402	187,052		

2025-28 Business Plan	205,402
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Key “Total Capital Project” Revisions (Existing Projects)

(in 000's)	Current	Revised	Change	2025	Major Driver
Rock Island Powerhouse 2 U1-U8 Rehab: Units U5, U7, U3, U2	246,284	266,316	20,032	52,500	<i>Increased project costs U5; 2025 work on U7, U3</i>
Rock Island Powerhouse 1 Modernization: Units B1, B2, B3, B8	107,900	144,785	36,885	18,599	<i>Increased project costs on units B8, B1 and B2 due to delays and inflation</i>

Includes revisions and changes in recurring annual capital projects >\$2M

Key New Capital Projects

(in 000's)	Total Budget	2025 Forecast	Major Driver
Rock Island Spillway Parapet Wall	34,000	30,000	<i>Replace Rock Island Spillway parapet wall</i>
PeopleSoft Cloud Migration	16,365	1,807	<i>Move HR and Finance ERP systems to cloud based</i>
Rocky Reach Spare Transformer Replacement	8,114	419	<i>Spare transformer to mitigate risk of generation outages</i>
S. Shore 3-424 600amp Feeder	4,000	2,000	<i>Upgrade distribution transmission line</i>
C2M Cloud Migration	2,554	2,075	<i>Move customer relation software to cloud based</i>
Confluence Parkway Park Relocations	2,500	500	<i>Accommodate Confluence Parkway city road project</i>
Peshastin Water New Well	2,075	75	<i>New well for water system</i>

Includes new projects >\$2M

New Positions

(consistent with Business Plan)

- **System Growth/Reliability** (*4 positions*)
- **Project Support** (*3 positions*)
- **Safety/ H&OP** (*1 position*)
- **Energy Efficiency/Compliance/Marketing** (*1 position*)
- **TBD** (*1 position*)

Combined District Expenditures

(in 000's)	Preliminary 2025 Budget	Adopted 2024 Budget	%
Operating Expense	267,473	263,650	1.5%
Tax Expense	15,623	16,328	-4.3%
Non-Operating Exp/(Inc) - excludes CIAC	3,419	2,152	58.9%
Net Capital & Reg Assets	205,402	187,052	9.8%
Total Expenditures	491,917	469,182	4.8%
Net Debt Principal Payments	59,474	54,402	9.3%
Total Expenditures & Net Debt Reduction	551,391	523,584	5.3%

Primary Drivers of Increase: Increased net capital, operating expense and principal payments.

Combined Financial Policies 2025 Preliminary Budget

	Financial Liquidity	Combined Cover	Debt Ratio	Days Cash on Hand
Base Case – expected	\$413M	4.29	10.2%	311
<i>Target</i>	<i>> \$265M</i>	<i>> 2.0x</i>	<i>< 35%</i>	<i>> 150</i>
Base Case – unusual	\$394M	3.98	10.3%	293
<i>Target</i>	<i>> \$265M</i>	<i>> 1.25x</i>	<i>< 35%</i>	<i>> 150</i>

As of September 30, 2024 forecast.



On track

Combined Financial Policies

Business Lines	Water	Waste water	Fiber	Water	Waste water	Fiber
	Forecast for 2025			Forecast for 2029		
<i>September 30, 2024 Forecast</i>						
Operating Cover Percentage (target)	>108.8%	>85.6%	>90%	>102.4%	>84%	>90%
Operating Cover Percentage (forecast)	95.5%	57.6%	71.4%	96.8%	59.7%	91.8%
Cash Reserves (target)	>\$1.25M	>\$200K	>\$2.0M	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves (forecast)	\$0.5M	\$1.1M	\$13.8M	(\$10.6M)	(\$0.2M)	\$15.8M
Debt Service as a % of Rev (target)	<10.0%	<10.0%	<10.0%	<10.0%	<10.0%	<10.0%
Debt Service as a % of Rev (forecast)	8.8%	18.5%	---	2.4%	15.8%	---

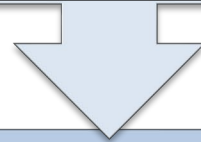
NOTE: Board resolution for business line financial targets are defined as “by 2024” and “by 2029”. Annual targets are based on the forecast at the 2020 budget set to support the 2020-2024 strategic plan. Annual actuals are provided to show progress and to inform if action is needed to meet the 5-year target.

Financial Policy not met. Action plan is to review these system targets in the next strategic planning process.

Budget Next Steps

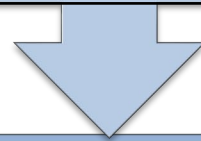
Review

Continued review and adjust with Board feedback



Discuss

2nd Budget Hearing November 18



Approve

Requesting Board approval on December 2

Appendix



Additional information from prior presentation

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

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 (3.9% growth)

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, RI 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