

Annual Plan of Finance

Information Only
No Action Requested Today

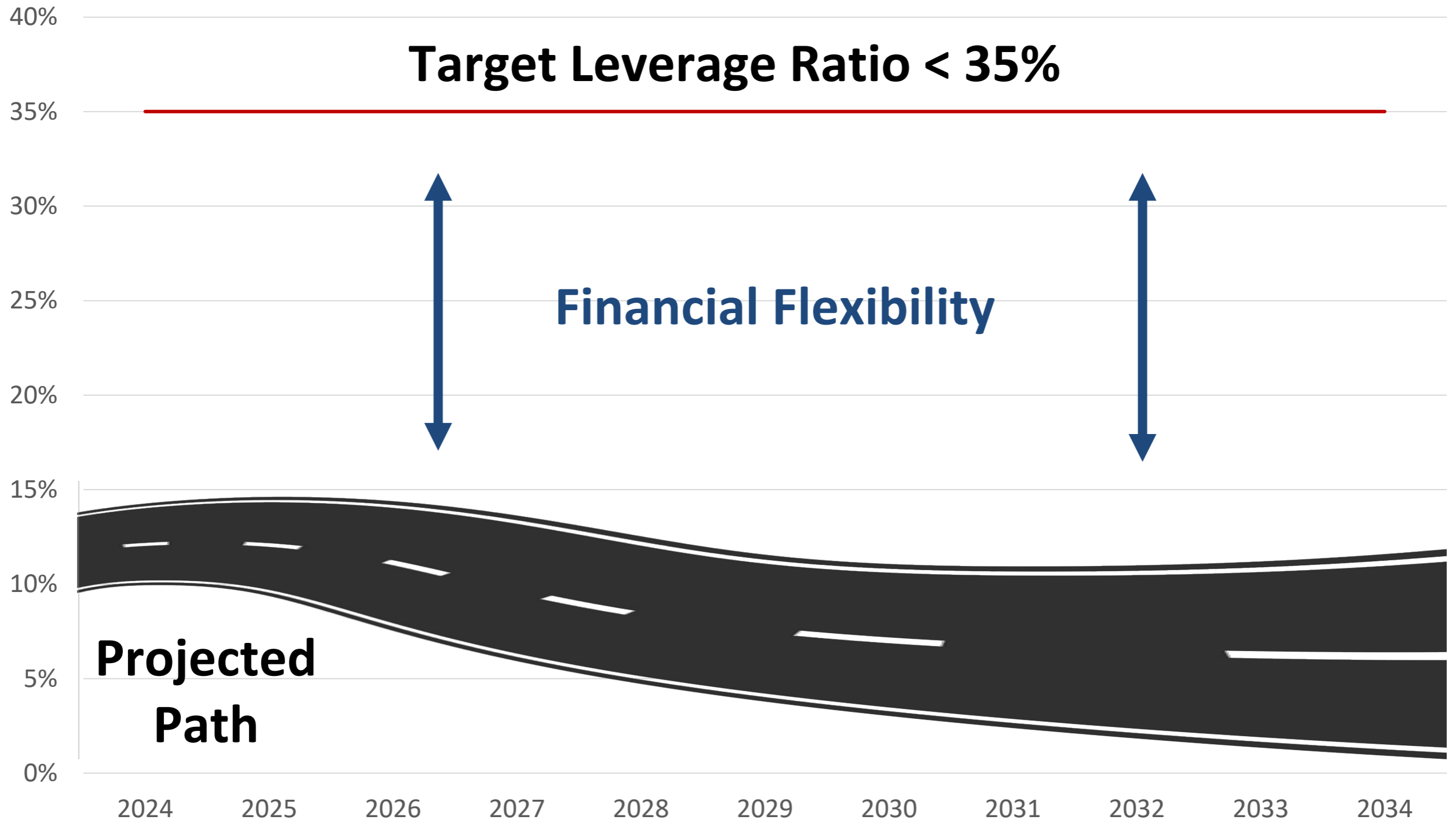
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Director – Treasury/Treasurer
September 3, 2024



What We Will Cover Today

- Annual plan of finance update
 - External borrowing
 - Internal loan funding
- Upcoming Board requests

Debt Maintenance Mode



Other tools in the toolbox:

Decrease cost growth, delay discretionary capital, incremental rate increases, and more

Responsive Plan of Finance

- 2024 Plan of Finance included:
 - No external debt issuances
 - \$54 million debt reduction (\$39M scheduled, \$15M 6-mo. advanced, if beneficial)
- Planned six-month advanced payment
 - Bond structure provides net benefit under most market conditions
 - Early retirement supports debt service coverage metrics
- Current Conditions
 - Higher market rates would not achieve net benefit, thus recommending District does not accelerate payment to 2024
 - District financial strength mitigates need for enhanced debt service coverage
- Modified 2024 Plan of Finance results in slightly higher 2024 debt leverage versus budget and lower 2025 debt service coverage metrics
 - Both metrics remain very healthy

Hydro System Capital Funding

- Chelan PUD continues to make substantial asset investments
- Forecasted 2025 – 2026 Rock Island capital plans plus shared Internal Service System projects are approx. \$195M
- Capital and debt reduction charges in long-term power sales contracts continue to be utilized for pay-as-you-go capital
- However, large capital plans are expected to exceed available power sales contract funds



Chelan PUD Funding Sources

- Financing Facilities System
 - Internal “bank” used to account for external debt and internal loan transactions
 - Efficiently supports optimum financing choices for Chelan PUD on a combined basis
 - Timing of external outflows may not match timing of internal inflows
- Distribution System
 - 2023 and YTD 2024 financial results are strong, building cash due to wholesale power sales
 - Cash reserves are segregated for many purposes including O&M, rate stabilization, and construction
 - Operating Reserves balance in excess of forecast needs

Internal Loan Mechanics

- Match system funding need with available system cash
 - Loan cash from one District accounting system to another
 - Principal and interest paid back over time per schedule
- Board affirmed Debt Philosophy and Planning Strategies:
 - First, internal loans from unrestricted funds, when available
 - Strategic external bond issuance are also evaluated and recommended when prudent
- Customer benefits of internal loans:
 - Supports debt leverage and coverage metrics
 - Avoids external bond issuance and interest costs
 - Uses available unrestricted cash earning interest at lower rate

2024 Internal Loan Recommendations

- Recommending funding for ~18 months of capital projects
 - Loan from Financing Facilities System to Rock Island System
 - Terms are governed by power sales contracts
 - “Bridge” loan from Distribution System to Financing Facilities System
 - Leverages available funds with more flexible terms
- Long-term power purchaser impacts (cost-plus contracts)
 - Share of annual principal and interest
 - Some contract adders increase with internal loan increases
 - Advance notice will be provided to power purchasers

Hydro Loan Terms:

Per Contracts, to be confirmed by Resolution considered Sept 16

Maturity:
25 years

Interest Rate:
to be set Sept 30
(estimated at around 6.0%)

Amount:
not to exceed
Rock Island \$125M

Bridge Loan Terms:

Per Board, to be confirmed by Resolution considered Sept 16

Maturity:

20 years, with optional early payment

Interest Rate:

to be set Sept 30
(estimated at around 4.3%)

Amount:

not to exceed
\$100M



- Sept 3 -15 Commissioner questions, power purchaser outreach
- Sept 16 Request Board approval of resolutions
- Sept 30 Issue internal loans
- Fall 2025 Next annual update, planning for 2026 actions