

Strategic Visioning Update



Tri-Commission Meeting
August 27, 2024

Why Now?



Increasing volume and velocity of change in utility sector



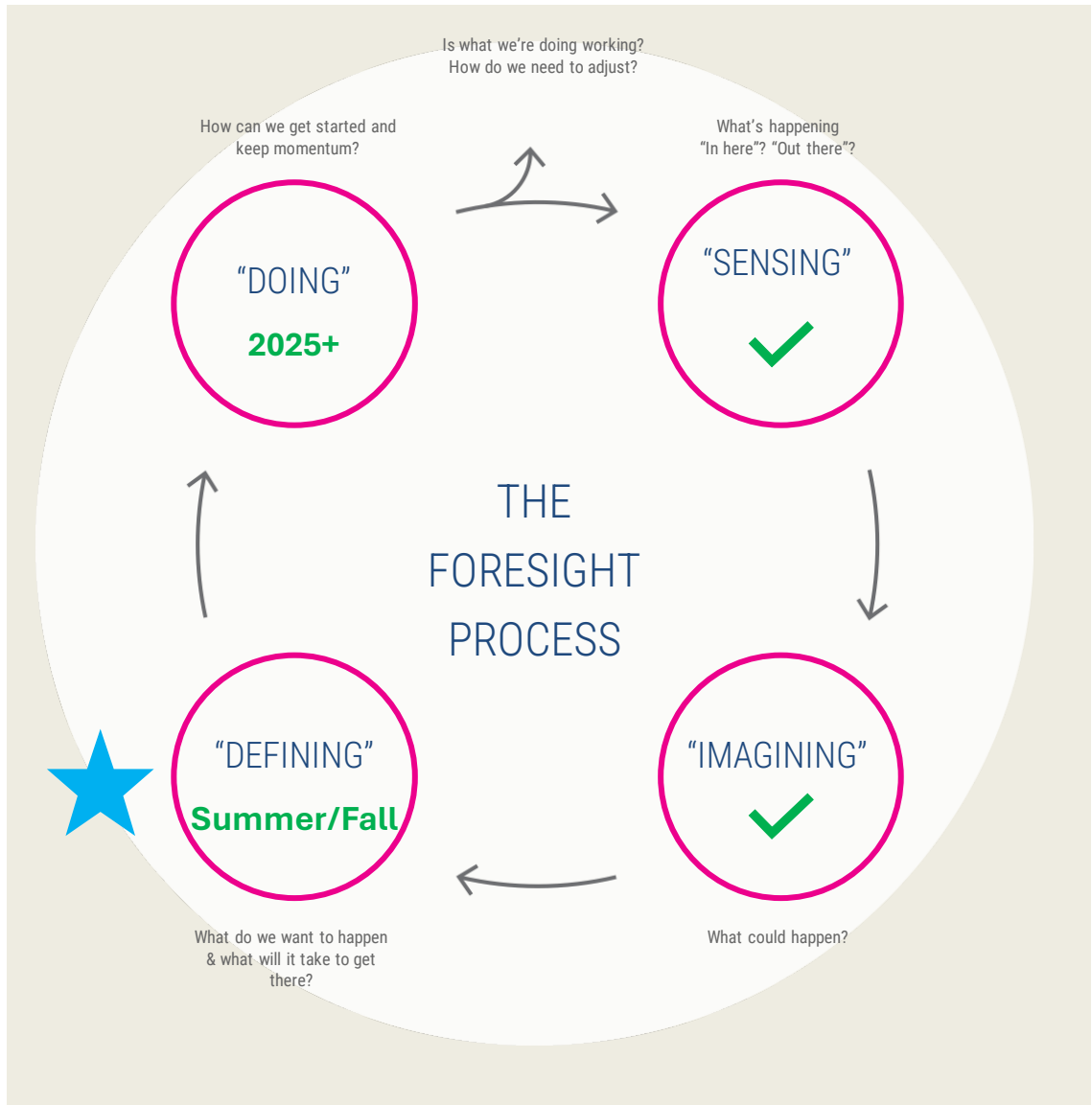
Significant growth in electricity demand



Community growth and transition



Inflection point for the District



The Big Sort



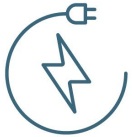




TOP TRENDS AFFECTING THE CHELAN PUD BASED ON THE BIG SORT



INCREASING DEMAND FOR ELECTRIC ENERGY



TECHNOLOGY

INCREASING ELECTRICITY LOAD



TECHNOLOGY

INCREASING ENERGY STORAGE DEMAND & OPTIONS



TECHNOLOGY

ELEVATED CYBERSECURITY RISK



TECHNOLOGY

INCREASING WILDFIRE FREQUENCY & SEVERITY



ENVIRONMENT

INCREASING EXTREME WEATHER EVENTS & IMPACTS



ENVIRONMENT

GROWING USE OF ARTIFICIAL INTELLIGENCE



SOCIETY

INCREASING RECOGNITION FOR DIVERSIFIED RENEWABLE GENERATION PORTFOLIO



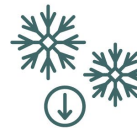
TECHNOLOGY

INCREASING DEMAND FOR MUNICIPAL WATER



ENVIRONMENT

DECREASING SNOWPACK IN COLUMBIA AND CHELAN BASINS



ENVIRONMENT

CHANGING LONG-TERM MARKETING STRATEGY & SURPLUS ENERGY SALES



ECONOMY

INCREASING STATE AUTHORITY FOR PUBLIC POWER



POLITICS

2075 Because...

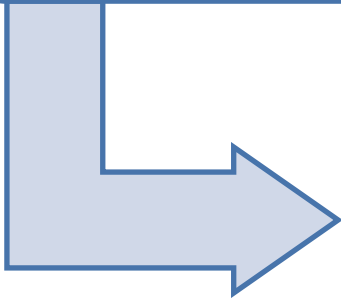
- High degree of uncertainty; many possible futures
- Freedom to think broadly and creatively
- Many emerging trends and disruptions
- Forward-looking, long-term view allows for improved adaptability and resiliency
- Ability to consider decision-making process and evaluate improvements
- More clarity about organizational pivots that may be necessary

Next Steps

TIMEFRAME	SELECTED ACTIVITY
August	Scenario and crossover lever workshop, ongoing visioning work, employee drop-in sessions
September	Customer-owner survey (focus area prioritization)
October & November	Crafting formal 2075 Vision (document), reviews, finalization
December	Anticipated adoption of 2075 Vision
2025+	Implementation, integration into business & work plans, policy governance, etc.

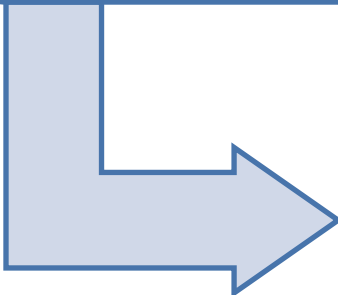
2075 Vision

- Directional & Foundational



Strategic Business Plan

- Merging Vision with Strategy, Goals, Objectives, Implementation Plan, Process Improvements



Annual Budget and Work Plan

- Execute the Plan(s), Performance Monitoring, Alignment

Discussion



Other Updates

(time permitting)

- Rate Proposals
- Large Electrical Load Framework



Electric, Water, Wastewater Rate Proposals



Proposed Rate Plan – Board Guidance

- Continue current rate plan an additional 2 years in recognition of rising operating costs
 - Resolution 20-14424 established annual rate adjustments through 2024
 - 4% Water
 - 4% Wastewater
 - 3% Electric (Incremental revenues held in Electric Rate Support Fund)
- Proposed rate adjustments effective June 1, 2025 and June 1, 2026
- Allows time for Strategic Visioning to progress and inform future plans

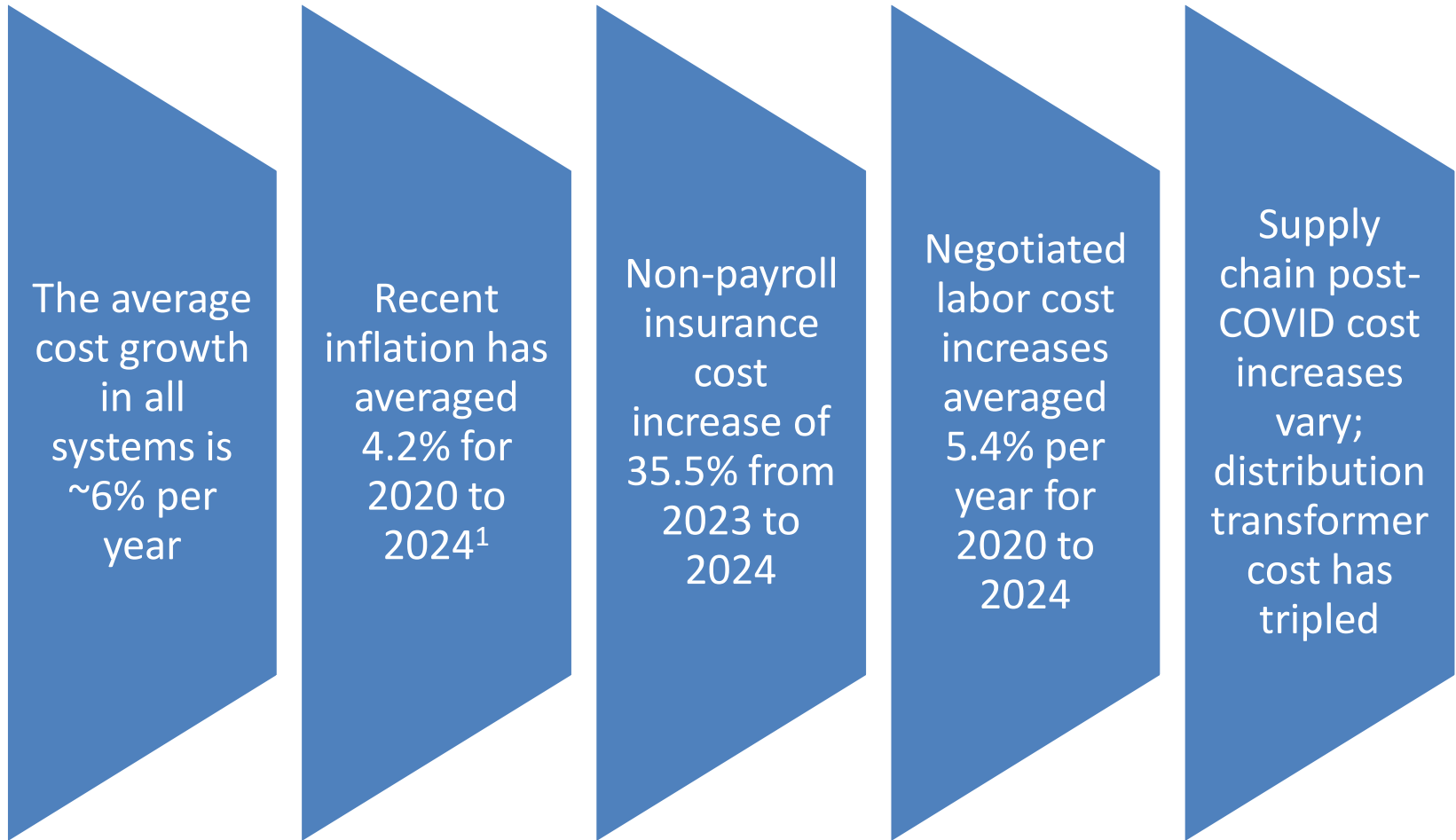
Examples of Average Residential Bills

Monthly Average Residential Bills	Start	June 1, 2025	June 1, 2026
Electric (Single phase)	\$66	\$68	\$70
Average monthly increase		\$2	\$2
Water (5/8" service)	\$64	\$67	\$70
Average monthly increase		\$3	\$3
Wastewater (per ERU)	\$93.35	\$97.10	\$101.00
Monthly increase		\$3.75	\$3.90
<i>Low income senior/disabled discount (per month)</i>			
<i>Electric</i>	<i>\$10.70</i>	<i>\$11.00</i>	<i>\$11.50</i>
<i>Water</i>	<i>\$11.55</i>	<i>\$12.00</i>	<i>\$12.50</i>
<i>Wastewater</i>	<i>\$12.30</i>	<i>\$13.00</i>	<i>\$13.50</i>

Stewardship of Customer Interests

- Work to protect low rates - keep increases small over time; reducing risk of large, unexpected changes
- Strive to maintain and improve reliability
- Decrease wildfire risk and impact
- Protect the environment/waterways
- Improve operations through modern customer and operational technologies
- Increase customer access to information
- Develop large load power supply options

Common System Cost Impacts



¹ Based on: Consumer Price Index for All Urban Consumers (CPI-U), High 7.036% (2021), Low 1.362% (2020)

System Specific Cost Impacts



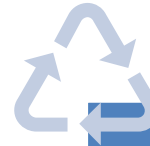
Electric

- Increasing hydro facility investments for long-term sustainability
- Tree trimming efforts doubled to mitigate wildfire risk
- Capital investments increase to support community growth (substations, feeder)²



Water

- Regional Water System has been increasing wholesale water rate 10% each year
- Capital investments increase to support community growth (water reservoirs, pump stations, water main)²



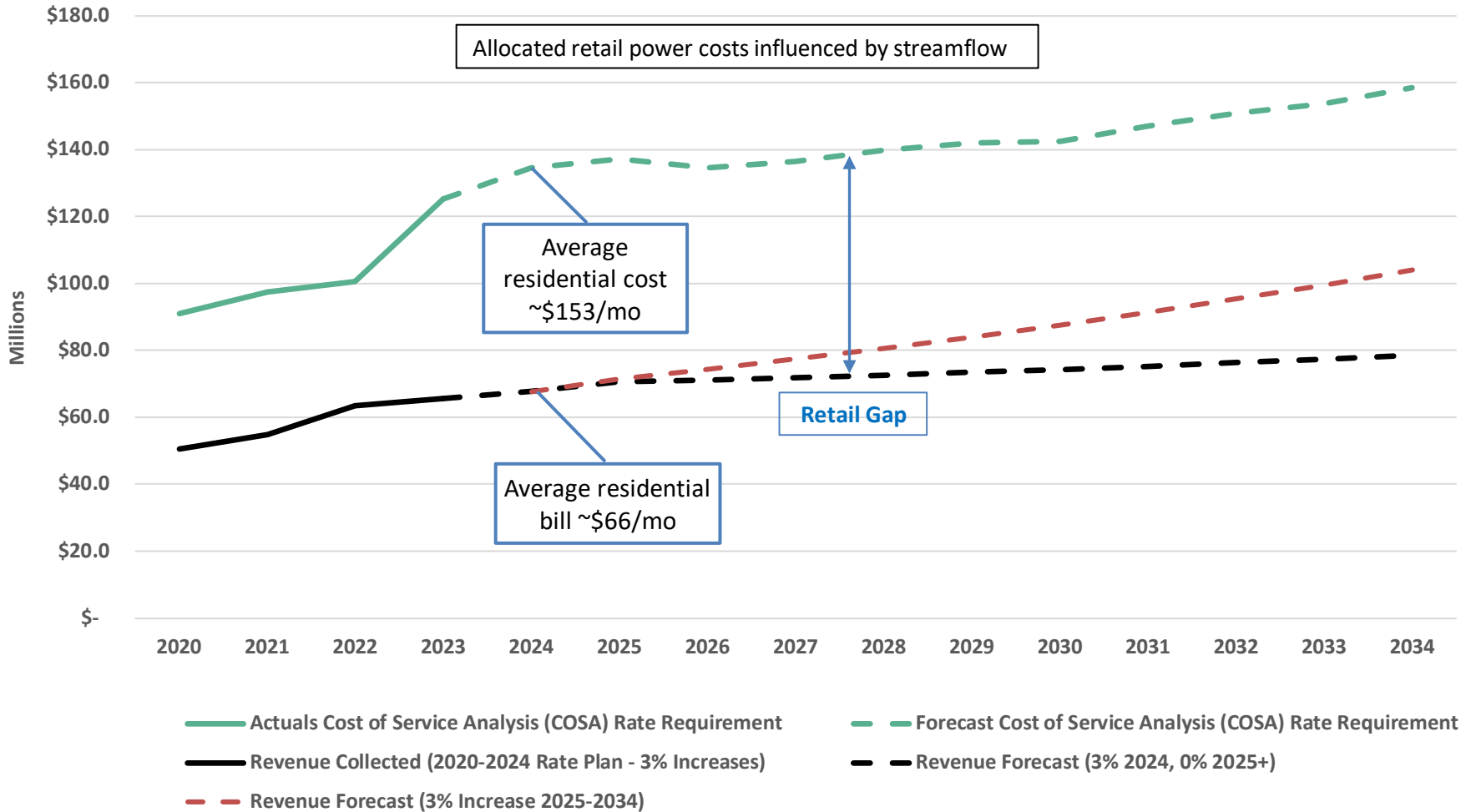
Wastewater

- Increased cost of plant operation, including one employee, for upgraded WW treatment plants
- Capital investments increase to support community growth (plant capacity evaluation)²

² Incremental costs and debt service partially covered by system development charges for new connections

Electric Rate Gap

Electric Cost vs Revenue Collected Comparison
(All Rate Classes)



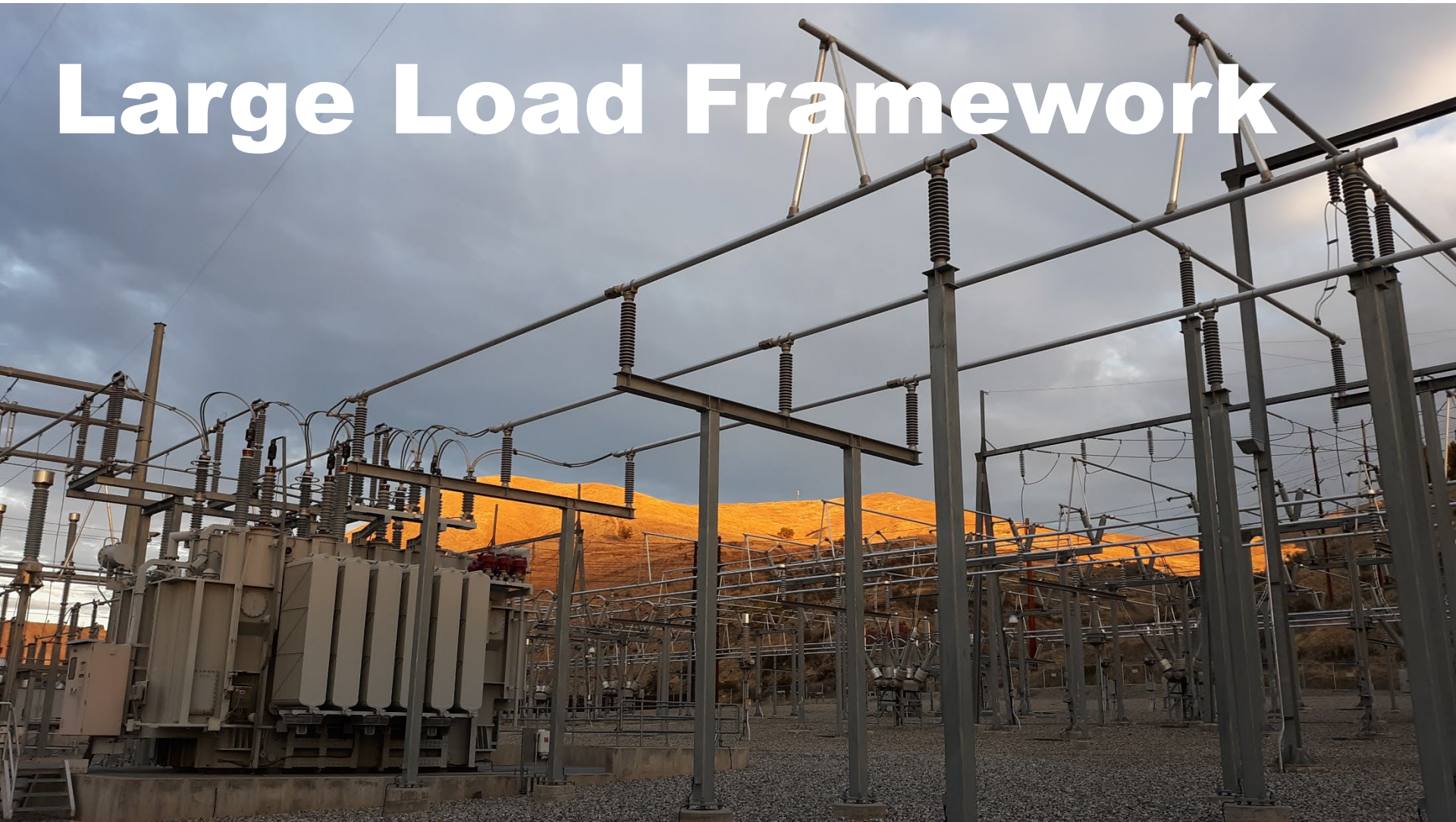
Rate Gap Takeaways

- Operating costs and investments in assets to support county growth and reliability continue to grow in all systems
- Absent rate increases, the gap will continue to widen further
- Increasing gap adds future rate pressure and adds risk of larger rate increases later
- Puts more pressure and reliance on the wholesale market revenues, PPB, and other financial resources to cover costs

Outreach Schedule

- ✓ Aug. 19 – Preview of rate and outreach plan
- ✓ Aug. 20 to Sept. 13 – Public notices, including legal notice of rate hearing in newspapers, email, social media, PUD website
- Public meetings:
 - Service Center Aug. 26 at 5:30 p.m. ✓
 - Leavenworth Office Aug. 27 at 5:30 p.m.
 - Chelan Office Sep. 4 at 5:30 p.m.
- Sep. 16 – Rate Hearing; public comment summary
- Oct. 7 – Resolution seeking adoption
 - If adopted, customer notice by 30 days after approval
- Rate effective date: June 1, 2025, and 2026

Large Load Framework



Large Load Power Supply Guiding Principles

- Neutral-to-positive for other customers
 - Maintain reliability and compliance of electricity service
 - Maintain stable and predictable rates for other customers
 - Protect existing management of hydro resources through wholesale marketing and hedging strategy
- Preserve local control
- Comprehensive and durable framework
 - Serve all large load customers comparably and consistently

Large Load Power Supply Framework

Staff Recommendation

- **Recommendation: Serve large load customers in Chelan County through one or more of the following arrangements:**
 1. Short-Term Supply (1 to 5 years): Chelan PUD procures wholesale energy and resells to retail customer
 2. Customer Choice: Customer procures/identifies wholesale energy, which Chelan PUD purchases then Chelan PUD resells to customer
 - Chelan PUD retains ability to approve or reject sources of energy
 3. Negotiated Contract: Negotiate any alternative power supply arrangement at Chelan PUD's discretion
 - At the Board's discretion, may include Chelan PUD generation consistent with wholesale marketing and hedging strategy
- All arrangements are contingent on the customer providing adequate credit assurance and assuming certain risks

Themes (1/2)

- Large-load companies must pay their fair share. Customers made comparisons to past conversations about bitcoin mining.
- Customers highly value low rates.
- Concern about priority of service in the event of energy shortfall.
- Concerns about relationship with large-load companies changing over time.

Themes (2/2)

- Interest in the end use of Chelan PUD's surplus energy. Should that energy be used to power data centers, heat/cool homes elsewhere, hydrogen production?
- Consider requirement for rooftop solar for data centers/large loads.
- Guiding principles and framework look correct, need to allocate enough power to meet historical customer base, pleased with approach

- Microsoft: They value being good neighbors and good corporate citizens. This includes paying their fair share.
- Diamond Foundry: Also discussed their involvement in the community, appreciates the PUD.

Next Steps

- **September:** Present large load package to the Commission for consideration, including:
 - Details on retail service agreement with Microsoft
 - Updates to Large Loads – Schedule 4 rates
- **October:** Potential Commission vote on approving the package