

Chelan County PUD



Business Planning

2024-2028 Rolled Forward 1-Year to 2025

October 7, 2024

What we will cover today

- Business Planning Approach
- Mission, vision, values and objectives
- Overview of district-wide plans for 2024-2028 – Rolled Forward 1-Year to 2025
- Key drivers
- Known unknowns
- Summary ***Seeking Board feedback, but no action required today***

Setting the stage for 2025

- Why is this year different from other years?
 - Business planning processes, assumptions and subsequent budget informed by Strategic Plan, however;
 - New strategic plan featuring a 50-year vision is currently still in process as we plan and budget for 2025
 - Refinements to tactical actions to support 50-year vision, once approved, will be developed during 2025

Business Planning Approach

- Typical process
 - Board approves 5-year strategic plan
 - Staff develops 5-year business plans annually
 - Includes tactical goals to support the 5-year strategic plan
 - Board approves a 1-year budget
 - Includes a 5-year forecast to support the business plans
- Extending our current 2024-2028 business plan to 2025
 - Continue with current strategic objectives and goals
 - Reset business planning approach under new strategic vision in 2025 for 2026 forward

Cascading Planning Cycle



Levels of organization





Mission

To enhance the quality of life in Chelan County by providing sustainable, reliable utility services.

Vision / Challenge

In a rapidly changing utility environment, we will provide:

The Best Value for the Most People for the Longest Time.

Safety:

Protect public and employee health and safety



Trustworthiness:

Competence, integrity, respect, collaboration



Stewardship:

Acting on behalf of customer-owners, protecting public resources entrusted to us



Operational Excellence:

High quality, innovative work execution through supporting personal accountability



MISSION: To enhance the quality of life in Chelan County by providing sustainable, reliable utility services.



CUSTOMER-OWNER

FINANCIAL

INTERNAL

ENABLERS

Commit to the highest level of customer-owner satisfaction

Protect natural resources impacted by operations

Ensure financial stability

Seek operational excellence through continuous improvement mindset (with emphasis on efficiency, effectiveness, compliance, risk assessment, and resiliency)

Invest in creating long-term value

Advance human and organizational performance

Foster a culture of serving the public interest

Encourage innovation

Current 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

- Making great progress towards achieving goal of 89% hydro capability; now forecasted for 2027 after schedule extensions.
 - Complete/test first air-filled (U5) and water-filled (C11) hub conversions
 - Investigating and exploring new energy/storage sources
- Continuing to balance strong distribution reliability metrics to reduce outage time, while enhancing wildfire mitigation measures
- Seeking continuous improvement in District's capacity for safe work
- Educate, train and implement Human and Organizational Performance throughout all levels of the organization, while focusing on leadership and staff development
- Advancing user digital experience for staff and customers through broadband service, technology, tools and data analytics to provide more access to more information on more devices

Significant Investment in Assets



**Rock Island PH2
Modernization
Est. Completion:
2031 (all 8 units)**



**Rock Island PH1 Modernization
Est. Completion: 2028**

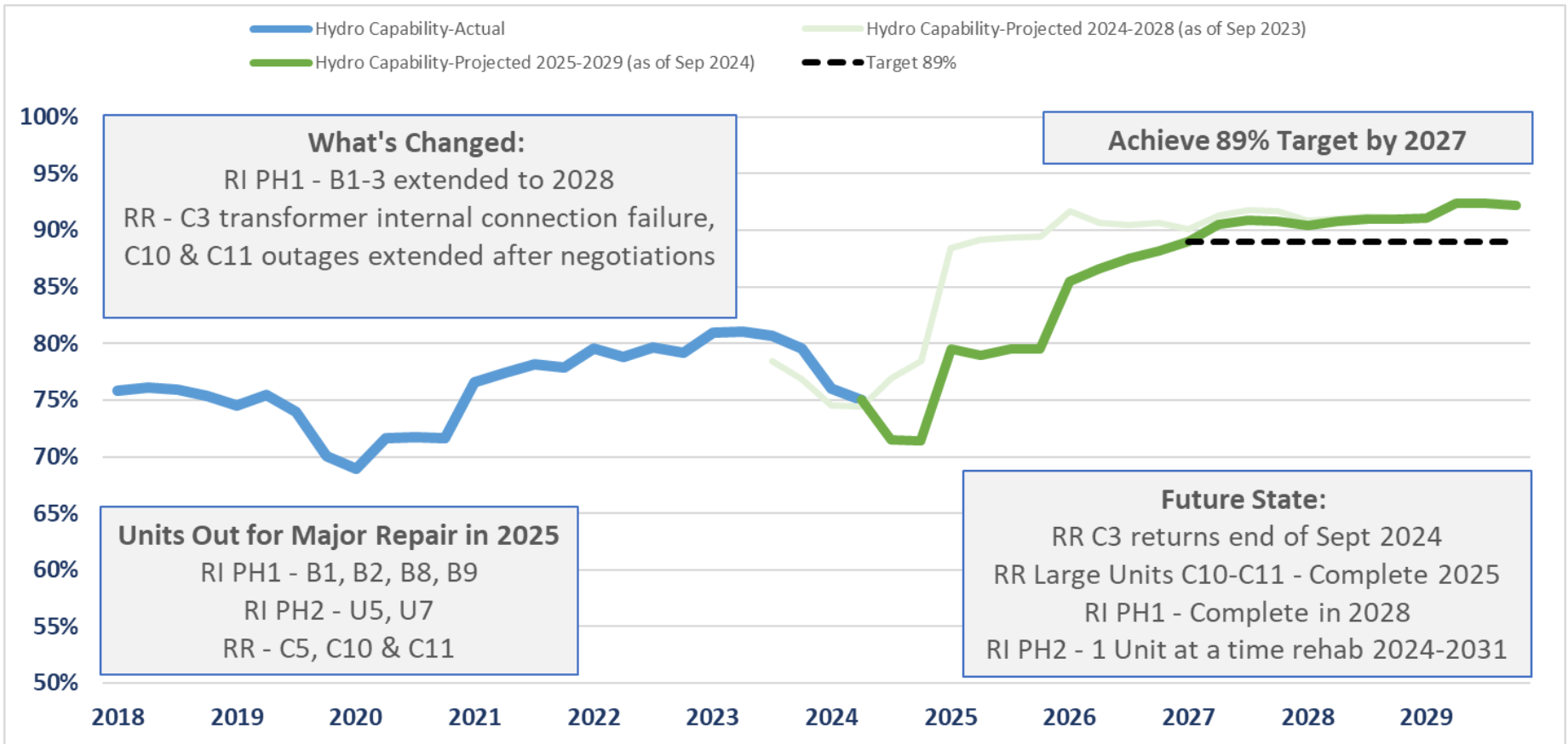
Rocky Reach C10-C11 Est. Completion: 2025



**Rock Island
Parapet Wall
Est.
Completion:
2026**



Improving Hydro Capability



Significant Investment in Assets



**Distribution
Infrastructure
(Substations)
2024-2028**



**Jumpoff Ridge
Switchyard
2025**

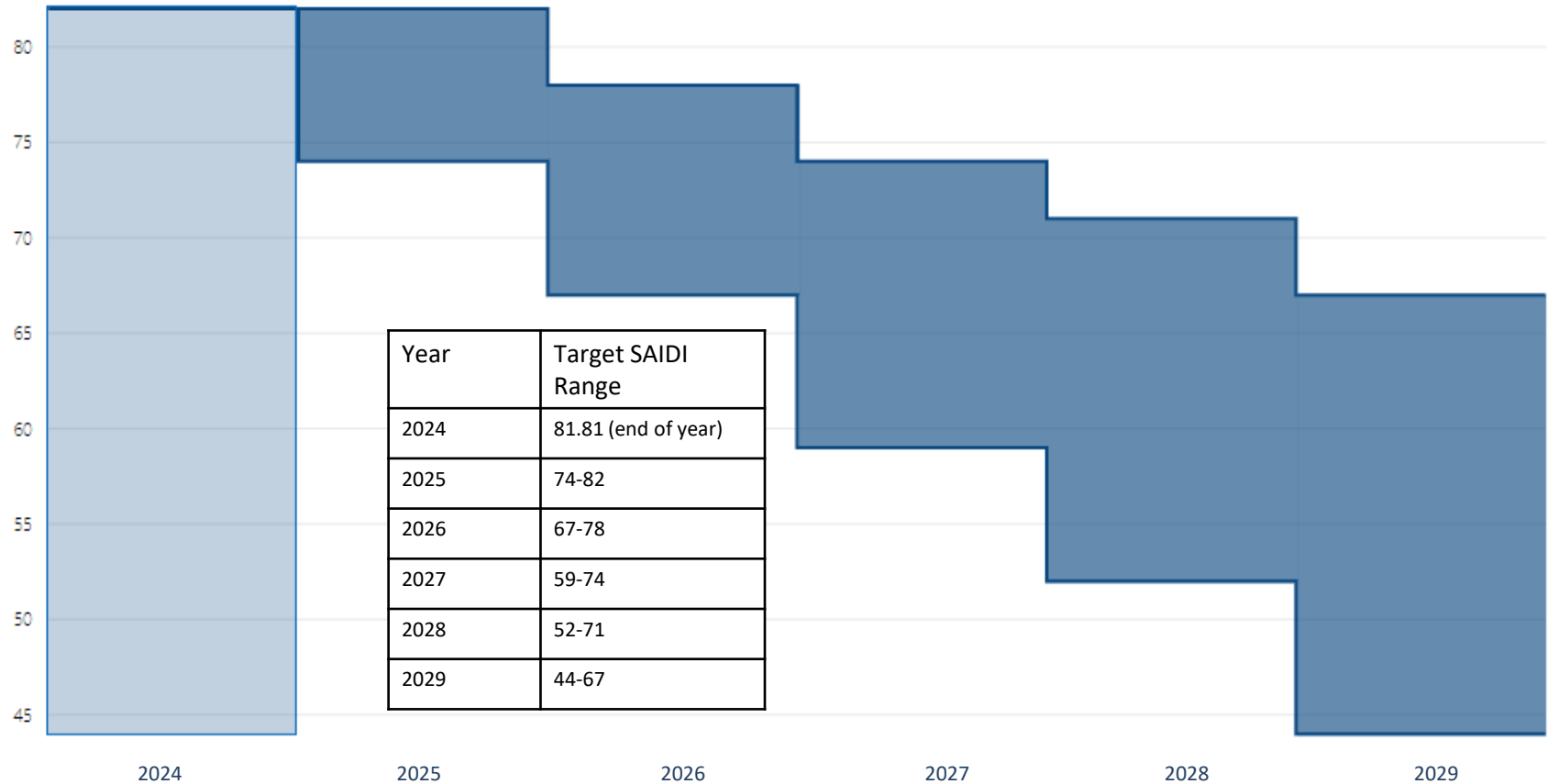


**Upper Valley
Transmission
2024-2028**

Distribution Reliability

Forecasted 5-Year Range

SAIDI
Minutes



Wildfire Mitigation Plan

Overview

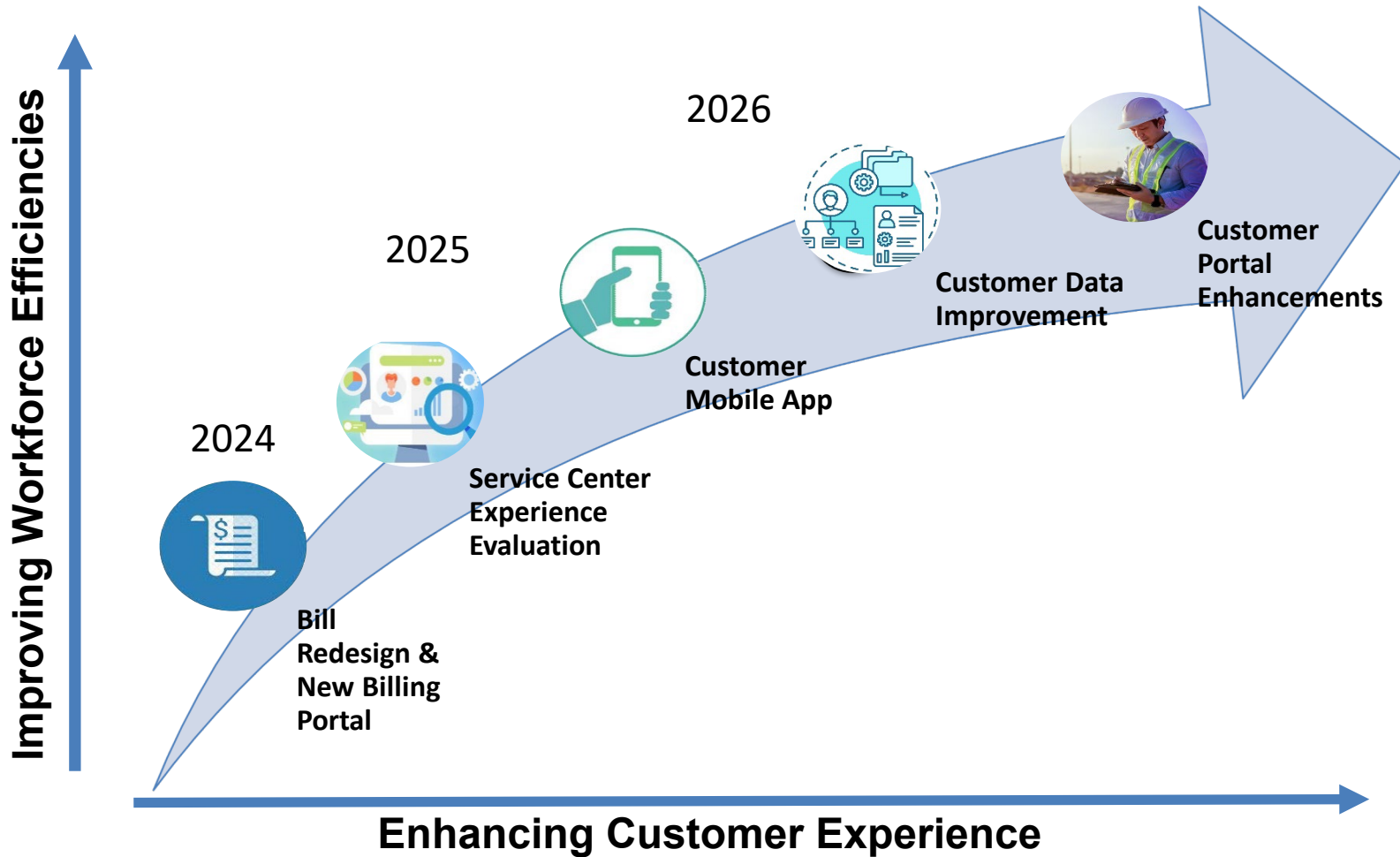
- Board approved plan meeting state statutory requirements to be delivered to DNR by Oct. 31st
- 5-year planning process established with Executive Sponsor oversight
- Anticipated Wildfire Program Manager position

Features

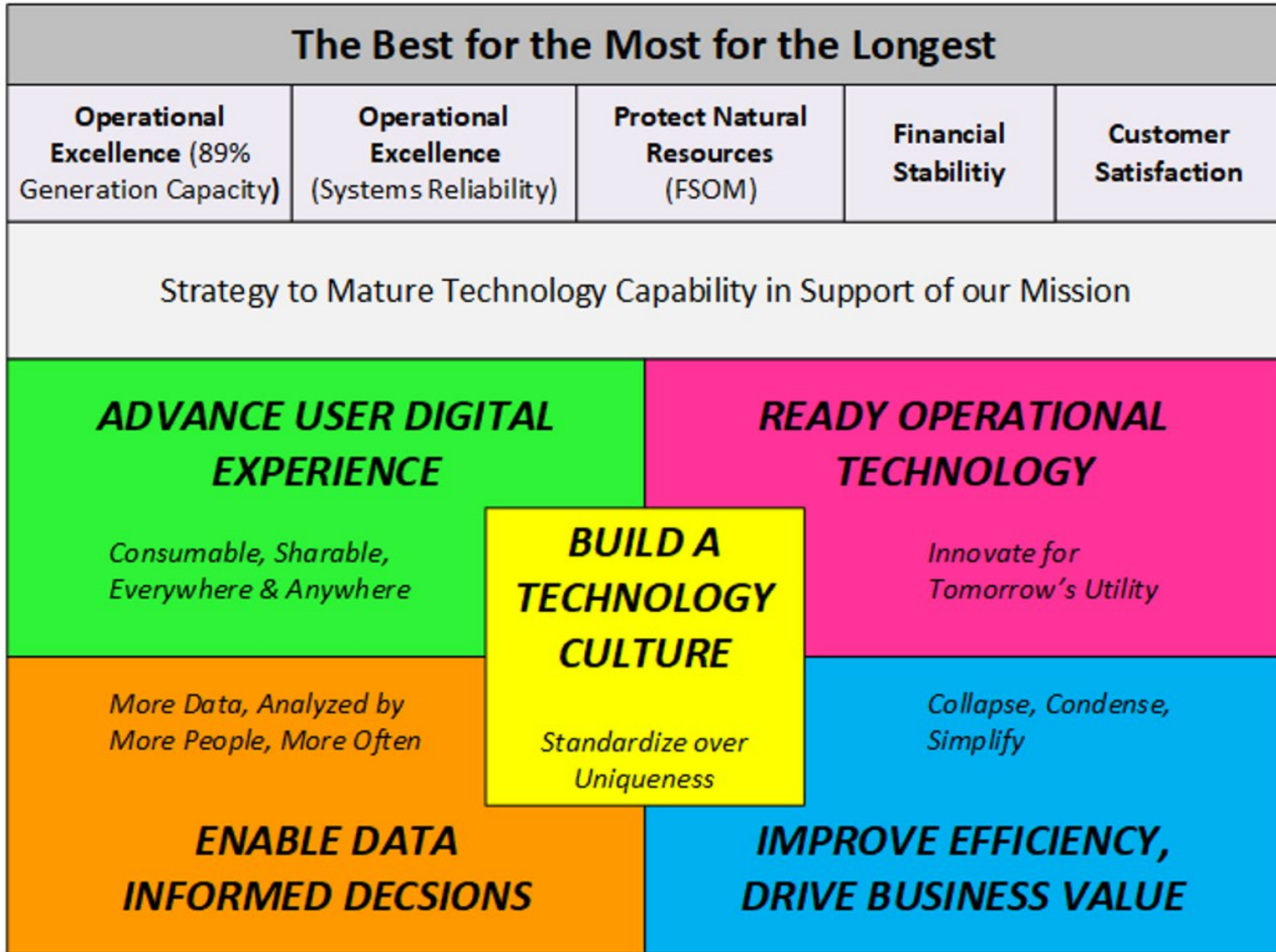
- Expanded Fire Safety Outage Management (FSOM) program throughout service territory
- Fire hardening using steel structures, fire resistant pole coverings, animal guarding and undergrounding where appropriate
- Enhanced vegetation management program trimming each circuit every 4 years, fast-growing vegetation every 2 years and high fire risk locations inspected/trimmed annually
- Investing in operational technology and data analytics



Meeting Customer Expectations



District Technology Strategy 2024-2028



Technology Strategy Progress

<p>Advance User Digital Experience</p>	<p>Field Workforce ✓</p> <p>Generative A.I. ✓</p> <p>Customer Portal 24</p> <p>Critical Comms 25</p> <p>Virtual Desktops 25</p>
<p>Ready Operational Technology</p>	<p>Outage Management ✓</p> <p>Outage Portal ✓</p> <p>AMI ✓</p> <p>Advanced GIS ✓</p> <p>Connect Campus 25 - 28</p> <p>Smart Reclosures</p>
<p>Enable Data Informed Decisions</p>	<p>SaaS Data Warehouse ✓</p> <p>Power BI Analytics ✓</p> <p>PI Vision Analytics ✓</p> <p>Azure & Fabric 25</p> <p>Power Runner Modeling 25</p>
<p>Improve Efficiencies Drive Value</p>	<p>Power Automate Workflows ✓</p> <p>CIS SaaS Migration 25</p> <p>CoPilot for M365 25</p> <p>ERP SaaS Migration 26 - 27</p>
<p>Build a Technology Culture</p>	<p>Vision & Strategy ✓</p> <p>Enterprise Architecture ✓</p> <p>Technology PMO ✓</p> <p>Informal Alignment 25</p>

Investing in Employees

- Staff Development and Capability Building
- Leadership Development
- Resiliency Building
- Advancing Capability



Safety & Health

Improve the District's capacity for safe work.

1. Develop purpose driven safety standards, programs & effective training.

- Understand the hazards associated with assigned tasks.
- Understand how those hazards are meant to be controlled.

2. Conduct learning activities.

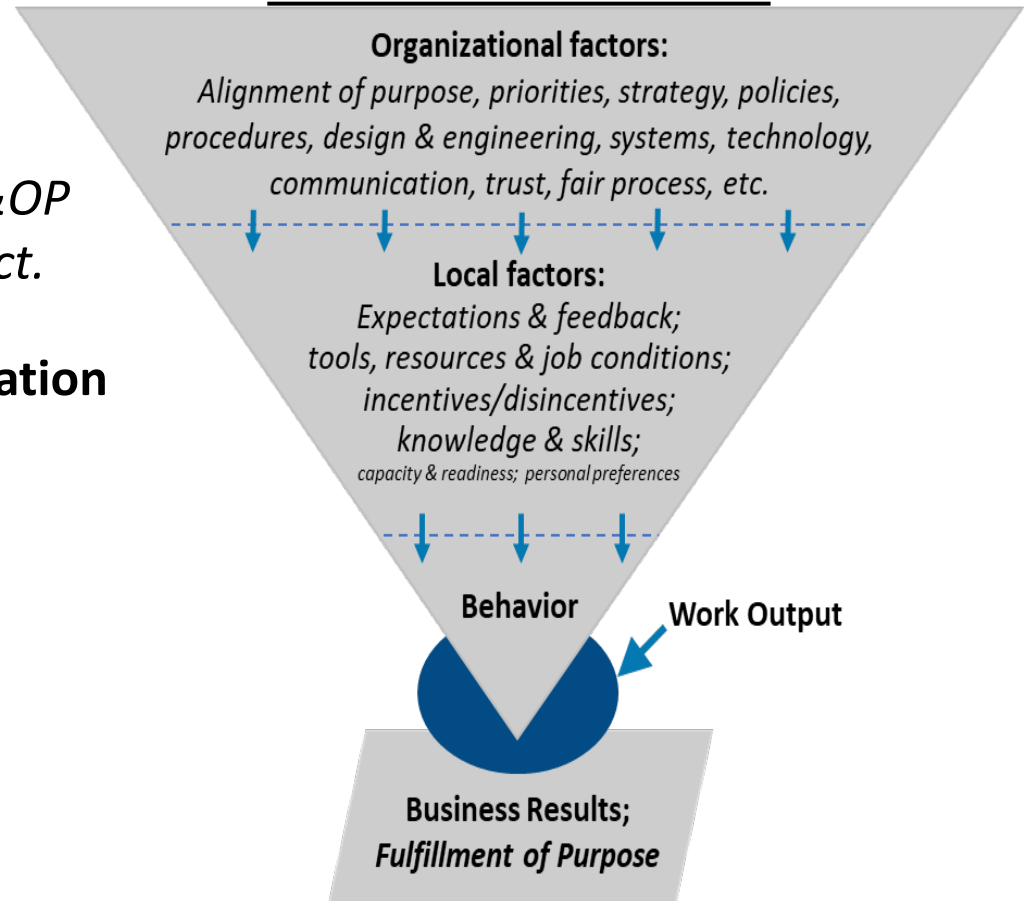
- Both proactive and post-event, aimed at improving local and organizational factors.

Human & Organizational Performance

SYSTEMS THINKING Model

Better embody a High-Reliability Organization by incorporating H&OP throughout all facets of the District.

- 1. H&OP Building Blocks Education**
- 2. Alignment of Purpose**
- 3. Systems Learning**



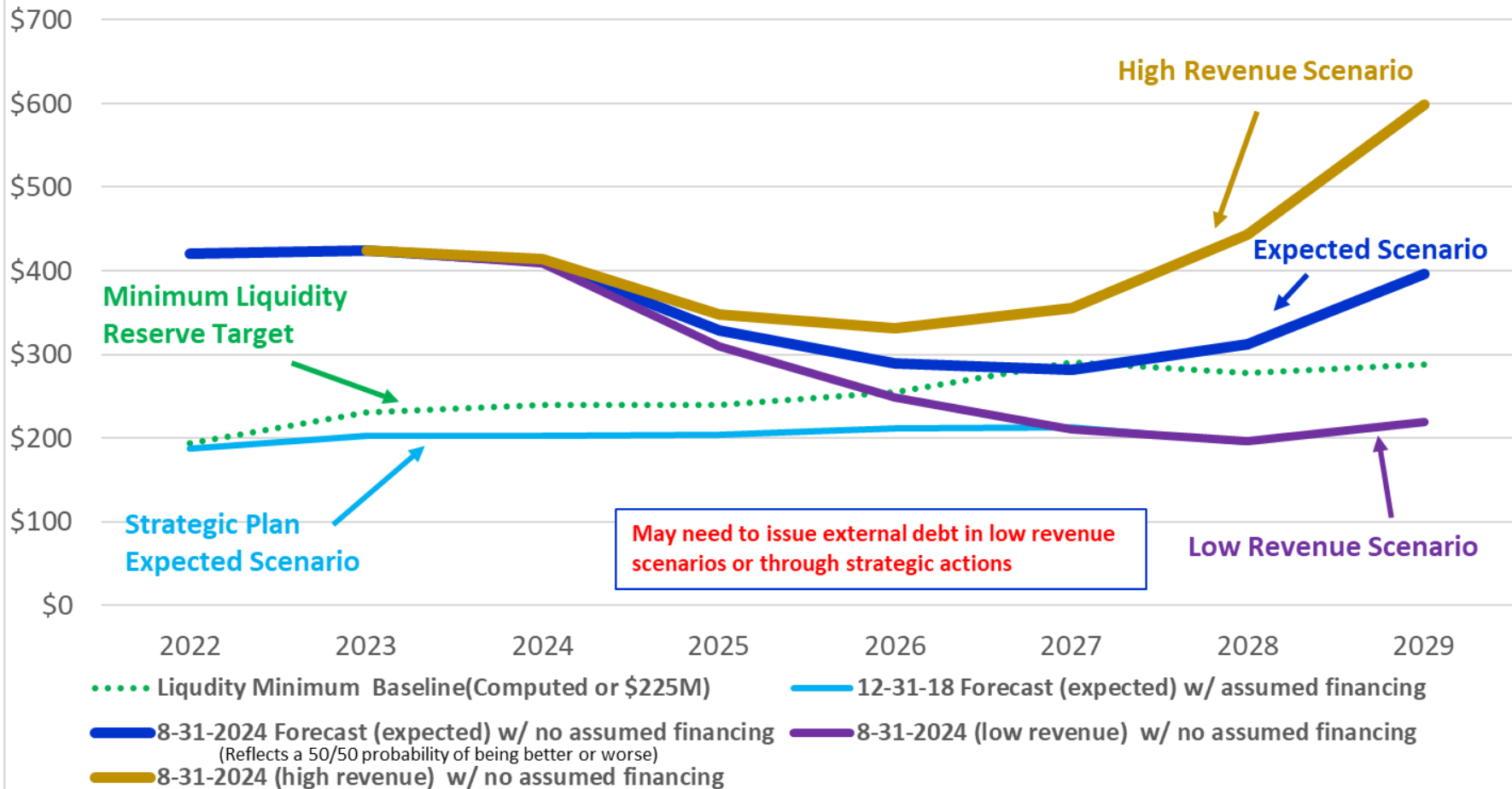
Goal 2: Financial Resiliency

- Maintain strong bond ratings, resilient financials and prudent financial policy metrics
- Provide strong liquidity for flexibility to adapt to changing circumstances
- Maintain low debt leverage and high debt coverage to preserve ability for new external debt
- Strong financial position and financial policy metrics provides long runway for decision-making for uncertainty and opportunities

Long-Term Outlook Compared to Strategic Planning

Liquidity Forecast: Future Scenarios

(forecast change as circumstances, assumptions, long-term plans and financial policies change)

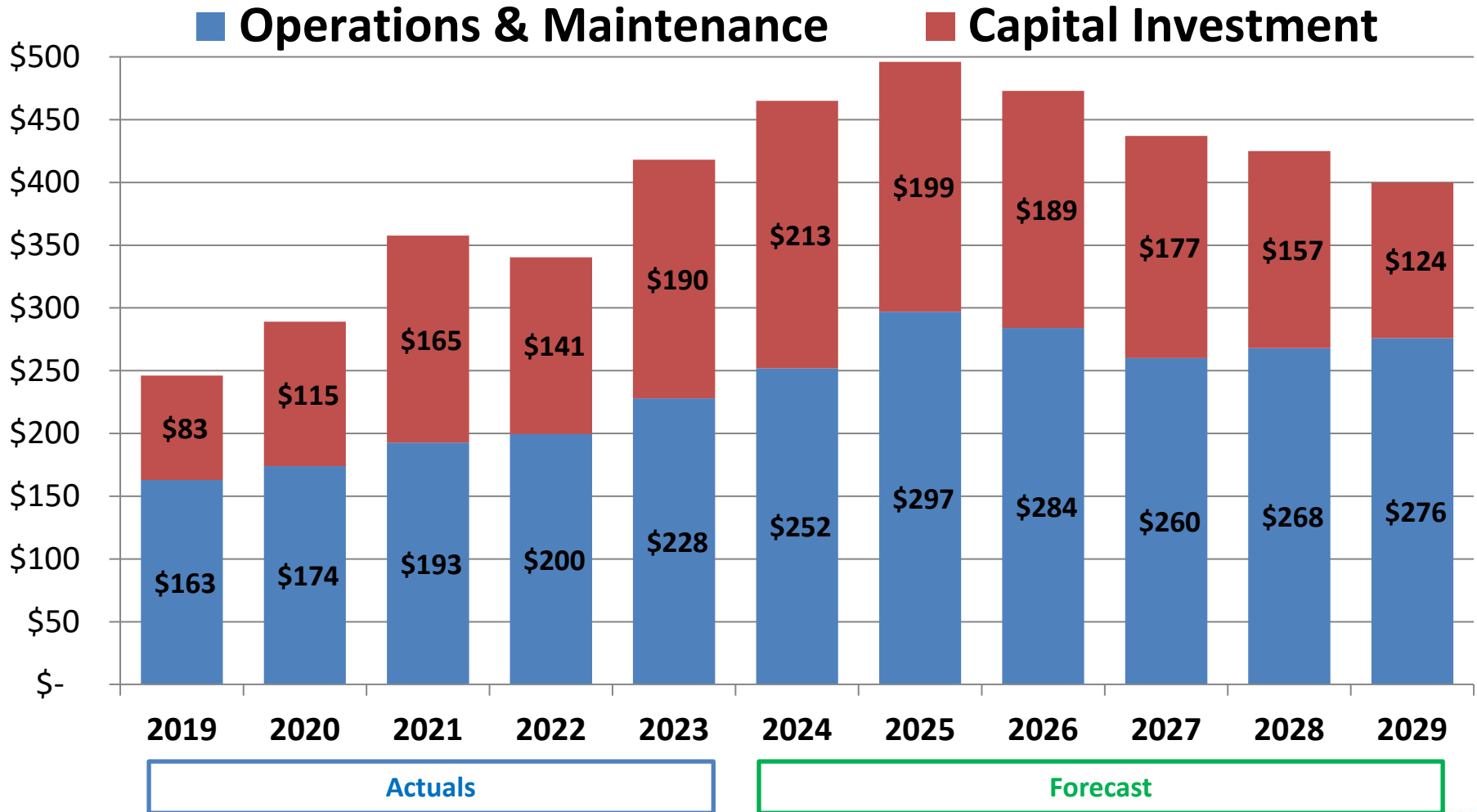


NOTE: 8-31-24 scenarios assume no new debt in the periods 2024-2029 to fund long lived capital projects based on the Expected Scenario. The debt ratio for the District remains at or below 35% for all the forecasted scenarios.

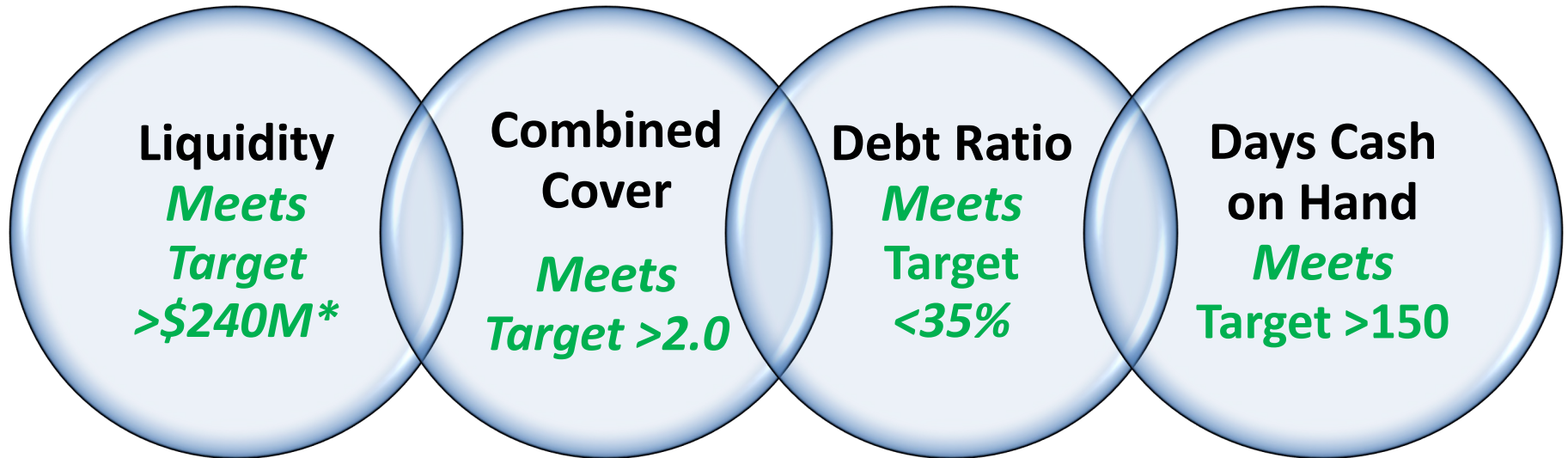
Investing in Assets and People

(amounts in millions)

(as of 8/31/2024 forecast)



2025-2029 Plans Reflect our Prudent Financial Policies



Results based on expected conditions

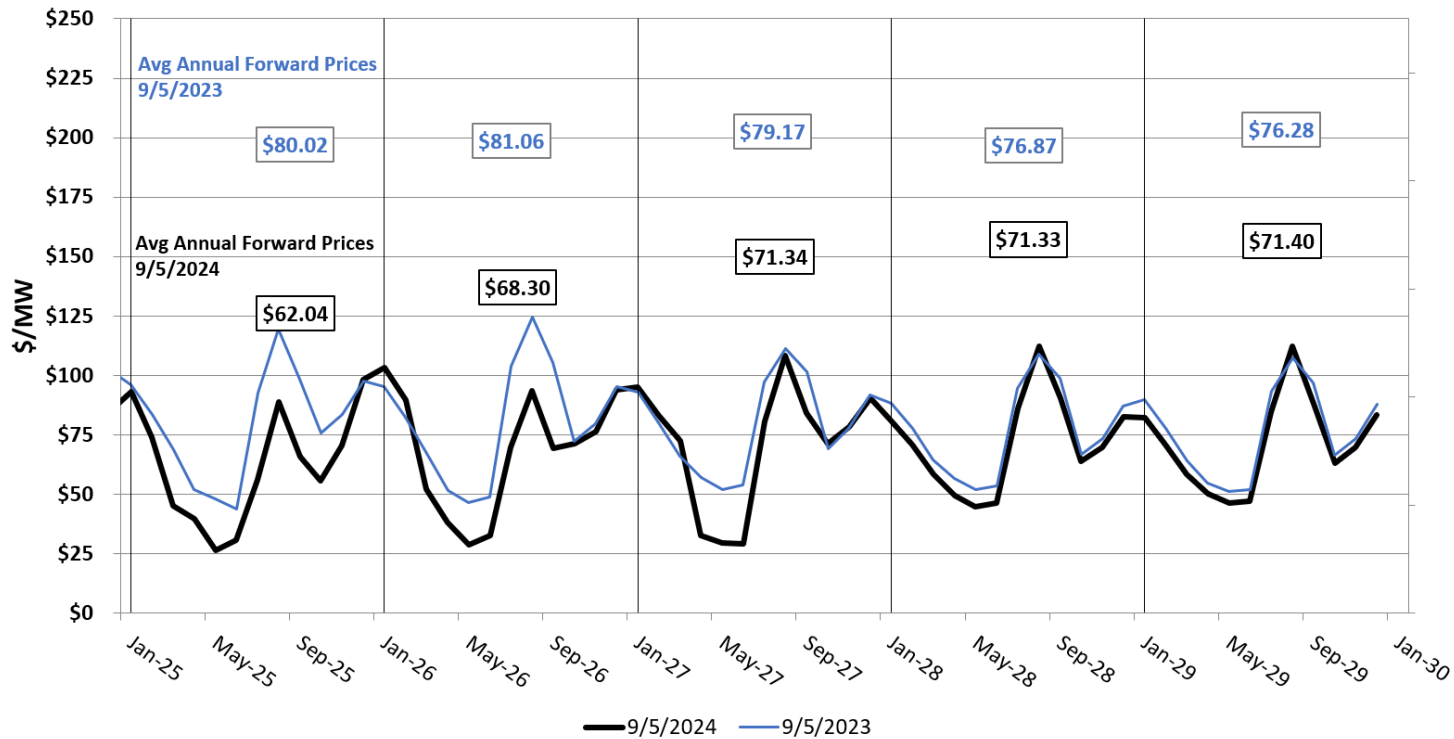
We have a Board reporting requirement to provide an action plan when metrics come within 10% of the target. Based on the August 2024 forecast, none of the District level financial metrics fall within that 10% threshold.

*Liquidity target is the greater of \$225M or methodology calculation – calculation is approx. \$291M in 2027

Long-Term Energy Planning

- Uncertainty remains with new regulations (CETA, WRAP, CCA)
- Power markets continue to evolve
- Executing on Long-Term Marketing Strategy
- Large load framework in place to keep customer owners neutral
- Organized markets in horizon
- Capacity / Carbon market remains strong

**MIDC Flat Forward Price Curve
(Year over Year Change)**



Goal 3: Public Power Benefit

In-Flight Projects (as of August 2024)

Project	Year Funded	Allocated	Spent	Remaining
Fiber Expansion + Acceleration	2015-2024	\$27.0M	\$17.1M	\$9.9M
Horan Area Rehab	2015-2016	\$100k	\$36k	\$64k
Supported Employment	2015-2016 + 2022	\$312k	\$244k	\$68k
Loop Trail Extension	2019 + 2023	\$2.0M	\$299k	\$1.7M
Day Use Parks Pass	2015-2022	\$531k	\$475k	\$56k
Dryden Treatment Plant	2020 + 2023	\$2.17M	\$0	\$2.17M
Riverfront Park: Phase 1*	2021-2023	\$3.51M	\$1.81M	\$1.70M
Wen Valley Museum: Coyote's Corner	2022	\$460k	\$0	\$460k
Chelan Ballpark Masterplan	2022	\$100k	\$0	\$100k
Sports Court Reconfiguration	2023	\$500k	\$83k	\$417k
LC Research Institute: Water Quality	2023	\$270k	\$57k	\$213k
5 th Street Redevelopment-Electric Ave	2024	\$4M	\$78k	\$3.9M
Stehekin Reliability – Phase 1	2024	\$1M	\$38k	\$962k

* City of Wenatchee will contribute \$2M for total project of \$5.51M

Goal 3: Public Power Benefit

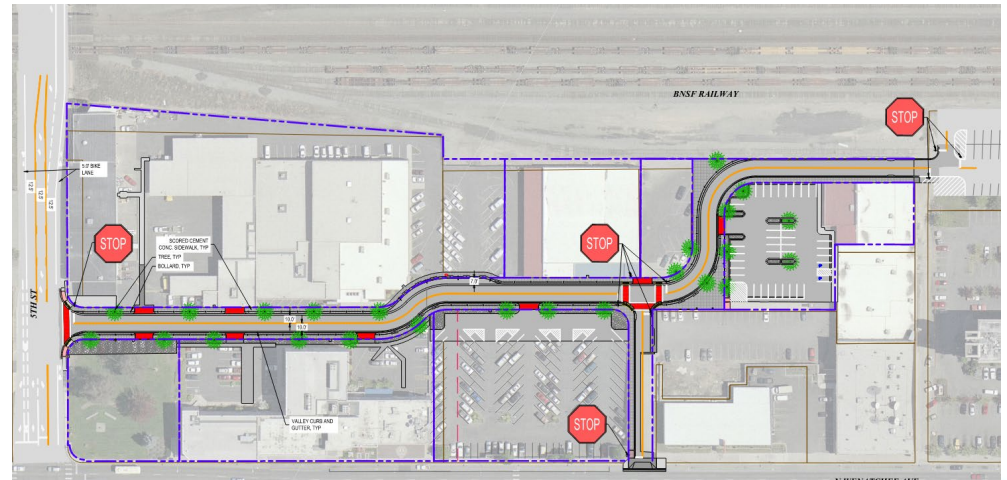
Forecast of Requests to Support Ongoing projects

	2024	2025	2026	2027
Fiber Expansion	\$2.1M	Projects pending solicitation and Board selection	Projects pending solicitation and Board selection	Projects pending solicitation and Board selection
Sports Court Reconfiguration	TBD			
Lake Chelan Research Inst.	Pre-funded			
Jobs Readiness	Pre-funded			
Supported Employment	Pre-funded			
Parks Day Use Passes	Pre-funded			
Wenatchee Riverfront Park	TBD			
Dryden Treatment Plant	TBD			
Loop Trail Extension to new SC	TBD			
Stehekin Reliability	\$1M			
Fiber Expansion Design	\$750k			
Manson Parks Connection	\$500k			
5 th Street Redevelopment-Electric Avenue	\$4M			
Total Requests *	\$8.35M			
Forecasted PPB Total	\$10.0M	Forecast Assumption \$6.0M	Forecast Assumption \$6.0M	Forecast Assumption \$6.0M

* \$1.65M remaining for 2024 - unallocated dollars will carry forward to 2025.

Goal 4: Engage in Countywide Efforts

- Significant work on substations construction, property acquisition and planning to support county growth
- Execute on local large load framework developed that is neutral to customer owners
 - Delivery of new large load in Malaga begins ramping up starting in 2025
- Partnering and providing monetary support for County led effort to reduce wildfire risk through fuels reduction efforts.
- Supporting 5th Street Development in a manner consistent with the community's vision for the site.



Known Unknowns

- Evolution of power markets, carbon pricing and organized markets
- Global economic and political uncertainty
- Continuation of environmental risk, i.e. fish, climate, water
- Pace of new large loads competing with other priorities
- Substation siting
- Insurance market uncertainty and wildfire liability
- Ability to compete for and retain top talent, loss of institutional knowledge, resource capacity
- Technology needs, cyber security threats escalating
- Rock Island relicensing
- And more...

Summary

- **Business Plans 2024-2028 (Year 2 - 2025) supports the current Strategic Plan:**
 - The Best, For the Most, For the Longest provides clear direction
 - Focus on hydro capability, distribution reliability, wildfire mitigation, human & organizational performance, safety, and broadband build-out
 - Sustained financial resiliency to adapt to changing circumstances
 - Extensive workload and resource constraints continue
 - Developing tactical plans to support 50-year Strategic Vision
- **Next steps**
 - Incorporate Board feedback on draft plans
 - Finalize business plans for Q3 financial forecast and reporting
 - Five-year business planning transitions to the one-year 2025 Budget