

# **WARM SPRINGS POWER & WATER ENTERPRISES**



## **UPDATE TO THE MEMBERSHIP 2024**

**SEPTEMBER 23 – AGENCY DISTRICT  
OCTOBER 2 – SEEKSEEQUA DISTRICT  
OCTOBER 3 – SIMNASHO DISTRICT**

## **A Message to the Membership**

### ***Mission:***

Warm Springs Power & Water Enterprise (WSPWE) is responsible for managing the Tribes' ownership interest in the largest hydroelectric project within the State of Oregon; the Pelton Round Butte Hydroelectric Project located on the Deschutes River. The Pelton Round Butte Project includes the Round Butte, Pelton, and Reregulating Dams.

In 2001, the Tribes entered into a Global Settlement Agreement with Portland General Electric (PGE) to form a partnership to jointly own the entire Pelton Round Butte Hydroelectric Project. Under the agreement, the Tribes retained 100% ownership of the Reregulating Dam powerhouse and PGE retained 100% of the transmission out of the project. Subsequently in 2021, the Confederated Tribes of Warm Springs (CTWS) executed a long-term power sales agreement, again with PGE, through 2040 for the Tribe's share of energy resulting from the increased CTWS ownership of the project from 33% to 49.99% through a bond issuance of \$41 million. Under this agreement WSPWE sells its portion of the energy from the hydroelectric projects at a market price that changes daily, weekly, and seasonally. The index is known as the Mid-C (Columbia) delivery point. It is a common delivery hub for the energy market.

As a significant owner, CTWS is also responsible for contributing to the required capital investment projects required to sustain effective operations for the next several decades. Current planned projects include replacement of Governor Control and Excitation Systems at the Reregulating generating facilities; replacement of Turbine Shut Off Valves at Round Butte Dam, Circuit Rewinds at Pelton Dam, and a modern Fish Facility to help ensure self-sustaining and harvestable runs of Chinook, steelhead, and sockeye. The goal of these projects is to also ensure to continue to generate value for both the Tribes and ecosystem in the Deschutes Basin.

In pursuit of climate change mitigation, renewable energy continues to change the energy supply landscape. CTWS Tribal Council has tasked WSPWE to explore utility scale renewable energy development potential on the Reservation. The passage of the Inflation Reduction Act in August 2022 invests in domestic energy production while promoting clean energy—and provides for \$370 billion in investments intended to lower energy costs for families and small businesses and accelerate investment in clean energy solutions. Consistent with Tribal Council guidance, WSPWE is active in pursuing funding for these historic investments in a clean energy future. Renewable project development presents a positive potential to contribute significant revenues for current and future generations.

The future for WSPWE looks positive with many things to explore for future development. The Pelton Round Butte Project will continue to be a very important part of the Tribes overall economic viability. We will continue to watch over this project with that in the forefront, as well as new emerging opportunities in the energy industry.

# Warm Springs Power and Water Enterprises

## (Component Unit of The Confederated Tribes of the Warm Springs Reservation of Oregon)

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### Management's Discussion and Analysis

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This section of Warm Springs Power and Water Enterprises' (WSPWE) annual financial report presents our discussion and analysis of the financial performance during the years ended December 31, 2023 and 2022. Please read it in conjunction with the financial statements which follow this section.

#### Overview of the Financial Statements

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of financial health. The Statements of Net Position includes all WSPWE's assets and liabilities, using the accrual basis of accounting and indication about which assets can be utilized for general purposes and those restricted by debt covenants or outside parties. The Statements of Revenues, Expenses, and Changes in Net Position reports all the revenues and expenses during the time periods indicated. The Statements of Cash Flows reports the cash provided and used by operating activities, as well as, other cash sources such as investment income and cash payments for capital additions and debt service.

#### Operating Highlights and Changes in Net Position

WSPWE revenues and expenses for the years ended December 31, 2023, 2022, and 2021, were as follows:

	2023	2022	2021
Operating revenues	\$ 53,137,620	\$49,837,523	\$25,768,610
Paycheck protection program loan forgiveness	-	-	113,341
Investment earnings (loss)	4,137,528	(922,595)	1,014,509
Interest revenue - bond premium	183,335	183,334	183,334
Total revenues	<u>57,458,483</u>	<u>49,098,262</u>	<u>27,079,794</u>
Operating expenses before depreciation	12,535,809	11,140,708	8,122,993
Depreciation	6,514,480	7,660,552	5,725,182
Interest expense	2,766,942	2,814,609	1,722,749
Interest expense - issuance discount	22,222	22,222	-
Interest expense - capital interest	-	5,707,032	-
Bond issuance cost	-	-	359,357
Total expenses	<u>21,839,453</u>	<u>27,345,123</u>	<u>15,930,281</u>
Net income before Tribal dividend	35,619,030	21,753,139	11,149,513
Dividend to Tribe	<u>(800,000)</u>	<u>(300,000)</u>	<u>(1,800,000)</u>
Change in net position	34,819,030	21,453,139	9,349,513
Net position, beginning of year	<u>99,097,814</u>	<u>77,644,675</u>	<u>68,295,162</u>
Net position, end of year	<u>\$ 133,916,844</u>	<u>\$99,097,814</u>	<u>\$77,644,675</u>

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# Warm Springs Power and Water Enterprises (Component Unit of The Confederated Tribes of the Warm Springs Reservation of Oregon)

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## Management's Discussion and Analysis

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### Operating Highlights and Changes in Net Position (continued)

WSPWE has been given its responsibilities by The Confederated Tribes of the Warm Springs Reservation of Oregon (the Tribe), to manage and operate the Tribe's newly-increased ownership interest of 49.99% of the Pelton Hydroelectric Project (Project) that includes the Pelton and Round Butte Hydroelectric Dams and Generating Facilities. The Tribe originally purchased 33.33% ownership in the project in 2001 and with the first additional purchase option increased its share to 49.99% in 2022. Under the Project's Ownership and Operating Agreement, Portland General Electric Company (PGE) is the sole operator of the Project until either a new project manager is selected, or the Tribe elects to become operator, if it elects to, after its next option increase in 2036 to make it 50.01% owner. WSPWE, acting for the Tribe, reports its share of the revenues and expenses.

WSPWE owns 100% of the power generating facility of the Pelton Re-Regulating Dam, and reports all revenue and expenses related to that facility. PGE is under contract to WSPWE to perform Operations and Maintenance of the Pelton Re-Regulating dam powerhouse, and bills WSPWE for those expenses.

Currently, WSPWE utilizes PacifiCorp's 69kV transmission line to deliver its generation from the Pelton Re-regulating Dam Hydroelectric plant to the Project's jointly owned Round Butte Switchyard. An energy wheeling agreement with PacifiCorp sets forth the terms and conditions for this transmission service. The Pelton Re-Regulating powerhouse production is sold to PGE along with the Tribe's production interest in the Pelton Project facilities at Firm On-Peak and Firm Off-Peak prices as reported for the Mid-Columbia Energy Trading Hub reported on the Intercontinental Exchange Index (ICE). The average price per megawatt was \$48.11 for 2021, \$77.58 for 2022 and \$74.62 for 2023.

### Statement of Net Position Highlights

	2023	2022	2021
Current assets	\$ 17,591,079	\$ 22,291,268	\$ 11,331,882
Capital assets	116,735,289	112,878,972	79,522,422
Cash held in escrow	-	-	38,123,033
Restricted cash	73,328,720	39,718,629	27,784,686
Restricted investments	5,901,303	5,654,164	3,974,037
Total assets	<u>\$ 213,556,391</u>	<u>\$ 180,543,033</u>	<u>\$ 160,736,060</u>
Current liabilities	\$ 2,131,748	\$ 2,121,308	\$ 1,991,361
Long-term debt	77,507,799	79,323,911	81,100,024
Total liabilities	<u>79,639,547</u>	<u>81,445,219</u>	<u>83,091,385</u>
Net position:			
Net investment in capital assets	97,575,288	92,503,971	59,147,422
Restricted	79,461,122	45,372,793	69,881,756
Unrestricted	(43,119,566)	(38,778,950)	(51,384,503)
Total net position	<u>133,916,844</u>	<u>99,097,814</u>	<u>77,644,675</u>
Total liabilities and net position	<u>\$ 213,556,391</u>	<u>\$ 180,543,033</u>	<u>\$ 160,736,060</u>

# Warm Springs Power and Water Enterprises (Component Unit of The Confederated Tribes of the Warm Springs Reservation of Oregon)

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## Management's Discussion and Analysis

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### Statement of Net Position Highlights (continued)

WSPWE reports 49.99% of the capital assets and related accumulated depreciation of the Project, as well as, the full cost and accumulated depreciation of the power generating facility of the Pelton Re-Regulating Dam. Other (noncurrent) assets consist of restricted investments held by Bond Trustee, as per Bond Indenture, related to the 2021 bond issuances amounting to of \$45,372,793 and \$79,230,022 on December 31, 2022, and 2023, respectively. Current liabilities consist primarily of the amount due to the Project's Operating Trust Account.

### Capital Assets

WSPWE recorded the Tribe's interest in the Project in its books on January 1, 2002. Pursuant to the 2001 Global Settlement Agreement, PGE is the operating partner of the project until such time the Tribe becomes majority owner, at which time the Tribe can be the operator.

Project facility capital expenditures are approved by both PGE and the Tribe. This is done through an established Operating Committee with a representative from both owners. The Tribe has appointed Cathy Ehli, General Manager of WSPWE, to be the Tribal representative. The Board of Directors for WSPWE approves the capital expenditure budget for assets related to the administration and re-regulating facility, as well as the capital assets related to the Project.

Capital assets, net of depreciation:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Production	\$ 80,423,205	\$ 81,477,204	\$ 57,012,270
Transmission	1,456,905	1,605,642	670,154
Administration building and improvements	72,295	199,789	232,352
Equipment	1,391,688	1,416,012	1,356,939
Relicensing costs	16,473,917	16,479,327	16,962,798
Construction in progress	<u>16,917,279</u>	<u>11,700,998</u>	<u>3,287,909</u>
	<u>\$ 116,735,289</u>	<u>\$ 112,878,972</u>	<u>\$ 79,522,422</u>

Additional information regarding capital assets can be found in the notes to the financial statements.

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# Warm Springs Power and Water Enterprises

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## Management's Discussion and Analysis

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### Debt Administration

To reduce debt service payments on the 2003 bonds and obtain a fixed rate of interest, the Tribe issued, in November 2009, two series of bonds to extinguish the Series 2003 auction-rate Bonds. Series 2009A are Taxable Fixed Rate Bonds in the amount of \$35,640,000, and Series 2009B Bonds are Tribal Economic Development Bonds-Tax Exempt Fixed Rate in the amount of \$22,910,000. The rates on the bonds were 8.25% and 6.375%, respectively, with a bullet payment in 2019 and maturity of the Series B bonds in 2033. In August 2019, the Tribe issued two series of bonds to extinguish the Series 2009 bond series. Series 2019A are Taxable Fixed Rate Bonds in the amount of \$21,175,000, and Series 2019B Bonds are Tribal Economic Development Bonds-Tax Exempt Fixed Rate in the amount of \$20,375,000. The rates on the bonds were 3.8% and 3.55% respectively. In 2021, the Tribe issued the Series 2021 Bonds for the purpose to buy an additional 16.66% interest in the Project. Those bonds were sold in 2021 for par amount of \$40,955,000 with an effective interest rate of 3.26%, with payment to PGE in 2022 for the additional interest in the Project.

Revenue Bonds, net of discounts are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Series 2019A Revenue Bonds	\$ 15,255,000	\$ 16,870,000	\$ 18,440,000
Series 2019B Revenue Bonds	20,375,000	20,375,000	20,375,000
Series 2021 Revenue Bonds	40,955,000	40,955,000	40,955,000
Unamortized bond (discount) premium	<u>2,577,798</u>	<u>2,738,911</u>	<u>2,900,024</u>
Net long-term debt	<u>\$ 79,162,798</u>	<u>\$ 80,938,911</u>	<u>\$ 82,670,024</u>

Additional information regarding long-term debt can be found in the notes to the financial statements.

### Requests for Information

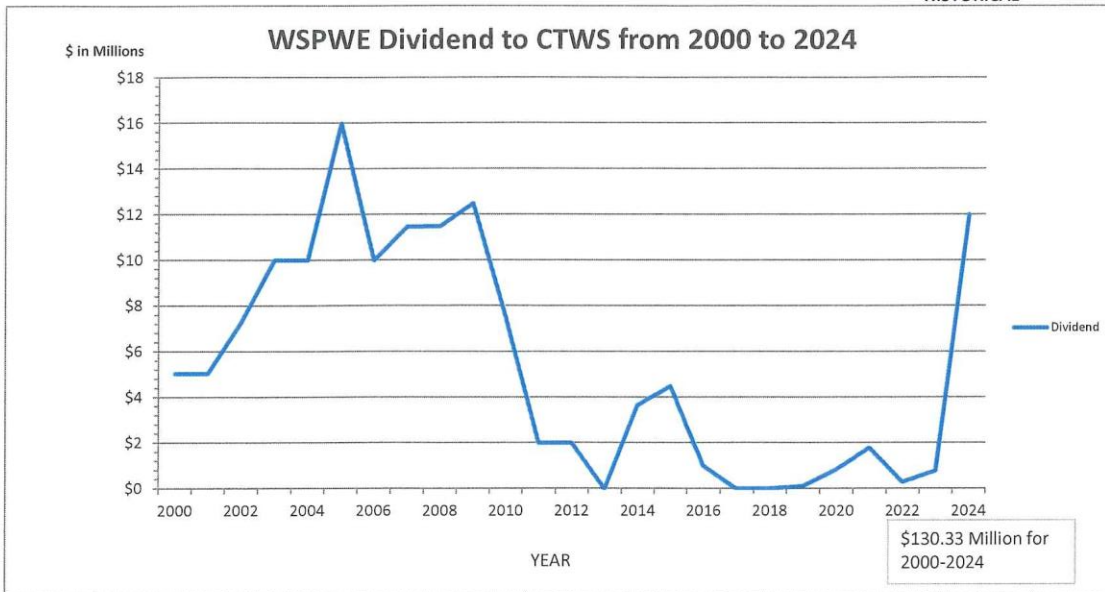
This financial report is designed to provide a general overview of the WSPWE's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Controller, Warm Springs Power and Water Enterprises, P.O. Box 960, Warm Springs, Oregon 97761.

Current or future Bond Holders should address their questions and requests to:

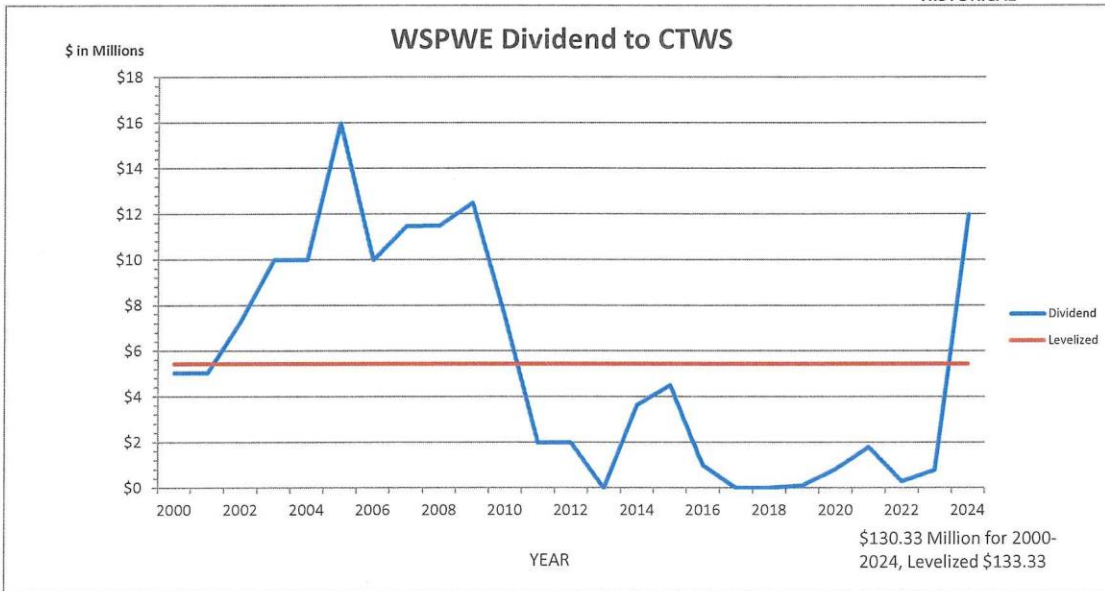
Larry Swift, Vice President  
Client Service Manager, Corporate Trust Department  
The Bank of New York Mellon Trust Company, N.A.  
50 Fremont Street, STE 3900  
San Francisco, CA 94105  
Phone: 415-263-2403

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HISTORICAL



HISTORICAL



Proposed 2025  
Dividend  
\$12 Million Dollars

# **WARM SPRINGS POWER & WATER ENTERPRISES**

## **BOARD OF DIRECTORS**

Kevin Nordt, Chairman  
Ron Suppah, Vice-Chairman  
Ed Tarbell  
Rafael Queahpama  
Ryan Smith, Sr.

## **STAFF**

Cathy Ehli, General Manager  
Mike Lofting, Controller  
Heather Alford, Administrative Assistant



**PLEASE CONTACT WSPWE AT 541-553-1046 IF YOU HAVE ANY QUESTIONS.**

**ROUND BUTTE DAM**



**PELTON DAM**



**REREGULATING DAM**

