CHELAN COUNTY PUD

ANNUAL REPORT

2020

BUILDING A BRIGHTER FUTURE

the best value for the most people for the longest time

CHELAN COUNTY

About Us

Public Utility District No. 1 of Chelan County was created by a vote of the people in 1936 and delivered its first power in 1947. The PUD is governed by a locally elected five-member Board of Commissioners. The general manager uses the policies and guiding principles set by the commission to generate and deliver electricity from our three dams to utilities that serve customers across the Pacific Northwest as well as to more than 52,000 retail customers in the county. Chelan PUD also provides water, sewer and wholesale telecommunications services.

Contacting the District's Financial Management

The financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report should be directed to the District at P.O. Box 1231, Wenatchee, WA 98807 or via email **ContactUs@chelanpud.org**.

Note: The statements and information on pages 1-16 of the 2020 Annual Report are provided for general information only. They are not intended for, and should not be relied upon, for making investment decisions by current or prospective investors. Official statements can be found at the District's website, **www.chelanpud.org**.

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.

OUR VALUES

Safety
Protect public and employee health and safety

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

Trustworthiness
Competence, integrity, respect, collaboration

Operational Excellence
High-quality, innovative work execution through supporting personal accountability

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BUILDING A BRIGHTER FUTURE

Steve Wright
GENERAL MANAGER

Chelan County PUD has a longstanding commitment to provide the best value for the most people for the longest time. This annual report highlights the many investments we've made during 2020 to enhance the quality of life in our community.

Despite challenges posed by COVID-19, we had another exceptionally busy year. Our workforce adapted to new ways of doing business, while consistently ensuring we performed our work in ways to protect the safety of our employees and customers.

> "Despite challenges posed by COVID-19, we had another exceptionally busy year."

In 2020, we invested $115 million in capital projects, the biggest year since we built the Rocky Reach fish bypass in 2002. Even with these substantial investments, our debt ratio stands at 29.9%, in line with our goal of less than 35%.

We remain in strong financial standing with a $77 million bottom line at year end, more than $20 million ahead of our budget.

Bonds issued in the spring of 2020, together with other actions, will help us realize net present value savings of about $1 million per year over the life of the bonds and an economic gain of $11.3 million, allowing the PUD to retire other existing debt and invest in infrastructure projects. As part of the marketing of the bonds, both Fitch Ratings and S&P Global Ratings reaffirmed our ratings of AA+, and we remain among the most highly rated utilities in the U.S.

In 2020, one of our key strategic priorities – investing in our assets – guided our efforts, including the following:

- Ongoing modernization of Rock Island Powerhouse 1
- Construction of new facilities at Rock Island and Rocky Reach Central Maintenance
- Continued development of the Rocky Reach Discovery Center
- Groundbreaking of the new Service Center in Olds Station
- Construction and design for several substations throughout the county
- Ongoing efforts to expand our fiber network for our customers

These projects support economic development through creation of local jobs and sales tax revenue. They also ensure we meet continued regional growth throughout Chelan County.

As good stewards of the resources entrusted to us by the community, we support sustainable actions in our relationships and operations, such as our protection plan for threatened and endangered salmon, which creates no net impact as a result of the existence and operation of our hydropower facilities. In the following pages, you'll see other examples of steps we've taken to protect lands and waterways, operate in responsible ways and engage in an ongoing dialogue with our customer-owners.

We remain focused on safety and human performance improvement throughout our organization by creating an environment in which learning is a priority and helps us reduce or eliminate hazards, injuries and at-risk behaviors.

I'm proud to share with you our many 2020 accomplishments in this annual report. We look forward to continued success serving our customers in the coming years.

LEADERSHIP FOCUSES ON BRINGING VALUE TO CUSTOMERS

From left: Dennis Bolz; Randy Smith; Garry Arseneault; Ann Congdon; and Steve McKenna

Chelan PUD commissioners' decisions are guided by a vision of creating value for the people they serve. Chelan County residents elect the Board of Commissioners to govern the PUD. They welcome ideas and comments from customer-owners and participation at board meetings, held the first and third Mondays of each month. Customers can email them at **ContactUs@chelanpud.org.**

SUPPORTING PUBLIC POWER BY SERVING

Commissioners have a longstanding commitment to support public power by serving in leadership roles on regional and national organizations that promote the interests of consumer-owned utilities. In 2020, **Commissioner Randy Smith** was named chair of the Policy Makers Council, an affiliate of the American Public Power Association that advocates before Congress on behalf of more than 2,000 public power utilities nationwide.

FINANCIAL STABILITY AT A GLANCE

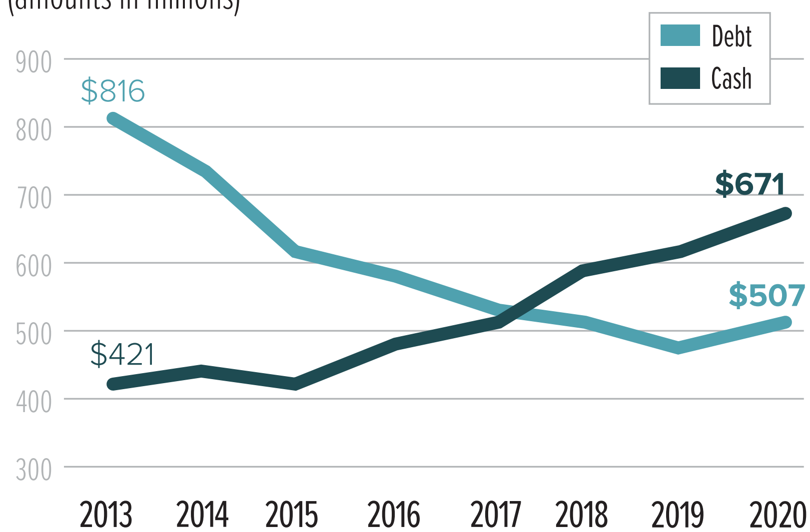
Chelan PUD continues to demonstrate strong financial performance on behalf of its customer-owners.

In 2020, the PUD met all four of its key financial targets. It maintained a focus on investments in modernization of hydropower units and the electrical system.

Prudent financial planning led to a positive bottom line of $77 million, about $20 million more than budgeted.

CASH & DEBT BALANCES

(amounts in millions)



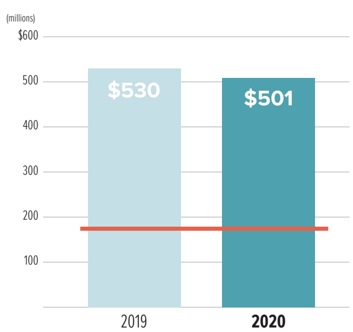
Exceeding Targets

The PUD measures its financial stability in four ways. In 2020, the utility exceeded all four of its annual targets.

FINANCIAL LIQUIDITY

Target: Minimum of $175 million

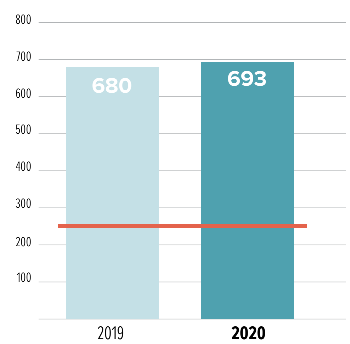
Represents cash reserves to cover risks and provide additional financial stability



DAYS CASH ON HAND

Target: Greater than 250 days

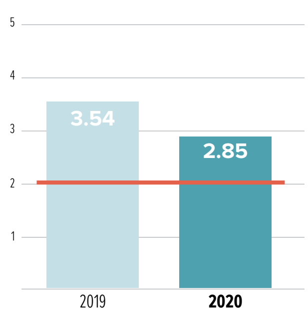
Reflects the days of unrestricted cash relative to expenses and demonstrates financial flexibility



DEBT SERVICE COVERAGE

Target: Greater than 2.0

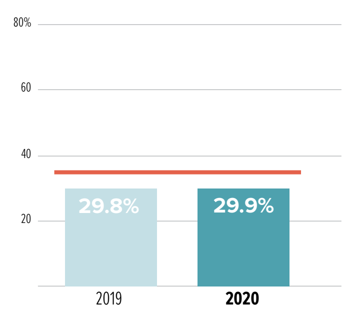
Demonstrates the ability to meet debt obligations even under unusual conditions



DEBT RATIO

Target: Less than 35 percent

Reflects the percentage of utility assets financed by debt



BOND RATINGS

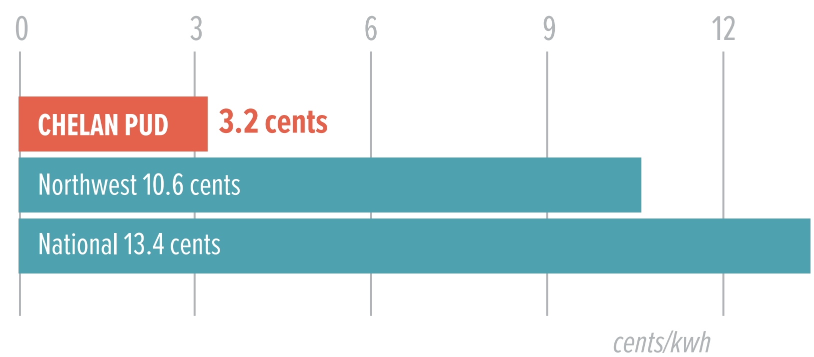
Fitch Ratings .... **AA+**
S&P Global Ratings.................... **AA+**
Moody's Investors Service **Aa3**

As of Dec. 31, 2020

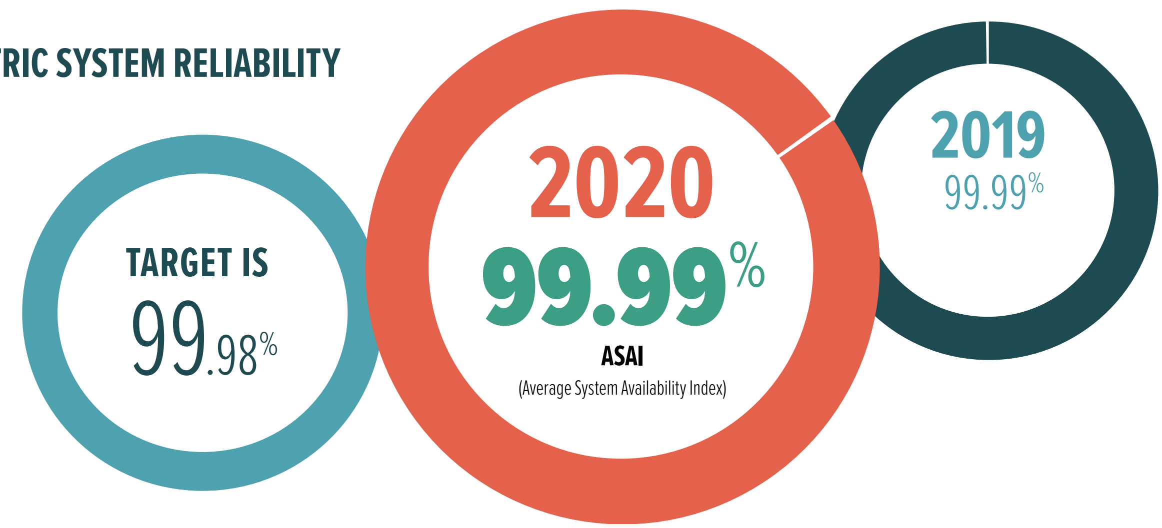
Bond Issuance: In May, the PUD issued $133.8 million in bonds to realize an economic gain of $11.3 million. The issuance allowed the PUD to retire other existing debt and support investments in infrastructure projects. As part of the marketing of the bonds, both Fitch Ratings and S&P Global Ratings reaffirmed their ratings of AA+, which keeps the PUD's cost of borrowing low and reinforces the strong financial health of the utility.

3.2¢

Chelan PUD average residential rate per kilowatt hour in 2020

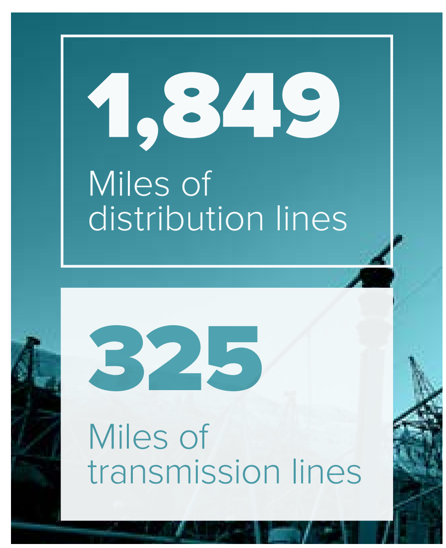


ELECTRIC SYSTEM RELIABILITY



52,813
Number of retail electric customers

18,837
Number of fiber end-user connections



6,910
Number of water/ wastewater customers

$10.1
Million paid in operating tax expenses

HIGHLIGHTS

Chelan PUD continues to focus on Environmental, Social and Governance (ESG) factors, some of the which are highlighted in the following pages.

PUD Breaks Ground on Service Center in Olds Station

After years of study and planning, in August 2020, PUD commissioners broke ground on a 19-acre service center in North Wenatchee. The mile-stone sets the utility on a path to greater efficiency and customer service over the next 50 to 100 years. It will combine most of the PUD's non-hydro departments into a single site, including the areas of Customer Service, Warehouse, Fish and Wildlife and Customer Energy Solutions.

SUPPORTING THE COMMUNITY DURING COVID-19

Throughout 2020, the PUD partnered with local healthcare organizations to share important COVID-19 information and provide resources to those struggling with bills. It deferred late fees and disconnections and expanded efforts to help with payment plans. The PUD also partnered with internet service providers to set up free community WiFi hotspots and create new low-cost internet service packages, both valuable options as more people moved to remote work and learning.

CUSTOMER SATISFACTION REMAINS STRONG

In a spring survey, **86% of customers** reported they were satisfied or very satisfied with the PUD, with particularly high marks for service reliability and the quality of communications.

A complementary stakeholder survey of 60 organizations earned the PUD extraordinarily high marks for its efforts to work collaboratively in the community. The firm conducting the research reported the PUD had the highest marks it had ever seen for a public utility, with 96% of the utility's partners satisfied with the PUD's work to identify and address concerns in the community.

HRI Gains Momentum

More industry leaders are recognizing the role of data and technology to keep hydropower competitive as a clean, reliable energy source. The Hydropower Research Institute (HRI), which the PUD founded with Southern Company in 2018, added three valuable partners during the year – the U.S. Department of Energy, the U.S. Bureau of Reclamation and New York Power Authority. HRI participants now represent 44% of the nation's hydropower capacity, which allows a valuable focus on assisting members to improve predicting and preventing of disruptions, in turn saving money and improving reliability.

A BANNER YEAR FOR PARKS

The PUD's parks system saw dramatic increases in visitors as people looked to healthy outdoor activities during the COVID-19 pandemic. By one count, about 80 percent more people visited Walla Walla Point Park in July 2020 compared to the previous year. The PUD distributed more than 3,400 free annual parking passes for local parks, nearly double the amount of the previous year. Significant projects were also completed to address erosion adjacent to PUD trails and upgrade docks, boat launches and booms on Lake Chelan and the Columbia River.

CURRENT APP OFFERS REAL TIME WATER LEVEL INFORMATION

The PUD released its Current App in the spring to provide timely information about water levels on the Columbia River and Lake Chelan. It ensures that boaters and parks users have safe and enjoyable visits to local waterways. The new app is part of the PUD's commitment to embrace technology to offer more value to customers as they interact with the PUD.

RATES PLAN APPROVED

In early 2020, the PUD adopted a multi-year rates plan based on customers' interest in seeing modest, annual rate increases rather than deferring them with a risk of larger rate increases in the future. PUD electric rates had not increased in nine years. In addition to electric service, rates for water, wastewater and fiber service also increased. The first annual rate increase was deferred until late 2020 to help customers facing hardship from COVID-19.

INVESTING IN ASSETS

HYDROPOWER MAINTENANCE & MODERNIZATION

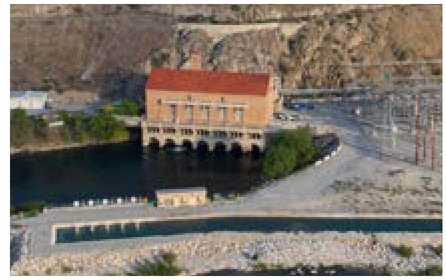
In 2020, the PUD continued to perform critical maintenance and modernization on several generating units. The utility made progress on work at Rocky Reach to replace turbine hub bushings on generating units, as well as other long-term repairs. At Rock Island, the PUD also made progress on modernizing several units in Powerhouse 1 and began the design process for the rehabilitation of eight bulb generating units at Powerhouse 2. These efforts move the utility even closer to a multi-year goal of increasing hydropower capability to 89% by 2024.

ROCKY REACH DAM

5.9 Million Megawatt Hours Generated
11 Generators
1,300 Megawatt Capacity

ROCK ISLAND DAM

2.5 Million Megawatt Hours Generated
2 Powerhouses
18 Generators (Plus 1,000 kW House Unit)
629 Megawatt Capacity



LAKE CHELAN DAM

.4 Million Megawatt Hours Generated
2 Generators
59 Megawatt Capacity

Fiber Acceleration

In August, the PUD commission approved a plan to speed up the build-out of the fiber optic network, providing fiber access to 5,800 homes in the next four years – about 1,200 homes getting access earlier than planned. The PUD has set an aggressive goal of making fiber available to 85-90% of customers over the next several years. Given more online work, learning and healthcare options, this effort is more important than ever.

SUBSTATION CONSTRUCTION

The PUD moved ahead with design and initial construction of several new substations in 2020, including the Ohme substation in North Wenatchee and a new substation on Hawley Street in Wenatchee to serve the Diamond Foundry, one of the utility's newest and largest industrial customers. Additional substations are in varying stages of feasibility, planning, design and construction in other areas of Wenatchee, Leavenworth and Chelan. These new substations enhance reliability for customers, provide capacity for growth and support planned economic development. The PUD also developed a new standardized substation design that will create operational efficiencies for future substations, and allow more cost-effective capacity improvement as electrical demand grows.

SERVICE CENTER DEVELOPMENT

The new Service Center in North Wenatchee is one example of many PUD investments throughout Chelan County, which will bring benefits to the community, including:

» A one-stop location for customer transactions

» Centralized operations that will reduce crew response times

» Consolidated operations and administrative functions to maximize efficiencies

» Support of local jobs and contribution to local sales tax revenues

NEW FACILITIES & UPGRADES

The PUD continues to make significant investments at both Rock Island and Rocky Reach dams. It moved ahead on construction of new crew rooms, warehouses and other work areas at both sites. Meanwhile, an exciting set of renovations took shape at the Rocky Reach Discovery Center, including expanded exhibits, hands-on displays and floor-to-ceiling fish viewing windows for visitors. The new center will open in mid-2021.

RELIABILITY INVESTMENTS

In addition to substations under development, the PUD has focused on a series of other initiatives to improve distribution system reliability. In 2020, it committed to a plan to reduce overall outage times by 73% systemwide by 2025 through investments of an additional $2 million annually. Work is underway to trim additional vegetation around utility lines and replace underground electrical cable. These measures deliver the most return on investment to aid reliability. The PUD also has maintained its commitment to improvements that reduce instances of animal-related outages and to upgrade equipment such as fuses, transformers, insulators and other devices.

Addressing Wildfire Risk

In response to the ever-growing threat of wildfires, in 2020 the PUD announced a new community-based approach to improve wildfire resiliency. The PUD is working with several partners including Cascadia Conservation District, Firewise neighborhoods and government agencies to share data and identify projects with mutual benefit to electrical infrastructure and fire-prone communities. It maintains a focus on strategically fortifying the electrical grid to protect critical powerlines from wildfires. In the Sage Hills area of Wenatchee, for example, crews replaced wooden transmission poles with steel, cleared brush and added fire-resistant coating to existing poles.

93%

Juvenile Salmon Survival Goal

Studying Salmon Runs

The PUD commissioned a study in September to track the survival rate of juvenile salmon, a component of no net impact goals, as they pass Rock Island Dam. The study, to be completed in 2021, is conducted every 10 years under the PUD's habitat conservation plans and aims to demonstrate that the dam has no net impact on yearling Chinook. In 2010, the PUD achieved the "gold standard" by demonstrating nearly 97% survival for steelhead and 94% for spring chinook.

Dryden Wastewater Plant Improvements

Three key drivers are behind a PUD plan for improvements to the Dryden wastewater plant: creating benefits to local residents, meeting growth needs over the next 20 years and improving the water quality of the Wenatchee River. Upgrades also would help reduce phosphorus levels in the Wenatchee River Watershed. In 2020, the PUD completed its engineering report and funding application and received a preliminary offer of a $2.48 million grant and a $1 million low-interest loan from the Washington State Department of Ecology, pending state legislative approval. Construction could start as soon as fall 2022.

PROTECTIONS FOR PESHASTIN PINNACLES

Sandstone formations thought to be 46 million years old gained more protection in 2020 as the PUD rerouted two transmission lines around Peshastin Pinnacles State Park starting in the spring. The rocks are significant sites in Native American culture. In addition to helping preserve areas of the park, the rerouted lines support new reliability standards and increase the pole heights for better clearance. The PUD worked with several stakeholders during its planning process, including the Confederated Tribes of the Colville Reservation, state parks officials, neighboring landowners and other regional agencies.

RIVERBANK RESTORATION ON APPLE CAPITAL LOOP TRAIL

The PUD completed a key habitat rehabilitation project last year, just north of Confluence State Park. The project helped stabilize the bank along the Columbia River and improve the shoreline area with boulders and cobble fill, native trees and shrubs. The two-month project was part of licensing requirements for Rock Island Dam.

Chelan River Stewardship

Over the past decade, the PUD and a range of partners have worked to restore and monitor the health of the Chelan River, which has brought measurable results with more salmon and steelhead spawning in the waterway. The efforts have stabilized water flow and created habitat on the state's shortest river, between Lake Chelan and the Columbia River. In 2020, the PUD made recommendations to the Washington State Department of Ecology (Ecology), based on the decade of monitoring, that would change water quality standards for the river due to the unique geographic features of the river and what is known about the ability for fish to thrive. In 2021, Ecology will be engaging tribes, stakeholders and the public to ensure continued protection of the river during its rulemaking process.

ENERGY EFFICIENCY

54% above goal

PUD energy efficiency programs help customers save money on bills while increasing comfort in their homes. During 2020, the utility's customers saved 54% more than the state mandate. The energy savings, more than two-thirds from the commercial and industrial sector, allow the PUD to sell more wholesale energy, which helps keep customers' rates low. The PUD's Customer Energy Solutions team continued to find new ways to help customers save money and reduce their energy use including:

- Increased rebates for select residential energy efficiency upgrades and, in many cases, doubled 2019 rebate amounts.
- Plans to support "energy-burdened" households that spend more than 6% of their paychecks on electricity. Working with local nonprofits and landlords, this program will provide assistance to low-income customers to cover the upfront cost of these energy-saving improvements.

18 EVENTS FOR COMMUNITY COVID SUPPORT

Building & Enhancing Relationships

In a challenging year for in-person meetings, the PUD quickly adapted to find creative and safe ways to continue important outreach to a diverse set of customers throughout the community. The PUD partnered with other local organizations to stage a summer "resource drive" event so that families could drive up in their vehicles to receive care packages and get information on bill payment options, free Wi-Fi hotspots, energy-saving tips and other resources. Similar events, including a Back-to-School outreach effort, a "Stuff-the-Bus" food drive and a "Candy Cruz" Halloween event, kept the PUD engaged with its customers. The utility also collaborated with the local health district and other healthcare providers to share important COVID-19 information and offer resources to customers struggling with bills.

CONTINUED HYDROPOWER MODERNIZATION INVESTMENTS

at both Rock Island and Rocky Reach dams aim to increase generating output to 89% of peak capacity by 2024. Continued partnerships through the Hydropower Research Institute will allow the PUD to draw on big data and other digital tools to increase hydropower's reliability and energy output.

FINAL CONSTRUCTION PHASES OF ROCKY REACH DISCOVERY CENTER

in 2021 will bring countless opportunities to customers and visitors, including year-round programs, expanded exhibits, floor-to-ceiling fish viewing areas, new ways to experience the Columbia River and more! Look for the opening in summer 2021.

DEVELOPMENT OF A NEW PUD SERVICE CENTER

will create a centralized, one-stop location for customers to access services. It will deliver long-term value to customers over the next 50 to 100 years. The construction will deliver millions of dollars to the community for local contractors and through sales tax. The grand opening is expected in early 2023.

HUMAN PERFORMANCE IMPROVEMENT

The PUD is launching plans to attain top quartile safety by strengthening safety management systems, as well as utilizing human performance methodologies to learn from safety incidents and improve defenses.

ACCOLADES

American Cultural Resources Association (ACRA) Industry Award: Recognizing the PUD's work with the Confederated Tribes of the Colville Reservation during a re-route of transmission lines away from the Peshastin Pinnacles, a revered rock formation located near Cashmere, Wash. It also applauded other outreach efforts, such as PUD's operation of the Museum of the Columbia and the sponsorship of the community River Ramble event.

American Public Power Association (APPA) Alan Richardson Statesmanship Award: Honoring PUD General Manager Steve Wright for his work to achieve consensus on national issues important to public power utilities. Wright has long been known for fostering collaboration and public engagement in support of public power policy decisions. APPA called out his thoughtful and courageous leadership and willingness to question conventional wisdom in search of long-term solutions.

The National Association of Fleet Administrators Top Ranking Fleet: Awarding the PUD as the 24th best-performing fleet out of the more than 38,000 public fleets tracked in North America. The judges select the winners based on 12 criteria, including accountability, use of technology, team collaboration, creativity in addressing challenges and a high-trust culture.

Public Relations Society of America Best of Show: Awarding the top prize Totem Award for communications and outreach to engage customers during the PUD's 2020-2024 strategic planning process. The awards honor public relations projects and programs in Washington that demonstrate exceptional creativity and effectiveness.

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Report of Independent Auditors

To the Board of Commissioners of Public Utility District No. 1 of Chelan County, Washington

We have audited the accompanying financial statements of Public Utility District No. 1 of Chelan County, Washington (the “District”) which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Chelan County, Washington as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP, 805 SW Broadway, Suite 800, Portland, OR 97205
T: (971) 544 4000, F: (971) 544 4100, www.pwc.com/us

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 19 through 25 and the required supplementary information on pages 56 through 57 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedule of revenues, expenses and changes in net position, of assets and deferred outflows of resources and liabilities, deferred inflows of resources and net position, and of cash flows on pages 59 through 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information referred to above is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information presented as continuing disclosure on pages 66 through 79 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

April 12, 2021

PricewaterhouseCoopers LLP, 805 SW Broadway, Suite 800, Portland, OR 97205
T: (971) 544 4000, F: (971) 544 4100, www.pwc.com/us

The following discussion provides an overview and analysis of the financial activities of Public Utility District No. 1 of Chelan County (the District) for the years ended December 31, 2020 and 2019. This discussion and analysis is designed to be used in conjunction with the financial statements, notes and other supplementary information, which follow this section.

FINANCIAL HIGHLIGHTS

- The District produced a positive change in net position of $77 million during 2020, $20 million more than budget for the year but $37 million lower than the prior year's results of $114 million. The District continued to achieve strong operating results while meeting strategic priorities to invest in utility assets and employees, pay down debt and continue Public Power Benefit projects and responding to the COVID-19 pandemic. While revenues from selling renewable, carbon-free hydropower and local services were down, this was more than offset by lower-than-expected operational costs and some project delays. The District invested $115 million in capital projects in 2020, the biggest year since 2002. Investments include the modernization of Rock Island Powerhouse 1, new facilities at Rock Island and Rocky Reach Central Maintenance, Service Center, new substations and fiber network expansion. Overall, the District's financial standing remains strong, and its debt ratio remained below the 35% target consistent with the District's 2020-2024 Strategic Plan.
- In 2020, the District successfully marketed $134 million in Consolidated System Revenue Bonds, Series 2020ABC. A portion of the proceeds and available District funds were used to refund and retire $66 million of existing debt. The remainder of the funding will be used to finance long-lived capital assets at low rates achieved in the favorable interest rate environment; preserving cash reserves and liquidity during the uncertainty of the COVID-19 pandemic. The series 2020A, 2020B and 2020C bonds in the amount of $110 million, $11 million and $13 million, respectively, were issued as fixed rate bonds with coupon interest rates ranging from 4.0% to 5.0% and yields ranging from 1.0% to 2.9%.
- As part of the bond sale, Fitch Ratings and S&P Global Ratings affirmed the District's Consolidated System debt AA+/Stable ratings and continued to rate the District among the top customer-owned utilities in the nation. Noted credit strengths include strong financial profile, electric rates that are among the lowest in the nation and highly competitive hydro generation. High bond ratings ultimately keep rates lower for customer-owners. They also ensure lower interest rates when the District borrows money to invest in its valuable hydropower and grid assets as it did in 2020.
- In 2020, District commissioners marked the important milestone of the groundbreaking for the future home of the District's comprehensive Service Center. After years of careful study, the commissioners determined that a centralized facility would provide the best value and experience for the most people over the next 50 to 100 years. The 19-acre campus will combine most of the District's non-hydro services. The site is the geographic center of Chelan County, which will help reduce response times and operational costs. The centralized location also creates one convenient stop where customer-owners can pay bills, apply for new services and meet with staff and commissioners. Construction is slated through 2022, with a gradual move-in planned for late 2022 or early 2023. About 78% of the first-phase work was awarded to local contractors. Sales tax payments associated with the nearly $140 million project will also provide a local economic boost. The new Service Center will replace several aging District facilities, including its downtown headquarters built in 1955.
- In 2020, repairs were completed on the second of four large generating units at Rocky Reach Dam. The discovery of a crack in a servo-rod of one of the large units in 2013 launched the project. Long-term repairs on the first unit, C-8, now back in service, started in June 2015. The second unit, C-9, has undergone similar long-term repairs and was returned to service in January 2020. The repairs on the remaining units are scheduled to begin in late 2021 and are estimated to be completed by fall of 2023. C-8 and C-9 are expected to run reliably for their 30-year design life.
- Work continued on the B5-B10 modernization project in the first powerhouse at Rock Island Dam.

Modernization work on units B6, B9 and B10 was completed in prior years, but these units suffered various turbine issues since 2018. The contractor completed a root cause analysis of the failures, and remedies and costs were negotiated. Repairs, re-work and modernization for all of the B5-B10 units are anticipated to be complete in mid-2024. Units B5, B7 and B10 are scheduled to return to service in 2021. Units B6 and B9 are currently operating but will need to be taken out of service for approximately eight months each for repairs. The original four generating units, B1-B4, in the first powerhouse at Rock Island Dam were taken out of service in early 2016 due to corrosion fatigue on the blades following 83 years of service. Work began in 2018 and is currently scheduled to be completed by the end of 2023, with the first unit, B4, expected back in service mid-2021. Extensive analysis reviewed by the Board of Commissioners in 2017 showed it was cost-effective to also rehabilitate major components, such as turbines, generators and related equipment, of the eight 1970s-era units in the second powerhouse at Rock Island Dam. This work should provide at least 40 years of additional use. The overall project is estimated at $324 million and will be reevaluated at regular intervals to confirm the plan. Plans include purchasing one new generator and certain major components to prevent delays in the project. Work is expected to start as soon as 2022 and should be completed in 2030.

- District commissioners approved a five-year plan of moderate utility rate increases, as called for in the District's strategic plan, to help reduce the risk of larger increases in the future. This was the first change in electric rates in nine years. Initially, the plan was set to go into effect on June 1 for the District's residential electric, water, wastewater and wholesale fiber customer. However, in response to customers facing financial hardships from COVID-19, the District postponed the planned rate changes for six months until December 1. Rate changes for commercial and industrial electric customers were also set for December 1. After that, annual changes will be effective on June 1, 2021-2024. Even with these changes, Chelan PUD rates will remain among the lowest in the country.
- To respond to the COVID-19 pandemic, Washington State issued the "Stay Home-Stay Healthy" statewide stay-at-home order that closed businesses and other public places through the end of 2020 and into 2021. The District's strong finances helped it weather the modest impacts to revenues and costs as a result of the pandemic. District finances remain strong, and all metrics were met. The District's ability to adapt to the impacts show the resilience gained with prudent financial policies, a strong cash position, robust risk management and hedging policies, as well as business continuity plans and actions. The District also continues to support actions that make an impactful and meaningful difference to community members in need, including waiving late fees, suspending disconnects for failure to pay, delaying already approved rate increases and partnering with local service providers to create Wi-Fi access points across the county to provide free internet access to help the community and students in need of Wi-Fi access.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the Annual Report consists of the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements with accompanying Notes and Supplementary Information. The financial statements of the District are designed to provide readers with a broad overview of the District's finances similar to a private-sector business. They are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Under this basis of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows. These statements offer short- and long-term financial information about District activities.

The Statements of Net Position present the District's net position as the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The Statements of Net Position provide information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities).

The Statements of Revenues, Expenses and Changes in Net Position provide the operating results broken into categories of operating revenues and expenses, non-operating revenues and expenses, as well as capital contributions. These statements measure the success of operations over the year and can be used to determine whether the District has successfully recovered its costs.

The Statements of Cash Flows provide relevant information about the District's cash receipts and cash payments from operations as well as funds provided by and used in capital and related financing and investment activities.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position increased by $77 million in 2020 and $114 million in 2019, despite modest impacts to revenues as a result of weather and COVID-19 in 2020 and low streamflow conditions in 2019. Strong financial results despite these adversities and the continuing operating challenges of generating unit repairs at Rocky Reach and Rock Island, demonstrate the effectiveness of risk management plans and strong financial policies. The increases are primarily due to continued strong operating results stemming from the District's hedging program, real-time agreement and long-term power sales contracts. The hedging program requires locking in predictable revenue through the sale of excess energy under both forward block transactions and slice contracts and is proving to be successful at providing rate stability and meeting financial goals. The change in net position for 2020 is lower when compared to 2019 due primarily to non-recurring proceeds received last year from a long-term power sales agreement and an insurance settlement.

The following analysis provides a three-year comparison of key financial information:

CONDENSED COMPARATIVE FINANCIAL INFORMATION

(amounts in millions)	2020	2019	2018	INCREASE (DECREASE) 2020 – 2019
Current assets	$ 204	$ 190	$ 177	$ 14
Net utility plant	1,254	1,184	1,146	70
Other non-current assets	564	520	518	44
Total assets	2,022	1,894	1,841	128
Deferred outflows of resources	12	12	12	-
Current liabilities	132	126	133	6
Long-term debt	498	438	481	60
Other liabilities	166	180	202	(14)
Total liabilities	796	744	816	52
Deferred inflows of resources	49	50	39	(1)
Net investment in capital assets	791	703	625	88
Restricted	143	186	118	(43)
Unrestricted	255	223	255	32
Total net position	$ 1,189	$ 1,112	$ 998	$ 77

(amounts in millions)	2020	2019	2018	INCREASE (DECREASE) 2020 – 2019
Operating revenues	$ 354	$ 385	$ 386	$ (31)
Less				
Operating expenses	271	265	269	6
Other (income) and expenses	11	12	18	(1)
Net income before capital contributions	72	108	99	(36)
Capital contributions	5	6	6	(1)
Change in net position	77	114	105	(37)
Total net position – beginning of year	1,112	998	893	114
Total net position – end of year	$ 1,189	$ 1,112	$ 998	$ 77

ASSETS

Current assets increased by $14 million in 2020 primarily due to an increase in investment balances. The higher investment balances were primarily the result of cash generated by the District's positive operating results exceeding reserves used to fund capital and make regularly scheduled debt service payments.

Current assets increased by $13 million in 2019 as a result of the District's positive 2019 operating results. Cash generated by operations exceeded payments for debt reduction and capital expenditures, resulting in higher cash and investment balances.

As of December 31, 2020, the District had approximately $1.3 billion invested in a variety of capital assets. Net utility plant increased $70 million in 2020, reflecting additional investments in utility plant assets. Additional investments in plant, the largest being the ongoing modernization at the Rock Island hydroelectric project, were offset somewhat by annual depreciation. Other large additions include spending for the new operations and service center, facility upgrades at Rocky Reach and Rock Island, and substation construction.

As of December 31, 2019, the District had approximately $1.2 billion invested in a variety of capital assets. Net utility plant increased $38 million in 2019, reflecting additional investments in utility plant assets. Additions included a variety of electric transmission and distribution system services and improvements, ongoing modernization and construction of a storage building at the Rock Island hydroelectric project, purchase of property for the future construction of a new District service facility and the upgrade of the Peshastin wastewater treatment facility. The 2019 additions were partially offset by annual depreciation of plant in service.

Other noncurrent assets, which includes noncurrent restricted assets and other assets, increased $44 million in 2020 due primarily to the investment of proceeds associated with the District's issuance of bonds in May 2020.

Other noncurrent assets increased $2 million in 2019. The increase was primarily attributable to higher investment balances as a result of the District's positive operating results.

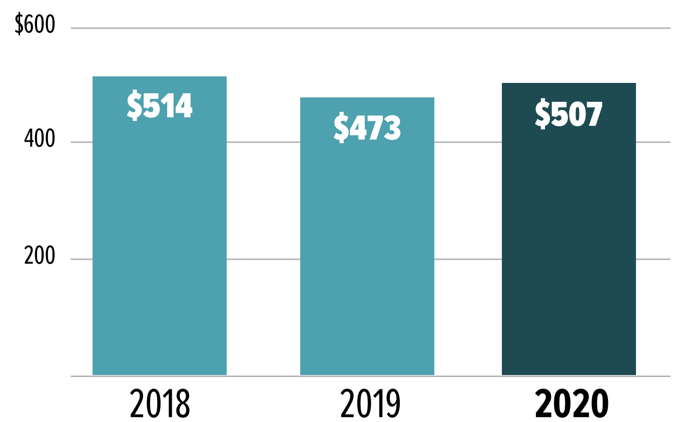
Deferred outflows of resources remained the same in 2020 and 2019, respectively.

LIABILITIES

Current liabilities increased $6 million in 2020 primarily due to increases in accounts payable and accrued interest. Accounts payable increased as a result of higher accruals over the prior year due to normal fluctuations in the amount and timing of billings related to some large ongoing construction contracts. Accrued interest increased in 2020 due to the District's May 2020 issuance of bonds resulting in higher debt balances compared to 2019.

Current liabilities decreased $7 million in 2019 primarily due to a decrease in accounts payable. Accounts payable decreased as a result of lower average wholesale power prices during December 2019 compared to the same period in 2018, combined with lower year-end accruals due to the timing of payments related to some large construction contracts.

Total Debt Outstanding
(amounts in millions)



During 2020, the District issued $134 million of bonds, a portion of which was used to refund and retire existing debt. Increases to debt balances due to this issuance of bonds and accretion of interest on capital appreciation bonds more than offset reductions for scheduled maturities of debt, resulting in a $60 million increase in long-term debt in 2020, which is net of premiums, discounts and the current portion of the obligations.

During 2019, scheduled maturities of debt were partially offset by accretion of interest on capital appreciation bonds resulting in a decrease in total debt outstanding of $40 million. This reduction in total debt contributed to the $43 million reduction in long-term debt in 2019, which is net of premiums, discounts and the current portion of the obligations. The District did not refund or issue additional bonds in 2019.

Other liabilities decreased by $14 million in 2020, primarily due to the continued amortization of unearned wholesale power sales revenue. Unearned wholesale power sales revenue was received previously from power purchasers and is being recognized as revenue over the life of the agreements.

Other liabilities decreased by $22 million in 2019, primarily due to the normal amortization of unearned wholesale power sales revenue combined with a decrease in net pension liability. Unearned wholesale power sales revenue was received previously from power purchasers and is being recognized as revenue over the life of the agreements. Net pension liability fluctuates due to changes in the actuarial valuation of the PERS collective net pension liability for PERS plans administered by the Washington State Department of Retirement Systems in which the District participates.

Deferred inflows of resources decreased $1 million and increased $11 million in 2020 and 2019, respectively. The decrease in 2020 was primarily due to the decrease in the District's proportionate share of collective deferred inflows for the PERS plans as provided by the Department of Retirement Systems offset by an increase in the fair value of investments in the District's investment portfolio. As interest rates continued to decline during 2020, the District's longer-term investments previously purchased at higher rates became more valuable in the market. The increase in 2019 was primarily due to a combination of increases in the fair value of investments and increases in the District's proportionate share of collective deferred inflows for the PERS plans as provided by the Department of Retirement Systems.

NET POSITION

Net investment in capital assets increased $88 million and $78 million in 2020 and 2019, respectively. The increase in 2020 reflects additions to plant offset by additions in debt as a result of the issuance of additional bonds in 2020. The increase in 2019 reflects additions to plant combined with reductions in debt primarily as a result of regularly scheduled repayments of bond principal on existing debt.

Restricted net position represents resources that are subject to external restrictions, such as bond covenants or third-party contractual agreements. Restricted net position decreased $43 million and increased $68 million in 2020 and 2019, respectively. The decrease in 2020 was primarily due to use of restricted cash and investments to fund capital construction at the District's hydroelectric projects. The increase in 2019 was primarily due to an $87 million internal loan from Financing Facilities to Rock Island Hydroelectric System to fund capital spending including ongoing modernization work. These funds were previously unrestricted but are now restricted by the District's long-term power sales contracts. The increase was partially offset by the use of restricted cash and investments to fund capital construction at the District's hydroelectric projects.

Unrestricted net position is not restricted for the purpose of debt covenants or other legal requirements and can be used to finance the day-to-day operations of the District. In 2020, unrestricted net position increased $32 million due to positive operating results. In 2019, unrestricted net position decreased $32 million due to the transfer of $87 million of cash reserves to a restricted fund to finance capital spending at Rock Island Hydroelectric System. The decrease was partially offset by cash generated from positive operating results.

REVENUES AND EXPENSES

Retail sales remained relatively flat compared to 2019. The District's local retail sales were lower in 2020 than 2019 due to lower usage resulting from weather and COVID-19 impacts; however, the decrease in local revenues was offset by increased revenue associated with a new off-system retail load.

Retail sales increased $16 million in 2019 compared to 2018 due to a combination of colder winter temperatures resulting in higher retail usage and a new off-system retail load.

In 2020, wholesale sales decreased $15 million compared to 2019 primarily due to lower average market prices on surplus sales of energy.

In 2019, wholesale sales decreased $33 million compared to 2018 due to a combination of an increase in wholesale energy transactions being booked-out for scheduling purposes and recorded at net, and a new off-system retail load that reduced surplus energy available for sale in the wholesale market, with a corresponding increase in retail sales.

Purchased power costs also decreased $8 million in 2020 compared to 2019. The lower costs are primarily due to lower average market prices compared to 2019.

Purchased power costs decreased $4 million in 2019 compared to 2018 primarily due to an increase in wholesale energy transactions being booked-out for scheduling purposes and recorded at net.

Other income and expenses, which included net interest expense and income, decreased by $1 million in 2020, primarily due to lower investment income earned as a result of declining interest rates.

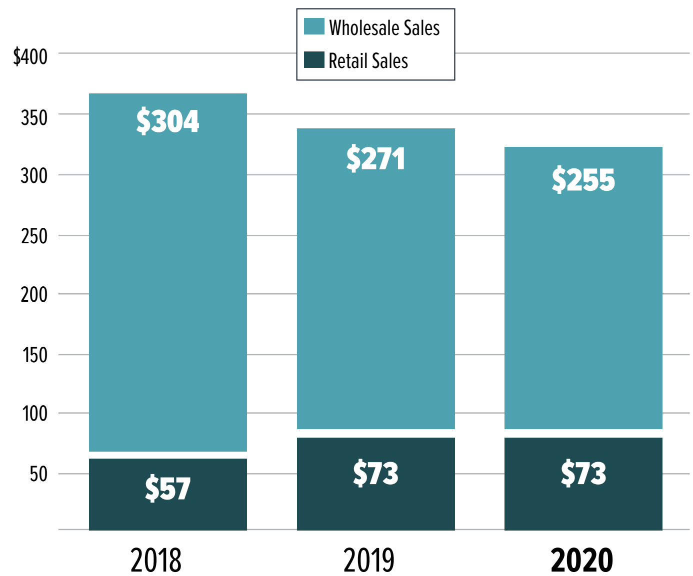
Other income and expenses, which included net interest expense and income, decreased by $6 million in 2019, primarily as a result of higher investment income due to increased cash and investment balances resulting from the District's positive operating results combined with lower interest on long-term debt due to declining debt balance.

In 2020, net income before capital contributions decreased $36 million compared to 2019. The decrease in earnings is due primarily to non-recurring proceeds received last year from a long-term power sales agreement and an insurance settlement. Lower investment income resulting from declining interest rates also contributed to the decrease. Capital contributions remained relatively flat from 2019 to 2020.

In 2019, net income before capital contributions increased $9 million compared to 2018 due primarily to additional proceeds from a long-term power sales agreement and insurance proceeds from a settlement for large unit repair work at Rocky Reach. Higher investment income also contributed to the increase. Capital contributions remained relatively flat from 2018 to 2019.

Wholesale/Retail Revenues

(amounts in millions)



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report should be directed to the District at P.O. Box 1231, Wenatchee, WA 98807 or via email ContactUs@chelanpud.org.

STATEMENTS OF NET POSITION
December 31, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

(amounts in thousands)	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 10,527	$ 31,464
Investments	127,279	94,639
Accounts receivable, net	29,580	29,745
Accrued interest receivable	1,526	1,336
Materials and supplies	14,749	13,402
Prepayments and other	2,173	2,022
Current portion of regulatory assets	2,978	2,978
	188,812	175,586
RESTRICTED ASSETS - CURRENT		
Cash and cash equivalents	1,176	3,521
Investments	14,177	10,582
	15,353	14,103
TOTAL CURRENT ASSETS	204,165	189,689
UTILITY PLANT		
In service, at original cost	2,134,139	2,105,605
Construction work in progress	206,188	126,622
Less-accumulated depreciation	(1,086,787)	(1,048,308)
	1,253,540	1,183,919
RESTRICTED ASSETS - NONCURRENT		
Cash and cash equivalents	3,351	28,651
Investments	225,298	160,078
	228,649	188,729
OTHER ASSETS		
Deferred relicensing costs	369	-
Long-term receivables, net	247	326
Long-term investments	289,267	286,362
Regulatory assets, net	37,056	37,881
Derivative instrument asset	8,037	6,594
Other	770	875
	335,746	332,038
TOTAL ASSETS	2,022,100	1,894,375
DEFERRED OUTFLOWS OF RESOURCES		
Losses on refunding debt	3,314	4,185
Pensions	9,058	7,934
Other post-employment benefits	135	170
	12,507	12,289
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,034,607	$ 1,906,664

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

(amounts in thousands)	2020	2019
CURRENT LIABILITIES		
Current portion of long-term obligations	$ 36,418	$ 38,502
Current portion of unearned wholesale power sales	15,078	15,028
Accounts payable	50,317	46,829
Accrued taxes	4,571	4,172
Accrued interest	8,028	5,577
Accrued vacation and other	17,398	16,319
	131,810	126,427
LONG-TERM DEBT		
Revenue bonds and notes payable, less current portion	498,255	437,840
OTHER LIABILITIES		
Unearned wholesale power sales revenue, less current portion	110,072	123,922
Net pension liability	27,432	27,855
Long-term contract customer deposit	18,500	18,500
Licensing obligation, less current portion	9,194	9,172
Other liabilities	970	785
	166,168	180,234
TOTAL LIABILITIES	796,233	744,501
DEFERRED INFLOWS OF RESOURCES		
Derivatives	8,037	6,594
Pensions	8,054	15,638
Regulatory liabilities	33,013	27,269
Other postemployment benefits	292	250
	49,396	49,751
COMMITMENTS AND CONTINGENCIES (see Note 12)		
NET POSITION		
Net Investment in capital assets	790,602	702,942
Restricted	143,159	185,881
Unrestricted	255,217	223,589
	1,188,978	1,112,412
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,034,607	$ 1,906,664

The accompanying notes are an intergral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended December 31, 2020 and 2019

(amounts in thousands)	2020	2019
OPERATING REVENUES		
Retail sales	$ 73,366	$ 72,541
Wholesale sales	255,179	270,550
Other operating revenues	24,977	42,095
	353,522	385,186
OPERATING EXPENSES		
Purchased power and water	41,191	49,453
Generation	100,216	92,181
Utility services	57,416	53,653
Taxes	10,054	9,742
Depreciation and amortization	45,942	43,575
Other operation and maintenance	16,145	16,506
	270,964	265,110
OPERATING INCOME	82,558	120,076
OTHER INCOME (EXPENSE)		
Interest on long-term debt	(24,126)	(23,942)
Amortization of deferred debt costs	(704)	(673)
Investment income	13,708	15,148
Federal subsidy income	200	592
Other	(295)	(3,082)
	(11,217)	(11,957)
INCOME BEFORE CAPITAL CONTRIBUTIONS	71,341	108,119
CAPITAL CONTRIBUTIONS	5,225	5,818
CHANGE IN NET POSITION	76,566	113,937
TOTAL NET POSITION		
Beginning of year	1,112,412	998,475
TOTAL NET POSITION		
End of period	$ 1,188,978	$ 1,112,412

The accompanying notes are an intergral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

(amounts in thousands)	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 338,885	$ 363,786
Payments to suppliers	(118,708)	(134,591)
Payments to employees	(109,794)	(101,394)
Insurance proceeds	-	17,971
Net cash provided by operating activities	110,383	145,772
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to plant	(115,013)	(85,551)
Proceeds from sale of plant	113	1,646
Proceeds of new debt	164,649	601
Principal paid on debt	(112,364)	(52,188)
Interest paid on debt	(11,196)	(13,373)
Capital contributions	4,645	7,330
Other	(5,547)	(5,400)
Net cash used in capital and related financing activities	(74,713)	(146,935)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(245,976)	(153,292)
Proceeds from sales and maturities of investments	147,574	173,683
Interest on investments	14,170	15,773
Long-term receivables	79	80
Other, net	(99)	77
Net cash provided by (used in) investing activities	(84,252)	36,321
NET CASH INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(48,582)	35,158
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	63,636	28,478
CASH & CASH EQUIVALENTS, END OF YEAR	$ 15,054	$ 63,636
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 82,558	$ 120,076
Depreciation and amortization	45,942	43,575
(Increase) decrease in operating assets:		
Accounts receivable, net	165	7,739
Materials and supplies	(1,347)	(190)
Prepayments	(151)	(868)
Net OPEB asset	(94)	(111)
Other	3,574	3,250
Deferred outflows of resources	(1,089)	(1,449)
Increase (decrease) in operating liabilities:		
Current portion unearned wholesale power sales	50	86
Accounts payable	1,012	(7,394)
Accrued taxes	399	138
Accrued vacation and other	1,079	972
Unearned wholesale revenue	(14,585)	(14,783)
Customer deposits	(3)	17
Net pension liability	(423)	(8,325)
Deferred inflows of resources	(6,704)	3,039
Net cash provided by operating activities	$ 110,383	$ 145,772
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Construction costs included in accounts payable	$ 2,479	$ (1,137)
Capital contributions	368	93
Amortization of regulatory assets	2,838	2,482

The accompanying notes are an integral part of these statements.

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Operations of the District

Public Utility District No. 1 of Chelan County, Washington (the District) is a municipal corporation of the State of Washington established in 1936. The District owns and operates electric generation, electric transmission, electric and water distribution, wastewater properties and a wholesale telecommunication system. The District is governed by an elected five-member Board of Commissioners (Commissioners). The Commissioners' responsibilities are to appoint the General Manager, approve budgets for the District's Systems, adopt regulations and set policies and guiding financial and operating principles for the operations included in these financial statements. The District has no material component units. The District's operations consist of the Rocky Reach Hydroelectric System, the Rock Island Hydroelectric System, the Lake Chelan Hydroelectric System (the Hydro Systems); a retail electric distribution and transmission system, a water system, a wastewater system, a fiber-optic telecommunication system (Utility Services); and two internal service systems.

Accounting Policies

The accompanying financial statements of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to a municipal utility. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has applied all applicable GASB pronouncements including GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

In June 2017, GASB issued Statement No. 87, "Leases." This statement addresses accounting for leases and requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 is effective for fiscal year 2022. The District is currently evaluating the financial statement impact of adopting this statement.

In May 2019, GASB issued Statement No. 91, "Conduit Debt Obligations." This statement clarifies the existing definition of a conduit debt obligation, establishes that a conduit debt obligation is not a liability of the issuer and establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations. This statement is effective for fiscal year 2022. The District is currently evaluating the financial statement impact of adopting this statement.

In January 2020, GASB issued Statement No. 92, "Omnibus 2020." This statement addresses practice issues that have been identified during implementation of certain GASB issues and provides additional requirements for specific issues. Elements of this statement are effective for fiscal year 2022. The District is currently evaluating the financial statement impact of adopting this statement.

In March 2020, GASB issued Statement No. 93, "Replacement of Interbank Offered rates." The objective of this statement is to remove payment agreements that depend on LIBOR (London Interbank Offered Rate). The statement also provides more guidance on hedges and lease provisions. This statement is effective for the District for fiscal year 2022. The District is currently evaluating the impact of adopting this statement.

In March 2020, GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." This statement provides guidance for reporting relationships where nonfinancial exchanges are made and how they should be reported. This statement is effective for the District for fiscal year 2023. The District is currently evaluating the financial statement impact of adopting this statement.

In May 2020, GASB issued Statement No. 96, "Subscription Based Information Technology Arrangements." This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end-users. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended; including the establishment of an intangible asset and a corresponding subscription liability for qualified SBITAs. This statement is effective for the District for fiscal year 2023. The District is currently evaluating the financial statement impact of adopting this statement.

In June 2020, GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32." This statement was early-implemented by the District for fiscal year 2020. Implementation of this statement did not have a material impact to the District's financial statements.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The District has used significant estimates in the determination of fair value of derivatives, regulatory assets and liabilities, depreciable lives of utility plant, license obligations, unbilled revenues, self-insurance reserves, incurred but not reported self-insurance liabilities, allowance for uncollectible accounts receivable and payroll-related liabilities.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits at commercial banks and investments with maturities of ninety days or less when purchased.

Revenues and Expenses from Operations

Revenues of the District are recognized when services are delivered and are comprised of sales of wholesale power, sales of electric, water, wastewater and wholesale telecommunication services and sales of environmental attributes. The accompanying financial statements include estimated unbilled revenues for energy and wholesale telecommunication services delivered to customers between the last billing date and the end of the year. Estimated unbilled revenues amounted to $2.9 million and $2.9 million in 2020 and 2019, respectively. The amounts are included in accounts receivable.

Revenues from the Rocky Reach and Rock Island hydroelectric production facilities represent sales of power generated under firm "take-or-pay" power sales contracts or sales directly to the retail electric distribution system. Revenues under these contracts are cost-plus based, including debt service costs.

In January 2006, the District entered into a 20-year power sales contract with Puget Sound Energy (PSE) for 25% of the output of the Rocky Reach and Rock Island projects, effective in 2011 and 2012, respectively. PSE is generally responsible to pay 25% of all costs associated with the projects, including capital, operation and maintenance and debt service costs, in addition to charges for capital recovery, debt reduction and various fees. Under the terms of the contract, the District received an advance payment of $89.0 million during 2006, which was deferred and is being recognized as revenue over the term of the contract.

In July 2008, the District entered into a 17-year power sales contract with Alcoa, Inc., now Alcoa Corporation, for output equivalent to 26% of the Rocky Reach and Rock Island projects, effective in 2011 and 2012, respectively. Alcoa, Inc. is generally responsible to pay 26% of all costs associated with the projects, including capital, operation and maintenance and debt service costs. Under the terms of the contract, the District received an advance payment of $22.9 million of an $89.0 million capacity reservation charge during 2008, which was deferred and is being recognized as revenue over the term of the contract. The balance of the capacity reservation charge was to be deferred as long as the plant continued to operate and waived if the plant continued to operate under the terms of the contract for the entire contract term. In the event of a shutdown lasting longer than 90 days, the deferred charges would become due depending on the length of the shutdown.

In September 2015, Alcoa, Inc. announced its intention to split Alcoa, Inc. into two stand-alone corporations, Alcoa Corporation and Arconic, Inc. Alcoa, Inc. requested and the District consented to the assignment of the power sales agreement to the new entity known as Alcoa Corporation. The legal separation was effective November 1, 2016, and Alcoa, Inc. conveyed its worldwide aluminum operations, including its Wenatchee Works smelting facility, to Alcoa Corporation, and Alcoa Corporation assumed all of the rights and obligations under the power sales contract and related agreements.

In December 2015, Alcoa curtailed its Wenatchee Works smelting facility. Under terms of the power sales agreement, Alcoa Corporation must continue to pay its 26% share of the costs and charges regardless of the actual amount of energy produced or the amount of power used to operate Wenatchee Works.

In accordance with contract provisions addressing a shutdown event, the District is selling unused power in the wholesale market on Alcoa Corporation's behalf. After the 90-day threshold of being curtailed was reached, the proceeds from the sale of any unused power are first applied to Alcoa Corporation's monthly contractual costs. Any surplus proceeds in excess of Alcoa Corporation's costs are retained by the District, and any shortfalls are paid by Alcoa Corporation. Alcoa Corporation continues to have contractual rights to the 26% share of project output even while Wenatchee Works is idle.

Additional contract provisions apply for the initially deferred capacity charges due to the shutdown event. The first charge, the "Initial Shutdown Amount," of $8.6 million, became due and was paid in December 2016, upon the plant being idle for one year. The "Initial Shutdown Amount" was deferred and will be recognized in revenue over the remaining term of the agreement. A second charge, the "Shutdown Settlement Amount," which is the $67.1 million deferred balance of the capacity reservation charge was scheduled to become due in the event the Wenatchee Works facility remained shutdown for longer than 18 months measured from the December 2015 curtailment.

In May 2017, the District entered into an amendment to the power sales agreement that allowed a one-year deferral of a large portion of the "Shutdown Settlement Amount" to June 2018. In exchange for the deferral, Alcoa paid the District one year of the deferred capacity charge amounting to $4.5 million and an additional $2.8 million to compensate the District for the value of the one-year deferral of the remaining balance of $62.4 million, as well as extending contract collateral requirements. The $4.5 million contract charge was deferred and will be recognized in revenue over the remaining term of the agreement. The $2.8 million deferral charge was included as a component of other operating revenues on the Statement of Revenues, Expenses and Changes in Net Position.

In June 2018, the Wenatchee Works smelting facility remained curtailed, and the $62.4 million balance of the Shutdown Settlement Amount became due and was paid by Alcoa Corporation. The $62.4 million contract charge was deferred and will be recognized in revenue over the remaining term of the agreement. The contract and original terms remain in place until 2028.

The District's share of power produced by the Rocky Reach and Rock Island Systems is sold to the retail electric distribution system on a cost-plus basis. Power produced by the Lake Chelan System is sold to the retail electric distribution system at cost. As of December 31, 2020, the Rocky Reach, Rock Island and Lake Chelan Systems sell 49%, 49% and 100%, respectively, of their output to the retail electric distribution system, which is in turn sold to retail customers, firm power purchasers or sold on the wholesale market if in excess of the District's local load.

Revenues and purchased power expenses related to "booked-out" wholesale energy sales and purchases (agreement with counterparty to net settle before scheduling for delivery) are reported net in the Statement of Revenues, Expenses and Changes in Net Position as a component of Wholesale Sales. For the years ended December 31, 2020 and December 31, 2019, booked-out energy transactions amounted to $40.4 million and $56.6 million, respectively.

Revenues from the sale of environmental attributes associated with a portion of the District's hydroelectric and wind generation are recorded as delivered and earned.

Electric, water and wastewater customers and telecommunication service providers are billed on a cyclical basis under rates established by the District's Commission. Revenues from the sale of electric, water, wastewater and telecommunication services are recorded as delivered and earned.

For the year ended December 31, 2020, the District had three significant customers (greater than 10% of operating revenues), collectively comprising total revenue of $144.3 million. The District had three significant customers for the year ended December 31, 2019, collectively comprising total revenue of $177.5 million.

The District accounts for expenses on an accrual basis. Expenses for the costs of production from the Rocky Reach, Rock Island and Lake Chelan hydroelectric production facilities are recovered under firm power sales contracts or sales directly to the retail electric distribution system.

Under the American Recovery and Reinvestment Act of 2009, the District issued taxable Build America Bonds (BABs) to finance capital projects that otherwise could be financed with tax-exempt bonds. The District receives periodic subsidy payments from the federal government which were equal to 35% of the interest paid on the BABs through 2012. During 2013, the United States Congress made changes to the subsidy program which resulted in a reduction of the total annual subsidy to approximately 33% of the interest paid. In 2020 and 2019, the District recognized non-operating revenues of $0.2 million and $0.6 million, respectively.

Intradistrict revenues and expenses are eliminated in the Statement of Revenues, Expenses and Changes in Net Position.

Regulatory Deferrals

The Commissioners have the authority to establish the level of rates charged for all District services. As a regulated entity, the District's financial statements are prepared in accordance with "Regulated Operations," which require that the effects of the rate-making process be recorded in the financial statements. Accordingly, certain expenses and credits, normally reflected in the Statement of Revenues, Expenses and Changes in Net Position as incurred, are recognized when included in rates and recovered from, or refunded to, customers. The District records various regulatory assets and credits to reflect rate-making actions of the Commissioners. See Note 5.

Power Marketing

The District enters into forward physical power sales and purchase agreements to hedge expected forward surplus power and balance the District's anticipated power resources and demand for those power resources.

The District has implemented a multi-layered approach to power resource sales, including retail load, cost-plus contracts and a comprehensive market-based power hedging strategy to help manage risk and keep future rates stable and affordable. A key component of this strategy includes the execution of market-based wholesale products such as slice output contracts using a laddered approach over a rolling forward horizon of 60 months beyond the current year. The execution of this strategy helps to mitigate the risks the District faces related to the wholesale power markets while securing stable revenue for the future. Forward physical block transactions are used to mitigate wholesale market price risk the District faces related to its long or short positions as defined by the strategy. The execution of slice output contracts, which provide a counterparty with a percentage share of hydropower production for a fixed payment, help mitigate price risk, as well as mitigates volumetric risk related to river flows and production risk related to the District's ability to generate power due to generating unit outages.

In addition to the forward trading horizon of 60 months beyond the current year, the District's Board of Commissioners approved a resolution on February 8, 2014, authorizing the General Manager or designee to enter into one or more transactions for the forward sale of energy and capacity and associated environmental attributes not to exceed 10% of the output of Rocky Reach and Rock Island for a term up to fifteen years in duration, with the delivery to begin within six years of execution.

In 2017, the District entered into an agreement under this resolution for a 10-year slice sale of 5% of Rocky Reach and Rock Island output for the years 2021-2030 that further hedges against downside risk and helps reduce wholesale revenue volatility.

All power risk management activities are subject to the Power Risk Management Policy requirements and oversight by the District's Power Risk Management Committee, which monitors the District's exposure to various power related risks using a series of industry standard methodologies. The power hedging strategy is included as part of the Power Risk Management Policy and defines the specific hedging objectives and targets that are measured, monitored and communicated to the Committee.

The Power Risk Management Policy includes credit management provisions under which individual dollar and volumetric limits are assigned to counterparties based upon specific predetermined criteria utilizing an industry standard credit-scoring model. Active counterparties are reviewed on a regular basis to evaluate whether the assigned limits need to be adjusted. In addition, daily monitoring of financial and market information is performed to identify any developing counterparty credit risk. Transactions are limited accordingly when deemed necessary, and any exceptions to the assigned limits are reported to the Power Risk Management Committee.

The District requires that a one-way collateral annex be executed in conjunction with its slice output contracts, including the 10-year contract, or when deemed necessary to facilitate trading. The District is not required to post any collateral under these one-way margin agreements. Currently, the District requires that all posting requirements be met with a Letter of Credit unless the counterparty holds a senior unsecured credit rating of A+ from at least one of the nationally recognized rating agencies. For the higher rated counterparties, the District accepts Performance Assurance in the form of cash.

All of the District's forward power contracts are derivative instruments. All forward power contracts in place during 2019 and 2020 are classified as normal purchases and sales under GASB Statement No. 53, and thus, excluded from fair value reporting requirements. All forward power contracts are recognized over the duration of the contracts as a component of Operating Revenues and Purchased Power Operating Expenses in the Statement of Revenues, Expenses and Changes in Net Position.

Allowance for Uncollectible Accounts Receivable

A reserve is established for uncollectible accounts receivable based upon actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. The allowance for uncollectible accounts was $101,000 and $170,000 at December 31, 2020 and 2019, respectively.

Capital Contributions

A portion of the District's utility plant has been financed through contributions from federal and state agencies and from assessments of local property owners. The District also records contributions from customers and developers, primarily relating to the District's Utility Services System, in accordance with the District's line extension policy. In-kind contributions are recognized based on the donor's actual costs. Capital contributions are recorded as non-operating revenues in the Statements of Revenues, Expenses and Changes in Net Position. For rate-making purposes, individual contributions in excess of $1 million are deferred when received and included in revenues to match the estimated useful lives and amortized costs of the related facilities. See Note 5.

Materials and Supplies Inventory

Materials and supplies consist of hydroelectric generation, transmission, distribution, water and wastewater assets, fiber-optic cable and fiber-related supplies and are valued at average cost.

Compensated Absences

Employees of the District accrue a personal leave benefit based upon a years of service schedule. Personal leave may be used for vacation and sick leave purposes. The District records personal leave as an expense and a liability as earned. Unused personal leave may be accumulated up to a maximum of 1,350 hours for non-bargaining unit personnel and 1,200 hours for bargaining unit employees. Effective April 1, 2012, any newly hired employee may only accrue 800 hours of personal leave. Upon resignation, retirement or death, 90% of accumulated personal leave is deposited into a personal Voluntary Employees' Beneficiary Association (VEBA) account. The remaining 10% of accumulated personal leave is cashed out.

Utility Plant

Utility plant is stated at original cost, which includes both direct and indirect costs of construction or acquisition. The District charges the cost of repairs and minor renewals to maintenance expense and the cost of renewals and replacement of property units that meet the District's capitalization threshold to utility plant. The District's capitalization threshold is $5,000. As the District constructs various major projects, costs accumulate in construction work in progress and are capitalized to utility plant after the projects have been completed and placed into service.

Provision for depreciation is computed using the straight-line method by applying rates based upon the estimated service lives of the related plant, ranging from 5 to 90 years.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Chelan County Public Utility District Retirees' Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Asset Retirement Obligations

An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. The District identified AROs for certain assets that are expected to operate in perpetuity. As the District cannot estimate a settlement date or extent of the obligation, a reasonable estimate of the obligation cannot be made. As such, ARO liabilities are not recorded for retirement activities associated with certain transmission, distribution and wastewater facilities and hydro-electric projects. The District does not have any recorded AROs as of December 31, 2020 or 2019.

Subsequent Events

The District has evaluated all subsequent events through April 12, 2021, the issue date of this report, to ensure that these financial statements include appropriate disclosure of events both recognized in the financial statements as of December 31, 2020, and events which occurred subsequent to December 31, 2020, but were not recognized in the financial statements.

NOTE 2: CASH AND INVESTMENTS

Investments of the District are held by banks or trust companies as the District's agent and in the District's name. The remainder of the District's funds consists of uninvested cash that is protected against loss by a combination of federal depository insurance and being on deposit with qualified public depositories of the Washington Public Deposit Protection Commission (WPDPC).

Cash and investments are recorded in accounts as required by the District's bond indentures. Restricted assets represent accounts that are restricted by bond covenants or third party contractual agreements. Accounts that are allocated by resolution of the Commissioners are considered to be board designated accounts. Board designated accounts are a component of unrestricted assets as their use may be redirected at any time by approval of the Commissioners. Generally, when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first as appropriate, then unrestricted resources as they are needed.

As of December 31, the District's unrestricted, board designated and restricted assets included on the Statements of Net Position as cash and cash equivalents, investments and long-term investments, consisted of the following:

(amounts in thousands)	2020	2019
Unrestricted assets		
Unrestricted	$ 108,427	$ 95,937
Board designated	318,646	316,528
Total unrestricted assets	427,073	412,465
Restricted assets	244,002	202,832
	$ 671,075	$ 615,297

As of December 31, 2020 and 2019, the District had the following cash and investments:

INVESTMENT TYPE (amounts in thousands)	TOTAL 2020	INVESTMENT MATURITIES (IN YEARS) LESS THAN 1	1 - 2	2 – 3	MORE THAN 3
U.S. Treasuries	$ 63,326	$ 52,023	$ -	$ -	$ 11,303
U.S. Treasury Strips	17,313	-	17,313	-	-
U.S. Agency Notes	213,141	73,185	20,244	48,550	71,162
U.S. Agency Bills	5,404	1,922	-	3,482	-
Municipal Bonds	117,179	21,369	29,041	19,302	47,467
State Investment Pool	64	64	-	-	-
Certificates of Deposit	239,658	88,128	31,598	5,348	114,584
Cash Deposits	14,990	14,990	-	-	-
	$ 671,075	$ 251,681	$ 98,196	$ 76,682	$ 244,516

INVESTMENT TYPE (amounts in thousands)	TOTAL 2019	INVESTMENT MATURITIES (IN YEARS) LESS THAN 1	1 - 2	2 – 3	MORE THAN 3
U.S. Treasuries	$ 24,062	$ 10,188	$ 1,524	$ -	$ 12,350
U.S. Treasury Strips	16,670	-	-	16,670	-
U.S. Agency Notes	201,402	48,978	55,763	19,902	76,759
U.S. Agency Bills	24,306	19,135	1,886	-	3,285
Municipal Bonds	84,679	8,978	12,290	27,718	35,693
State Investment Pool	21	21	-	-	-
Certificates of Deposit	219,678	65,168	46,581	20,648	87,281
Cash Deposits	44,479	44,479	-	-	-
	$ 615,297	$ 196,947	$ 118,044	$ 84,938	$ 215,368

Valuation of investments. The District reports cash on hand and bank deposits at their carrying amount. U.S. Treasury notes or bonds, U.S. Government agency securities and municipal bonds that had a remaining maturity at the time of purchase of greater than one year are recorded at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities. Investments classified in Level 2 are valued using observable inputs including quoted prices for similar assets or market corroborated pricing inputs such as yield curves and indices. U.S. Treasury bills, notes or bonds, U.S. Government agency securities, municipal bonds and commercial paper that had a remaining maturity at the time of purchase of one year or less are recorded at amortized cost, which approximates fair value. It is generally the District's policy to hold investments to maturity.

The District also reports its investment in the Washington State Treasurer's Local Government Investment Pool (LGIP) at amortized cost. The LGIP is an unrated external investment pool which reports its investments at amortized cost and transacts with its participants at a stable net asset value per share of $1.00. Participants may contribute and withdraw funds on a daily basis and must inform the LGIP of any contribution or withdrawal over $1.0 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for $1.0 million or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than $1.0 million when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the LGIP. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The following schedule presents fair value measurements as of December 31, 2020 and 2019:

INVESTMENTS (amounts in thousands)	TOTAL 2020	FAIR VALUE MEASUREMENTS USING LEVEL 1 INPUTS	LEVEL 2 INPUTS	LEVEL 3 INPUTS	NET ASSET VALUE (NAV)	NOT LEVELED
U.S. Treasuries	$ 63,326	$ 63,326	$ -	$ -	$ -	$ -
U.S. Treasury Strips	17,313	17,313	-	-	-	-
U.S. Agency Notes	213,141	-	194,135	-	-	19,006
U.S. Agency Bills	5,404	-	5,404	-	-	-
Municipal Bonds	117,179	-	108,120	-	-	9,059
State Investment Pool	64	-	-	-	-	64
Certificates of Deposit	239,658	-	-	-	-	239,658
Cash Deposits	14,990	-	-	-	-	14,990
Total Investments	$ 671,075	$ 80,639	$ 307,659	$ -	$ -	$ 282,777

INVESTMENTS (amounts in thousands)	TOTAL 2019	FAIR VALUE MEASUREMENTS USING LEVEL 1 INPUTS	LEVEL 2 INPUTS	LEVEL 3 INPUTS	NET ASSET VALUE (NAV)	NOT LEVELED
U.S. Treasuries	$ 24,062	$ 24,062	$ -	$ -	$ -	$ -
U.S. Treasury Strips	16,670	16,670	-	-	-	-
U.S. Agency Notes	201,402	-	201,402	-	-	-
U.S. Agency Bills	24,306	-	5,171	-	-	19,135
Municipal Bonds	84,679	-	84,679	-	-	-
State Investment Pool	21	-	-	-	-	21
Certificates of Deposit	219,678	-	-	-	-	219,678
Cash Deposits	44,479	-	-	-	-	44,479
Total Investments	$ 615,297	$ 40,732	$ 291,252	$ -	$ -	$ 283,313

Interest rate risk. The District's investment policy limits direct investments in securities to those with maturities of five years or less unless matched to a specific cash flow, or as designated in specific bond resolutions if such investments are made to coincide with the expected use of the funds. The District may collateralize its repurchase agreements using longer-dated investments. The District may also invest in variable rate securities with final maturities beyond five years, as long as the time period between rate changes is less than five years. Callable investments are assumed to be held to maturity.

Credit risk. The District's Treasurer directs the investment of any temporary cash surplus in accordance with the District's investment policy and guided by State of Washington statute. The Treasurer may invest such surplus, depending on individual fund restrictions, in one or more of the following investments in accordance with the current District investment policy: 1) U.S. Treasury bills, notes or bonds; 2) U.S. Government agency securities, limited to 75% of the qualifying portfolio and no more than 25% of the total assets invested with a single issuer; 3) repurchase agreements, which must be collateralized with a third party at 102%, limited to $10 million with any financial institution; 4) savings or time deposits, including insured or collateralized certificates of deposit, with institutions approved as qualified public depositories by the WPDPC, amount held by each issuer limited to 15% for certificates of deposit and 20% for savings and other deposit accounts, of the District's investment portfolio; 5) bankers' acceptances with the highest short-term credit rating of any two nationally recognized statistical ratings organizations at the time of purchase, limited to no more than 30% of the qualifying portfolio and no more than $5 million invested in a single issuer; 6) commercial paper having received the highest short-term credit ratings of any two nationally recognized statistical ratings organizations at the time of purchase, limited to no more than 25% of the qualifying portfolio and no more than 3% of the total assets invested with a single issuer; 7) bonds of the State of Washington or any local government in the State of Washington, which bonds have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency, limited to no more than 30% of the qualifying portfolio and no more than 5% of the total assets invested with a single issuer; 8) the LGIP, limited to no more than 25% of the qualifying portfolio; 9) general obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington, which bonds have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency, and when combined with bonds of the State of Washington or any local government in the State of Washington, limited to no more than 30% of the qualifying portfolio and no more than 5% of the total assets invested with a single issuer; 10) and any other investment permitted under the laws of the State of Washington.

As of December 31, 2020 and 2019, investments in debt securities had credit quality ratings as follows:

Investment Rating (S&P Equivalent)

(amounts in thousands)	2020	2019
Long Term		
AAA	$ 24,189	$ 11,509
AA+	222,936	224,682
AA	50,679	53,149
AA-	16,432	7,381
Short Term		
SP-1+	7,559	-
	$ 321,795	$ 296,721

Custodial credit risk. The District's investment policy requires that securities purchased are held by a master custodian or other entity legally allowed to act as an independent third party on behalf of the District within that entity's trust department.

Concentration of credit risk. The District's investment policy requires that investments are diversified by security type and institution. Investments in an individual issuer of state or local government bonds are limited to no more than 5% of the District's total investment portfolio, and investments in an individual issuer of commercial paper are limited to no more than 3%; bankers' acceptances are limited to no more than $5.0 million by institution. The aggregate amount of savings, demand deposits and certificates of deposit are limited to 75% of portfolio and 20% per institution.

As of December 31, 2020 and 2019, 5% or more of the District's total investment portfolio was invested with each of the following issuers:

ISSUER	S&P CREDIT RATING	PERCENTAGE OF PORTFOLIO 2020	2019
Federal Farm Credit Bank	AA+	8%	9%
Federal Home Loan Bank	AA+	10%	13%
Federal National Mortgage Association	AA+	7%	10%

Derivative Instruments – Forward Purchase Agreement

Objective and Terms. As a tool to achieve a fixed rate of return on certain District bond reserves, the District has entered into a forward purchase agreement for the purchase of investment securities. Under the terms of the agreement, the provider must tender qualified securities with maturities of six months or less to the District on the semi-annual debt service dates at a price that produces at least the guaranteed rate of return under the agreement.

The terms, including the counterparty credit ratings of the outstanding forward purchase agreement, as of December 31, 2020, are provided below.

Forward Purchase Agreement

COUNTERPARTY	CREDIT RATING BY MOODY'S/S&P/ FITCH	GUARANTEED YIELD	NOTIONAL AMOUNT	EFFECTIVE DATE	MATURITY	12/31/20 FAIR VALUE	12/31/19 FAIR VALUE
Wells Fargo Bank, N.A.	Aa2/A+/AA-	6.63%	$ 18,820,179	12/22/1999	6/1/2029	$ 8,037,000	$ 6,594,000

As of December 31, 2020 and 2019, the agreement is considered a hedging derivative instrument, and the fair value is recorded on the Statement of Net Position as a derivative asset and a Deferred Inflow of Resources in the same amount.

Fair value. Due to interest rates which are lower than when the forward purchase agreement was entered into, the agreement had a positive fair value to the District as of December 31, 2020 and 2019. The fair value takes into consideration the prevailing investment rate environment and the specific terms and conditions of the transaction. The fair value was estimated using the income approach.

Credit risk. The District is exposed to credit risk in the amount of the positive fair value of the forward purchase agreement. The credit ratings of the counterparty are noted in the preceding table.

Interest rate risk. The District is exposed to interest rate risk if the counterparty to the forward purchase agreement defaults or if the agreement is terminated.

Termination risk. The District or the counterparty may terminate a forward purchase agreement if the other party fails to perform under the terms of the respective contracts. If at the time of termination the agreement has a negative fair value, the District would be liable to the counterparty for a payment equal to the agreement's fair value.

NOTE 3: UTILITY PLANT

A summary of utility plant in service for the years ended December 31, 2020 and 2019 is as follows:

(amounts in thousands)	JANUARY 1, 2020	ADDITIONS	REDUCTIONS AND TRANSFERS	DECEMBER 31, 2020	DEPRECIATION EXPENSE
Hydroelectric generation	$ 1,288,520	$ 5,744	$ (1,682)	$ 1,292,582	$ 20,888
Transmission	160,042	3,320	(848)	162,514	3,175
Distribution	268,012	9,882	(2,411)	275,483	7,305
General plant	163,531	12,084	(3,104)	172,511	7,535
Intangible	39,925	421	-	40,346	1,533
Telecommunications	95,799	4,554	-	100,353	3,575
Water/ Wastewater	89,776	591	(17)	90,350	1,931
	2,105,605	36,596	(8,062)	2,134,139	$ 45,942
Construction work in progress	126,622	115,373	(35,807)	206,188	
Accumulated depreciation	(1,048,308)	(45,942)	7,463	(1,086,787)	
	$ 1,183,919	$ 106,027	$ (36,406)	$ 1,253,540	

(amounts in thousands)	JANUARY 1, 2019	ADDITIONS	REDUCTIONS AND TRANSFERS	DECEMBER 31, 2019	DEPRECIATION EXPENSE
Hydroelectric generation	$ 1,283,080	$ 9,579	$ (4,139)	$ 1,288,520	$ 20,911
Transmission	159,025	1,297	(280)	160,042	3,142
Distribution	260,488	10,331	(2,807)	268,012	7,098
General plant	149,148	25,639	(11,256)	163,531	5,793
Intangible	39,670	255	-	39,925	1,526
Telecommunications	93,876	4,189	(2,266)	95,799	3,347
Water/ Wastewater	83,843	6,130	(197)	89,776	1,758
	2,069,130	57,420	(20,945)	2,105,605	$ 43,575
Construction work in progress	100,838	82,856	(57,072)	126,622	
Accumulated depreciation	(1,023,960)	(43,573)	19,225	(1,048,308)	
	$ 1,146,008	$ 96,703	$ (58,792)	$ 1,183,919	

Plant assets include land of $84.8 million and $83.6 million as of December 31, 2020 and 2019, respectively.

In 2013, the four large generating units at Rocky Reach Dam were taken out of service after discovering that one of the turbines had a deep crack in a stainless steel servo-rod, which is part of the mechanism used to adjust turbine blades. District officials were concerned about the integrity of all four units, which have the same design elements. Out of concern for the health and safety of District employees, the public and the environment, it was decided to keep all four units out of service for further investigation. Temporary repairs were made to all four units by limiting the blades to a fixed operating mode, with the last of the four large units being returned to service in April 2014. The first two units have been repaired and returned to Kaplan operation with variable blade capability in December 2017 and January 2020, respectively. The remaining two units are in service with fixed blade operation with repairs scheduled to begin in late 2021, and both units are expected to return to service by fall 2023. The seven additional generating units at Rocky Reach do not have a similar design and were not impacted by this repair.

The District maintains mechanical breakdown and business interruption insurance policies. Each generating unit has a separate $500,000 deductible for mechanical breakdown claims. Lost revenues related to business interruption are covered from the date of outage for the first Rocky Reach unit and after 60 days out of service for the three subsequent units. The District's insurance company made partial payments for both mechanical breakdown and business interruption claims in previous years.

During 2019, the District received $16.3 million and $1.7 million as final settlement of the claims under the mechanical breakdown and business interruption policies, respectively. Mechanical breakdown proceeds received in the amount of $3.8 million were recorded to operating expense under "Other operating and maintenance" to offset the covered repairs expense incurred during 2019. The remaining mechanical breakdown proceeds, which are related to repairs incurred in prior years or repairs expected to be incurred in subsequent years, along with $1.7 million business interruption insurance proceeds were recorded under "Other operating revenues." The insurance claims have been fully settled, and no additional proceeds will be received.

Based on currently available information, the District does not anticipate the generating unit repairs and outages to have a significant impact to the District's financial condition.

NOTE 4: LICENSING

The District's hydroelectric projects are licensed under the Federal Power Act of 1920 and subsequent amendments. The District received a 50-year license for the Lake Chelan Project in November 2006 and a 43-year license for the Rocky Reach Project in February 2009 and is implementing license measures for both projects. The Rock Island Project license was issued in January 1989. The Rock Island Project license expires December 31, 2028, and the District will begin the relicensing process in 2021. The costs associated with relicensing the projects have been included in the District's Utility Plant balance as Intangible Assets and are being amortized over the lives of the associated licenses.

The Rock Island Project license contains various operational requirements and environmental protections. Primary measures include continuation of the Habitat Conservation Plan (HCP) for salmon and steelhead, measures to protect bull trout, continuation of maintenance and operation of the Wenatchee Confluence, Kirby Billingsley Hydro, Wenatchee Riverfront and Walla Walla parks. The HCP provides a framework for long-term resolution of certain fish issues at the projects. As also required in the license, the District manages cultural, shoreline, recreation and wildlife resources. All costs associated with the ongoing fulfillment of these Rock Island license measures are recognized as operating expenses in the year incurred.

The license for the Lake Chelan Project is based on a settlement agreement submitted to FERC in October 2003, between the District and stakeholders, including local communities, state and federal agencies, Tribes and environmental groups. The license requires implementation of detailed management plans for fish, operations, wildlife, shoreline erosion, water quality, cultural and recreation resources over the life of the license. In addition, the Lake Chelan Project settlement agreement and license contains some measures that will be carried out by various agencies using funds provided by the District. The present value of these accrued funding obligations was estimated to be $9.6 million and $9.5 million as of December 31, 2020 and 2019, respectively. The estimate for these funding obligations may increase by measures that are deferred to later years due to inflationary adjustments and may be reduced by measures that are completed.

A summary of accrued funding obligations, accounted for as intangible assets, for the years ended December 31, 2020 and 2019 are as follows:

(amounts in thousands)	2020	2019
Licensing obligation - beginning of year	$ 9,503	$ 9,361
Additions	421	256
Reductions	(284)	(114)
Licensing obligation - end of year	$ 9,640	$ 9,503

The District's Rocky Reach Project license is based on a settlement agreement submitted to FERC in March

2006, between the District and stakeholders, including local communities, state and federal agencies, Tribes and environmental groups. The Rocky Reach Project license requires implementation of various operational requirements and environmental protections. Primary measures include continuation of the HCP for salmon and steelhead, measures to protect and enhance white sturgeon, bull trout, resident fish and pacific lamprey, and operation and maintenance of Beebe Bridge, Chelan Falls, Powerhouse, Entiat, Daroga, Lincoln Rock and Rocky Reach Dam parks. As also required in the license, the District finalized detailed management plans for operations, shoreline erosion, water quality, recreation, cultural and wildlife resources. These plans are now being implemented. The Rocky Reach project license does not contain funding obligations; therefore, future costs of implementing the license requirements cannot be reasonably estimated and no obligation has been recorded. All related costs are recognized as operating expenses in the year incurred.

NOTE 5: REGULATORY DEFERRALS

The Commission has taken various regulatory actions that result in differences between recognition of revenues and expenses for rate-making purposes and their treatment under generally accepted accounting principles for non-regulated entities. These actions result in regulatory assets and liabilities, which are summarized below.

Changes to the balances, and their inclusion in rates, occur only at the direction of the Commission.

The following regulatory balances are as of December 31, 2020 and 2019.

(amounts in thousands)		2020		2019
Regulatory Assets:				
Swap termination payments	$	12,062	$	14,632
Conservation expenses		18,802		17,799
Debt issuance costs		4,100		4,359
Investments in assets owned by others		4,253		2,597
Fair Value of Investments		817		1,472
	$	40,034	$	40,859
Regulatory Liabilities:				
Contributed Capital	$	20,814	$	21,026
Fair Value of Investments		12,199		6,243
	$	33,013	$	27,269

Swap Termination Payments. The District terminated three interest rate swaps during 2013 and three interest rate swaps during 2011, incurring swap termination fees in the amount of $15.9 million and $24.6 million, respectively. The termination fees would normally have been reflected as a non-operating expense in the years incurred; however, the Commission approved a resolution providing for deferral of the termination fees as regulatory assets to be amortized over periods of up to 15 years to match the expense with the period in which the payments will be recovered through rates.

Conservation Costs. The District's conservation plans include program expenditures to support compliance with the Energy Independence Act. The District defers conservation expenditures as incurred and amortizes them over the estimated benefit period. The Commission has approved resolutions that require this treatment in order to match the expense with the periods in which the benefit is received and will be reflected in rates.

Debt Issuance Costs. In order to match the costs incurred in conjunction with the issuance of debt with the periods in which the benefit is received and will be reflected in rates, the Commission has approved a resolution that requires these costs to be deferred and amortized over the life of the related bonds. Amortization expense is calculated under the straight-line method or effective interest method, depending on the maturity schedule of the related bonds.

Investments in Assets Owned by Others. The District makes various contributions toward the cost of constructing assets that will be owned and maintained by another entity. These investments are made under agreements by which the District either directly or indirectly receives a benefit from construction of the asset. The Commission has approved a resolution that requires investments exceeding $1 million be deferred and amortized over the estimated benefit period in order to match the expense with the period the investment will be recovered through rates.

Fair Value of Investments. The District holds various long-term investments that are carried at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for

External Investment Pools." Under Statement No. 31, both realized and unrealized changes in fair value are to be reflected in Net Increase/(Decrease) in Net Position for the period. The Commission, however, approved a resolution providing for the deferral of these gains and losses as regulatory assets and/or liabilities in recognition that any unrealized amounts will not be included in the District's ratemaking process due to the fact that they do not have an impact on cash flows as long as they are held to maturity; and any realized gains or losses will be amortized and included in rates over the remaining life of the investments at the time of sale.

Contributed Capital. Individual contributions exceeding $1 million are deferred as regulatory liabilities and amortized over the life of the related contributed depreciable plant assets. The Commission has approved resolutions that require this treatment in order to offset the earnings effect of these large non-exchange transactions and align the District's recognition of these credits with the periods in which the amounts will be reflected for rate-making purposes.

NOTE 6: LONG-TERM DEBT

(amounts in thousands)	JANUARY 1, 2020	ADDITIONS	REDUCTIONS	DECEMBER 31, 2020	DUE WITHIN ONE YEAR
Revenue Bonds					
Rocky Reach Revenue Bonds, 5%, retired May 1, 2020	$ 11,898	$ -	$ (11,898)	$ -	$ -
Rock Island Revenue Bonds, 6% to 6.05%, due June 1, 2021, to June 1, 2029	190,210	10,478	(28,592)	172,096	22,685
Consolidated System Revenue Bonds, 3.703% to 5.5%, due July 1, 2021, to July 1, 2039 (net unamortized premiums of $27,709)	267,612	163,209	(75,652)	355,169	12,500
	469,720	173,687	(116,142)	527,265	35,185
Notes from Direct Borrowings					
Notes, 0.25% to 1.8%, due March 30, 2021, to March 30, 2040	6,291	1,440	(769)	6,962	787
Total Long Term Debt	$ 476,011	$ 175,127	$ (116,911)	$ 534,227	$ 35,972

(amounts in thousands)	JANUARY 1, 2019	ADDITIONS	REDUCTIONS	DECEMBER 31, 2019	DUE WITHIN ONE YEAR
Revenue Bonds					
Rocky Reach Revenue Bonds, 5%, due July 1, 2020, to July 1, 2034 (net unamortized premiums of $188)	$ 12,440	$ -	$ (542)	$ 11,898	$ 540
Rock Island Revenue Bonds, 4% to 6.05%, due June 1, 2020, to July 1, 2029 (net unamortized premiums of $17)	202,188	11,176	(23,154)	190,210	23,170
Consolidated System Revenue Bonds, 3.603% to 6.897%, due July 1, 2020, to July 1, 2039 (net unamortized premiums of $2,668)	296,260	-	(28,648)	267,612	13,735
	510,888	11,176	(52,344)	469,720	37,445
Notes from Direct Borrowings					
Notes, 0.25% to 2%, due June 1, 2020, to September 30, 2039	6,427	601	(737)	6,291	726
Total Long Term Debt	$ 517,315	$ 11,777	$ (53,081)	$ 476,011	$ 38,171

A summary of scheduled debt service requirements to maturity is as follows:

Principal and Interest

(amounts in thousands)	REVENUE BONDS PRINCIPAL	REVENUE BONDS INTEREST	DIRECT BORROWINGS PRINCIPAL	DIRECT BORROWINGS INTEREST
2021	$ 35,185	$ 15,307	$ 786	$ 47
2022	67,550	14,000	787	42
2023	58,810	11,911	788	38
2024	60,265	10,169	789	33
2025	63,840	8,337	790	29
2026-2030	181,565	22,593	1,868	91
2031-2035	71,205	7,644	654	49
2036-2040	15,115	1,524	501	15
Total	$ 553,535	$ 91,485	$ 6,963	$ 344

Estimated principal retirements are based on the assumption that all bonds are called or purchased at par. Principal retirements of $554 million also include $54 million of future appreciation on Capital Appreciation Bonds (CABs).

In May 2020, the District issued $109.6 million of Chelan Consolidated System Revenue and Refunding Bonds, Series 2020A, $11.0 million and $13.2 million of Chelan Consolidated System Refunding Bonds, series 2020B and 2020C, respectively. The 2020ABC bonds in the amount of $133.8 million were issued as fixed rate bonds with interest rates ranging from 4% to 5% and annual maturities between July 1, 2022 and July 1 2039. A portion of the proceeds, together with other available funds, were used to refund various debt issues to obtain an economic gain of $11.3 million.

The Consolidated System Revenue Bonds, Series 2008B, in the outstanding amount of $40.2 million at December 31, 2020, were issued as variable rate bonds and have a reset of interest rates every seven days. The original standby bond purchase agreement (Credit Facility) associated with the bonds expired on March 7, 2013. A replacement standby bond purchase agreement was entered into with Union Bank, N.A. (Union Bank) and dated as of March 1, 2013 (Replacement Credit Facility). The Replacement Credit Facility was extended on April 17, 2015, and was terminated on June 22, 2018. The currently active standby bond purchase agreement was entered into with Barclays Bank PLC (Barclays) as of June 1, 2018 (Active Credit Facility), and will be in effect through July 1, 2022. The District pays Barclays a commitment fee of 35 basis points as prescribed in the Active Credit Facility. If any 2008B bonds are un-remarketed and are purchased and held by Barclays, the bonds will bear interest at a fluctuating annual rate as specified by the Active Credit Facility, which would be at least 700 basis points. In addition, any 2008B bonds purchased and held under the Active Credit Facility are subject to special mandatory redemption over a five-year period in twenty equal quarterly principal installments. As of December 31, 2020, Barclays does not hold any un-remarketed 2008B bonds.

The District has covenanted in a Consolidated System resolution that it will establish, maintain and collect rates and charges for electrical power and energy, water, wastewater, fiber-optic networks and other services, facilities and commodities sold, furnished or supplied by or through the Consolidated System, adequate net revenues sufficient to pay at least (a) 100% of annual debt service in such fiscal year and (b) together with available funds, 125% of annual debt service in such fiscal year on the Consolidated System Bonds.

The Consolidated System currently includes the District's retail electric utility business operations (referred to as the "Distribution Division"), the Lake Chelan Project, the Fiber and Telecommunications System, the Water System and the Wastewater System. Although these systems have been consolidated into the Consolidated System for financing purposes, all of these systems are accounted for separately.

The District has adopted two additional resolutions confirming and continuing both the Rocky Reach Hydroelectric System and the Rock Island Hydroelectric System. The District has covenanted in these resolutions to fix, establish, maintain and collect rates and charges for electric power and energy, and other services, facilities and commodities sold, furnished or supplied by or through the Rocky Reach System and the Rock Island System, adequate net revenues in each system sufficient to pay 100% of annual debt service in such fiscal year.

As of December 31, 2020 and 2019, the District was in compliance with all debt covenants.

NOTE 7: PURCHASED POWER SUPPLY

A significant portion of the electric distribution system power is purchased from the District's hydro projects on a cost-plus basis. These intra-district purchases are eliminated in the Statements of Revenues, Expenses and Changes in Net Position. Power purchases from external sources amounted to $40.8 million and $49.1 million for 2020 and 2019, respectively, and is included as purchased power in the Statements of Revenues, Expenses and Changes in Net Position. This purchased power is used to meet local load requirements, meet certain contractual obligations, and support the District's hedging strategy.

NOTE 8: EMPLOYEE BENEFIT PLANS

Pension Plans

Substantially all of the District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

All information on the website is the responsibility of the State of Washington. The District's independent auditor has not audited or examined such information, and does not express an opinion or any other form of assurance with respect thereto.

Public Employees' Retirement System (PERS)

PERS was established in 1947, and its retirement benefit provisions are contained in chapters 41.34 RCW and 41.40 RCW. PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1

Benefits Provided. PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions. The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1

ACTUAL CONTRIBUTION RATES:	EMPLOYER	EMPLOYEE
January through August 2020	12.86%	6.00%
September through December 2020	12.97%	6.00%

For the years ended December 31, 2020 and 2019, the District's actual contributions to the plan were $30,900 and $30,500, respectively.

PERS Plan 2/3

Benefits Provided. PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions. The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3

ACTUAL CONTRIBUTION RATES:	EMPLOYER 2/3	EMPLOYEE 2
January through August 2020	12.86%	7.90%
September through December 2020	12.97%	7.90%
Employee PERS Plan 3		varies

For the years ended December 31, 2020 and 2019, the District's actual contributions to the plans were $10.3 million and $10.1 million, respectively.

Pension Liabilities, Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020 and 2019, the District reported a total pension liability of $27.4 million and $27.9 million, respectively, for its proportionate share of the net pension liabilities as follows:

	LIABILITY	
(amounts in thousands)	2020	2019
PERS 1	$ 18,699	$ 21,045
PERS 2/3	8,733	6,810

At December 31, the District's proportionate share of the collective net pension liabilities was as follows:

	PROPORTIONATE SHARE 12/31/20	PROPORTIONATE SHARE 12/31/19	CHANGE IN PROPORTION
PERS 1	.529644%	.547288%	(.017644)%
PERS 2/3	.682794%	.701021%	(.018227)%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the Schedules of Employer and Nonemployer Allocations.

The collective net pension liability was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the years ended December 31, 2020 and 2019, the District recognized pension expense as follows:

	PENSION EXPENSE	
(amounts in thousands)	2020	2019
PERS 1	$ 190	$ 1,010
PERS 2/3	886	1,658
TOTAL	$ 1,076	$ 2,668

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1

(amounts in thousands)	DEFERRED OUTFLOWS OF RESOURCES 2020	DEFERRED INFLOWS OF RESOURCES 2020	DEFERRED OUTFLOWS OF RESOURCES 2019	DEFERRED INFLOWS OF RESOURCES 2019
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	104	-	1,406
Changes of assumptions	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	-
Contributions subsequent to the measurement date	2,110	-	2,081	-
TOTAL	$ 2,110	$ 104	$ 2,081	$ 1,406

PERS Plan 2/3

(amounts in thousands)	DEFERRED OUTFLOWS OF RESOURCES 2020	DEFERRED INFLOWS OF RESOURCES 2020	DEFERRED OUTFLOWS OF RESOURCES 2019	DEFERRED INFLOWS OF RESOURCES 2019
Differences between expected and actual experience	$ 3,126	$ 1,094	$ 1,951	$ 1,464
Net difference between projected and actual investment earnings on pension plan investments	-	443	-	9,911
Changes of assumptions	124	5,965	174	2,857
Changes in proportion and differences between contributions and proportionate share of contributions	260	448	340	-
Contributions subsequent to the measurement date	3,438	-	3,388	-
TOTAL	$ 6,948	$ 7,950	$ 5,853	$ 14,232

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(amounts in thousands) YEAR ENDED DECEMBER 31:	PERS PLAN 1		PERS PLAN 2/3	
2021	$	1,638	$	(207)
2022		(15)		(887)
2023		144		134
2024		239		764
2025		-		(337)
Thereafter		-		(469)
Total	$	2,006	$	(1,002)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

Actuarial Methods and Assumptions

Actuarial Assumptions. The total pension liability (TPL) for each of the PERS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the 2013-2018 Demographic Experience Study and the 2019 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.5% salary inflation
- **Salary increases:** In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (eg, active, retiree or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational' mortality, a member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Discount Rate. The discount rate used to measure the total pension liability for all PERS plans was 7.4%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in OSA's certification letter within the DRS CAFR, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% was used to determine the total liability.

Long-Term Expected Rate of Return. OSA selected a 7.4% long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

ASSET CLASS	TARGET ALLOCATION	% LONG-TERM EXPECTED REAL RATE OF RETURN ARITHMETIC
Fixed Income	20%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
	100%	

Sensitivity of Net Pension Liability

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

(amounts in thousands)	1% DECREASE (6.4%)	CURRENT DISCOUNT RATE (7.4%)	1% INCREASE (8.4%)
PERS 1	$ 23,422	$ 18,699	$ 14,581
PERS 2/3	$ 54,336	$ 8,733	$ (28,822)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Deferred Compensation Plans

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (457 Plan). The 457 Plan, available to District employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In accordance with the 457 Plan, the District has placed the 457 Plan assets into a separate trust for the exclusive benefit of plan participants and beneficiaries. Accordingly, plan assets and the corresponding liability are not included on the District's financial statements.

The District also offers its employees a 401(a) employer matching plan. The 401(a) is a qualified, tax deferred plan that allows the District to match employee contributions made to the 457 Plan. Under the 401(a) Plan, the District will match each employee's contribution to the 457 Plan at a rate of 50% with a cap of 5% of an employee's annual base salary up to a maximum of $9,750 or up to a maximum of $13,000 for employees age 50 years and over. The District's 401(a) Plan matching contributions for the years ending December 31, 2020 and 2019, were $2.5 million and $2.4 million, respectively. Matching contribution rates are at the District's discretion within the requirements of the current bargaining unit agreement.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District administers a single-employer defined benefit healthcare plan ("the retiree medical plan"). The plan provides other postemployment benefits (OPEB) for retirees and their dependents. The retiree medical plan does not issue a publicly available financial report.

Benefits Provided

The retiree medical plan provides healthcare and vision insurance until the age of 65 for retirees and their spouses and until the age of 26 for children. Insurance coverage is provided through the District's group health insurance plan, which covers both active and retired members.

Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	733
Total	749

Contributions

The District's subsidy of the cost of 2020 and 2019 premiums for eligible retired plan members and their spouses amounted to $75,000 and $65,000, respectively. Plan members receiving benefits contributed 80% and 80% of the premium costs for the years 2020 and 2019, respectively. Future subsidies will be provided by the District at the 2007 level adjusted for inflation, with plan members contributing the remaining premium. Contribution rates may be adjusted at the District's discretion.

Net OPEB Asset

As of December 31, 2020 and 2019, the retiree medical plan was fully funded. The District's net OPEB asset was measured as of October 31, 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. Actuarial update procedures were used to roll forward the service cost and the total OPEB liability to the December 31, 2020, measurement date.

Actuarial Assumptions

The total OPEB liability in the October 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	3.0%
Salary increases	3.75%
Discount rate	4.15%
Healthcare cost trend rates	A healthcare trend is not used in the valuation as retiree premiums are assumed to be age-adjusted and changes in the District's subsidy are solely dependent on inflation.

Rates of retirement, mortality, withdrawal and disability are all based on the rates published by the Office of the State Actuary for PERS plan participants.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected inflation. The current asset allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

FUND TYPE	% OF TOTAL PORTFOLIO	EXPECTED LONG-TERM REAL RATE OF RETURN
Domestic Equity	30%	3.8%
Foreign Equity	20%	6.1%
Fixed Income	42%	(0.4)%
Real Estate	5%	3.8%
3 Month Treasury Bills	3%	(1.0)%
	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 4.15%. Based on expected 5% long-term rate of return on the OPEB plan's assets, the fiduciary net position was only projected to be available to make projected OPEB payments for plan participants through 2045. Therefore, the expected long-term rate of return on the plans assets has been blended with the December 31, 2019, rate of 2.74% in the 20-year General Obligation Municipal Bond Index published by Bond Buyer.

Changes in the Net OPEB (Asset)

	TOTAL OPEB LIABILITY (A)	PLAN FIDUCIARY NET POSITION (B)	NET OPEB LIABILITY/ (ASSET) (A+B)
Balances at 1/1/2020	$ 979,400	$ (1,493,009)	$ (513,609)
Changes for the year:			
Service cost	38,242	-	38,242
Interest	34,466	-	34,466
Differences between expected and actual Income	-	(133,570)	(133,570)
Change in assumptions	-	-	-
Experience (Gain)/Loss	-	-	-
Contributions - retirees	305,184	(305,184)	-
Net investment income	-	(66,378)	(66,378)
Benefit payments	(297,764)	297,764	-
Administrative expense	-	33,135	33,135
Net changes	80,128	(174,233)	(94,105)
Balances at 12/31/2020	$ 1,059,528	$ (1,667,242)	$ (607,714)

Sensitivity of the net OPEB asset to changes in the discount rate. The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (3.15%) or 1-percentage-point higher (5.15%) than the current discount rate:

	1% Decrease (3.15%)	Current Discount Rate (4.15%)	1% Increase (5.15%)
Net OPEB (asset)	$ (532,005)	$ (607,714)	$ (667,064)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2020 and 2019, the District recognized OPEB expense of $(16,655) and $(1,560), respectively. At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES		DEFERRED INFLOWS OF RESOURCES	
	2020	2019	2020	2019
Differences between expected and actual experience	$ 84,977	$ 94,526	$ -	$ -
Changes of assumptions	-	-	61,275	68,161
Net difference between actual and projected earnings	50,473	75,710	231,126	181,576
Total	$ 135,450	$ 170,236	$ 292,401	$ 249,737

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDED DECEMBER 31:	
2021	$ (56,118)
2022	(32,298)
2023	(57,534)
2024	(24,051)
2025	2,663
Thereafter	10,387

NOTE 10: SEGMENT DISCLOSURE

The District has outstanding revenue bonds used to finance the Rock Island hydroelectric production facility. The outstanding bond issues are secured by a pledge of the net revenues of the project. The project has an external requirement to be accounted for separately, and investors in the revenue bonds rely solely on the revenue generated by the individual project for repayment. Revenue bonds used to finance the Rocky Reach hydroelectric facility were repaid in full during 2020, therefore the Rocky Reach project is no longer subject to separate reporting requirements. Summary financial information as of and for the years ended December 31, 2020 and 2019, for both projects is presented below. Included in operating revenues and expenses are intradistrict sales and rents which are eliminated in the Statement of Revenues, Expenses and Changes in Net Position.

CONDENSED STATEMENTS OF NET POSITION

(amounts in thousands)	ROCKY REACH 2020	ROCK ISLAND 2020	ROCKY REACH 2019	ROCK ISLAND 2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets	$ 9,424	$ 6,275	$ 9,954	$ 5,897
Restricted assets – current	3,087	8,948	2,926	8,392
Total current assets	12,511	15,223	12,880	14,289
Utility plant, net	284,378	455,539	286,456	414,015
Restricted assets – noncurrent	24,431	93,619	35,003	128,637
Other assets	5,719	18,658	7,118	17,661
Deferred outflows of resources	2,483	4,294	2,218	4,235
Total assets and deferred outflows of resources	$ 329,522	$ 587,333	$ 343,675	$ 578,837
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current liabilities	$ 14,627	$ 45,381	$ 17,164	$ 45,580
Long-term debt	85,936	310,029	105,811	337,508
Other liabilities	23,402	24,606	24,169	25,186
Total liabilities	123,965	380,016	147,144	408,274
Deferred inflows of resources	2,783	29,015	4,910	29,836
Net Position:				
Net investment in capital assets	284,038	283,982	274,465	225,110
Restricted	17,884	92,025	28,785	127,875
Unrestricted	(99,148)	(197,705)	(111,629)	(212,258)
Total net position	202,774	178,302	191,621	140,727
Total liabilities, deferred inflows of resources and net position	$ 329,522	$ 587,333	$ 343,675	$ 578,837

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(amounts in thousands)	ROCKY REACH 2020	ROCK ISLAND 2020	ROCKY REACH 2019	ROCK ISLAND 2019
Operating revenues	$ 88,438	$ 124,513	$ 83,894	$ 118,024
Less:				
Operating expenses	59,050	53,582	53,765	51,306
Depreciation and amortization	9,857	11,387	9,988	11,292
Operating income	19,531	59,544	20,141	55,426
Other expense	7,997	22,136	8,247	22,079
Income before capital contributions and interfund transfers	11,534	37,408	11,894	33,347
Capital contributions	-	527	-	628
Interfund transfers	(381)	(360)	(3,065)	(2,713)
Change in net position	11,153	37,575	8,829	31,262
Total net position – beginning of year	191,621	140,727	182,792	109,465
Total net position - end of year	$ 202,774	$ 178,302	$ 191,621	$ 140,727

CONDENSED STATEMENTS OF CASH FLOWS

(amounts in thousands)	ROCKY REACH 2020	ROCK ISLAND 2020	ROCKY REACH 2019	ROCK ISLAND 2019
Net cash provided (used) by:				
Operating activities	$ 24,461	$ 67,585	$ 23,821	$ 61,506
Capital and related financing activities	(37,530)	(106,694)	(29,543)	5,478
Investing activities	10,361	12,439	6,697	(40,905)
Net increase /(decrease)	(2,708)	(26,670)	975	26,079
Beginning cash and cash equivalents	3,591	29,022	2,616	2,943
Ending cash and cash equivalents	$ 883	$ 2,352	$ 3,591	$ 29,022

NOTE 11: SELF-INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; workers compensation; and health care of its employees. The District has elected to cover these risks primarily through self-insurance programs. Secondarily, the District has purchased commercial excess liability insurance for claims beyond the deductible amounts. The accrual and payment of claims for the years ended December 31, 2020 and 2019, is summarized in the following table for each insurance program:

(amounts in thousands)	PROPERTY & LIABILITY	WORKERS COMPENSATION	MEDICAL & HEALTH	DENTAL
Claims Liability as of January 1, 2020	$ -	$ 611	$ 1,568	$ 41
Claims accrued	-	710	16,106	1,055
Claims paid	-	(826)	(16,067)	(1,049)
Claims Liability as of December 31, 2020	$ -	$ 495	$ 1,607	$ 47

(amounts in thousands)	PROPERTY & LIABILITY	WORKERS COMPENSATION	MEDICAL & HEALTH	DENTAL
Claims Liability as of January 1, 2019	$ -	$ 577	$ 1,250	$ 33
Claims accrued	-	769	17,015	1,070
Claims paid	-	(735)	(16,697)	(1,062)
Claims Liability as of December 31, 2019	$ -	$ 611	$ 1,568	$ 41
Commercial Insurance Deductible as of December 31, 2020 and 2019.	Up to $2,000,000 depending on line of coverage	$500,000 per incident	$300,000 per incident	N/A

NOTE 12: COMMITMENTS AND CONTINGENCIES

Environmental Matters

In June 2004, the Federal Energy Regulatory Commission (FERC) ordered the incorporation of the Anadromous Fish Agreements and Habitat Conservation Plans (HCPs) into the licenses for the Rocky Reach and Rock Island projects. The Rocky Reach Project HCP was included in the new FERC license issued in February 2009. The HCPs provide a framework for long-term resolution of certain fish issues at the projects and do not expire until June 2054. The District, the U.S. Fish and Wildlife Service (USFWS), NOAA Fisheries, the Washington State Department of Fish and Wildlife, the Confederated Tribes of the Colville Reservation and the Yakama Nation are signatories to the HCPs. NOAA Fisheries completed biological opinions for the HCPs and issued Incidental Take Permits (ITPs) under Section 10 of the Endangered Species Act (ESA) in 2003. The incorporation of the HCPs and ITPs into the current FERC licenses provides greater certainty for continued operation of the District's hydroelectric systems while meeting requirements to prevent jeopardy to certain listed and unlisted species of salmon and steelhead. The Upper Columbia River spring Chinook are listed as endangered and Upper Columbia River steelhead are listed as threatened under the ESA. The HCPs satisfy the District's obligations for hydro project operations under the ESA for these species and in addition, protect other anadromous salmon including sockeye salmon, summer/fall Chinook and coho salmon. Collectively, these five species are known as the "Plan Species." In addition to the ESA, the HCPs are also intended to satisfy the projects' obligations for all Plan Species under the Federal Power Act, the Fish and Wildlife Coordination Act, the

Essential Fish Habitat provisions of the Magnuson-Stevens Fishery Conservation and Management Act, the Pacific Northwest Electric Power Planning and Conservation Act and Title 77 RCW of the State of Washington.

The District's commitments under the HCPs include projects and programs to improve fish passage, to provide capacity for and fund hatchery operations and to contribute annual funding for the protection and restoration of tributary habitat, which when combined and successfully achieved culminates in obtaining the desired HCP outcome of No Net Impact (NNI). In February 2013, the District submitted its first 10-year comprehensive progress reports for Rock Island and Rocky Reach projects documenting the progress toward meeting NNI. The successful achievement of combined adult and juvenile project survival standards for spring migrants, necessary funding and capacity improvements for hatchery operations and annual contributions to the tributary habitat fund resulted in a determination by the HCP Coordinating Committee (designated decision body) that the District had met the obligations of the HCPs to warrant approval of NNI status. The District will now be responsible during the next 10 years to manage programs and projects with a level of protection and tools equivalent to that which was used to achieve NNI status. Each 10-year cycle, the District will enter into a one-year testing mode to assess project survival, verifying protection levels continue to meet the HCP standards. The 10-year assessments will take place for the duration of the HCPs.

The Columbia River Distinct Population Segment of bull trout is listed by the USFWS (the Service) as a threatened species under the ESA, and a Bull Trout Recovery Team has been established, of which the District is an active member. A draft Upper Columbia River Bull Trout Recovery Plan has been developed, which contains recommendations for recovering bull trout in the Columbia River Basin. Additionally, the Mid-Columbia Recovery Unit Implementation Plan (RUIP), in support of the Bull Trout Recovery Plan, was finalized in September 2015. The District developed comprehensive Bull Trout Management Plans for the Rocky Reach and Rock Island projects in response to the USFWS's biological opinion on potential effects of the 2004 HCPs on bull trout, which are not covered by the HCPs. Implementation of the plans began in May 2005. The plan for Rocky Reach was later replaced with the Comprehensive Bull Trout Management Plan as required by the Comprehensive Settlement Agreement for the Rocky Reach Project Relicensing. The Bull Trout Management Plan was approved in the new license and provides for protection, mitigation and enhancement measures. Additionally, the USFWS filed its Biological Opinion for the Rocky Reach Project in December 2008 concluding that the Project is not likely to jeopardize the continued existence of bull trout or destroy or adversely modify critical habitat. The USFWS Biological Opinion provided terms and conditions of an incidental take permit and required five reasonable and prudent measures be implemented to minimize the incidental take of bull trout. In September 2010, the USFWS formally designated critical habitat for bull trout in the upper mid-Columbia river, including the project areas for Rock Island and Rocky Reach hydros. To date, no additional consultation has been required for the projects.

Revised Washington State Department of Ecology (WDOE) water quality standards (WQS) became effective in August 2017. These standards are applicable to the Columbia River basin and address total dissolved gas and temperature for the Columbia and Snake Rivers. As part of the relicensing process for the Rocky Reach and Lake Chelan projects, the District obtained Water Quality Certifications issued by the WDOE that are consistent with the revised WQS. The WDOE allows the District a ten-year window to demonstrate compliance with the new WQS and can require the District to conduct further studies, implement further operational changes or even, in a worst case event, provide structural changes to meet requirements. Compliance with the conditions set forth in these WQS place the District on a path forward in maintaining or achieving water quality standards. Water Quality Certifications may require that further studies be conducted to document methods implemented to address compliance of the WQS during the ten-year window and beyond. Based on current evaluations and testing results, the determination of what, if any, additional measures are necessary to address WQS requirements and future costs of implementing those measures cannot be reasonably estimated. Therefore, currently no obligation has been recorded, and all related costs are recognized in the year incurred.

Asset Management Program

The District's capital improvement programs include large projects at Rock Island Dam for replacement of generators and turbines in the first powerhouse and replacement of the bridge crane and refurbishment of the gantry crane at the second powerhouse. The District has committed by contract to fulfill these programs, which are projected to be substantially complete by 2024. The contractually committed amount on the future work to be performed on these major capital programs is approximately $67.0 million as of December 31, 2020.

The District also has contractual commitments relating to other significant capital improvement projects including fiber expansion, and new or upgraded building facilities over the next few years totaling approximately $53.9 million as of December 31, 2020.

In addition, the District has contractual commitments relating to large projects at Rocky Reach Dam for turbine repairs. As of December 31, 2020, the remaining contractual commitments for this work totals approximately $13.5 million.

Power Marketing

As of December 31, 2020, the District had entered into forward block contracts obligating it to deliver approximately 4,529,000 MWh of energy at various times during each of the years in the period 2021-2024. The District expects to receive approximately $148.0 million from the purchasers of this power. In addition, as part of its comprehensive forward energy hedging strategy, the District has entered into several slice output contracts, which provide a counterparty a percentage share of hydropower production for a fixed payment. Under the slice output contracts, the District has committed to delivering varying percentages of the hydropower production of its Rocky Reach and Rock Island projects during each of the years in the period 2021-2030, in exchange for approximately $330.8 million.

The District has committed to purchase approximately 2,423,000 MWh of energy at a cost of approximately $80.7 million to fulfill these power marketing obligations, meet District load requirements and mitigate credit risk. The District believes it has sufficient internal resources or has acquired sufficient external resources to complete these transactions.

Energy Northwest

In August 2001, the District executed a 20-year contract to purchase power from Energy Northwest's Nine Canyon Wind Project (the Project). Energy Northwest, a municipal corporation and a joint operating agency of the State of Washington, also was a purchaser under the Power Purchase Agreement. Energy Northwest has since assigned its share of the Project to two additional utilities.

The Project was constructed in phases. The District is a participant in phases I and II of the Project, which have a combined generating capacity of 64 MW. In exchange for paying certain project costs after phase I and II commenced commercial operation, including debt service on the Wind Project Revenue Bonds issued by Energy Northwest to finance the construction of the Project, the District received a 12.5% share of the total project output up to a maximum of 7.96 MW. As of December 31, 2020, the District's share of bond principal was $2.3 million and was not to exceed $2.8 million with the step-up provision. The power purchased under this contract is reported as a component of Purchased Power Operating Expenses.

The District declined to participate in phase III of the Project. In October 2006, the District signed a second amended power purchase agreement, reducing the District's share in the combined project to approximately 8.3% once phase III began commercial operation and extending the expiration of the agreement to 2030. The District's debt obligations related to phases I and II remain the same, but its percentage share of the combined project output and combined operation and maintenance costs were reduced as a result of not participating in phase III.

For complete financial statements for Energy Northwest including the Nine Canyon Project, please write: Energy Northwest, P.O. Box 968, Richland, Washington, 99352-0968.

The Report of Independent Auditors included with these financial statements relates solely to historical financial information of the District and does not relate to Energy Northwest or any other entity.

Claims and Litigation

The District is involved in various claims arising in the normal course of business. The District does not believe that the ultimate outcome of these matters will have a material impact on its financial position, results of operations or cash flows.

NOTE 13: TELECOMMUNICATION SERVICES

The District has developed a fiber-optic network to provide a backbone for the District's utility communication use, as well as infrastructure over which to provide wholesale telecommunications services in accordance with the authority granted to PUDs by state law. Private service providers deliver services over the District's infrastructure, including high-speed internet access, telephone and television to end-users. These private firms set final end-user pricing and are directly responsible for billing each end-user. The District bills the service providers for wholesale telecommunications services.

Following is a summary of the results of operations of the District's fiber-optic activities included in the accompanying financial statements. Included in operating revenues and expenses are intradistrict sales and rents which are eliminated in the Statements of Revenues, Expenses and Changes in Net Position.

(amounts in thousands)	2020	2019
Operating revenues		
Wholesale fiber services	$ 6,653	$ 6,311
Fiber leasing	900	858
Intradistrict revenues	3,009	3,339
Total operating revenues	10,562	10,508
Operating expenses		
Administrative and general	1,782	1,519
Repairs and maintenance	2,704	1,706
Other operating	3,548	3,927
Depreciation expense	3,575	3,347
Total operating expense	11,609	10,499
Operating income (loss)	(1,047)	9
Other income	439	419
Net income (loss) before capital contributions	(608)	428
Capital contributions	112	113
Interfund transfers	4,300	1,892
Change in net position	$ 3,804	$ 2,433

Following is a summary of the District's fiber-optic Statements of Net Position as of December 31, 2020 and 2019:

(Amounts in thousands)	2020	2019
ASSETS & DEFERRED OUTFLOWS OF RESOURCES		
Current assets	$ 24,507	$ 21,717
Utility plant, net and other assets	52,372	51,265
Total assets	76,879	72,982
Deferred outflows of resources	424	353
Total assets and deferred outflows of resources	$ 77,303	$ 73,335
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Total liabilities	$ 2,614	$ 2,332
Deferred inflows of resources	713	831
Net position	73,976	70,172
Total liabilities, deferred inflows of resources and net position	$ 77,303	$ 73,335

The District's capital investment in telecommunications plant and equipment, net of retirements, for 2020 and 2019 was $5.1 million and $1.9 million, respectively. The District's cumulative capital investment in telecommunications plant and equipment as of December 31, 2020, was $103.9 million. The capital investment, as well as cumulative net losses, was funded by interfund transfers.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

PERS PLAN 1

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollars in thousands)	2020	2019	2018	2017	2016
Proportion of the net pension liability	.529644%	.547288%	.546415%	.543040%	.542981%
Proportionate share of the net pension liability	$ 18,699	$ 21,045	$ 24,403	$ 25,768	$ 29,161
Covered-employee payroll	$ 240	$ 237	$ 342	$ 448	$ 447
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	7,791.25%	8,879.75%	7,135.38%	5,751.79%	6,523.71%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%

PERS PLAN 2/3

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollars in thousands)	2020	2019	2018	2017	2016
Proportion of the net pension liability	.682794%	.701021%	.689768%	.688436%	.681594%
Proportionate share of the net pension liability	$ 8,733	$ 6,809	$ 11,777	$ 23,920	$ 34,318
Covered-employee payroll	$ 80,057	$ 78,421	$ 74,348	$ 69,866	$ 65,077
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.91%	8.68%	15.84%	34.24%	52.73%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%

PERS PLAN 1

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

(dollars in thousands)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 31	$ 31	$ 44	$ 53	$ 50	$ 64	$ 70	$ 74	$ 75	$ 78
Contributions in relation to the contractually required contribution	(31)	(31)	(44)	(53)	(50)	(64)	(70)	(74)	(75)	(78)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 240	$ 237	$ 342	$ 448	$ 447	$ 630	$ 765	$ 913	$ 1,047	$ 1,332
Contributions as a percentage of covered-employee payroll	12.89%	12.66%	12.87%	11.83%	11.18%	10.21%	9.21%	8.11%	7.20%	5.82%

PERS PLAN 2/3

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

(dollars in thousands)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 10,322	$ 10,073	$ 9,469	$ 8,328	$ 7,276	$ 6,539	$ 5,428	$ 4,575	$ 3,943	$ 3,284
Contributions in relation to the contractually required contribution	(10,322)	(10,073)	(9,469)	(8,328)	(7,276)	(6,539)	(5,428)	(4,575)	(3,943)	(3,284)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 80,057	$ 78,421	$ 74,348	$ 69,866	$ 65,077	$ 64,259	$ 58,959	$ 56,186	$ 54,778	$ 53,085
Contributions as a percentage of covered-employee payroll	12.89%	12.84%	12.74%	11.92%	11.18%	10.18%	9.21%	8.14%	7.20%	6.19%

Schedule of Changes in Net OPEB Asset and Related Ratios

FISCAL YEAR END DATE	FIDUCIARY NET POSITION (A)	TOTAL OPEB LIABILITY (B)	NET OPEB (ASSET) (B - A)	FUNDED RATIO (A / B)	COVERED PAYROLL (C)	NET OPEB ASSET AS A PERCENTAGE OF COVERED PAYROLL ((B – A) / C))
12/31/20	$ 1,667,242	$ 1,059,528	$ (607,714)	157%	$ 77,351,848	(0.79)%
12/31/19	1,493,009	979,400	(513,609)	152%	74,917,044	(0.69)%
12/31/18	1,265,976	862,908	(403,068)	147%	63,455,719	(0.64)%
12/31/17	1,371,296	820,150	(551,146)	167%	61,162,139	(0.90)%
12/31/16	1,493,891	1,030,417	(463,474)	145%	58,951,459	(0.79)%
12/31/15	2,455,113	1,042,605	(1,412,508)	235%	55,857,915	(2.53)%
12/31/14	2,455,113	1,042,605	(1,412,508)	235%	55,857,915	(2.53)%
12/31/13	2,147,126	1,170,296	(976,830)	183%	50,234,113	(1.94)%
12/31/12	2,147,126	1,170,296	(976,830)	183%	50,234,113	(1.94)%
12/31/11	2,186,952	1,417,889	(769,063)	154%	48,550,921	(1.58)%

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(amounts in thousands)	ROCKY REACH	ROCK ISLAND	LAKE CHELAN	UTILITY SERVICES	FINANCING FACILITIES	INTERNAL SERVICES	INTRA-DISTRICT TRANSACTIONS (1)	2020	2019
OPERATING REVENUES									
Retail sales	$ -	$ -	$ -	$ 74,188	$ -	$ -	$ (822)	$ 73,366	$ 72,541
Wholesale sales	88,269	124,440	11,084	185,786	8,178	-	(162,578)	255,179	270,550
Other operating revenues	169	73	736	36,116	-	24,992	(37,109)	24,977	42,095
	88,438	124,513	11,820	296,090	8,178	24,992	(200,509)	353,522	385,186
OPERATING EXPENSES									
Purchased power and water	-	-	-	200,761	-	-	(159,570)	41,191	49,453
Generation	57,823	52,999	6,527	-	-	-	(17,133)	100,216	92,181
Utility services	-	-	-	79,513	-	-	(22,097)	57,416	53,653
Other operation and maintenance	-	-	-	-	-	17,854	(1,709)	16,145	16,506
Taxes	1,227	583	92	8,152	-	-	-	10,054	9,742
Depreciation and amortization	9,857	11,387	1,954	16,460	-	6,284	-	45,942	43,575
	68,907	64,969	8,573	304,886	-	24,138	(200,509)	270,964	265,110
OPERATING INCOME (LOSS)	19,531	59,544	3,247	(8,796)	8,178	854	-	82,558	120,076
OTHER INCOME (EXPENSE)									
Interest on long-term debt	(203)	(10,572)	-	(44)	(13,307)	-	-	(24,126)	(23,942)
Interest on intersystem loans	(8,252)	(12,237)	(458)	-	20,947	-	-	-	-
Amortization of regulatory assets - debt issuance costs	(6)	(258)	-	-	(440)	-	-	(704)	(673)
Investment income	1,047	3,542	154	6,261	1,877	827	-	13,708	15,148
Federal subsidy income	-	-	-	-	200	-	-	200	592
Other	(583)	(2,611)	(810)	4,023	336	(650)	-	(295)	(3,082)
	(7,997)	(22,136)	(1,114)	10,240	9,613	177	-	(11,217)	(11,957)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND INTERFUND TRANSFERS	11,534	37,408	2,133	1,444	17,791	1,031	-	71,341	108,119
CAPITAL CONTRIBUTIONS	-	527	-	4,698	-	-	-	5,225	5,818
INTERFUND TRANSFERS	(381)	(360)	(65)	(441)	-	1,247	-	-	-
CHANGE IN NET POSITION	11,153	37,575	2,068	5,701	17,791	2,278	-	76,566	113,937
TOTAL NET POSITION									
Beginning of year	191,621	140,727	79,768	560,549	120,270	19,477	-	1,112,412	998,475
TOTAL NET POSITION									
End of year	$ 202,774	$ 178,302	$ 81,836	$ 566,250	$ 138,061	$ 21,755	$ -	$ 1,188,978	$ 1,112,412

1. Eliminating entries reduce operating revenue and expense to account for intradistrict transactions.

COMBINING SCHEDULE OF ASSETS AND DEFERRED OUTFLOWS OF RESOURCES AND LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

For the years ended December 31, 2020 and 2019

(amounts in thousands)	ROCKY REACH	ROCK ISLAND	LAKE CHELAN	UTILITY SERVICES	FINANCING FACILITIES	INTERNAL SERVICES	INTRA-DISTRICT TRANSACTIONS (1)	2020	2019
CURRENT ASSETS									
Cash and cash equivalents	$ 205	$ 292	$ 192	$ 7,286	$ 1,830	$ 722	$ -	$ 10,527	$ 31,464
Investments	2,482	3,531	2,319	88,095	22,127	8,725	-	127,279	94,639
Accounts receivable, net	1,663	1,768	21	26,039	-	89	-	29,580	29,745
Accrued interest receivable	73	198	16	623	527	89	-	1,526	1,336
Materials and supplies	4,334	-	-	10,293	-	122	-	14,749	13,402
Prepayments and other	638	459	98	965	-	13	-	2,173	2,022
Current portion of regulatory assets	29	27	-	51	2,865	6		2,978	2,978
	9,424	6,275	2,646	133,352	27,349	9,766	-	188,812	175,586
RESTRICTED ASSETS - CURRENT									
Cash and cash equivalents	236	684	1	16	-	239	-	1,176	3,521
Investments	2,851	8,264	-	180	-	2,882	-	14,177	10,582
	3,087	8,948	1	196	-	3,121	-	15,353	14,103
TOTAL CURRENT ASSETS	12,511	15,223	2,647	133,548	27,349	12,887	-	204,165	189,689
UTILITY PLANT									
In service, at original cost	646,639	625,143	120,983	613,719	-	127,655	-	2,134,139	2,105,605
Construction work in progress	9,201	147,944	855	18,897	-	29,291	-	206,188	126,622
Less-accumulated depreciation	(371,462)	(317,548)	(35,757)	(284,663)	-	(77,357)	-	(1,086,787)	(1,048,308)
	284,378	455,539	86,081	347,953	-	79,589	-	1,253,540	1,183,919
RESTRICTED ASSETS - NONCURRENT									
Cash and cash equivalents	442	1,376	-	3	1,530	-	-	3,351	28,651
Investments	23,989	92,243	-	524	101,992	6,550	-	225,298	160,078
	24,431	93,619	-	527	103,522	6,550	-	228,649	188,729
OTHER ASSETS									
Deferred relicensing costs	-	369	-	-	-	-	-	369	-
Long-term receivables, net	-	-	-	247	-	-	-	247	326
Long-term investments	5,639	8,026	5,272	200,213	50,289	19,828	-	289,267	286,362
Regulatory assets, net	29	2,175	-	23,107	11,739	6	-	37,056	37,881
Derivative instrument asset	-	8,037	-	-	-	-	-	8,037	6,594
Other	51	51	-	10,905	-	608	(10,845)	770	875
	5,719	18,658	5,272	234,472	62,028	20,442	(10,845)	335,746	332,038
TOTAL ASSETS	327,039	583,039	94,000	716,500	192,899	119,468	(10,845)	2,022,100	1,894,375
DEFERRED OUTFLOWS OF RESOURCES									
Losses on refunding debt	-	1,801	-	-	1,513	-	-	3,314	4,185
Pensions	2,483	2,493	313	3,769	-	-	-	9,058	7,934
Other post-employment benefits	-	-	-	-	-	135	-	135	170
	2,483	4,294	313	3,769	1,513	135	-	12,507	12,289
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 329,522	$ 587,333	$ 94,313	$ 720,269	$ 194,412	$ 119,603	$ (10,845)	$ 2,034,607	$ 1,906,664

1. Eliminating entries reduce assets and liabilities to account for intradistrict transactions.

COMBINING SCHEDULE OF ASSETS AND DEFERRED OUTFLOWS OF RESOURCES AND LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

For the years ended December 31, 2020 and 2019

CONT.

(amounts in thousands)	ROCKY REACH	ROCK ISLAND	LAKE CHELAN	UTILITY SERVICES	FINANCING FACILITIES	INTERNAL SERVICES	INTRA-DISTRICT TRANSACTIONS (1)	2020	2019
CURRENT LIABILITIES									
Current portion of long-term obligations	$ 10,352	$ 31,127	$ 2,106	$ 786	$ (7,953)	$ -	$ -	$ 36,418	$ 38,502
Current portion of unearned wholesale power sales	742	765	-	12,934	637	-	-	15,078	15,028
Accounts payable	4,432	15,422	300	16,418	-	13,745	-	50,317	46,829
Accrued taxes	1,314	652	92	1,968	-	545	-	4,571	4,172
Accrued interest	-	-	-	18	8,010	-	-	8,028	5,577
Intersystem payables (receivables)	(2,268)	(2,643)	(391)	12,473	-	(7,171)	-	-	-
Accrued vacation and other	55	58	2	101	-	17,182	-	17,398	16,319
	14,627	45,381	2,109	44,698	694	24,301	-	131,810	126,427
LONG-TERM DEBT									
Revenue bonds and notes payable	-	172,096	-	6,962	355,169	-	-	534,227	476,011
Intersystem loans payable (receivable)	96,288	169,060	1,480	(21,723)	(317,733)	72,628	-	-	-
Less-current maturities	(10,352)	(31,127)	(1,660)	(786)	7,953	-	-	(35,972)	(38,171)
	85,936	310,029	(180)	(15,547)	45,389	72,628	-	498,255	437,840
OTHER LIABILITIES									
Unearned wholesale power sales revenue, less current portion	6,639	6,839	-	101,734	5,705	-	(10,845)	110,072	123,922
Net pension liability	7,513	7,547	950	11,422	-	-	-	27,432	27,855
Long-term contract customer deposit	9,250	9,250	-	-	-	-	-	18,500	18,500
Licensing obligation, less current portion	-	-	9,194	-	-	-	-	9,194	9,172
Other liabilities	-	970	-	-	-	-	-	970	785
	23,402	24,606	10,144	113,156	5,705	-	(10,845)	166,168	180,234
TOTAL LIABILITIES	123,965	380,016	12,073	142,307	51,788	96,929	(10,845)	796,233	744,501
DEFERRED INFLOWS OF RESOURCES									
Derivatives	-	8,037	-	-	-	-	-	8,037	6,594
Pensions	2,206	2,216	279	3,353	-	-	-	8,054	15,638
Regulatory liabilities	577	18,762	125	8,359	4,563	627	-	33,013	27,269
Other postemployment benefits	-	-	-	-	-	292	-	292	250
	2,783	29,015	404	11,712	4,563	919	-	49,396	49,751
TOTAL NET POSITION	202,774	178,302	81,836	566,250	138,061	21,755	-	1,188,978	1,112,412
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 329,522	$ 587,333	$ 94,313	$ 720,269	$ 194,412	$ 119,603	$ (10,845)	$ 2,034,607	$ 1,906,664

1. Eliminating entries reduce assets and liabilities to account for intradistrict transactions.

(amounts in thousands)	ROCKY REACH	ROCK ISLAND	LAKE CHELAN	UTILITY SERVICES	FINANCING FACILITIES	INTERNAL SERVICES	INTRA-DISTRICT TRANSACTIONS(1)	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	$ 88,616	$ 123,725	$ 11,821	$ 282,788	$ 7,542	$ 25,168	$ (200,775)	$ 338,885	$ 363,786
Payments to suppliers	(32,058)	(26,478)	(2,629)	(244,473)	(1)	(13,844)	200,775	(118,708)	(134,591)
Payments to employees	(32,097)	(29,662)	(4,015)	(42,350)	-	(1,670)	-	(109,794)	(101,394)
Insurance proceeds	-	-	-	-	-	-	-	-	17,971
Net cash provided by (used in) operating activities	24,461	67,585	5,177	(4,035)	7,541	9,654	-	110,383	145,772
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Additions to plant	(8,169)	(53,762)	(775)	(30,581)	-	(21,726)	-	(115,013)	(85,551)
Additions to pooled assets	101	85	12	-	-	(198)	-	-	-
Proceeds from sale of plant	16	-	-	67	-	30	-	113	1,646
Proceeds of new intersystem loans	11,530	5,486	-	-	(17,016)	-	-	-	-
Proceeds of new third party debt	-	-	-	1,440	163,209	-	-	164,649	601
Principal (paid) received on debt & intersystem loans	(32,216)	(43,634)	(2,694)	(2,513)	(48,208)	16,901	-	(112,364)	(52,188)
Interest (paid) received on debt & intersystem loans	(8,748)	(12,465)	(458)	(40)	10,515	-	-	(11,196)	(13,373)
Capital contributions	-	-	-	4,645	-	-	-	4,645	7,330
Other	(44)	(2,404)	(809)	(1,220)	(1,215)	145	-	(5,547)	(5,400)
Net cash provided by (used in) capital and related financing activities	(37,530)	(106,694)	(4,724)	(28,202)	107,285	(4,848)	-	(74,713)	(146,935)
CASH FLOWS FROM INVESTING ACTIVITIES									
Investments, net	9,244	8,619	(693)	8,728	(117,129)	(7,171)	-	(98,402)	20,391
Interest on investments	1,118	3,635	152	6,344	2,108	813	-	14,170	15,773
Long-term receivables	-	-	-	79	-	-	-	79	80
Other, net	(1)	185	(284)	1	-	-	-	(99)	77
Net cash provided by (used in) investing activities	10,361	12,439	(825)	15,152	(115,021)	(6,358)	-	(84,252)	36,321
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(2,708)	(26,670)	(372)	(17,085)	(195)	(1,552)	-	(48,582)	35,158
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,591	29,022	565	24,390	3,555	2,513	-	63,636	28,478
CASH & CASH EQUIVALENTS, END OF YEAR	$ 883	$ 2,352	$ 193	$ 7,305	$ 3,360	$ 961	$ -	$ 15,054	$ 63,636

1. Eliminating entries reduce receipts and payments to account for intradistrict transactions.

(amounts in thousands)	ROCKY REACH	ROCK ISLAND	LAKE CHELAN	UTILITY SERVICES	FINANCING FACILITIES	INTERNAL SERVICES	INTRA-DISTRICT TRANSACTIONS (1)	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES									
Operating income (loss)	$ 19,531	$ 59,544	$ 3,247	$ (8,796)	$ 8,178	$ 854	$ -	$ 82,558	$ 120,076
Depreciation and amortization	9,857	11,387	1,954	16,460	-	6,284	-	45,942	43,575
(Increase) decrease in operating assets:									
Accounts receivable, net	648	(297)	2	(364)	-	176	-	165	7,739
Materials and supplies	(300)	-	-	(1,064)	-	17	-	(1,347)	(190)
Prepayments	(161)	(54)	(27)	42	-	49	-	(151)	(868)
Net OPEB asset	-	-	-	-	-	(94)	-	(94)	(111)
Other	(381)	(359)	(65)	3,132	-	1,247	-	3,574	3,250
Deferred outflows of resources	(265)	(273)	(62)	(524)	-	35	-	(1,089)	(1,449)
Increase (decrease) in operating liabilities:									
Current portion unearned wholesale power sales	25	25	-	-	-	-	-	50	86
Accounts payable	(1,230)	1,379	(24)	1,185	-	(298)	-	1,012	(7,394)
Accrued taxes	215	80	11	(44)	-	137	-	399	138
Accrued vacation and other	(547)	(1,383)	285	1,519	-	1,205	-	1,079	972
Unearned wholesale revenue	(496)	(518)	-	(12,934)	(637)	-	-	(14,585)	(14,783)
Customer deposits	-	-	-	(3)	-	-	-	(3)	17
Net pension liability	(271)	(247)	70	25	-	-	-	(423)	(8,325)
Deferred inflows of resources	(2,164)	(1,699)	(214)	(2,669)	-	42	-	(6,704)	3,039
Net cash provided by (used in) operating activities	$ 24,461	$ 67,585	$ 5,177	$ (4,035)	$ 7,541	$ 9,654	$ -	$ 110,383	$ 145,772
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES									
Construction costs included in accounts payable	$ 295	$ 42	$ (6)	$ 231	$ -	$ 1,917	$ -	$ 2,479	$ (1,137)
Capital contributions	-	-	-	368	-	-	-	368	93
Amortization of regulatory assets	-	-	-	2,838	-	-	-	2,838	2,482

1. Eliminating entries reduce receipts and payments to account for intradistrict transactions.

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BONDHOLDER-FIDUCIARIES

BOND SERIES	TRUSTEE/REGISTRAR/PAYING AGENT
Consolidated System:	
2008B	U.S. Bank N.A.
2011A, B & C	U.S. Bank N.A.
2020A, B & C	U.S. Bank N.A.
Columbia River-Rock Island Hydroelectric System:	
1997A	PUD No. 1 of Chelan County

ADDRESSES:

Public Utility District No. 1 of Chelan County
PO Box 1231
Wenatchee, WA 98807
(509) 663-8121

U.S. Bank N.A.
PD-WA-T7CT
1420 Fifth Ave.
Seattle, WA 98101
(206) 340-4750

U.S. Bank N.A.
Global Corporate Trust
Attn: Bondholder Services – EP-MN-WS2N
111 Fillmore Avenue East
St. Paul, MN 55107-1402
(800) 934-6802

Continuing Disclosure Information

The following information is based on unaudited financial information and should be used in conjunction with the District's financial statements as a whole, including the footnotes and other supplementary information contained in this document.

In addition, the information contains estimates and projections prepared by the District. Such estimates and projections are based upon a number of assumptions with respect to future events and conditions, including, without limitation, water conditions, federal and state environmental and other laws and regulations, and economic conditions. While the District believes that these assumptions are reasonable, they are dependent on such future events and conditions. To the extent actual events and conditions differ from such assumptions, actual results will vary from the projections, and these variances could be substantial.

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Bond & Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP, Seattle, WA

DISTRIBUTION DIVISION
Five Largest Local Wholesale Purchasers and Major Retail Customers 2020 (1) (Unaudited)

CUSTOMER	BUSINESS	ENERGY SALES (000 MWH)	REVENUE FROM ENERGY SALES ($000)	PERCENT OF DISTRIBUTION'S TOTAL REVENUE
Douglas County PUD	Electric Utility	288	$ 5,250	1.9%
Stemilt Growers Inc	Agriculture	58	1,196	0.4%
Salcido Enterprises LLC	High Density Load	46	1,162	0.4%
Keyes Fibre	Packaging	31	615	0.2%
Confluence Health	Medical Services	26	582	0.2%
		449	$ 8,805	3.1%

1. Excludes non-firm sales for resale and off-sytem retail sales.

DISTRIBUTION DIVISION
Statement of Revenues and Expenses ($000) (Unaudited)

CALENDAR YEAR	2016	2017	2018	2019	2020
Operating revenues					
Retail	$ 48,447	$ 53,468	$ 51,069	$ 66,358	$ 66,966
Resale	201,134	209,412	238,946	207,731	175,226
Other (1)	27,380	37,513	34,433	39,679	36,062
Total	276,961	300,393	324,448	313,768	278,254
Operating expenses (2)	246,547	265,007	289,623	281,002	285,382
Net operating revenue	30,414	35,386	34,825	32,766	(7,128)
Other income	5,262	6,013	8,566	11,642	9,697
Net revenue (3)	$ 35,676	$ 41,399	$ 43,391	$ 44,408	$ 2,569

1. The Distribution Division includes transmission revenue under transmission agreements.
2. Includes contractual purchases and nonfirm purchases for resale.
3. Prior to capital contributions and interfund transfers.

CALENDAR YEAR	2016	2017	2018	2019	2020
Requirements (000 MWh) (1)					
Retail	1,571	1,748	1,657	1,979	1,960
Other	8,288	8,348	9,423	8,355	8,668
	9,859	10,096	11,080	10,334	10,628
Resources (000 MWh)					
Rocky Reach System	2,839	2,872	2,931	2,363	2,806
Rock Island System	1,407	1,401	1,378	1,155	1,287
Lake Chelan System	471	461	371	355	406
Other purchases (2)	5,142	5,362	6,400	6,461	6,129
	9,859	10,096	11,080	10,334	10,628
Purchased Power Costs ($000)					
Rocky Reach System	$ 53,812	$ 48,955	$ 47,297	$ 34,990	$ 43,347
Rock Island System	50,679	51,601	52,370	59,065	62,240
Lake Chelan System	8,649	7,909	12,826	10,768	11,084
Other purchases (2)	68,465	85,488	103,645	96,728	83,655
	$ 181,605	$ 193,953	$ 216,138	$ 201,551	$ 200,326
Average cost ($/MWh) (3)	$ 18	$ 19	$ 20	$ 20	$ 19

1. Net of timing differences and losses.
2. Other purchases include firm and non-firm power purchased to meet local requirements and certain contractual obligations, hedge price movements and minimize the District's overall risk exposure to changes in power prices. In 2020, 2019 Other purchases were restated to correct an entry error.
3. Includes actual costs of power of the Distribution Division plus allocable administrative and other expenses of the Distribution Division. Fluctuations in average cost may be due to fluctuations in water conditions on the Columbia River.

DISTRIBUTION DIVISION

Customers, Energy Sales and Revenues (Unaudited)

CALENDAR YEAR	2016	2017	2018	2019	2020
Customers					
Retail:					
Residential	37,708	38,161	38,783	39,453	40,152
Commercial	6,296	6,316	6,383	6,446	6,443
Industrial	31	29	30	30	33
High density load	-	19	20	13	10
Irrigation, frost, lighting	5,616	5,600	5,602	5,592	5,572
Interdepartmental	556	555	563	612	603
Total retail customers	50,207	50,680	51,381	52,146	52,813
Resale: (1)	86	86	88	88	37
Total customers	50,293	50,766	51,469	52,234	52,850
Energy Sales (000 MWh)					
Retail:					
Residential	756	881	810	879	844
Commercial	491	499	465	478	432
Industrial	265	239	243	247	235
High density load	-	68	77	81	91
Irrigation, frost, lighting	43	40	40	36	44
Interdepartmental	16	21	22	20	21
Total retail sales	1,571	1,748	1,657	1,741	1,667
Other End-Use:					
Off-system sales (2)	-	-	-	238	293
Resale:					
Douglas County PUD	331	324	329	265	288
Other - firm/slice	2,147	2,165	2,443	1,745	2,030
Other - non-firm/block/preschedule/real time	6,088	6,046	6,585	6,008	5,981
Total sales for resale	8,566	8,535	9,357	8,018	8,299
Total energy sales	10,137	10,283	11,014	9,997	10,259
Revenue ($000)					
Retail:					
Residential	$ 24,424	$ 27,944	$ 26,019	$ 27,985	$ 27,123
Commercial	16,666	17,004	15,976	16,438	15,194
Industrial	5,366	4,896	5,001	5,072	4,890
High density load	-	1,504	1,781	1,845	2,756
Irrigation, frost, lighting	1,529	1,499	1,492	1,465	1,577
Interdepartmental	463	621	800	600	603
Total retail revenue	48,448	53,468	51,069	53,405	52,143
Other End-Use:					
Off-system sales (2)	-	-	-	12,953	14,822
Resale:					
Alcoa Corp. (3)	6,197	6,694	9,914	12,934	12,934
Douglas County PUD	5,510	5,353	5,013	4,031	5,250
Other - firm/slice	75,431	78,934	81,287	70,241	69,245
Other - non-firm/block/preschedule/real time	113,995	118,431	142,731	120,525	87,797
Total resale revenue	201,133	209,412	238,945	207,731	175,226
Other revenue (4)	27,380	37,513	34,433	39,679	36,062
Total revenue	$ 276,961	$ 300,393	$ 324,447	$ 313,768	$ 278,253

1. In 2020, change in reporting methodology to only include counterparties with purchases during the calendar year.
2. In 2019, the District began providing power under a five-year agreement to Microsoft's Puget Sound campuses. Microsoft is the only off-system customer.
3. In December 2015, Alcoa Corp. curtailed its Wenatchee Works smelting facility. Proceeds from the sale of any unused power, in excess of Alcoa Corp's monthly contractual costs, are retained by the District.
4. Includes transmission, real-time agreement and environmental attribute revenues.

HYDROELECTRIC SYSTEMS

Power Cost and Net Power Delivered ($000 other than cost in $/MWh) (Unaudited)

CALENDAR YEAR	2016	2017	2018	2019	2020
Rocky Reach System					
Operating expenses	$ 65,363	$ 56,801	$ 58,643	$ 53,765	$ 59,050
Depreciation and amortization	16,951	17,299	12,313	9,988	9,857
Interest expense	12,434	11,377	10,144	9,134	8,455
Other (revenue) expense (1)	(665)	(1,344)	(585)	(13,569)	(627)
Total power cost (2)	$ 94,083	$ 84,133	$ 80,515	$ 59,318	$ 76,735
Net power delivered (000 MWh)	5,833	5,862	5,986	4,795	5,687
Cost in $/MWh	$ 16	$ 14	$ 13	$ 12	$ 13
Plant factor (3)	51%	51%	53%	42%	50%
Availability factor	73%	79%	78%	68%	70%
Average river flow (000 CFS) (4)	107	131	125	87	113
Rock Island System					
Operating expenses	$ 42,909	$ 44,426	$ 47,089	$ 51,306	$ 53,582
Depreciation and amortization	11,297	10,322	10,790	11,292	11,387
Interest expense	23,520	22,610	21,485	23,055	22,809
Other (revenue) expense (1)	(426)	(815)	(316)	(1,729)	(1,273)
Total power cost (2)	$ 77,300	$ 76,543	$ 79,048	$ 83,924	$ 86,505
Net power delivered (000 MWh)(5)	2,853	2,820	2,782	2,347	2,649
Cost in $/MWh	$ 27	$ 27	$ 28	$ 36	$ 33
Plant factor (3)	52%	51%	50%	43%	48%
Availability factor	62%	59%	59%	55%	58%
Lake Chelan System					
Operating expenses	$ 6,018	$ 5,587	$ 10,364	$ 5,558	$ 6,619
Depreciation and amortization	1,887	1,902	1,902	1,940	1,954
Interest expense	770	700	626	545	458
Other (revenue) expense (1)	(35)	(48)	(77)	(95)	(80)
Total power cost (2)	$ 8,640	$ 8,141	$ 12,815	$ 7,948	$ 8,951
Net power delivered (000 MWh)	471	461	371	355	406
Cost in $/MWh	$ 18	$ 18	$ 35	$ 22	$ 22
Plant factor (3)	91%	89%	72%	69%	79%
Availability factor	92%	97%	75%	96%	97%
Combined Hydro Cost in $/MWh	$ 20	$ 18	$ 19	$ 20	$ 20

1. Includes other income and expenses that impact power cost.
2. Non-GAAP, may not be comparable with similarly titled other District metrics.
3. Net power delivered as a percentage of rated capacity for the year.
4. Annual average Columbia River flow measured at Rocky Reach System in thousands of cubic feet per second (000 CFS).
5. After minor sales to operators' cottages and adjustments for encroachment and Canadian Treaty deliveries.

CONSOLIDATED SYSTEM

Operating Results and Debt Service Coverage ($000) (Unaudited)

As defined in the Master Resolution 07-13067

CALENDAR YEAR	2016	2017	2018	2019	2020
Operating revenues (1)					
Retail	$ 54,653	$ 60,088	$ 57,993	$ 73,333	$ 74,188
Resale	228,371	236,087	269,808	237,669	205,048
Other	45,728	58,020	56,466	64,266	61,844
Total	328,752	354,195	384,267	375,268	341,080
Less: Operating expenses					
Purchased power and water	(181,905)	(194,261)	(216,487)	(202,726)	(200,761)
Other operation & maintenance (2)	(79,770)	(85,434)	(95,010)	(97,809)	(107,268)
Taxes	(5,802)	(7,011)	(6,645)	(8,192)	(8,244)
Depreciation & amortization	(19,048)	(19,912)	(21,083)	(22,294)	(24,698)
Operating income	42,227	47,577	45,042	44,247	109
Adjustments					
Add back depreciation & amortization	19,048	19,912	21,083	22,294	24,698
Add investment income	3,651	4,746	7,892	10,066	9,119
Add principal and interest payments from Rocky Reach & Rock Island	46,650	45,196	37,233	38,665	39,050
Total adjustments	69,349	69,854	66,208	71,025	72,867
Net revenues	111,576	117,431	111,250	115,272	72,976
Plus withdrawals (deposits) to Rate Stabilization Fund	-	-	-	-	-
Adjusted net revenues	$ 111,576	$ 117,431	$ 111,250	$ 115,272	$ 72,976
Available funds (3)	$ 272,163	$ 313,579	$ 423,839	$ 372,232	$ 383,264
Annual debt service	$ 28,280	$ 28,236	$ 26,493	$ 25,983	$ 25,490
Debt service coverage					
With available funds (required 1.25x)	13.57	15.26	20.20	18.76	17.90
Without available funds (required 1.00x)	3.95	4.16	4.20	4.44	2.86

1. Includes revenues of the District's Distribution Division; Financing Facilities and Internal Service Funds; and Lake Chelan, Fiber and Telecommunications, Water and Wastewater Systems; all of which are part of the Consolidated System. Also certain revenues which were deferred and are being recognized over the terms of the applicable contracts.
2. Non-GAAP, may not be comparable with similarly titled other District metrics.
3. Includes all unencumbered funds of the District that the District reasonably expects to be available to pay debt service on the Bonds.

CONSOLIDATED SYSTEM AND HYDROELECTRIC SYSTEMS
Outstanding Long-Term Debt as of December 31, 2020 ($000) (Unaudited)

DATE OF BONDS	FINAL MATURITY DATE	SERIES OF BONDS	ORIGINAL PRINCIPAL AMOUNT	SCHEDULED RETIREMENT (1)	ACTUAL RETIREMENT (2)	PRINCIPAL AMOUNT OUTSTANDING	ACCUMULATED FOR RETIREMENT (3)
CONSOLIDATED SYSTEM							
6/3/2009	7/1/2032	2008B	$ 92,880	$ 32,715	$ 52,725	$ 40,155	$ 972
6/1/2011	7/1/2026	2011A	107,500	56,385	56,385	51,115	5,244
6/1/2011	7/1/2026	2011B	72,220	37,880	37,880	34,340	3,377
11/9/2011	7/1/2026	2011C	164,425	85,030	96,400	68,025	5,351
5/1/2020	7/1/2039	2020A	109,630	-	-	109,630	6,176
5/1/2020	7/1/2034	2020B	10,965	-	-	10,965	640
5/1/2020	7/1/2032	2020C	13,230	-	-	13,230	772
Total Consolidated System			570,850	212,010	243,390	327,460	22,532
ROCK ISLAND SYSTEM							
3/17/1997	6/1/2029	1997A (4)	135,944	257,930	257,930	172,096	32,047
Total Rock Island System			135,944	257,930	257,930	172,096	32,047
Grand Total			$ 706,794	$ 469,940	$ 501,320	$ 499,556	$ 54,579

1. Amount of serial bonds matured as of December 31, 2020 plus scheduled minimum redemption of term bonds to have been retired from mandatory sinking funds.
2. Amount of serial bonds matured as of December 31, 2020 plus actual retirement of term bonds retired from mandatory sinking funds, reserve accounts and optional purchases.
3. Amounts accumulated as cash and investments in various principal accounts, sinking funds and reserve accounts available for the future retirement of bonds. Investments are represented at book value.
4. Represents Capital Appreciation Bonds on which interest is compounded. Thus, the accreted value reported as Principal Amount Outstanding may exceed Original Principal Amount less Actual Retirements.

CONSOLIDATED SYSTEM
Loans as of December 31, 2020 ($000) (Unaudited)

	NET LOANS OUTSTANDING (1)
Rocky Reach System	$ 96,288
Rock Island System	169,060
Consolidated System (2)	52,386
	$ 317,734

1. Represents aggregate principal amounts of Consolidated System Bonds and other available funds allocated to intersystem and interfund loans, net of prior loan repayments, adjustments for unamortized original issue discounts, issuance costs and amounts payable to and (receivable) from other systems.
2. Includes bond proceeds advanced to various funds and components of the Consolidated System for capital purposes.

As of December 31, 2020 (Unaudited)

	CONSOLIDATED BONDS			LOAN PAYMENTS (1)		
	AGGREGATE ANNUAL DEBT SERVICE					
YEAR	PRINCIPAL (2)	INTEREST	TOTAL	ROCKY REACH	ROCK ISLAND	TOTAL LOAN PAYMENTS
2021	$ 12,500,000	$ 15,307,180	$ 27,807,180	$ 18,123,534	$ 20,629,851	$ 38,753,385
2022	44,865,000	14,000,251	58,865,251	18,125,986	20,448,081	38,574,067
2023	36,125,000	11,911,183	48,036,183	18,058,190	20,440,747	38,498,937
2024	37,580,000	10,169,323	47,749,323	18,000,591	19,966,571	37,967,162
2025	41,155,000	8,336,920	49,491,920	15,858,161	19,514,482	35,372,643
2026	24,808,353	6,337,316	31,145,669	14,176,225	19,455,371	33,631,596
2027	5,210,000	4,440,136	9,650,136	12,756,806	19,453,574	32,210,380
2028	6,155,000	4,179,636	10,334,636	11,334,763	20,073,603	31,408,366
2029	2,155,000	3,871,886	6,026,886	10,005,435	15,253,239	25,258,674
2030	16,615,000	3,764,136	20,379,136	8,593,481	16,564,170	25,157,651
2031	14,300,000	2,933,386	17,233,386	7,184,868	16,049,050	23,233,918
2032	42,906,025	1,812,018	44,718,043	5,931,896	14,911,881	20,843,777
2033	4,255,000	1,180,900	5,435,900	5,350,632	14,859,165	20,209,797
2034	3,715,375	968,150	4,683,525	4,326,197	14,398,919	18,725,116
2035	3,645,000	750,400	4,395,400	2,638,751	13,427,904	16,066,655
2036	3,690,000	604,600	4,294,600	1,388,256	13,268,747	14,657,003
2037	3,750,000	457,000	4,207,000	289,191	13,004,724	13,293,915
2038	1,653,583	307,000	1,960,583	289,191	12,189,329	12,478,520
2039	-	-	-	146,202	8,792,292	8,938,494
2040	-	-	-	-	6,734,004	6,734,004
2041	-	-	-	-	6,629,707	6,629,707
2042	-	-	-	-	6,350,711	6,350,711
2043	-	-	-	-	6,079,457	6,079,457
2044	-	-	-	-	1,429,015	1,429,015
Total	$ 305,083,336	$ 91,331,421	$ 396,414,757	$ 172,578,356	$ 339,924,594	$ 512,502,950

1. Represents loan payment obligations of the Rocky Reach and Rock Island Hydroelectric Systems to the Consolidated System with respect to intersystem loans from the Consolidated System.

2. Estimated principal retirements are based on the assumption that all bonds mature or are purchased at par. Includes serial and balloon payments reduced by funds held in Reserve Accounts at the time of final maturity or as may be applied to final payments. The District may elect to utilize the Reserve Accounts other than as shown depending on market conditions and limitations contained in the governing resolutions. The District anticipates that most balloon payments will be made as scheduled on or prior to the dates they become due, however the District may elect to refinance balloon payments.

CONSOLIDATED SYSTEM

Unrestricted and Restricted Fund Balances as of December 31, 2020 ($000) (Unaudited)

BALANCES (1)	UTILITY SERVICES (2)	LAKE CHELAN	FINANCING FACILITIES (3)	INTERNAL SERVICES FUND	TOTAL
Unrestricted funds					
Revenue fund (4)	$ 67,125	$ 1,052	$ 5,700	$ 14,374	$ 88,251
Available funds:					
Rate stabilization fund	50,000	-	-	-	50,000
Operating reserve fund	113,619	-	-	-	113,619
Other unrestricted funds (5)	64,850	6,731	68,546	14,901	155,028
Total unrestricted funds	295,594	7,783	74,246	29,275	406,898
Restricted funds (6)	723	1	103,522	9,671	113,917
Total fund balances	$ 296,317	$ 7,784	$ 177,768	$ 38,946	$ 520,815

1. Amounts reflect both cash and book value of investments.
2. Includes Distribution Division, Fiber and Telecommunications, Water and Wastewater Systems.
3. Financing Facilities is an internal service fund of the District's Consolidated System used to account for various financing related activities, including holding Consolidated System debt service reserve funds and bond proceeds.
4. Unencumbered funds of the District held in the Revenue Fund.
5. Includes all other Unrestricted Funds such as Board Designated Construction Funds and Reserves.
6. Includes all Restricted Funds such as Consolidated System Bond Proceeds, Bond Reserves and other Reserves.

ROCK ISLAND SYSTEM
Average Annual Energy Output and Disposition of Output (000 MWh)

CALENDAR YEAR	2016	2017	2018	2019	2020
Original system net generation	491	463	425	334	406
Second powerhouse net generation	2,190	2,194	2,245	1,942	2,112
Total generation	2,681	2,657	2,670	2,276	2,518
Plus:					
Wanapum encroachment (1)	511	464	451	398	450
Net interchange	17	39	9	8	-
System losses by contract	(15)	(17)	(18)	(17)	(18)
Less:					
Canadian Treaty Power (2)	(159)	(158)	(156)	(156)	(155)
Rocky Reach Encroachment (3)	(183)	(165)	(174)	(162)	(146)
Total net power delivered (4)	2,852	2,820	2,782	2,347	2,649
Percentage allocations (5)					
Power Purchasers	51%	51%	51%	51%	51%
District	49%	49%	49%	49%	49%
Sales:					
Power Purchasers	1,445	1,419	1,404	1,194	1,362
District	1,407	1,401	1,378	1,153	1,287
Total sales (4)	2,852	2,820	2,782	2,347	2,649
Net peaking capability	629	629	629	629	629
Availability factor	62%	59%	59%	55%	58%
Plant factor (6)	52%	51%	50%	43%	48%

1. Energy to be made available from Grant PUD's Wanapum Project in accordance with an encroachment agreement.
2. Energy to be made available for the account of Canada in accordance with arrangements made as a result of the Canadian Treaty.
3. Energy transferred from Rock Island to Rocky Reach to account for effects of one project on the output of the other.
4. Includes coordination exchange and pond transfers.
5. As defined by the Power Sales Contracts, the District received a fixed 49 percent of the combined power produced by the Rock Island and Rocky Reach Systems.
6. Net Power Delivered as a percentage of rated capacity for the year.

ROCK ISLAND SYSTEM
Cost of Power Comparison ($/MWh) (Unaudited)

CALENDAR YEAR	2016	2017	2018	2019	2020
Rock Island System	$ 27	$ 27	$ 28	$ 36	$ 33
Bonneville Power (1)	$ 40	$ 40	$ 42	$ 42	$ 41

1. The Bonneville rate is for preferred, flat undelivered and includes transmission and wheeling charges.

ROCK ISLAND SYSTEM
Historical and Projected Annual Capital Requirements ($000)

ACTUAL CALENDAR YEAR	**2016**	**2017**	**2018**	**2019**	**2020**
Rock Island System	$ 33,708	$ 33,001	$ 46,622	$ 28,504	$ 52,982
PROJECTED CALENDAR YEAR (1)	**2021**	**2022**	**2023**	**2024**	**2025**
Rock Island System	$ 56,413	$ 58,914	$ 53,563	$ 38,792	$ 40,752

1. Projections are based on materials prepared in connection with the District's normal advance planning process and are revised annually. Projections are in nominal dollars.

ROCK ISLAND SYSTEM
Cash Available for Debt Service ($000) (Unaudited)

CALENDAR YEAR	**2016**	**2017**	**2018**	**2019**	**2020**
Operating revenues:					
Power Purchasers	$ 51,448	$ 52,391	$ 53,209	$ 60,152	$ 63,483
District	49,402	50,324	51,093	57,745	60,957
Total revenues from sales	100,850	102,715	104,302	117,897	124,440
Other operating revenues	158	143	147	127	73
Total operating revenues	101,008	102,858	104,449	118,024	124,513
Total operating expenses (1)	54,207	54,748	57,879	62,598	64,969
Net operating revenues	46,801	48,110	46,570	55,426	59,544
Other expense	(23,930)	(23,036)	(21,939)	(22,079)	(22,136)
Net revenues	22,871	25,074	24,631	33,347	37,408
Add back:					
Depreciation	11,297	10,322	10,790	11,292	11,387
Interest expense	23,520	22,610	21,485	23,054	22,809
Amortization of deferred debt costs	290	265	264	263	258
Other (2)	337	395	191	105	547
Deduct:					
Amortization of deferred power sales revenue	(655)	(669)	(690)	(892)	(765)
Cash available for debt service	57,660	57,997	56,671	67,169	71,643
Annual debt service:					
Rock Island Bonds	23,421	23,420	22,973	23,438	23,398
Intersystem loans	16,246	15,981	15,123	18,780	20,278
Total debt service requirement	39,667	39,401	38,096	42,218	43,676
Cash available after payment of all debt service	$ 17,993	$ 18,596	$ 18,575	$ 24,951	$ 27,967
Coverage of total debt service	1.45	1.47	1.49	1.59	1.64

1. Includes depreciation expense.
2. Represents noncash items such as fair value adjustments and amortizations included in operating activities that are not indicative of cash available for debt service.

TWELVE MONTHS ENDING DEC. 31	BONDS		INTERSYSTEM LOANS (1)		
	ESTIMATED DEBT SERVICE	ESTIMATED PRINCIPAL RETIREMENTS (2)(3)	ESTIMATED DEBT SERVICE	ESTIMATED PRINCIPAL RETIREMENTS	TOTAL ESTIMATED DEBT SERVICE
2021	$ 22,685,000	$ 22,685,000	$ 20,629,851	$ 8,763,172	$ 43,314,851
2022	22,685,000	22,685,000	20,448,081	9,097,715	43,133,081
2023	22,685,000	22,685,000	20,440,747	9,629,176	43,125,747
2024	22,685,000	22,685,000	19,966,571	9,717,112	42,651,571
2025	22,685,000	22,685,000	19,514,482	9,835,451	42,199,482
2026	22,685,000	22,685,000	19,455,371	10,357,365	42,140,371
2027	22,685,000	22,685,000	19,453,574	10,968,636	42,138,574
2028	22,685,000	22,685,000	20,073,603	12,237,168	42,758,603
2029	12,548,000	12,548,000 (4)	15,253,239	8,031,240	27,801,239
2030	-	-	16,564,170	9,930,062	16,564,170
2031	-	-	16,049,050	9,991,755	16,049,050
2032	-	-	14,911,881	9,447,055	14,911,881
2033	-	-	14,859,165	9,942,364	14,859,165
2034	-	-	14,398,919	10,064,141	14,398,919
2035	-	-	13,427,904	9,670,619	13,427,904
2036	-	-	13,268,747	10,059,161	13,268,747
2037	-	-	13,004,724	10,366,454	13,004,724
2038	-	-	12,189,329	10,144,107	12,189,329
2039	-	-	8,792,292	7,312,614	8,792,292
2040	-	-	6,734,004	5,639,669	6,734,004
2041	-	-	6,629,707	5,795,530	6,629,707
2042	-	-	6,350,711	5,781,447	6,350,711
2043	-	-	6,079,457	5,768,788	6,079,457
2044	-	-	1,429,015	1,385,525	1,429,015
Total	$ 194,028,000	$ 194,028,000	$ 339,924,594	$ 209,936,326	$ 533,952,594

1. Represents loan payment obligations of the Rock Island System to the Consolidated System with respect to the intersystem loans from the Consolidated System.
2. Estimated principal retirements are based on the assumption that all bonds mature or are purchased at par.
3. Represents Capital Appreciation Bonds on which interest is compounded. Thus, the accreted value reported as Estimated Principal Retirements equals Estimated Debt Service.
4. The final estimated debt service is reduced by the principal retirements assumed to be retired with the application of the appropriate Reserve Account, principal accounts and sinking funds. It should be recognized the District may elect to utilize the various Reserve Accounts in a manner other than as reflected, depending upon market conditions and the limitations contained in the governing resolution.

THE INFORMATION SET FORTH BELOW RELATING TO THE POWER PURCHASERS WHICH ARE SUBJECT TO THE INFORMATIONAL REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934 (THE "EXCHANGE ACT") HAS BEEN OBTAINED FROM DOCUMENTS FILED BY SUCH POWER PURCHASERS WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"). NONE OF THE POWER PURCHASERS, THE DISTRICT OR THE UNDERWRITER MAKES REPRESENTATION AS TO, NOR HAVE THEY ATTEMPTED TO VERIFY, THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION OR THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION AS OF THE DATE HEREOF OR AS OF ANY SUBSEQUENT DATE AND ASSUMES NO RESPONSIBILITY THEREFOR.

PUGET SOUND ENERGY, INC.

Puget Energy, Inc. ("Puget Energy") is an energy services holding company incorporated in the State of Washington in 1999. Substantially, all of its operations are conducted through its regulated subsidiary, Puget Sound Energy, Inc. ("PSE"), a utility company. Puget Energy also has a wholly-owned non-regulated subsidiary, named Puget LNG, LLC ("Puget LNG"). Puget LNG was formed in 2016, and has the sole purpose of owning, developing and financing the non-regulated activity of a liquefied natural gas (LNG) facility at the Port of Tacoma, Washington. Puget Energy is owned through a holding company structure by Puget Holdings, LLC ("Puget Holdings"). Puget Holdings is owned by a consortium of long-term infrastructure investors including the Canada Pension Plan Investment Board, the British Columbia Investment Management Corporation, the Alberta Investment Management Corporation, Ontario Municipal Employee Retirement System and PGGM Vermogensbeheer B.V. All of Puget Energy's common stock is indirectly owned by Puget Holdings. Puget Energy and PSE are collectively referred to herein as the "Company." The Company's principal executive offices are located at 355 110th Ave NE, Bellevue, Washington 98004. Its telephone number is (425) 454-6363 and information can be found on the Company's Internet web sites at: www.pugetenergy.com and www.pse.com.

Puget Energy is the direct parent company of PSE, the oldest and the largest electric and natural gas utility headquartered in the State of Washington, primarily engaged in the business of electric transmission, distribution and generation and natural gas distribution. Puget Energy's business strategy is to generate stable earnings and cash flow by offering reliable electric and natural gas service in a cost-effective manner through PSE, and be the clean energy provider of choice for its customers. Puget Energy does not have any employees and PSE had approximately 3,150 full-time employees as of December 31, 2020.

PSE is a public utility incorporated in the State of Washington in 1960. PSE furnishes electric and natural gas service in a territory covering approximately 6,000 square miles, principally in the Puget Sound region. As of December 31, 2020, PSE had approximately 1,190,000 electric customers, and approximately 856,000 natural gas customers.

Additional Information

The Company is a publicly traded company and provides periodic reports on its financial and operating condition with the SEC.

ALCOA CORPORATION

Alcoa Corporation, a Delaware corporation, became an independent, publicly traded company on November 1, 2016, as explained below under "Separation Transaction." Alcoa Corporation has its principal office in Pittsburgh, Pennsylvania. In this report, unless the context otherwise requires, "Alcoa" or the "Company," "we," "us," and "our" means Alcoa Corporation and all subsidiaries consolidated for the purposes of its financial statements.

Alcoa is a global industry leader in bauxite, alumina, and aluminum products. Alcoa is built on a foundation of strong values and operating excellence dating back over 130 years to the world-changing discovery that made aluminum an affordable and vital part of modern life. Since developing the aluminum industry, and throughout our history, our talented Alcoans have followed on with breakthrough innovations and best practices that have led to efficiency, safety, sustainability, and stronger communities wherever we operate.

Alcoa is a global company with direct and indirect ownership of 28 operating locations across nine countries. Alcoa's operations consist of three reportable segments: Bauxite, Alumina, and Aluminum. The Bauxite and Alumina segments primarily consist of a series of affiliated operating entities held in an unincorporated joint venture between Alcoa and an Australian company. The Aluminum segment consists of the Company's aluminum smelting, casting and rolling businesses, along with the majority of the energy production business.

Aluminum, as an element, is abundant in Earth's crust, but a multi-step process is required to make aluminum metal. Aluminum metal is produced by refining alumina oxide from bauxite into alumina, which is then smelted into aluminum and can be cast and rolled into may shapes and forms. Aluminum is a commodity traded on the London Metal Exchange ("LME") and priced daily. Alumina, an intermediary product, is subject to market pricing through the Alumina Price Index ("API"). As a result, the price of both aluminum and alumina is subject to significant volatility and, therefore, influences the operating results of Alcoa.

Separation Transaction

On November 1, 2016, Alcoa Inc. ("ParentCo") separated into two stand-alone, publicly-traded companies, Alcoa Corporation and what has subsequently been renamed Howmet Aerospace Inc. Alcoa Corporation was formed for the purpose of holding ParentCo's Bauxite, Alumina, Aluminum, Cast Products and Energy businesses, as well as ParentCo's rolling mill operations in Warrick, Indiana, and 25.1% interest in the Ma'aden Rolling Company in Saudi Arabia. Alcoa Corporation entered into certain agreements with Parent Co to implement the legal and structural separation between the two companies to govern the relationship between Alcoa Corporation and ParentCo after the completion of the Separation Transaction and allocate between Alcoa Corporation and ParentCo various assets, liabilities and obligations, including, among other things, employee benefits, environmental liabilities, intellectual property, and tax-related assets and liabilities.

Additional Information

Alcoa is a publicly traded company and is obligated to provide periodic reports on its financial and operating condition with the SEC.


P.U.D.
CHELAN COUNTY