



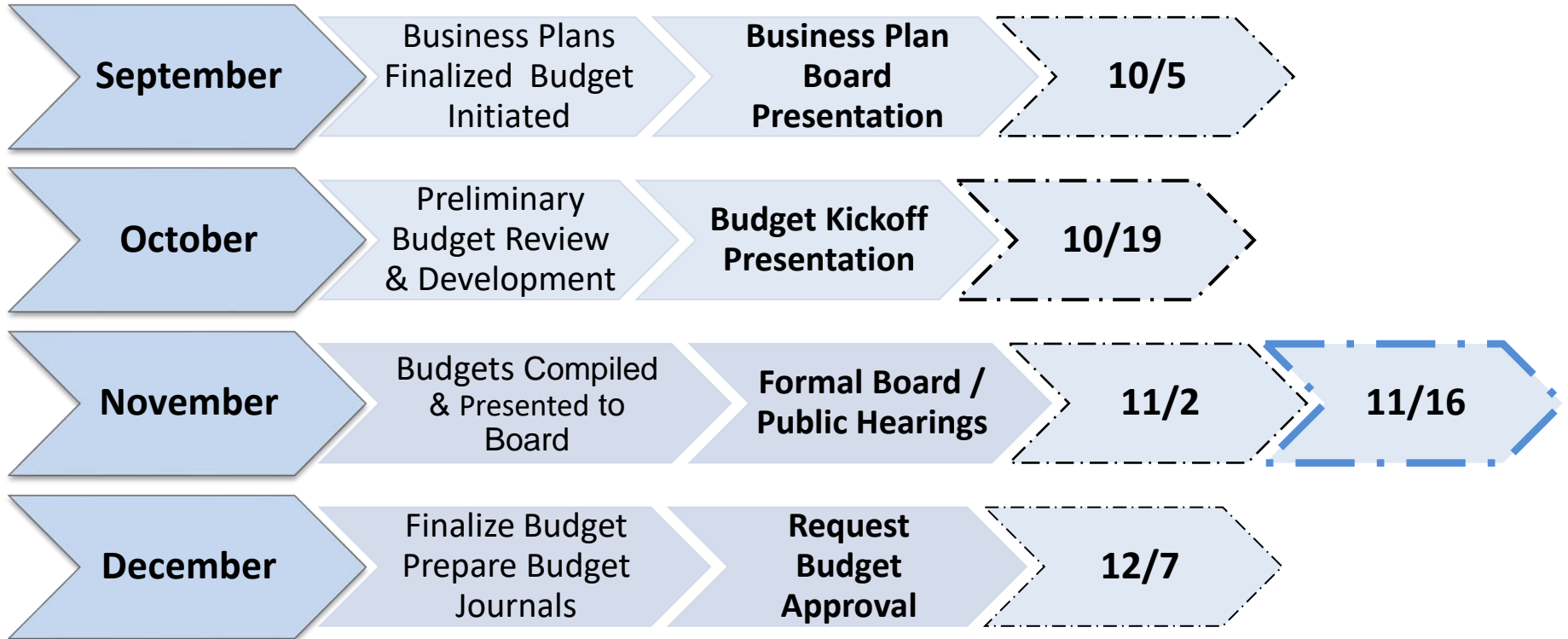
2021 Preliminary Budget

Nov. 16, 2020

No Board Action Required

11/16/2020

Budget Timeline



Indicates Board Meetings

Summary of Changes Since Nov. 2

2021 Budget Impacts

Bottom line: decrease \$3.5M

- \$55.0M to \$51.5M

Operating revenues: decrease \$1.9M

- Net wholesale revenue (\$1.2M) –specified source sales, wholesale price updates
- Cost-based hydro contract revenue (\$0.7M) – lower hydro and debt expenses

Operating expenses: increase \$1.8M

- O&M refinement (\$0.5M) – lower fish & wildlife expenses, project work determined to be capital, partially offset by additional costs for C2M support
- Depreciation refinement \$2.3M –timing for 2021 projects to be placed in service

Non-operating activity: decrease \$0.2M

- Refinement of interest earnings and interest expense

Net capital spending: increase \$0.9M

- Rock Island PH1 B3 Modernization \$0.7M – 2020 capital moved to 2021
- Rock Island PH2 Gantry Crane \$0.6M – 2020 capital moved to 2021
- Refinement of schedules and planning adjustments partially offset increases

Combined Financials 2021

(in 000's)	Prelim Budget 2021	Adopted Budget 2020	\$ Change	% Change
Service Revenue	96,433	90,561	5,872	6.5%
Net Surplus Energy Revenue	208,799	216,907	(8,109)	(3.7)%
Other Operating Revenue	23,898	23,977	(79)	(.3)%
Operating Expense	(213,294)	(207,945)	(5,349)	2.6%
Depreciation & Tax Expense	(60,657)	(57,152)	(3,505)	6.1%
Net Operating Income	55,179	66,348	(11,169)	(16.8)%
Non-Operating Activity	(3,700)	(8,260)	4,560	(55.2)%
<i>Bottom Line (Nov. 16)</i>	<i>51,479</i>	<i>58,088</i>	<i>(6,609)</i>	<i>(11.4)%</i>

<i>Nov. 2 Budget Presentation</i>	<i>54,977</i>
<i>% Change since Nov. 2</i>	<i>(6.4)%</i>

Capital Expenditures

(in 000's)	Prelim Budget 2021	Adopted Budget 2020	\$ Change	Major Project Focus
Total Capital	189,176	168,946	20,230	
Less: Contributions	(3,594)	(3,847)	(253)	Capital paid by others
Fiber Make Ready Offset	(900)	(1,130)	(230)	Make ready costs: intersystem
Regulatory Assets & Other	11,703	5,998	5,705	Conservation, license obligations, Greater McNeil Canyon, Mid C Transmission
Net Capital & Reg. Assets	196,384	169,967		

Nov. 2 Budget Presentation	195,483
% Change since Nov. 2	0.5%

Combined District Expenditures

(in 000's)	Preliminary 2021 Budget	Adopted 2020 Budget	%
Operating Expense	213,294	207,945	2.6%
Tax Expense	11,183	10,683	4.6%
Non-Operating Exp/(Inc): excludes CIAC	7,921	12,468	(36.5%)
Net Capital & Reg Assets	196,384	169,967	15.5%
Total Expenditures (Nov. 16)	428,782	401,063	6.9%

Net Debt Principal Payments	110,951	39,062	184.0%
Total Expenditures & Net Debt Reduction (Nov. 16)	539,733	440,125	22.6%

Nov. 2 Budget Presentation	539,483
% Change since Nov. 2	0.05%

Primary driver of increase for 2021 compared to 2020 is the significant volume of work at the hydros, facilities and the debt retirement deferred to 2021 for COVID uncertainty

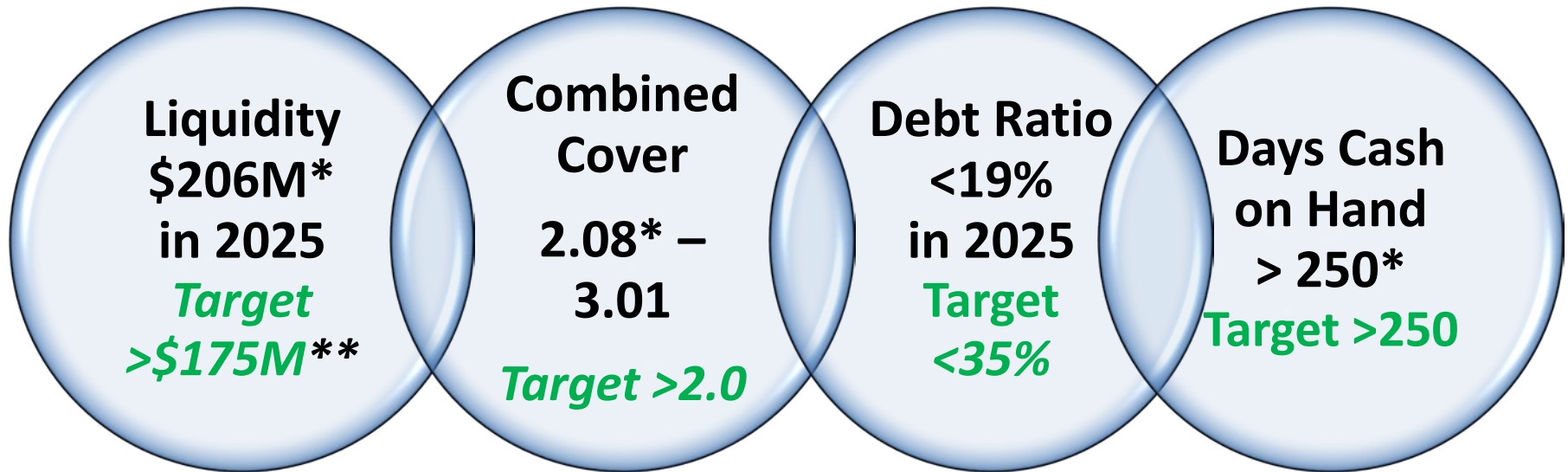
Combined Financial Policies 2021 Preliminary Budget

	Financial Liquidity	Combined Cover	Debt Ratio	Days Cash on Hand
Base Case – expected <i>Target</i>	\$356M <i>> \$210M</i>	2.25 <i>> 2.0x</i>	24.4% <i>< 35%</i>	475 <i>> 250</i>
Base Case – unusual <i>Target</i>	\$348M <i>> \$210M</i>	2.14 <i>> 1.25x</i>	24.5% <i>< 35%</i>	466 <i>> 250</i>



On track

2021-2025 Plans Meet District Financial Policies



Results based on expected conditions (11/4/20 forecast)

* We have a Board reporting requirement to provide an action plan when metrics come within 10% of the target. These metrics are within that 10% threshold. Our recommended action plan for Liquidity and Days Cash on Hand is to issue external debt in 2023 to begin financing portions of our capital program. The recommended course for Combined Cover is to monitor since the 2.08 in 2022 increases to 2.92 and 3.01 in 2023 and 2024, respectively.

** The Liquidity target is the greater of \$175M or methodology calculation – ranges from approx. \$180M to \$210M over 5-year period.

Business Line Financial Policies

2021 Preliminary Budget

	Operating Coverage %	Cash Reserves (unrestricted)	Debt Service as % of Revenue
Fiber & Telecom <i>Target</i>	78.3% >74.9%	\$22.2 M \$2 M	---% < 0%
Water <i>Target</i>	99.2% >98.3%	\$4.6 M \$1.25 M	10.1% < 11.9%
Wastewater <i>Target</i>	62.3% > 61.8%	\$1.9 M \$200 K	14.1% < 2.1%

NOTE: Board resolution for business line financial targets are defined as “by 2024” and “by 2029”. Annual targets are based on the forecast at the 2020 budget set to support the 2020-2024 strategic plan. Annual actuals are provided to show progress and to inform if action is needed to meet the 5-year target.

Financial Policy not met. Action plan is to implement actions recently adopted in the 2020-2024 Strategic Plan and consider internal loaning to improve cash position to help meet capital needs.

Financial Policy Metric within 10% of target which requires Board communication per resolution. Action plan is to monitor ongoing forecasts

Budget Next Steps

Respond

- Respond to questions
- Provide any additional detail requested

Approve

- Request Board approval on Dec. 7

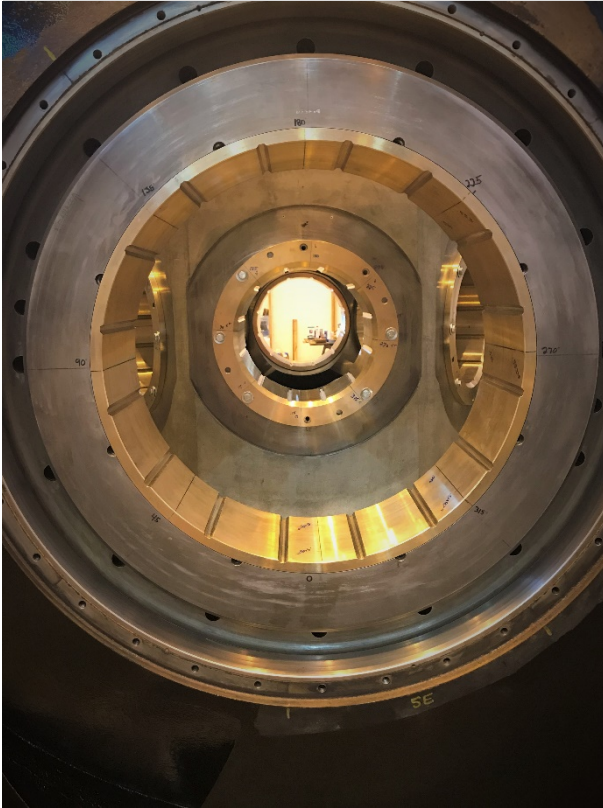


Appendix

Additional information from prior presentation

Major O&M Activities

RR Turbine Repairs \$5.6M



Hatcheries \$7.4M



Tree Trimming \$3.5M



RI Spillway Pier Repair \$2.6M



RI HCP Fish Passage Studies \$1.5M



2021 Major Capital Projects

Rock Island – Major Driver



RI Modernization

- B1-B4 \$17 million
(Total Project \$75M)
- B5, B7 & B8 \$13 million
(Total Project \$97M)
- PH2 U1-U8 \$18.5 million
(Current Project Budget of \$26M designated for prelim work, i.e. design, mobilization)



RI Cranes

- PH2 Bridge \$7 million
(Total Project \$13M)
- PH2 Gantry \$6 million
(Total Project \$9M)
- PH1 Gantry \$3 million
(Total Project \$6M)

2021 Major Capital Projects

Facilities – Major Driver

RI Facilities

\$6 million (*Total Project \$38M*)



RR / Central Maintenance

\$22 million (*Total Project \$42M*)



Operations and Service Center

\$64 million
(*Total Project \$139M*)



Key Total Capital Project Revisions (Existing Projects)*

(in 000's)	Current	Revised	Change	Major Driver
RI PH2 U1-U8 Rehab	11,982	25,865	13,882	<i>Adding 2021 project scope for prelim work, i.e. design, mobilization</i>
Advanced Metering Infrastructure	1,500	15,000	13,500	<i>Adding remaining project budget</i>
Operations and Service Center	135,038	139,536	4,498	<i>Updated project estimate</i>
RR C1-C11 Unit Ctrls Governor	5,184	7,600	2,416	<i>Updated project estimate</i>
RI PH1 Intake Gantry Repl	4,373	6,020	1,647	<i>Updated project estimate</i>

No changes for these projects since November 2 budget presentation

** Includes revisions >\$1M, excludes Public Bower Benefit and recurring annual capital project activity*

Key Total Capital Project Revisions (New Projects)*

(in 000's)	Current	Revised	Change	Major Driver
RR Tailrace Gantry Crane	0	6,000	6,000	Replacement
LC Seismic Study-Auto Closure Gate	0	3,850	3,850	Dam safety
RIFW Rt Bank Fish Ladder Mod	0	1,465	1,465	Safety
RI PH1 Station Drainage Mod	0	1,100	1,100	Upgrade replacement
River Rd Plain Feeder Conduit Install	0	1,000	1,000	Fire risk mitigation

No changes for these projects since November 2 budget presentation

** Includes revisions >\$1M, excludes Public Power Benefit and recurring annual capital project activity*

Service Revenue

(in 000's)	Prelim Budget 2021	Adopted Budget 2020	Variance
Residential Electric	29,293	27,384	<p>Growth from current 2020 forecasted usage offsetting impacts from energy conservation efforts</p> <p>Off-system end use sale shifts revenue from wholesale to service revenue</p> <p>Some growth impacts from High Density Loads</p> <p>3% rate increase included in 2021</p>
Commercial Electric	17,569	17,114	
Industrial Electric	5,501	5,309	
Off-System end use	21,375	19,434	
HDL Electric / Crypto	5,570	5,426	
Other Electric	1,504	1,607	
Electric Service	80,811	76,274	
Water Service	6,787	6,302	~2% growth / 4% rate increase 2021
Wastewater Service	808	744	~1.5% growth / 4% rate increase 2021
Fiber & Telecom	8,026	7,241	~6% growth / 3% rate increase 2021
Service Revenue	96,433	90,561	
Nov. 2 Budget Presentation	96,556		
2021-25 Business Plan	96,532		

Net Surplus Energy Revenue

(in 000's)	Prelim Budget 2021	Adopted Budget 2020	Variance
Slice Contracts	73,602	70,523	<i>Higher priced slice starting in 2021</i>
Block/Pre Sched/Real Time	(6,262)	3,590	<i>Offset included in off-system end use sale, lower specified source sales</i>
EP&T Net Wholesale	67,340	74,113	
LT Hydro Contracts	142,779	144,115	<i>Cost-based + : Consistent with 2020</i>
Less: Nine Cyns & Other PP	(1,320)	(1,320)	<i>Consistent with 2020</i>
<i>Net Surplus Energy Revenue</i>	<i>208,799</i>	<i>216,907</i>	
Nov. 2 Budget Presentation	210,651		
2021-25 Business Plan	211,064		

Other Operating Revenue

(in 000's)	Prelim Budget 2021	Adopted Budget 2020	Variance
Transmission/Wheeling	11,778	11,277	<i>Cost based: Increase investments in operations/compliance</i>
Real Time Contract – <i>Fixed</i>	4,000	4,000	<i>Consistent with 2020 budget</i>
Real Time Contract – <i>Variable</i>	3,000	3,000	<i>Consistent with 2020 budget</i>
Service/Late Charges	286	319	<i>Consistent with 2020 budget</i>
Misc Other Items	4,736	5,295	<i>Frequency response revenue</i>
<i>Other Operating Revenue</i>	<i>23,898</i>	<i>23,977</i>	
Nov. 2 Budget Presentation	23,849		
2021-25 Business Plan	23,865		

Operating Expense

(in 000's)	Prelim Budget 2021	Adopted Budget 2020	Variance
Hydro O&M	71,810	73,707	<i>Lower large unit repair costs</i>
Hydro Fish & Wildlife	20,444	18,722	<i>HCP 10-year RI Fish Passage Study Hatchery operational contracts</i>
Hydro Parks & Recreation	8,861	10,410	<i>Discovery Center maintenance upgrades higher in 2020</i>
Electric Distribution	19,653	18,201	<i>Expanded tree trimming contracts</i>
Electric Transmission	14,357	14,261	<i>Consistent with 2020 Budget</i>
Power Supply Mgmt	5,108	5,054	<i>Consistent with 2020 Budget</i>
Water/Wastewater O&M	3,325	3,607	<i>Water safety fall restraint regulation budgeted in 2020</i>
Fiber Network O&M	6,213	5,204	<i>PPB acceleration pole analysis/ portal replacement</i>

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Operating Expense

(in 000's)	Prelim Budget 2021	Adopted Budget 2020	Variance
Customer Accts & Svc	4,782	4,781	Consistent with 2020 Budget
Conservation	4,761	4,890	Consistent with 2020 Budget
Insurance	9,260	8,836	Anticipated insurance premium increases
FERC Fees	1,398	1,462	Consistent with 2020 Budget
Other Admin & General	43,322	39,260	Information technology support/licensing/maint. Labor vacancy rate decrease
Operating Expense	213,294	207,945	
Nov. 2 Budget Presentation	213,773		
2021-25 Business Plan	214,622		

Non-Operating Expense

(in 000's)	Prelim Budget 2021	Adopted Budget 2020	Variance
Investment Earnings	12,609	14,740	<i>Lower cash balances and interest rate</i>
Contribution Income	4,221	4,208	<i>Consistent with 2020 Budget</i>
Interest Expense	(21,907)	(22,849)	<i>Lower interest on variable rate debt</i>
Other Inc/(Exp)	1,377	(4,359)	<i>Amortization of the debt premium</i>
Net expense	(3,700)	(8,260)	
Nov. 2 Budget Presentation	(3,877)		
2021-25 Business Plan	(3,863)		

Capital Expenditures

(in 000's)	Prelim Budget 2021	Adopted Budget 2020	\$ Change	Major Project Focus
Electric Distribution	33,403	29,343	4,061	Substations, Advanced Metering Infrastructure, ADMS, Chelan-Manson T-Line
Electric Transmission	1,325	8,565	(7,240)	Breaker & Relay replacements (2 major 2020 projects reclassified to regulatory assets)
Rocky Reach Hydro	11,248	11,345	(097)	Tailrace Gantry Crane, Governor Controls
Rock Island Hydro	61,291	78,780	(17,489)	PH1 and PH2 Modernizations, PH2 Bridge and Gantry Cranes, PH1 Gantry Crane, Spillway Hoist 17 & 25, RI Facilities
Lake Chelan Hydro	1,571	994	577	LC Auto Closure Gate
Corporate/Shared Assets	75,110	33,621	41,488	Operations & Service Center, RR-CM Facilities, Back-up Control Center
Integrated Electric	183,949	162,647	21,301	

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11/16/2020



Capital Expenditures

(in 000's)	Prelim Budget 2021	Adopted Budget 2020	\$ Change	Major Project Focus
Fiber	3,564	5,418	(1,855)	PPB expansion & upgrades
Water	1,263	704	559	Tacoma St. phase 2
Wastewater	401	176	225	Dryden WW upgrade start
Total Capital	189,176	168,946	20,230	
Less: Contributions	(3,594)	(3,847)	253	Capital paid by others
Fiber Make Ready Offset	(900)	(1,130)	230	Make ready costs: intersystem
Regulatory Assets & Other	11,703	5,998	5,705	Conservation, license obligations, Greater McNeil Canyon, N Mid C transmission
Net Capital & Reg. Assets	196,384	169,967		
Nov. 2 Budget Presentation	195,483			
2021-25 Business Plan	195,483			

New Positions

(consistent with Business Plan)

Technology / AMI

(5 positions)

- AMI Technical Analyst
- Meterman*
- Customer Accounts Specialist*
- System Support Administrator*
- Customer Systems Program Manager*

Technology / Innovation

(5 positions)

- Chief Technology Officer*
- Network System Administrator
- Control System Engineer
- Data Analyst I or II
- Sr. Business Analyst (Limited Assignment-2 yr)

* Note: 4 new positions in Customer Utilities to support AMI are offset by 4 previously approved positions in Line Operations and the Chief Technology Officer position is offset by the vacant IT Director position that is being converted to the CTO position

New Positions

(consistent with Business Plan)

Relicensing / Compliance

(3 positions)

- Relicensing Project Managers (2)
- Environmental Tech Coordinator

Project Support/Engineering

(1 position)

- PS Wiremen

Natural Resources

(3 position)

- Fisheries Operations (3 Seasonal @ 400 hours each)

Total new positions = 17

New positions net of offset positions = 12

Key 2021 Budget Assumptions

Wholesale Revenue

- Average water, current forward energy and carbon price curves
- Hedge program fully implemented and continuing
- Includes planned unit outage impacts
- Consistent hydro fish spill in accordance with requirements

System Load Growth

- 3.8% Electric (~7.8 aMW total net of conservation, ~6.0 aMW HDL)
- 0.8% Retail Electric organic growth
- 2.0% Water, 1.5% Wastewater
- 1,480 new Fiber connections (1,130 current service territory, 350 PPB)

Business Line Service Revenues

- Business line rate increases included consistent with approved long-term rate plan
- Annual rate increases effective 6/1/2021 and each June 1 thereafter
 - 3% Electric, 4% Water, 4% Wastewater and 3% Fiber

Key Budget Assumptions

Labor Bargaining Unit

- Bargaining unit increases are to be negotiated with the collective bargaining unit for 2021

Labor Non-Bargaining Unit

- Budget includes assumptions for merit increases, market adjustments and promotions
- Final decisions will be informed by actual market data

Long-term “cost-plus” power contracts

- Debt Reduction Charge (DRC) – continues at 3.0%
- Capital Recovery Charge (CRC) – continues at 50%

Key Budget Assumptions

Capital & Operating Expenditures

- Driven by 2021-2025 business plans
- 2021 expenditures include continuance of RI modernization, RR large unit repairs, RR small units, distribution infrastructure/vegetation management, and long-term facilities (Service Center, RR, RI) as key drivers

Debt & Interest Income

- Net scheduled principal payments of \$111 million (scheduled principal plus pay down with funds held for COVID liquidity from 2020 refinancing activity)
- Interest earnings estimated at 2.17%

Public Power Benefit Program

- Includes \$6M annually; continuation and acceleration of fiber expansion, Board selected projects & designated funding level
- Budget revisions will be processed as new projects are designated

Five-Year Financial Plan 2021-2025

(in 000's)	Prelim Budget 2021	Forecast 2022*	Forecast 2023*	Forecast 2024*	Forecast 2025*
Service Revenue	96,433	104,166	106,851	93,411	90,405
Net Surplus Energy Revenue	208,799	214,480	215,894	233,744	234,073
Other Operating Revenue	23,898	21,855	22,457	23,073	23,640
Operating Expense	(213,294)	(226,861)	(211,657)	(211,815)	(218,507)
Depreciation & Tax Exp	(60,657)	(65,196)	(69,983)	(71,273)	(72,331)
Net Operating Income	55,179	48,443	63,562	67,139	57,280
Non-Operating Activity	(3,700)	(7,861)	(10,471)	(10,475)	(12,683)
<i>Combined "Bottom-Line"</i>	<i>51,479</i>	<i>40,583</i>	<i>53,090</i>	<i>56,664</i>	<i>44,597</i>
Nov. 2 Budget Presentation	54,977	40,709	53,589	58,942	48,037
% change since Nov. 2	(6.4%)	(0.3%)	(0.9%)	(3.9%)	(7.2%)
<i>2021-2025 Business Plan</i>	<i>54,579</i>	<i>40,709</i>	<i>53,589</i>	<i>58,942</i>	<i>48,037</i>
<i>Last Year's Budget Adoption</i>	<i>41,507</i>	<i>46,049</i>	<i>56,581</i>	<i>64,426</i>	<i>59,870</i>

➤ **5-Year results are lower than 2021-2025 Business Plan and forecast at 2020 Budget**