

# Quarterly Financial Review

for the quarter ended March 31, 2023



**May 22, 2023**

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# What We Will Cover Today

- **Financial highlights**
- **First quarter results**
- **Five-year look ahead**
- **Investment report**
- **Key messages**

**Update only, no action required**

**Appendix: Additional detailed information not covered today**

# Q1 2023 Key Highlights

## Bottom-line results through Q1: better than budget

- Lower operating costs more than offset lower revenues due to low streamflow conditions, contributing to strong results YTD

## Forecasted bottom-line results for the year: better than budget

- Operating revenues are expected to improve and come in close to budget for the year
- Capital and O&M project schedules reflect heavy spending for 2023
- Supply chain and inflation impacts continue to be manageable and are continuing to be monitored and evaluated.

## Financial metrics for the 5-year forecast: meeting targets

- District financial metrics are being met for the 5-year planning horizon with no external borrowing expected during the forecast period

*Stay the long-term course*

# Q1 Overview

## Revenue

### Service Revenue slightly above budget YTD

- ↑ Off-system end-use sales higher (impacts of higher market prices exceeding lower volume usage)
- ↓ Lower cryptocurrency load

### Net Wholesale Revenue \$30M below budget YTD

- ↓ Lower energy production due to lower streamflow
- ↓ Higher market prices on purchases
- ↑ Higher market prices on sales

### Hydro Contract Revenue \$23M above budget YTD

- ↑ Retained surplus proceeds on cost-based contract
- ↓ Hydro O&M costs lower for cost-based revenues

### Other Operating Revenue \$3M above budget YTD

- ↑ Variable portion of real-time agreement
- ↑ Renewable energy credits revenue

**Total Revenues forecast to be \$1M above budget for the year**

## Expense

### Operating Expenses \$15M below budget YTD

- ↓ O&M at the hydros due to project schedules; expecting some catch-up of costs for remainder of year

### Non-Operating Net Expense \$1M better than budget YTD

- ↑ Higher interest income
- ↓ Lower customer line extension contributions

**Total Net Expenses forecasted to be \$8M below budget for the year**

## Bottom Line

### Bottom Line \$42M YTD: \$12M better than budget YTD

- ↑ Lower expenses and higher LT hydro contract revenues partially offset by lower net wholesale revenue

### Bottom Line forecast of \$112M for the year

- ↑ \$9M better than budget

# Q1 Overview

## Capital

**Capital expenditures of \$23M YTD**

↓ \$5M below budget YTD

**Capital forecast adjustments due to project schedule delays and deferrals**

↑ Operations and Service Center

↓ Vehicles

↓ Bavarian Substation

↓ PPB Loop Trail Extension

**Total capital forecast of \$219M**

↑ \$1M above budget for the year  
(early in year – will continue to monitor)

## Cash

**Q1 Cash and investments balance of \$584M**

↑ Increased by \$44M from year-end

↑ Improved bottom line

↑ Collection of year-end receivables

**Cash balance being utilized for planned capital spending and scheduled debt principal payments**

**Year-end cash balance forecast of \$473M**

↑ \$58M better than budget

## Debt

**Q1 Debt balance of \$351M**

**2023 Planned debt reduction of \$38M**

↓ \$25M of net scheduled payments

↓ \$13M of 6-month accelerated payments

**Year-end \$312M debt forecast**

↓ Down \$38M consistent with budget

# 2023 Bottom Line Forecast

| (in 000s)                      | 2023<br>Current<br>Forecast | 2023<br>Budget | % of<br>budget |
|--------------------------------|-----------------------------|----------------|----------------|
| Service Revenue                | 134,882                     | 131,772        | 102%           |
| Net Wholesale Revenue          | 64,365                      | 96,943         | 66%            |
| Hydro LT Contract Rev/Other PP | 201,411                     | 173,638        | 116%           |
| Other Operating Revenue        | 29,743                      | 26,724         | 111%           |
| <b>Total Revenue</b>           | <b>430,401</b>              | <b>429,077</b> | <b>100%</b>    |
| Operating Expense              | (248,915)                   | (253,385)      | 98%            |
| Depreciation & Tax Expense     | (73,586)                    | (73,426)       | 100%           |
| <b>Operating Income/(Loss)</b> | <b>107,900</b>              | <b>102,266</b> | <b>106%</b>    |
| Non-Operating Activity         | 3,926                       | 443            | 886%           |
| <b>Bottom Line</b>             | <b>111,826</b>              | <b>102,709</b> | <b>109%</b>    |

Revenues: > 100% of budget, positive for District / Expenses: < 100% of budget, positive for District

# 2023 Business Line Bottom Line Forecast

| (in 000s)                   | 2023<br>Current<br>Forecast | 2023<br>Budget | % of<br>budget |
|-----------------------------|-----------------------------|----------------|----------------|
| Integrated Electric         | 108,872                     | 100,273        | 109%           |
| Fiber & Telecom             | (1,330)                     | (1,760)        | 76%            |
| Water                       | 763                         | 671            | 114%           |
| Wastewater                  | 1,106                       | 1,109          | 100%           |
| Intra-system eliminations   | 2,416                       | 2,416          | 100%           |
| <b>Combined Bottom Line</b> | <b>111,826</b>              | <b>102,709</b> | <b>109%</b>    |

Note – Intra-system elimination is Fiber/Distribution make ready work

# Capital Expenditures

| (in 000s)                  | 2023 YTD Actuals | 2023 YTD Budget | % of budget | 2023 Current Forecast | 2023 Current Budget | % of budget |
|----------------------------|------------------|-----------------|-------------|-----------------------|---------------------|-------------|
| Electric Distribution      | 3,990            | 6,439           | 62%         | 43,451                | 46,280              | 94%         |
| Network Transmission       | 395              | 3,303           | 12%         | 21,984                | 21,985              | 100%        |
| Rocky Reach                | 309              | 1,258           | 25%         | 10,963                | 11,227              | 98%         |
| Rock Island                | 9,989            | 7,076           | 141%        | 62,826                | 63,618              | 99%         |
| Lake Chelan                | 211              | 307             | 69%         | 2,694                 | 2,787               | 97%         |
| Internal Services          | 7,238            | 8,644           | 84%         | 63,956                | 58,402              | 110%        |
| Fiber & Telecom            | 625              | 769             | 81%         | 5,751                 | 6,251               | 92%         |
| Water                      | 48               | 191             | 25%         | 2,529                 | 2,923               | 87%         |
| Wastewater                 | 112              | 293             | 38%         | 4,500                 | 4,500               | 100%        |
| <b>Total Expenditures</b>  | <b>22,917</b>    | <b>28,280</b>   | <b>81%</b>  | <b>218,653</b>        | <b>217,971</b>      | <b>100%</b> |
| Contributions              | (812)            | (1,812)         | 45%         | (7,875)               | (7,248)             | 109%        |
| <b>Capital net of CIAC</b> | <b>22,105</b>    | <b>26,469</b>   | <b>84%</b>  | <b>210,778</b>        | <b>210,724</b>      | <b>100%</b> |



# 2023 Cash Flow Year-To-Date

|   | \$ Million    |
|---|---------------|
| Bottom line result (YTD-2023)                                   | \$ 42         |
| Add back non-cash expense items (deprec./amort.)                | \$ 14         |
| Subtract non-cash revenue items                                 | (\$ 3)        |
| <b>Estimated earned funds from operations</b>                   | <b>\$ 53</b>  |
| Capital project expenditures                                    | (\$ 23)       |
| Net debt activity (capitalized interest)                        | \$ 2          |
| Other misc. impacts (change in A/R, A/P, inventory, debt, etc.) | \$ 12         |
| <b>Estimated use of funds</b>                                   | <b>(\$ 9)</b> |
| <b>Added to (Use of) cash reserves</b>                          | <b>\$ 44</b>  |

|   |               |
|---|---------------|
| Cash and investments, beginning of year | \$ 540        |
| Added to (Use of) cash reserves         | \$ 44         |
| <b>Cash and investments, Q1 of 2023</b> | <b>\$ 584</b> |

# Cash & Investments Balance

| (\$ Millions)   | <u>3/31/23</u>      | <u>12/31/22</u>     |
|---|---------------------|---------------------|
| Unrestricted funds  | \$318               | \$340               |
| Board Designated*:  |                     |                     |
| Electric Rate Support Fund                                | 7                   | 7                   |
| Headquarters/Service Center Strategic Facilities Fund     | <u>35</u>           | <u>42</u>           |
| <b>Total Unrestricted Funds</b>                           | <b>\$360</b>        | <b>\$389</b>        |
| Restricted funds for hydro capital/debt                   | <u>97</u>           | <u>31</u>           |
| <b>Total Liquidity (policy minimum \$224M calculated)</b> | <b>\$457</b>        | <b>\$420</b>        |
| Restricted – bond reserve funds                           | 52                  | 46                  |
| Restricted – customer deposit substation - Microsoft      | 41                  | 42                  |
| Restricted – power contract deposits                      | 18                  | 17                  |
| Restricted – self insurance and other funds               | <u>16</u>           | <u>15</u>           |
| <b>Total Cash and Investments</b>                         | <b><u>\$584</u></b> | <b><u>\$540</u></b> |

\* Board Designated Funds qualify as unrestricted for liquidity and external reporting purposes

# Quarterly Reporting Requirement - Financial Policies

| District Combined  | 2023          | 2024          | 2025          | 2026          | 2027          |
|--|---------------|---------------|---------------|---------------|---------------|
| Liquidity (Greater calculated min \$175M-\$247M, Expected) | \$386M        | \$360M        | \$362M        | \$410M        | \$483M        |
| Liquidity (Greater calculated min \$175M-\$247M, Unusual)  |               | \$326M        | \$296M        | \$312M        | \$342M        |
| Debt Ratio (Expected case <35% by 2019)                    | 16.0%         | 13.3%         | 10.6%         | 9.0%          | 7.4%          |
| Debt Ratio (Unusual case <35% by 2019)                     |               | 13.6%         | 10.9%         | 9.4%          | 7.9%          |
| Days Cash on Hand (Expected case >250)                     | 296           | 309           | 336           | 398           | 458           |
| Days Cash on Hand (Unusual case > 250)                     |               | 277*          | 274*          | 302*          | 325*          |
| Combined Debt Cover (Expected case > 2.00x)                | 4.30          | 4.70          | 5.78          | 6.23          | 7.26          |
| Combined Debt Cover (Unusual case >1.25x)                  |               | 4.11          | 4.98          | 5.32          | 5.99          |
| <i>Bottom Line Results (Expected case)</i>                 | <i>\$112M</i> | <i>\$118M</i> | <i>\$155M</i> | <i>\$138M</i> | <i>\$165M</i> |
| <i>Bottom Line Results (Unusual case)</i>                  |               | <i>\$94M</i>  | <i>\$123M</i> | <i>\$107M</i> | <i>\$122M</i> |
| <i>Debt Outstanding (Expected case)</i>                    | <i>\$312M</i> | <i>\$270M</i> | <i>\$226M</i> | <i>\$201M</i> | <i>\$177M</i> |
| <i>Debt Outstanding (Unusual case)</i>                     |               | <i>\$270M</i> | <i>\$226M</i> | <i>\$201M</i> | <i>\$177M</i> |

\* - Financial Policy Metrics within 10% of target which requires Board communication per resolution. Action plan assumes no issuance of external debt to fund a portion of the capital spending program and balance maintaining our financial targets.

The information in this schedule contains forward-looking information and projections. Such projections are necessarily subject to various risks and uncertainties. Actual results could, and likely will, differ materially from those projected, in part as a result of differences between assumptions utilized in making such projections and actual outcomes and certain other risks.

# Quarterly Reporting Requirement Individual Business Line Financial Policies

| Business Lines                                | Water                    | Waste water   | Fiber          |
|---|--------------------------|---------------|----------------|
|   | <b>Forecast for 2024</b> |               |                |
| Operating Cover Percentage (target by 2024)   | >104.0%                  | >62.0%        | >80.0%         |
| Operating Cover Percentage (forecast Q1)      | <b>102.0%</b>            | <b>55.4%</b>  | <b>80.9%</b>   |
|   |                          |               |                |
| Cash Reserves – Unrestricted (target by 2024) | >\$1.25M                 | >\$200K       | >\$2.0M        |
| Cash Reserves – Unrestricted (forecast Q1)    | <b>\$3.69M</b>           | <b>\$1.3M</b> | <b>\$18.5M</b> |
|   |                          |               |                |
| Debt Service as a % of Rev (target by 2024)   | <12.0%                   | <2.0%         | <10.0%         |
| Debt Service as a % of Rev (forecast Q1)      | <b>8.3%</b>              | <b>18.7%</b>  | ---            |
|   |                          |               |                |

NOTE: Board resolution for business line financial targets are defined as “by 2024” and “by 2029” with 2024 is shown here as the first target date to meet.

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.

# Quarterly Investment Report

In compliance with District Banking and Investment Policy #22-14648

|                                   | Q2<br>2022 | Q3<br>2022 | Q4<br>2022 | Q1<br>2023 | YTD<br>2023 | WAM |
|-----------------------------------|------------|------------|------------|------------|-------------|-----|
| Average Invested Book Value (\$M) | \$509      | \$526      | \$554      | \$584      | \$584       |     |
| District Yield                    | 2.21%      | 2.16%      | 2.42%      | 2.90%      | 2.90%       | 968 |
| Benchmarks:                       |            |            |            |            |             |     |
| 3 Month T-Bill                    | 1.13%      | 2.71%      | 4.12%      | 4.69%      | 4.69%       | 90  |
| S&P US Treasury 1-3 Year Index    | 0.69%      | 1.09%      | 1.63%      | 2.17%      | 2.17%       | 692 |

- Q1 2023 yield increased to 2.90% (2023 budgeted rate is 2.63%);
- Due to the District’s longer duration portfolio, return on investment is lagging rapidly rising 3-month T-Bill rates (policy performance standard)
- March 22, 2023, Federal Open Market Committee meeting report:
  - Committee seeks to achieve maximum long-term inflation of 2%
  - Committee will continue to monitor information related to the economic outlook, public health, labor market conditions, global developments and inflation pressures and expectations
  - Federal funds target rate range was increased to 4.75% to 5.00% (4.25% to 4.50% at end of Q4 2022)
- Laddered investment structure continues to be our strategy to support safety of principal and liquidity and mitigate interest rate volatility

| Policy Objectives  | Compliance  |
|--|---|
| <ul style="list-style-type: none"> <li>+</li> <li>+</li> <li>+</li> <li>■</li> </ul> | <ul style="list-style-type: none"> <li>+</li> <li>+</li> <li>+</li> </ul> |

Full report in Appendix

# Q1 Key Messages

## Year-end 2023 forecasts are better than budget

- Q1 YTD results are better than budget by \$12M
- Year-end forecasts anticipate improved revenues and some catch-up in operating expenses which forecasts bottom line to be better than budget by \$9M

## Long-term financial metrics remain strong

- No planned external borrowing in the next five-year planning horizon to fund our capital spending program while maintaining our financial metrics
- Inflation impacts are manageable and are continuing to be monitored and evaluated for future forecasts
- Strong financial results further anchor the District's resiliency to weather future uncertainty in project scope, schedule, and a rising cost environment

## Stay the long-term course

# Appendix



*The information in the appendix contains forward-looking information and projections. Such projections are necessarily subject to various risks and uncertainties. Actual results could, and likely will, differ materially from those projected, in part as a result of differences between assumptions utilized in making such projections and actual outcomes and certain other risks.*

# Financial Highlights - Revenue

## Net Wholesale Revenue:

↓ YTD result \$30 million below budget (<\$6M> vs. \$24M)

↓ Annual forecast \$33M below budget (\$64M vs. \$97M)

### Drivers:

- ↓ Generation 76% of budget
- ↓ Higher purchases including for Off-System sales
- ↑ Higher market prices

## Hydro Long-Term Contract Revenue:

↑ YTD result \$23 million above budget (\$66M vs. \$43M)

↑ Annual forecast \$27M higher than budget (\$201M vs. \$174M)

### Drivers:

- ↑ Retained surplus proceeds
- ↓ YTD Combined hydro operating expenses below budget



# Financial Highlights - Revenue

## Service Revenue:

↑ YTD result slightly above budget  
(\$37M vs. \$36M)

↑ Forecast result \$3M above budget  
(\$135M vs. \$132M)

### Drivers:

↑ Higher retail off-system sale due to high market prices despite lower usage ~\$0.6M

↓ Lower HDL/Crypto sales due to lower crypto usage ~\$0.4M

↑ Residential and commercial ~+\$0.4M

## Other Operating Revenue:

↑ YTD results \$3 million above budget  
(\$10M vs. \$7M)

↑ Forecast results \$3M above budget  
(\$30M vs. \$27M)

### Drivers:

↑ Real-Time Agreement variable portion better than budget ~\$2.1M

↑ Cost based contract admin fees better than budget ~\$0.3M

↑ Renewable energy credit sales better than budget ~\$0.4M

# Financial Highlights - Expenses

## Operating Expense:

↓ YTD result \$15M million below budget (\$65M vs. \$81M)

↓ Forecast result \$4M below budget (\$323M vs. \$327M)

### Drivers:

- ↓ Hydro operations and maintenance at 56% of budget
- ↓ Electric Transmission at 65% of budget
- ↓ Self insurance claims expense eliminations, Insurance at 69% of budget
- ↑ Admin & General at 102% of budget

## Non-Operating Net Expense:

↓ YTD result \$0.6M better than budget (\$0.7M vs. -\$0.1M)

↓ Forecast results \$3.5M better than budget (\$3.9M vs. \$0.4M)

### Drivers:

- ↑ Higher interest income from higher cash balances and higher interest rates

# Financial Highlights – Balance Sheet

| <b>Capital Expenditures below budget</b>                  |  |                             |
|---|--|-----------------------------|
|   | <ul style="list-style-type: none"><li>• 2023 YTD Q1 \$23 million vs. budget of \$28 million</li><li>• 2023 forecast \$219 million vs. budget of \$218 million</li></ul>  |                             |
| <b>Selected individual project adjustments:</b>           |  |                             |
| ↑   | Operations and Service Center  | \$8M carried over from 2022 |
| ↓   | Vehicles   | \$4.8M shifted to 2024      |
|   | Bavarian Substation  | \$1.0M shifted to 2024      |
|   | PPB Loop Trail Extension   | \$1.0M shifted to 2024      |
| <b>Cash remains strong, with continued debt reduction</b> |  |                             |
|   | <ul style="list-style-type: none"><li>• Cash balance increased \$44 million in 2023 Q1 due to positive bottom line result while funding capital expenditures, and remains strong at \$584M</li><li>• Debt balance increased \$2 million in 2023 Q1 to \$351M due to capitalized interest</li></ul> |                             |

# Service Revenue

| (in 000s)                  | 2023<br>Actuals<br>YTD | 2023<br>Budget<br>YTD | % of<br>budget | Variance  |
|----------------------------|------------------------|-----------------------|----------------|---|
| Residential Electric       | 12,249                 | 12,189                | 100%           | In line with budget   |
| Commercial Electric        | 5,729                  | 5,436                 | 105%           | Slightly higher activity                                    |
| Industrial Electric        | 1,187                  | 1,305                 | 91%            | Lower load than expected                                    |
| High Density Load          | 1,951                  | 2,391                 | 82%            | Lower crypto loads  |
| Off-System End-Use Sales   | 11,534                 | 10,966                | 105%           | Higher market price rate<br>component offset by lower usage |
| EV Charging Stations       | 25                     | 25                    | 99%            | In line with budget   |
| Other Electric             | 80                     | 65                    | 123%           | Small \$ variance   |
| <b>Electric Service</b>    | <b>32,756</b>          | <b>32,377</b>         | <b>101%</b>    |   |
| <b>Water Service</b>       | <b>1,538</b>           | <b>1,551</b>          | <b>99%</b>     | In line with budget   |
| <b>Wastewater Service</b>  | <b>215</b>             | <b>227</b>            | <b>95%</b>     | In line with budget   |
| <b>Fiber &amp; Telecom</b> | <b>2,078</b>           | <b>2,166</b>          | <b>96%</b>     | In line with budget   |
| <b>Service Revenue</b>     | <b>36,588</b>          | <b>36,321</b>         | <b>101%</b>    |   |

Note: Excludes internal intersystem revenues

# Net Surplus Energy Revenue

| (in 000s)                                  | Actuals<br>YTD 2023 | Budget<br>YTD 2023 | % of<br>budget | Variance  |
|--|---------------------|--------------------|----------------|---|
| Slice Contracts                            | 16,409              | 16,466             | 100%           | In line with budget   |
| Net Block Trades & Other                   | (22,070)            | 7,770              | ---            | Higher market prices on purchases and lower streamflow offset by lower volume of purchases for Off-System sales |
| <b>Net Wholesale Revenue</b>               | <b>(5,661)</b>      | <b>24,236</b>      | <b>---</b>     |   |
| LT Hydro Contracts                         | 66,125              | 42,894             | 154%           | Retained surplus revenues, offset by lower hydro operating expenses   |
| Other Purchased Power                      | (264)               | (253)              | 105%           | Small dollar variance   |
| <b>Hydro LT Contract Rev/<br/>Other PP</b> | <b>65,861</b>       | <b>42,642</b>      | <b>154%</b>    |   |
| <b>Surplus Energy Revenue</b>              | <b>60,200</b>       | <b>66,877</b>      | <b>90%</b>     |   |

**Revenues:** > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

# Operating Expense

| (in 000s)                      | 2023<br>Actuals<br>YTD | 2023<br>Budget<br>YTD | % of<br>budget | Variance  |
|--------------------------------|------------------------|-----------------------|----------------|---|
| Hydro Operations & Maintenance | 11,957                 | 21,332                | 56%            | Project timing  |
| Hydro Fish & Wildlife          | 4,083                  | 5,928                 | 69%            | Project expense forecast reduction                                      |
| Hydro Parks & Recreation       | 1,657                  | 1,889                 | 88%            | Project timing  |
| Electric Distribution          | 4,224                  | 4,723                 | 89%            | Open positions, technology-related contract spending                    |
| Electric Transmission          | 3,073                  | 4,761                 | 65%            | Contract spending timing  |
| Misc. Power Supply Expenses    | 1,437                  | 1,579                 | 91%            | Lower Energy Resources contracts  |
| Water & Wastewater             | 861                    | 954                   | 90%            | Lower contract spending   |
| Fiber Network                  | 1,555                  | 1,460                 | 106%           | Higher fiber network maintenance  |
| Customer Accounts & Service    | 1,165                  | 1,248                 | 93%            | Contract payment timing   |
| Conservation & Customer Assist | 1,233                  | 1,500                 | 82%            | Higher labor to Customer Energy Programs Reg. assets, contract spending |
| Insurance & FERC Fees          | 2,371                  | 3,241                 | 73%            | Lower self insurance claims and stop loss expenses                      |
| Admin & General                | 13,277                 | 12,901                | 103%           | In line with budget   |
| <b>Total</b>                   | <b>46,892</b>          | <b>61,515</b>         | <b>76%</b>     |   |

**Revenues:** > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

# Non-Operating Activity

| (in 000s)                     | 2023<br>Actuals<br>YTD | 2023<br>Budget<br>YTD | % of<br>budget | Variance                                |
|-------------------------------|------------------------|-----------------------|----------------|---|
| Interest Earnings             | 4,160                  | 3,204                 | 130%           | Higher cash balances and interest rates |
| Capital Contributions         | 1,054                  | 2,033                 | 52%            | Lower electric line extensions          |
| Interest Expense              | (4,212)                | (4,281)               | 98%            | In line with budget                     |
| Other Inc/(Exp)               | (262)                  | (845)                 | 31%            | Unallocated PPB not spent               |
| <b>Non-Operating Activity</b> | <b>740</b>             | <b>111</b>            | <b>668%</b>    |   |

**Revenues:** > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

# Integrated Electric

| (in 000s)                      | 2023 Actuals YTD | 2023 Budget YTD | % of budget | Variance  |
|--------------------------------|------------------|-----------------|-------------|---|
| Service Revenue                | 32,781           | 32,400          | 101%        | Impacts of Higher market price component of Off-system sales exceeds lower usage volume; offset by lower HDL load   |
| Net Wholesale Revenue          | (5,661)          | 24,236          | ---         | Higher prices and lower streamflows requiring high market price purchases ; offset by higher market prices on sales |
| Hydro LT Contact Rev/Other PP  | 65,861           | 42,642          | 154%        | Retained surplus proceeds   |
| Other Operating Revenue        | 10,438           | 7,617           | 137%        | Variable portion of real-time agreement   |
| Operating Expense              | (44,569)         | (58,876)        | 76%         | Lower Hydro O&M   |
| Depreciation & Taxes           | (16,360)         | (17,220)        | 95%         | In line with budget   |
| <b>Operating Income/(Loss)</b> | <b>42,490</b>    | <b>30,797</b>   | <b>138%</b> |   |
| Non-Operating Activity         | (3,077)          | (3,824)         | 80%         | Higher interest earnings  |
| <b>Bottom Line</b>             | <b>39,413</b>    | <b>26,973</b>   | <b>146%</b> |   |

**Revenues:** > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District



# Fiber & Telecom

| (in 000s)                      | 2023<br>Actuals<br>YTD | 2023<br>Budget<br>YTD | % of<br>budget | Variance                                |
|--------------------------------|------------------------|-----------------------|----------------|---|
| Service Revenue                | 2,833                  | 2,918                 | 97%            | In line with budget                     |
| Other Operating Revenue        | 1                      | -                     | ---            |   |
| Operating Expense              | (2,377)                | (3,015)               | 79%            | Open positions,<br>less make-ready work |
| Depreciation and Taxes         | (1,098)                | (1,078)               | 102%           | In line with budget                     |
| <b>Operating Income/(Loss)</b> | <b>(641)</b>           | <b>(1,175)</b>        | <b>55%</b>     |   |
| Non-Operating Activity         | 2,174                  | 2,155                 | 101%           | In line with budget                     |
| <b>Bottom Line</b>             | <b>1,533</b>           | <b>980</b>            | <b>156%</b>    |   |

**Revenues:** > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

# Water

| (in 000s)                      | 2023<br>Actuals<br>YTD | 2023<br>Budget<br>YTD | % of<br>budget | Variance                 |
|--------------------------------|------------------------|-----------------------|----------------|--------------------------|
| Service Revenue                | 1,548                  | 1,576                 | 98%            | In line with budget      |
| Other Operating Revenue        | 14                     | 15                    | 95%            | Small \$ variance        |
| Operating Expense              | (1,224)                | (1,324)               | 92%            | Contract costs lagging   |
| Depreciation and Taxes         | (629)                  | (640)                 | 98%            | In line with budget      |
| <b>Operating Income/(Loss)</b> | <b>(291)</b>           | <b>(374)</b>          | <b>78%</b>     |                          |
| Non-Operating Activity         | 111                    | 250                   | 45%            | Lower system connections |
| <b>Bottom Line</b>             | <b>(179)</b>           | <b>(123)</b>          | <b>146%</b>    |                          |

**Revenues:** > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

# Wastewater

| (in 000s)                      | 2023<br>Actuals<br>YTD | 2023<br>Budget<br>YTD | % of<br>budget | Variance               |
|--------------------------------|------------------------|-----------------------|----------------|------------------------|
| Service Revenue                | 215                    | 227                   | 95%            | In line with budget    |
| Other Operating Revenue        | 0                      | 0                     | 76%            | Small \$ variance      |
| Operating Expense              | (204)                  | (233)                 | 88%            | Contract costs lagging |
| Depreciation and Taxes         | (112)                  | (112)                 | 100%           | In line with budget    |
| <b>Operating Income/(Loss)</b> | <b>(101)</b>           | <b>(117)</b>          | <b>86%</b>     |                        |
| Non-Operating Activity         | 1,532                  | 1,530                 | 100%           | PPB allocation         |
| <b>Bottom Line</b>             | <b>1,431</b>           | <b>1,413</b>          | <b>101%</b>    |                        |

**Revenues:** > 100% of budget, positive for District / **Expenses:** < 100% of budget, positive for District

# Actual Cash Balance Comparison to Budget

| (millions)   | 2023          |
|--|---------------|
| <b>Total Cash – Budgeted year-end balance</b>                | <b>\$ 415</b> |
| Key changes in cash results:                                 |               |
| Increase in capital projects                                 | (\$1)         |
| Increase in operating activity                               | \$9           |
| Other changes in A/R, A/P, inventory, etc.                   | \$50          |
| <b>Total Cash – Current forecast year-end balance</b>        | <b>\$ 473</b> |
| Prior quarter – 2022 Q4 year-end forecasted balance for 2023 | \$ 428        |

# *Five-year outlook*

## Key modeling assumptions:

- Past water history and current forward price curve
- Rate increases Electric – 3%, Fiber – 3%, Water & Wastewater 4% (Effective 12/1/2020, each 6/1 thereafter)
- Avista Long-term Power Sales Contract beginning in 2026
- Environmental attribute sales from LT Hydro contract amendment included per contract rates and forecasted generation
- New five-year 5% slice beginning in 2024 included
- Off-system load extended through 2025
- Planned expenditures from 5-year business plans
- Debt reduction plan based on 2023 plan of finance
- Hydro contract terms set at maximum rates
  - Debt Reduction Charge (DRC) - 3% (2022-26)
  - Capital Recovery Charge (CRC) - 50% (2022-26)
- Investment earnings rate
  - (2023-27: 3.01%, 2.92%, 3.03%, 3.26%, 3.47%)



# Combined Five-Year Forecast

| (in 000s)                      | Forecast<br>2023 | Forecast<br>2024 | Forecast<br>2025 | Forecast<br>2026 | Forecast<br>2027 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| Service Revenue                | 134,882          | 135,615          | 138,449          | 89,593           | 90,465           |
| Net Wholesale Revenue          | 64,365           | 111,644          | 145,526          | 141,658          | 167,751          |
| Hydro LT Contract Rev/Other PP | 201,411          | 175,965          | 176,234          | 192,661          | 200,584          |
| Other Operating Revenue        | 29,743           | 22,849           | 23,229           | 25,062           | 25,621           |
| <b>Total Revenue</b>           | <b>430,401</b>   | <b>446,073</b>   | <b>483,437</b>   | <b>448,974</b>   | <b>484,422</b>   |
| Operating Expense              | (248,915)        | (249,012)        | (246,046)        | (235,405)        | (247,018)        |
| Depreciation & Tax Expense     | (73,586)         | (79,187)         | (84,104)         | (84,765)         | (87,084)         |
| <b>Operating Income/(Loss)</b> | <b>107,900</b>   | <b>117,874</b>   | <b>153,288</b>   | <b>128,804</b>   | <b>150,319</b>   |
| Non-Operating Activity         | 3,926            | 359              | 1,783            | 9,570            | 14,262           |
| <b>Bottom Line</b>             | <b>111,826</b>   | <b>118,234</b>   | <b>155,071</b>   | <b>138,374</b>   | <b>164,581</b>   |

|  |               |                |                |                |                |
|--|---------------|----------------|----------------|----------------|----------------|
| <b>Prior Quarter Reported Forecast</b> | <b>77,357</b> | <b>112,042</b> | <b>148,333</b> | <b>130,364</b> | <b>150,824</b> |
|--|---------------|----------------|----------------|----------------|----------------|

|                                |                |                |                |                |                |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Forecast at 2023 Budget</b> | <b>102,746</b> | <b>102,531</b> | <b>125,026</b> | <b>113,339</b> | <b>130,027</b> |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|

# Capital Projects

| (in 000s)                 | Forecast<br>2023 | Forecast<br>2024 | Forecast<br>2025 | Forecast<br>2026 | Forecast<br>2027 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Electric Distribution     | 43,451           | 46,173           | 35,028           | 24,373           | 26,068           |
| Network Transmission      | 21,984           | 30,074           | 25,168           | 1,108            | 3,948            |
| Rocky Reach               | 10,963           | 15,200           | 12,121           | 8,340            | 20,628           |
| Rock Island               | 62,826           | 58,555           | 97,725           | 72,821           | 55,088           |
| Lake Chelan               | 2,694            | 3,461            | 1,351            | 463              | 470              |
| Internal Services         | 63,956           | 8,181            | 5,840            | 4,573            | 6,252            |
| Fiber & Telecom           | 5,751            | 5,563            | 4,793            | 3,912            | 3,103            |
| Water                     | 2,529            | 2,066            | 3,178            | 3,356            | 3,983            |
| Wastewater                | 4,500            | 526              | 78               | 81               | 84               |
| <b>Total Expenditures</b> | <b>218,653</b>   | <b>169,799</b>   | <b>185,282</b>   | <b>119,026</b>   | <b>119,621</b>   |

|   |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|
| <b><i>Prior Quarter Reported Forecast</i></b> | <b>226,682</b> | <b>175,827</b> | <b>192,222</b> | <b>112,880</b> | <b>117,009</b> |
|---|----------------|----------------|----------------|----------------|----------------|

|                                       |                |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b><i>Forecast at 2023 Budget</i></b> | <b>218,156</b> | <b>174,238</b> | <b>195,936</b> | <b>116,009</b> | <b>105,061</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|



# Quarterly Investment Report for the quarter ending March 31, 2023

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #22-14648

## Portfolio Summary

|                                | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | YTD 2023 | WAM |   |
|--------------------------------|---------|---------|---------|---------|----------|-----|---|
| Average Invested Book Value    | \$509 M | \$526 M | \$554 M | \$584 M | \$584 M  |     |   |
| Interest Earned                | \$2.8 M | \$2.9 M | \$3.4 M | \$4.2 M | \$4.2 M  |     |   |
| District Yield                 | 2.21%   | 2.16%   | 2.42%   | 2.90%   | 2.90%    | 968 | <u>Policy Objectives &amp; Compliance</u> |
| <b>Benchmarks:</b>             |         |         |         |         |          |     | + Safety                                  |
| 3 Month T-Bill                 | 1.13%   | 2.71%   | 4.12%   | 4.69%   | 4.69%    | 90  | + Liquidity                               |
| S&P US Treasury 1-3 Year Index | 0.69%   | 1.09%   | 1.63%   | 2.17%   | 2.17%    | 692 | + Maturity Length                         |
| LGIP (State Pool)              | 0.71%   | 2.17%   | 3.64%   | 4.59%   | 4.59%    | 18  | Return on Investment                      |
| Fed Funds Effective            | 0.77%   | 1.48%   | 3.65%   | 4.51%   | 4.51%    | 1   | + Diversification                         |

### Policy Objectives and Compliance:

The District continues to focus on meeting investment policy objectives and compliance limits. Safety of principal is the foremost objective of the District. Diversification limits mitigate credit risk and support the preservation of capital in the overall portfolio. The laddered investment structure continues to be our strategy to support liquidity and maturity objectives and mitigate interest rate volatility over time. However, the laddered structure can result in the District's yield lagging the shorter term 3 month T-Bill benchmark in both declining and rising interest rate conditions. Bank demand deposits and US Treasuries continue to be held in addition to other investments with higher yields such as bank CDs, US Agencies, and Municipal Bonds. For Q1 2023, the District's yield increased to 2.90% (2023 budgeted rate is 2.63%) on an average invested book value of \$584 million due to securing higher yielding cash accounts and investment products in the rising interest rate environment. The multi-year laddered investment strategy continues to maintain overall average investment durations near 2 years. All investments continue to be matched to specific cash flows or mature within 5 years as specified in the investment policy.

### General Commentary:

The Federal Open Market Committee's March 22, 2023 meeting reported recent indicators pointing to modest growth in spending and production. Job gains have picked up in recent months and are running at a robust pace, and the unemployment rate has remained low. Inflation remains elevated. The U.S. banking system is sound and resilient. Recent developments are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring, and inflation. The Committee is highly attentive to inflation risks. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 4.75 to 5.00 percent (up from 4.25 to 4.50 percent). The Committee is strongly committed to returning inflation to its 2 percent objective. In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments. The District anticipates increasing rates in 2023, although at a slowing pace. Global and national events can influence financial markets, which may impact the District.





# Quarterly Investment Report for the quarter ending March 31, 2023

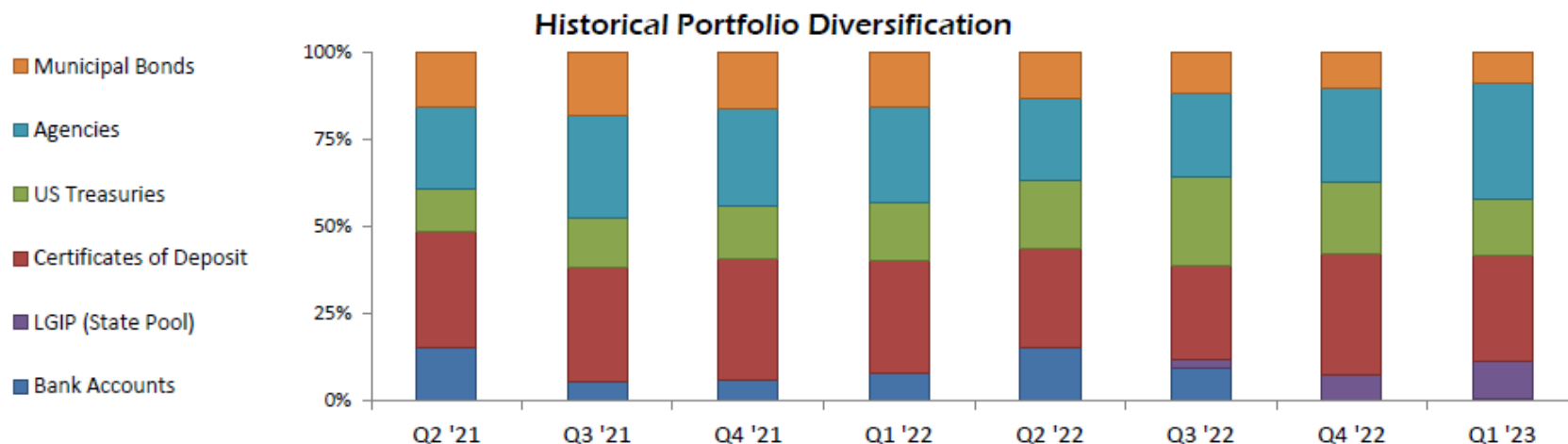
All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #22-14648

## Investments by Type - as of March 31, 2023

|                         | Par Value         | GASB 31 Reported Value |                   | Book Value | Book Value as % of Portfolio | Policy % Limit | WAM        |
|-------------------------|-------------------|------------------------|-------------------|------------|------------------------------|----------------|------------|
| Bank Accounts           | \$ 5,042          | \$ 5,042               | \$ 5,042          | \$ 5,042   | 0.8%                         | 75%            | 1          |
| Certificates of Deposit | \$ 182,348        | \$ 182,348             | \$ 182,348        | \$ 182,348 | 30.6%                        | 40%            | 915        |
| US Treasuries           | \$ 97,232         | \$ 90,219              | \$ 94,454         | \$ 94,454  | 15.8%                        | 100%           | 1,636      |
| LGIP (State Pool)       | \$ 62,813         | \$ 62,813              | \$ 62,813         | \$ 62,813  | 10.5%                        | 25%            | 1          |
| US Agencies             | \$ 208,140        | \$ 194,907             | \$ 200,052        | \$ 200,052 | 33.5%                        | 75%            | 1,058      |
| Municipal Bonds         | \$ 50,445         | \$ 49,174              | \$ 51,661         | \$ 51,661  | 8.7%                         | 30%            | 850        |
| <b>Total:</b>           | <b>\$ 606,020</b> | <b>\$ 584,503</b>      | <b>\$ 596,370</b> |            |                              |                | <b>968</b> |

Numbers may not foot due to rounding





# Quarterly Investment Report for the quarter ending March 31, 2023

All \$ values are shown in '000s

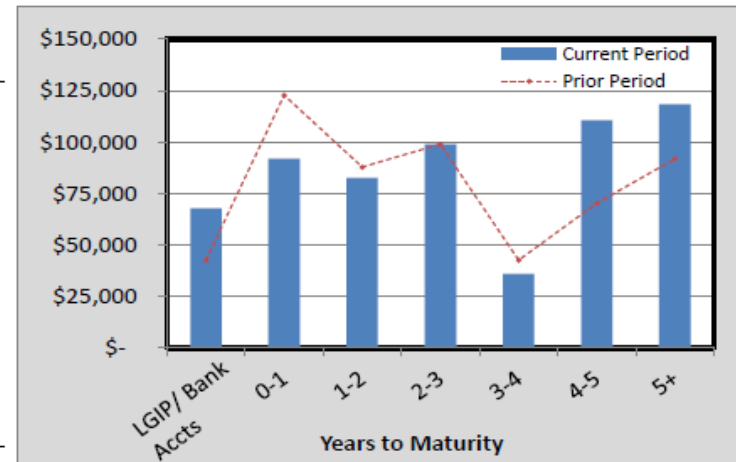
Prepared in accordance with District Banking and Investment Policy #22-14648

## Maturity Distribution - as of March 31, 2023

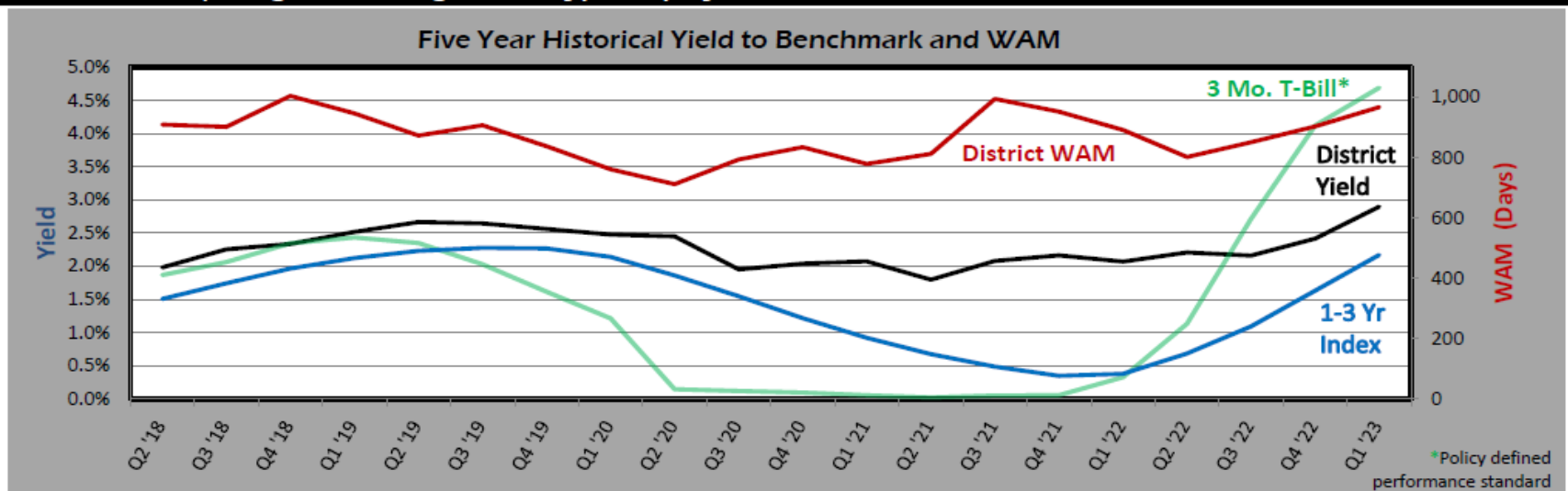
| Maturity      | Par Value  | % of Portfolio | Cumulative % of Portfolio |
|---------------|------------|----------------|---------------------------|
| LGIP          | \$ 62,813  | 10.4%          | 10.4%                     |
| Bank Accounts | \$ 5,042   | 0.8%           | 11.2%                     |
| 1-90 Days     | \$ 49,730  | 8.2%           | 19.4%                     |
| 91-180 Days   | \$ 14,288  | 2.4%           | 21.8%                     |
| 181-365 Days  | \$ 27,850  | 4.6%           | 26.4%                     |
| 1-2 Yrs       | \$ 82,491  | 13.6%          | 40.0%                     |
| 2-3 Yrs       | \$ 98,885  | 16.3%          | 56.3%                     |
| 3-4 Yrs       | \$ 35,890  | 5.9%           | 62.2%                     |
| 4-5 Yrs       | \$ 110,572 | 18.2%          | 80.5%                     |
| 5+ Yrs        | \$ 118,458 | 19.5%          | 100.0%                    |

**Total: \$ 606,020 100%**

Numbers may not foot due to rounding



## Historical Yields/Weighted Average Maturity(WAM), by Quarter



Policy defined performance standard

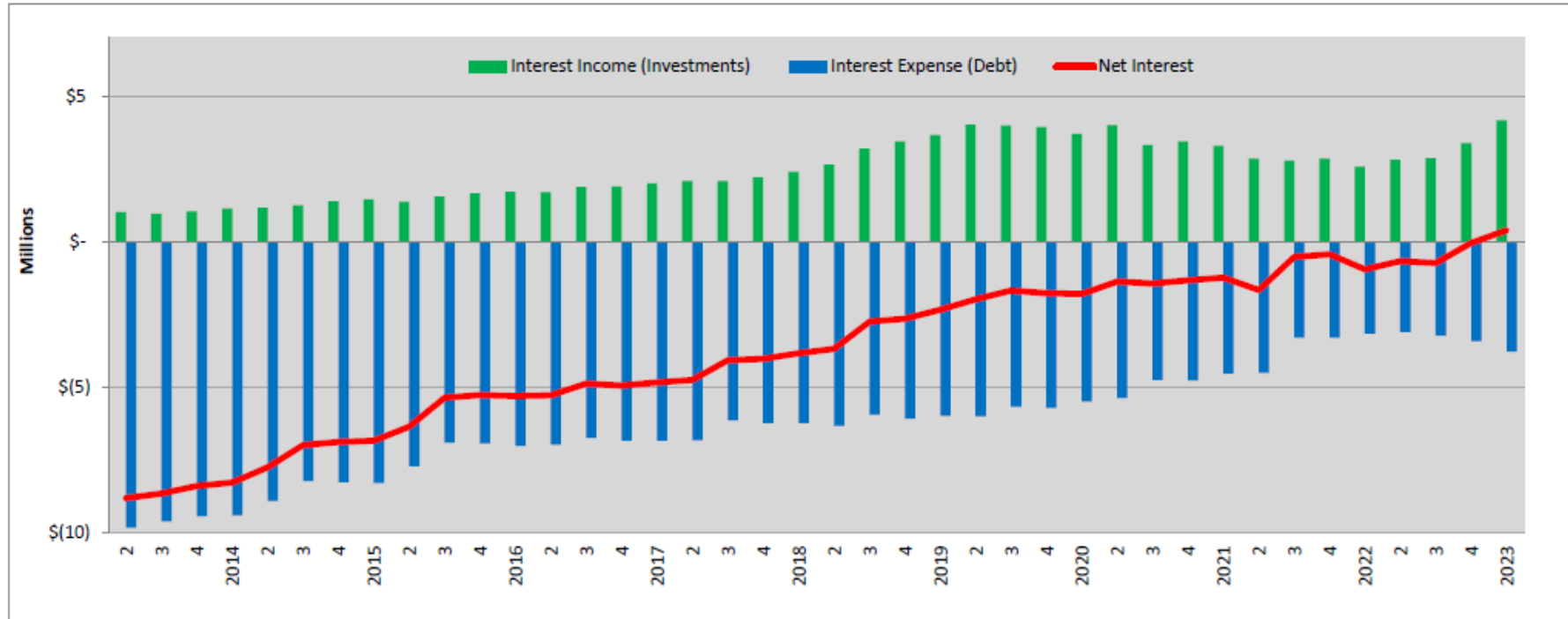


# Quarterly Investment Report for the quarter ending March 31, 2023

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #22-14648

## Historical Net Interest, by Quarter



### Q1 2023 Administrative Updates:

In accordance with Resolution Number 22-14648, during this quarter the District's Treasurer, with concurrence of the Chief Financial Officer, has authorized the following updates:

**Signers:** None

**Initiators:** None

**Banks:** None



## Quarterly Investment Report for the quarter ending March 31, 2023

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #22-14648

### Definitions

*All investment types listed below are authorized by the State Investment Board, RCWs, and District Policy*

**Average Rate of Return-** the amount earned on investments, expressed as an annualized percent of average book value.

**Bank Accounts-** a savings account, checking account or similar account at qualified public depositories. Demand deposit accounts, negotiable order of withdrawal (NOW) accounts, and automatic transfer service (ATS) accounts are examples of bank accounts.

**Book Value-** original cost of a bond less amortization.

**Commercial Paper (CP)** - short term unsecured money market obligation, issued by prime rated commercial firms and financial companies, with maturities from 2 to 270 days, that is a promissory note of the issuer used to finance current obligations.

**Federal Agency Securities (Agency)** - interest bearing debt securities of U.S. departments and agencies which include the 12 Federal Home Loan Banks, the Federal National Mortgage Association, and the Federal Housing Authority. (e.g.: Fannie Mae (FNMA, FNDN), Freddie Mac (FHLMC, FMCDN), Federal Home Loan Bank (FHLB, FHDN) and Federal Farm Credit Bank Notes (FFCB)).

**Forward Purchase and Sale Agreement (FPSA)** - contract that provides for the delivery of specific types of securities on specified future dates at fixed yields.

**GASB 31 Market Value-** the securities' reported value, according to Government Accounting Standards Board Rule 31. If a security has a maturity of greater than one year at the time of purchase, it is reported at market value. If it has a maturity of less than one year at the time of purchase, it is reported at its book value.

**Local Government Investment Pool (LGIP)** - funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment. These funds are completely liquid, there is no required holding period or fixed maturity date.

**Municipal Bonds** - Debt (bonds, notes, warrants, etc.) issued by a state or local government or municipality as authorized by RCW 39.59.020.

**Par Value-** the stated or face value of a bond.

**Treasury Bills (T-Bill)** - short-term U.S. Treasury security with maturities of 13, 26, or 52 weeks.

**Treasury Notes (T-Note)** - intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of less than 10 years and paying interest semiannually.

**Unamortized Book Value** - remaining premium/discount on a fixed income security, equal to the difference between par and book value.

**Weighted Average Maturity (WAM)-** average amount of time for securities to mature, weighted by each security's book value.