



Chelan County PUD

# 2021 Financial Review

*(Results are preliminary pending annual audit)*



## Board Presentation

February 22, 2022

# What We Will Cover Today

- **Financial highlights**
- **Year-end results**
- **Look back**
- **Look ahead**
- **Investment report**
- **Key take-aways**

**Update only, no action required**

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

# 2021 Highlights

## **Bottom-line results better than budget**

- Ongoing operations were better than budget - both higher revenues and lower operating costs led to strong results
- Strong wholesale market prices added significant retained surplus proceeds from LT contract - we can't count on this revenue every year
- One-time adjustment to implement use of regulatory accounting for actuarial changes in pension expense further added to strong results

## **Capital spending lower than budget with good progress**

- Accomplished significant level of investment in core assets even with slowed supply chains and some project schedules shifted to future periods

## **Financial targets on-track**

- District financial metrics were met

## **COVID-19 financial impacts continue to be manageable**

# 2021 Overview

## Revenue

### Service Revenue in line with budget

- ↓ HDL load growth continues to lag
- ↓ Commercial sales COVID-related load impacts
- ↑ Off-system end-use sales; volume down but average market price rate component higher

### Net Wholesale Revenue \$1M below budget

- ↓ Lower energy production due to lower streamflow
- ↑ More energy available to sell due to lower retail use
- ↑ Stronger market prices increased revenue
- ↓ Stronger market prices increased purchased power costs

### Hydro Contract Revenue \$30M above budget

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

### Other Operating Revenue \$6M above budget

- ↑ Variable portion of real-time agreement

**Total Revenues \$35M above budget**

## Expense

### Operating Expenses \$21M below budget

- ↓ O&M at the hydros due to revised project schedules

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

- ↑ Higher customer line extension contributions (\$1M)

### Total Net Expenditures \$22M below budget

*(Excludes \$26M pension actuarial adjustment)*

### Special Item

- ↑ Pension actuarial adjustment (\$26M)

## Bottom Line

- ↑ Higher revenues
- ↓ Lower expenses

### Bottom Line \$137M for the year

- ↑ Ongoing operations \$78M
- ↑ Non-recurring retained surplus \$33M
- ↑ Pension actuarial adjustment \$26M

### Ongoing operations \$25M better than budget

**Total is \$84M better including non-budgeted items**

# 2021 Overview

## Capital

**Actual capital expenditures of \$165M**

↓ \$29M below budget

### Capital forecast adjustments

- ↓ Operations and Service Center
- ↓ RI PH1 modernization delays
- ↓ RI PH2 Rehab delays
- ↓ Substation schedule adjustments
- ↓ Advanced Metering Infrastructure

**Capital expenditures surpassed prior high of \$115M in 2020**

*Compares to Q3 forecast of \$176M*

## Cash

**Cash and investments balance of \$508M**

- ↓ Decreased by \$163M from year-end
- ↓ Debt service payments and retirements
- ↓ Capital spending

**Cash being utilized for planned capital spending and scheduled debt reductions**

↑ \$73M better than budget

*Compares to Q3 forecast of \$496M*

## Debt

**Debt balance of \$396M**

**2021 Debt reduction of \$110M**

- ↓ \$73M of retirements using 2020 debt refinancing funds
- ↓ \$37M of net scheduled and 6 mos. advanced payments



# 2021 Bottom Line Results

(in 000s)	2021 Actuals	2021 Budget	% of budget
Service Revenue	96,104	96,433	100%
Net Wholesale Revenue	66,216	67,340	98%
Hydro LT Contract Rev/Other PP	171,704	141,459	121%
Other Operating Revenue	30,194	23,898	126%
Operating Expense	(193,772)	(213,294)	91%
Depreciation & Tax Expense	(59,025)	(60,657)	97%
<b>Operating Income/(Loss)</b>	<b>111,422</b>	<b>55,179</b>	<b>202%</b>
Non-Operating Activity	(1,062)	(1,962)	54%
Pension Actuarial Adjustment	26,428		---
<b>Bottom Line</b>	<b>136,788</b>	<b>53,216</b>	<b>257%</b>

Bottom Line Forecast for Q3 2021 was \$98M, 188% of budget

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

# 2021 Business Line Bottom Line Results

(in 000s)	2021 Actuals	2021 Budget	% of budget
Integrated Electric	128,424	49,531	259%
Fiber & Telecom	5,331	2,630	203%
Water	1,461	534	273%
Wastewater	(225)	(379)	59%
Intra-system eliminations	1,797	900	200%
<b>Combined Bottom Line</b>	<b>136,788</b>	<b>53,216</b>	<b>257%</b>

Actuals include non-cash pension actuarial adjustment benefit: IE \$24,475K, Fiber \$1,238K, Water \$592K, Wastewater \$122K

Intra-system elimination is Fiber/Distribution make ready work, variance is due to accelerated plan

**Bottom line:** >100% better than budget / <100% less than budget

# Capital Expenditures

(in 000s)	2021 Actuals	2021 Budget	% of budget
Electric Distribution	24,104	33,383	72%
Network Transmission	1,409	1,450	97%
Rocky Reach	7,742	11,248	69%
Rock Island	55,335	63,791	87%
Lake Chelan	194	1,571	12%
Internal Services	68,855	75,110	92%
Fiber & Telecom	5,674	5,697	100%
Water	1,361	1,385	98%
Wastewater	256	400	64%
<b>Total Expenditures</b>	<b>164,930</b>	<b>194,036</b>	<b>85%</b>
Contributions	(6,160)	(6,232)	99%
<b>Capital net of CIAC</b>	<b>158,771</b>	<b>187,804</b>	<b>85%</b>

*Accomplishing strategic goal to invest in assets with 2021 Total Expenditures surpassing previous top spending years of \$115.4M in 2020 and \$114.8M in 2002 for the Fish Bypass system*



# Overview - 2021 Cash Flow

	\$ Million
Bottom line result (2021)	\$137
Add back non-cash expenses (depreciation/amortization)	\$47
Reverse non-cash pension adjustment	(\$26)
<b>Estimated earned funds from operations</b>	<b>\$ 158</b>
Capital project expenditures	(\$165)
Net debt activity (refunding and payments)	(\$110)
Other misc. impacts (change in A/R, A/P, Inventory, Etc.)	(\$ 46)
<b>Estimated use of funds</b>	<b>(\$321)</b>
<b>Added to (Use of) cash reserves</b>	<b>(\$163)</b>
Cash and investments, beginning of year	\$ 671
Added to (Use of) cash reserves	(\$163)
<b>Cash and investments 2021</b>	<b>\$ 508</b>

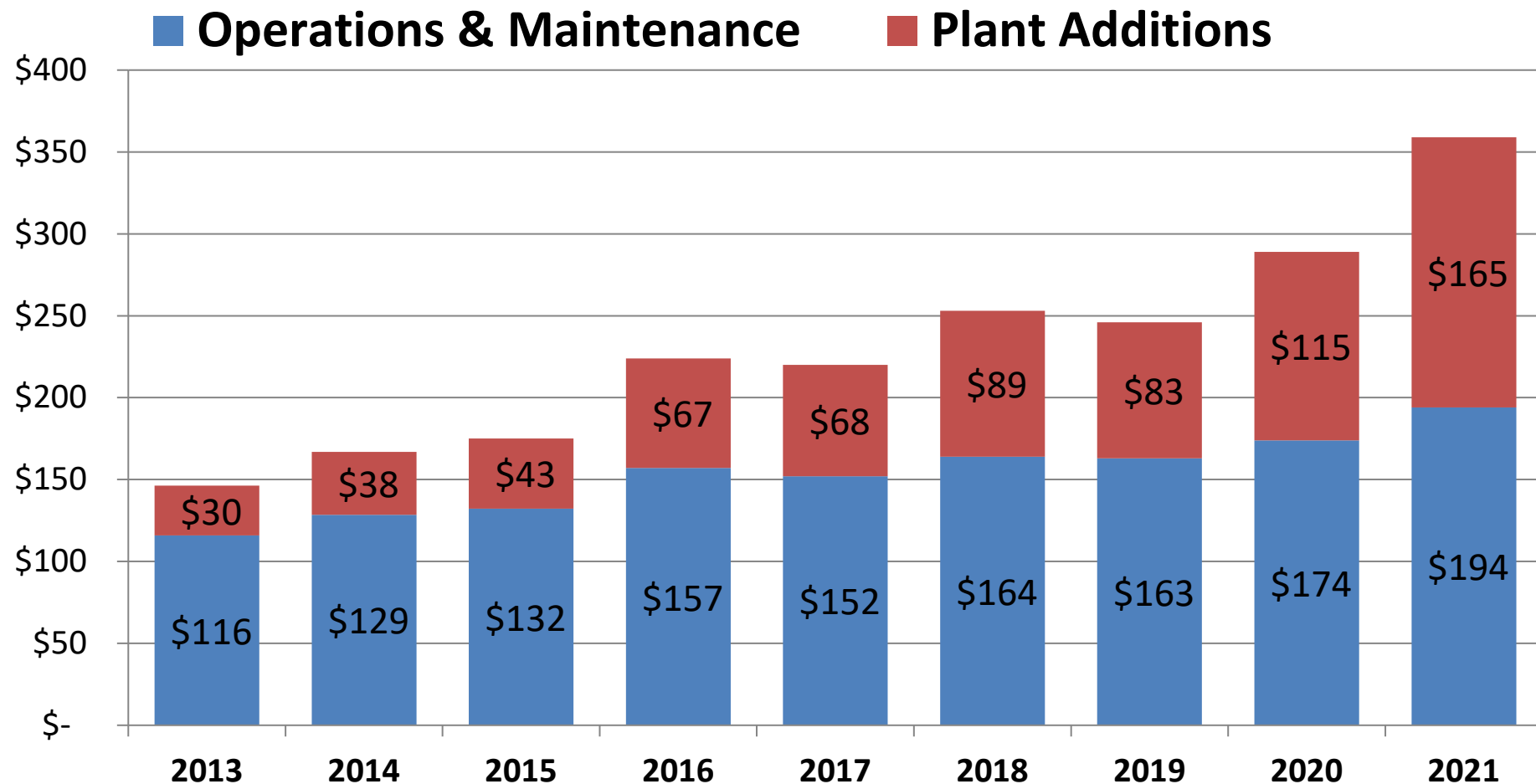
# Cash & Investments Balance

(\$ Millions)	<u>12/31/21</u>	<u>12/31/20</u>
Unrestricted funds	\$270	\$377
Board Designated*:		
Electric Rate Support Fund	2	N/A
Headquarters/Service Center Strategic Facilities Fund	<u>50</u>	<u>50</u>
<b>Total Unrestricted Funds</b>	<b>\$322</b>	<b>\$427</b>
Restricted funds for hydro capital/debt	<u>93</u>	<u>74</u>
<b>Total Liquidity (policy minimum \$175M)</b>	<b>\$415</b>	<b>\$501</b>
Restricted - bond reserve funds	47	58
Restricted - construction funds (2020 bonds)	14	78
Restricted - power contract deposits	19	19
Restricted - self insurance and other funds	<u>13</u>	<u>15</u>
<b>Total Cash and Investments</b>	<b><u>\$508</u></b>	<b><u>\$671</u></b>

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

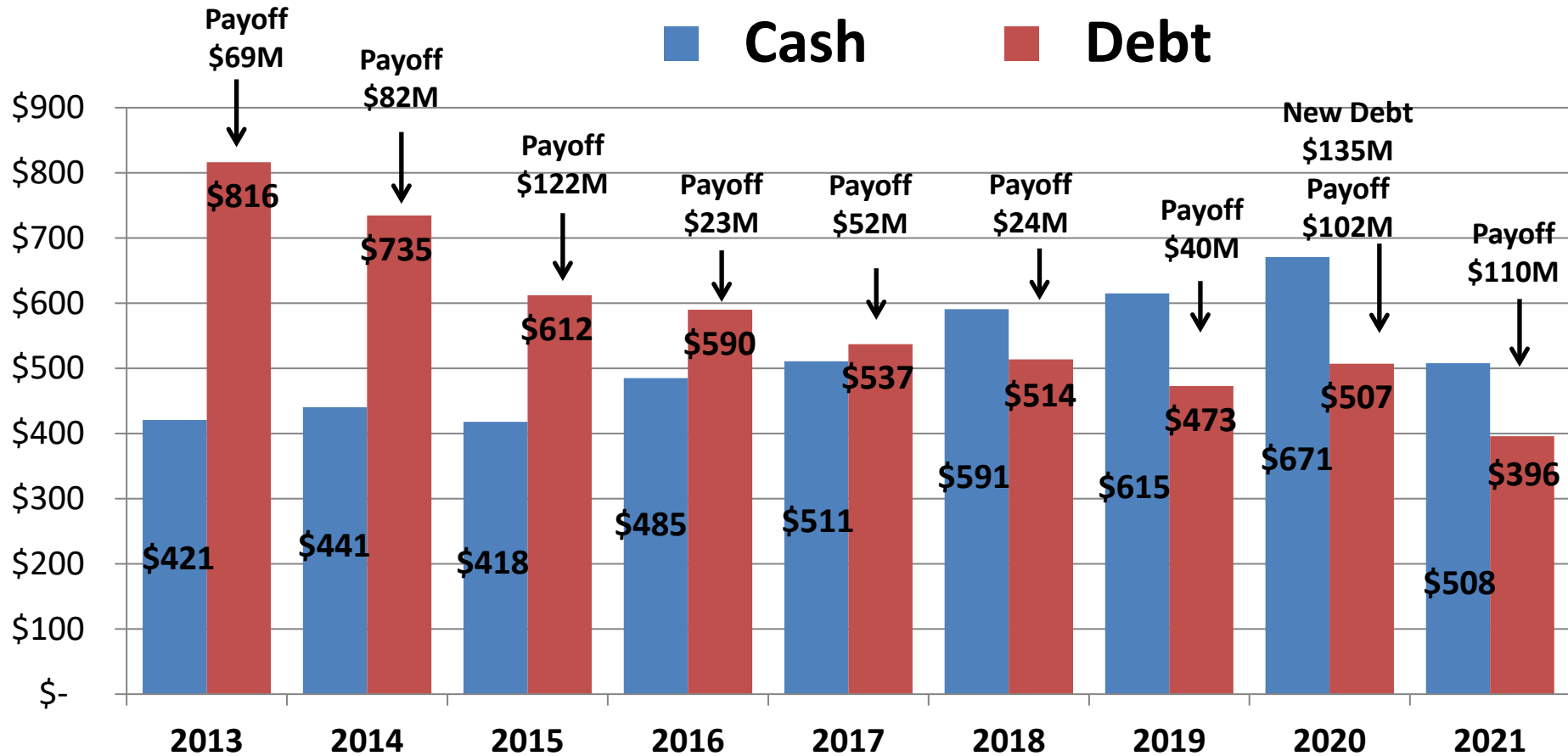
# *Historical Review of the District's Financial Results*

*(amounts in millions)*



# Historical Review of the District's Financial Results

(amounts in millions)



# Quarterly Reporting Requirement - Financial Policies

District Combined	2021	2022	2023	2024	2025
Liquidity (Greater calculated min \$175M-\$210M, Expected)	\$415M	\$276M	\$219M	\$222M	\$216M*
Liquidity (Greater calculated min \$175M-\$210M, Unusual)		\$269M	\$219M	\$223M	\$216M*
Debt Ratio (Expected case <35% by 2019)	23.0%	20.1%	19.2%	18.4%	16.7%
Debt Ratio (Unusual case <35% by 2019)		20.2%	20.4%	20.3%	19.6%
Days Cash on Hand (Expected case >250)	414	304	251*	251*	251*
Days Cash on Hand (Unusual case > 250)		296*	251*	252*	250*
Combined Debt Cover (Expected case > 2.00x)	3.28	2.32	3.16	3.22	3.43
Combined Debt Cover (Unusual case >1.25x)		2.19	2.73	2.81	2.79
Bottom Line Results (Expected case)	\$137M	\$60M	\$65M	\$70M	\$78M
Bottom Line Results (Unusual case)		\$53M	\$50M	\$57M	\$57M
Debt Outstanding (Expected case)	\$396M	\$349M	\$344M*	\$343M*	\$321M*
Debt Outstanding (Unusual case)		\$349M	\$366M	\$379M*	\$377M*

\* - Financial Policy Metrics within 10% of target which requires Board communication per resolution. Action plan assumes issuance of debt in 2023-2025 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
	Forecast for 2024		
Operating Cover Percentage (target by 2024)	>104.0%	>62.0%	>80.0%
Operating Cover Percentage (forecast Q4)	105.1%	61.5%	90.9%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast Q4)	\$0.6M	\$2.1M	\$21.6M
Debt Service as a % of Rev (target by 2024)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (forecast Q4)	8.4%	12.2%	---

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 #16-14094

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	YE 2021	WAM
Average Invested Book Value (\$M)	\$644	\$634	\$529	\$523	\$582	
District Yield	2.07%	1.80%	2.08%	2.16%	2.02%	953
Benchmarks:						
3 Month T-Bill	0.05%	0.02%	0.05%	0.06%	0.05%	92
S&P US Treasury 1-3 Year Index	0.92%	0.67%	0.49%	0.35%	0.61%	700

- Q4 2021 yield increased to 2.16% due to the early call of an investment and the associated accelerated recognition of related interest earnings. (2021 budgeted rate is 2.17%)
- December 2021 Federal Open Market Committee meeting report:
  - Committee stated that it is committed to using its full range of tools to support the U.S. economy in this challenging time
  - 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 maintained at 0.00% to 0.25% (0.00% to 0.25% for 2021 Q3)
- Laddered investment structure continues to be our strategy to support safety of principal and liquidity and mitigate interest rate volatility

## Policy Objectives & Compliance

- Safety
- Liquidity
- Return on Investment
- Diversification
- Maturity Length

*Full report is in the Appendix.*

# Key Take-Aways

- 2021 results are better than budget from both ongoing operations and infrequent revenues we can't count on every year
- Accomplished significant level of investment in core assets on strategic path to ensure long-term value
- Results support long-term plans for significant capital investments that are expected to fully use cash reserves in next few years
- District long-term financial metrics on track including an assumed new debt issuance in the next five-year planning horizon
- COVID-19 impacts continue to be manageable
- Recommend staying the course with 2020-2024 strategic plan goals



# 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:

↔ 2021 results within \$1 million of budget (\$66M vs. \$67M)

↔ Annual result in line with Q3 forecast (\$66M vs. \$67M)

### Drivers:

- ↓ Generation 94% of budget  
(Q3 forecast for YE @ 93% of budget)
- ↑ Retail load 91% of budget
- ↑ Higher market prices

## Hydro Long-Term Contract Revenue:

↑ 2021 results \$30 million above budget (\$172M vs. \$142M)

↑ Annual results \$6M higher than Q3 forecast (\$172M vs. \$166M)

### Drivers:

- ↑ Retained surplus proceeds
- ↑ Debt cost on new Internal Hydro loans
- ↓ YTD Combined hydro “cost based” operating expenses below budget

# Financial Highlights - Revenue

## Service Revenue:

↔ 2021 result in line with budget  
(\$96M vs. \$96M)

↓ Annual result \$4M below Q3 forecast  
(\$96M vs. \$100M)

### Drivers:

↓ Lower HDL sales due to lagging ramping plans ~\$2M

↑ Higher retail off-system sale due to market prices ~\$3M

↓ Lower commercial sales due to impacts from Covid-19 ~\$1M

## Other Operating Revenue:

↑ 2021 results \$6 million above budget  
(\$30M vs. \$24M)

↑ Annual results \$3M above Q3 forecast

### Drivers:

↑ Real-Time Agreement variable portion better than budget ~\$5M

# Financial Highlights - Expenses

## Operating Expense:

↓ 2021 result \$21M million below budget (\$253M vs. \$274M)

↓ Annual results \$10M below Q3 forecast (\$253M vs. \$263M)

### Drivers:

- ↓ Hydro operations and maintenance at 82% of budget
- ↓ Electric Distribution at 89% of budget
- ↓ Fiber Network spending at 71% of budget

## Non-Operating Net Expense:

↓ 2021 result \$27M better than budget (\$25M vs. -\$2M)

↓ Annual results \$25M better than Q3 forecast (\$25M vs. \$0M)

### Drivers:

- ↑ Pension actuarial adjustment \$26M
- ↑ Customer line extension contributions exceeding budget \$1M

# Financial Highlights – Balance Sheet

Capital Expenditures below budget		
<ul style="list-style-type: none"> <li>• 2021 \$165 million vs. budget of \$194 million (Orig. \$189M)</li> <li>• 2021 Annual results \$11M below Q3 forecast of \$176M</li> </ul>		
Selected individual project adjustments:		
↑	RI PH2 DTG Cyl & HPU Upgrade	\$1.8M added
	Ohme Substation	\$1.1M shifted to 2021
↓	RI PH1 Modernization	\$8.5M shifted to 2022-2024
	Operations and Service Center	\$19.5M shifted to 2022-2023
	RR-CM Facilities Upgrade	\$2.5M shifted to 2022
	RI PH2 Rehab	\$5.9M shifted to 2022-2023
	Substations (Wen, Bav, N. Shore)	\$5.7M shifted to 2022-2024
	Advanced Metering Infrastructure	\$4.5M shifted to 2023
	RI PH2 Gantry & Bridge Cranes	\$5.4M shifted to 2022
	RI PH1 Intake Gantry Crane	\$3.4M shifted to 2023
	RR Tailrace Gantry Crane	\$3.0M shifted to 2023
	Chelan-Manson T-Line Rebuild	\$2.0M savings, \$0.2M shift to 2022
Cash remains strong, with continued debt reduction		
<ul style="list-style-type: none"> <li>• Cash balance decreased \$163 million in 2021 to fund debt reduction and capital expenditures, while remaining strong at \$508M</li> <li>• Debt balance decreased ~\$110 million in 2021 to \$396M</li> </ul>		

# Service Revenue

(in 000s)	2021 Actuals	2021 Budget	% of budget	Variance
Residential Electric	28,837	29,293	98%	In line with budget
Commercial Electric	16,413	17,569	93%	Mild winter temperatures / COVID Impacts
Industrial Electric	5,196	5,501	94%	Small dollar variance
High Density Load	3,944	5,570	71%	Lower than expected load growth
Off-System End-Use Sales	24,325	21,375	114%	Lower usage but higher market component of rate
Other Electric	1,658	1,504	110%	Small dollar variance
<b>Electric Service</b>	<b>80,373</b>	<b>80,811</b>	<b>99%</b>	
<b>Water Service</b>	<b>6,847</b>	<b>6,787</b>	<b>101%</b>	In line with budget
<b>Wastewater Service</b>	<b>809</b>	<b>808</b>	<b>100%</b>	In line with budget
<b>Fiber &amp; Telecom</b>	<b>8,075</b>	<b>8,026</b>	<b>101%</b>	In line with budget
<b>Service Revenue</b>	<b>96,104</b>	<b>96,433</b>	<b>100%</b>	

*Note: Excludes internal intersystem revenues*

# Net Surplus Energy Revenue

(in 000s)	2021 Actuals	2021 Budget	% of budget	Variance
Slice Contracts	73,376	73,602	100%	In line with budget
Net Block Trades & Other	(7,160)	(6,262)	114%	Increased power price impact on wholesale purchases
<b>Net Wholesale Revenue</b>	<b>66,216</b>	<b>67,340</b>	<b>98%</b>	
LT Hydro Contracts	173,026	142,779	121%	Retained surplus revenues, offset by lower hydro operating expenses
Less: Other Purchased Power	(1,322)	(1,320)	100%	In line with budget
<b>Hydro LT Contract Rev/ Other PP</b>	<b>171,704</b>	<b>141,459</b>	<b>121%</b>	
<b>Surplus Energy Revenue</b>	<b>237,920</b>	<b>208,799</b>	<b>114%</b>	

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

# Operating Expense

(in 000s)	2021 Actuals	2021 Budget	% of budget	Variance
Hydro Operations & Maintenance	59,174	71,810	82%	Project delays, shift in labor to capital projects
Hydro Fish & Wildlife	18,688	20,444	91%	Project expense timing
Hydro Parks & Recreation	10,844	8,861	122%	Discovery Center projects from 2020 budget
Electric Distribution	17,567	19,653	89%	Tree Trimming, open positions
Electric Transmission	13,360	14,357	93%	Open positions, maintenance contract spending
Misc. Power Supply Expenses	4,682	5,108	92%	Small dollar variance
Water & Wastewater	3,456	3,325	104%	In line with budget
Fiber Network	4,407	6,213	71%	Open positions, maintenance & operations contracts
Customer Accounts & Service	4,510	4,782	94%	Contract spending timing
Conservation & Customer Assist	4,129	4,761	87%	Amortization of reg. assets/ Customer Energy Programs
Insurance & FERC Fees	9,208	10,658	86%	Self Insurance claims expense eliminations
Other Admin & General	43,748	43,322	101%	In line with budget
<b>Total</b>	<b>193,772</b>	<b>213,294</b>	<b>91%</b>	

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



# Non-Operating Activity

(in 000s)	2021 Actuals	2021 Budget	% of budget	Variance
Interest Earnings	11,594	12,609	92%	Lower interest rates
Capital Contributions	6,826	5,959	115%	Electric line extensions and Water connections
Interest Expense	(21,330)	(21,907)	97%	In line with budget
Other Inc/(Exp)	1,848	1,377	134%	In line with budget
Pension Actuarial Adjustment	26,428		---	Pension actuarial adjustment
<b>Non Operating Activity</b>	<b>25,366</b>	<b>(1,962)</b>	<b>---</b>	

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

# Integrated Electric

(in 000s)	2021 Actuals	2021 Budget	% of budget	Variance
Service Revenue	80,470	80,906	99%	Mild winter temperatures, lower HDL load: offset by higher Off-system sales
Net Wholesale Revenue	66,216	67,340	98%	In line with budget
Hydro LT Contact Rev/Other PP	171,704	141,459	121%	Retained surplus proceeds
Other Operating Revenue	32,076	25,352	127%	Variable portion of real-time agreement
Operating Expense	(186,435)	(203,274)	92%	Lower Hydro O&M
Depreciation & Taxes	(52,231)	(53,878)	97%	In line with budget
<b>Operating Income/(Loss)</b>	<b>111,800</b>	<b>57,905</b>	<b>193%</b>	
Non-Operating Activity	(7,850)	(8,373)	94%	Higher capital contributions that offset debt expenses
Pension Actuarial Adjustment	24,475		---	Pension actuarial adjustment
<b>Bottom Line</b>	<b>128,424</b>	<b>49,531</b>	<b>259%</b>	

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

# Fiber & Telecom

(in 000s)	2021 Actuals	2021 Budget	% of budget	Variance
Service Revenue	11,335	11,094	102%	In line with budget
Other Operating Revenue	3	2	174%	Small dollar variance
Operating Expense	(9,190)	(10,322)	89%	Open positions, maintenance & operations contract spending
Depreciation and Taxes	(3,866)	(3,854)	100%	In line with budget
<b>Operating Income/(Loss)</b>	<b>(1,718)</b>	<b>(3,080)</b>	<b>56%</b>	-
Non Operating Activity	5,811	5,710	102%	In line with budget
Pension Actuarial Adj.	1,238		---	Pension actuarial adjustment
<b>Bottom Line</b>	<b>5,331</b>	<b>2,630</b>	<b>203%</b>	

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

# Water

(in 000s)	2021 Actuals	2021 Budget	% of budget	Variance
Service Revenue	7,080	6,999	101%	In line with budget
Other Operating Revenue	51	63	81%	Small dollar variance
Operating Expense	(4,602)	(4,636)	99%	In line with budget
Depreciation and Taxes	(2,481)	(2,480)	100%	In line with budget
<b>Operating Income/(Loss)</b>	<b>48</b>	<b>(54)</b>	<b>---</b>	
Non Operating Activity	821	589	139%	Higher system connections
Pension actuarial adj.	592		---	Pension actuarial adjustment
<b>Bottom Line</b>	<b>1,461</b>	<b>534</b>	<b>273%</b>	

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

# Wastewater

(in 000s)	2021 Actuals	2021 Budget	% of budget	Variance
Service Revenue	809	808	100%	In line with budget
Other Operating Revenue	1	2	53%	Small \$ variance
Operating Expense	(868)	(857)	101%	In line with budget
Depreciation and Taxes	(446)	(444)	100%	In line with budget
<b>Operating Income/(Loss)</b>	<b>(505)</b>	<b>(491)</b>	<b>103%</b>	
Non Operating Activity	157	113	140%	Higher connections
Pension Actuarial Adj.	122		---	Pension actuarial adjustment
<b>Bottom Line</b>	<b>(225)</b>	<b>(379)</b>	<b>59%</b>	

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

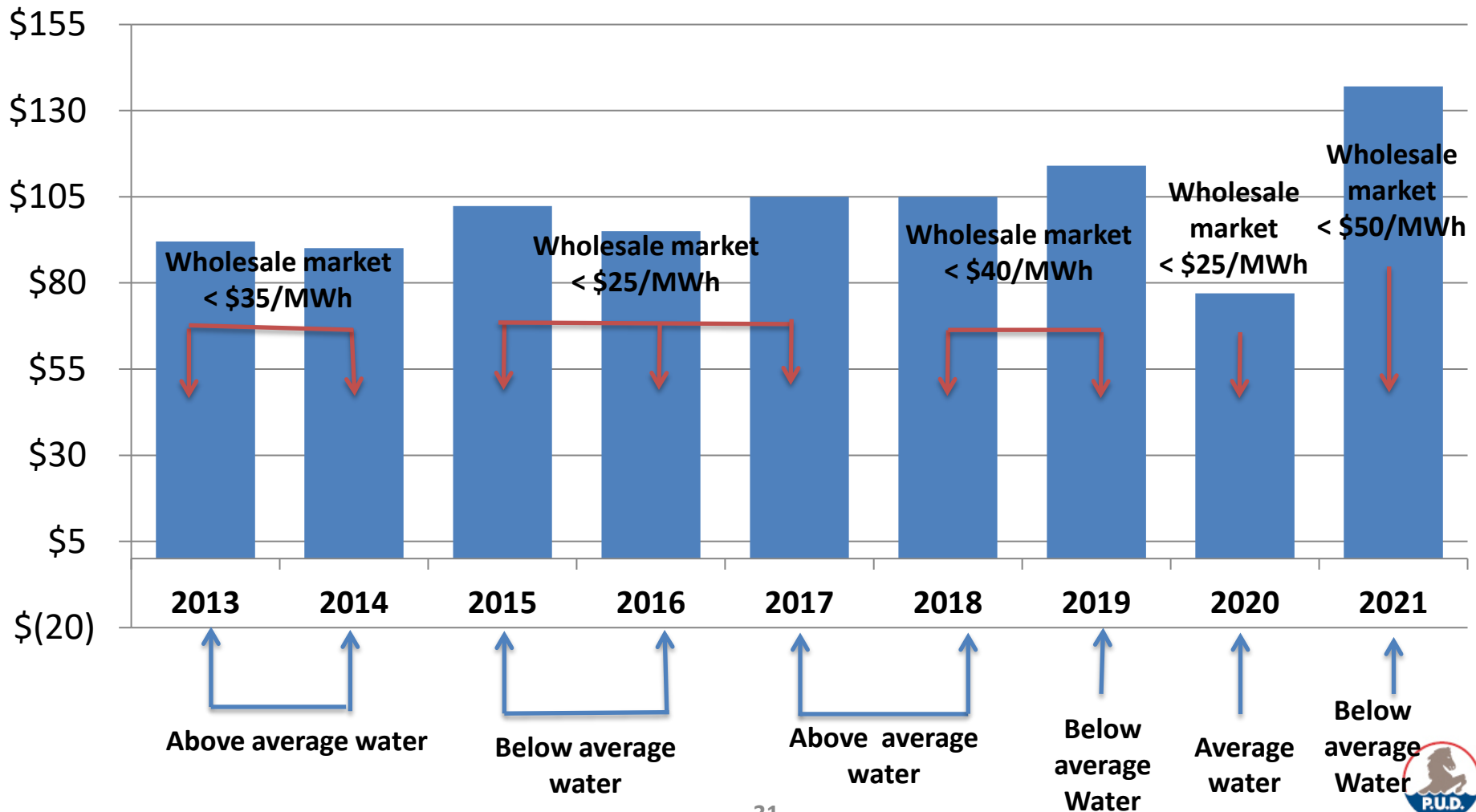
# Actual Cash Balance Comparison to Budget

(millions)	2021
<b>Total Cash – Budgeted year-end balance</b>	<b>\$ 435</b>
Key changes in cash results:	
Decrease in capital projects (vs. original \$189M budget)	\$24
Increase in operating activity (net of \$26M non-cash pension actuarial adjustment)	\$58
Other changes in A/R, A/P, inventory, etc.	(\$9)
<b>Total Cash – 2021 year-end balance</b>	<b>\$ 508</b>
Prior quarter – 2021 Q3 year-end forecasted balance for 2021	\$ 496

# Review of the District's Past Financial Results

(amounts in millions)

## ■ "Bottom-Line"



# *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)
- Planned expenditures from 5-year business plans
- Debt reduction plan based on 2022 plan of finance
- Hydro contract terms set at maximum rates
  - Debt Reduction Charge (DRC) - 3% (2021-25)
  - Capital Recovery Charge (CRC) - 50% (2021-25)
- Investment earnings rate
  - (2022-26: 2.20%, 2.23%, 2.08%, 1.91%, 2.07%)



# Combined Five-Year Forecast

(in 000s)	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
Service Revenue	116,485	122,522	100,799	95,155	96,000
Net Wholesale Revenue	64,284	78,102	112,257	128,985	128,884
Hydro LT Contract Rev/Other PP	153,903	151,260	153,309	147,168	146,813
Other Operating Revenue	25,158	21,743	22,153	22,139	22,199
<b>Total Revenue</b>	<b>359,829</b>	<b>373,627</b>	<b>388,518</b>	<b>393,447</b>	<b>393,896</b>
Operating Expense	(225,749)	(226,693)	(233,573)	(225,483)	(228,353)
Depreciation & Tax Expense	(63,645)	(71,237)	(74,453)	(76,805)	(79,292)
<b>Operating Income/(Loss)</b>	<b>70,435</b>	<b>75,697</b>	<b>80,492</b>	<b>91,159</b>	<b>86,251</b>
Non-Operating Activity	(2,430)	(7,630)	(8,849)	(9,688)	(5,072)
<b>Bottom Line</b>	<b>68,005</b>	<b>68,068</b>	<b>71,643</b>	<b>81,471</b>	<b>81,179</b>

<b>Prior Quarter Reported Forecast</b>	<b>57,440</b>	<b>61,941</b>	<b>65,409</b>	<b>70,521</b>	<b>73,691</b>
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<b>Forecast at 2021 Budget</b>	<b>40,583</b>	<b>53,090</b>	<b>56,664</b>	<b>44,597</b>	<b>56,111</b>
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2026 forecasted revenues do not include the impact of the recent 20-yr Avista power contract

# Capital Projects

(in 000s)	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
Electric Distribution	33,249	38,448	30,157	20,961	16,226
Network Transmission	1,236	2,082	5,837	5,030	5,608
Rocky Reach	8,082	13,090	8,101	5,853	9,143
Rock Island	54,488	81,537	49,446	68,225	48,666
Lake Chelan	3,421	1,999	678	839	463
Internal Services	85,908	10,331	5,196	4,341	3,444
Fiber & Telecom	7,131	4,533	5,552	5,336	3,741
Water	2,399	2,158	4,750	3,650	3,771
Wastewater	461	2,610	131	78	81
<b>Total Expenditures</b>	<b>196,373</b>	<b>156,787</b>	<b>109,848</b>	<b>114,313</b>	<b>91,142</b>

<b><i>Prior Quarter Reported Forecast</i></b>	<b>206,772</b>	<b>148,362</b>	<b>107,699</b>	<b>111,225</b>	<b>92,871</b>
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<b><i>Forecast at 2021 Budget</i></b>	<b>179,506</b>	<b>100,248</b>	<b>76,132</b>	<b>83,525</b>	<b>105,142</b>
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# Quarterly Investment Report for the quarter ending December 31, 2021

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #16-14094

## Portfolio Summary

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	YE 2021	WAM	
Average Invested Book Value	\$644 M	\$634 M	\$529 M	\$523 M	\$582 M		
Interest Earned	\$3.3 M	\$2.8 M	\$2.8 M	\$2.9 M	\$11.7 M		
District Yield	2.07%	1.80%	2.08%	2.16%	2.02%	953	
Benchmarks:							
3 Month T-Bill	0.05%	0.02%	0.05%	0.06%	0.05%	92	
S&P US Treasury 1-3 Year Index	0.92%	0.67%	0.49%	0.35%	0.61%	700	
LGIP (State Pool)	0.13%	0.08%	0.11%	0.09%	0.10%	45	
Fed Funds Effective	0.08%	0.06%	0.09%	0.08%	0.08%	1	

### Policy Objectives & Compliance

- + Safety
- + Liquidity
- + Maturity Length
- + Return on Investment
- + 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 Q4 2021, the District's yield increased to 2.16% (2021 budgeted rate was 2.17%) on an average invested book value of \$523 million due to the early call of an investment and the associated accelerated recognition of related interest earnings. The Weighted Average Maturity (WAM) decreased in Q4 and 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 December, 2021 meeting reported that with progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen. The sectors most adversely affected by the pandemic have improved in recent months, but continue to be affected by COVID-19. Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation. The path of the economy continues to depend on the course of the virus and risks to the economic outlook remain. The Committee also stated that it is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals. Therefore, the Committee decided to maintain the target range for the federal funds rate at 0 to 0.25 percent and with inflation having exceeded 2 percent for some time, expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment. 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 low and gradually increasing rates in 2022. Global and national events can influence financial markets, which may impact the District.



## Quarterly Investment Report for the quarter ending December 31, 2021

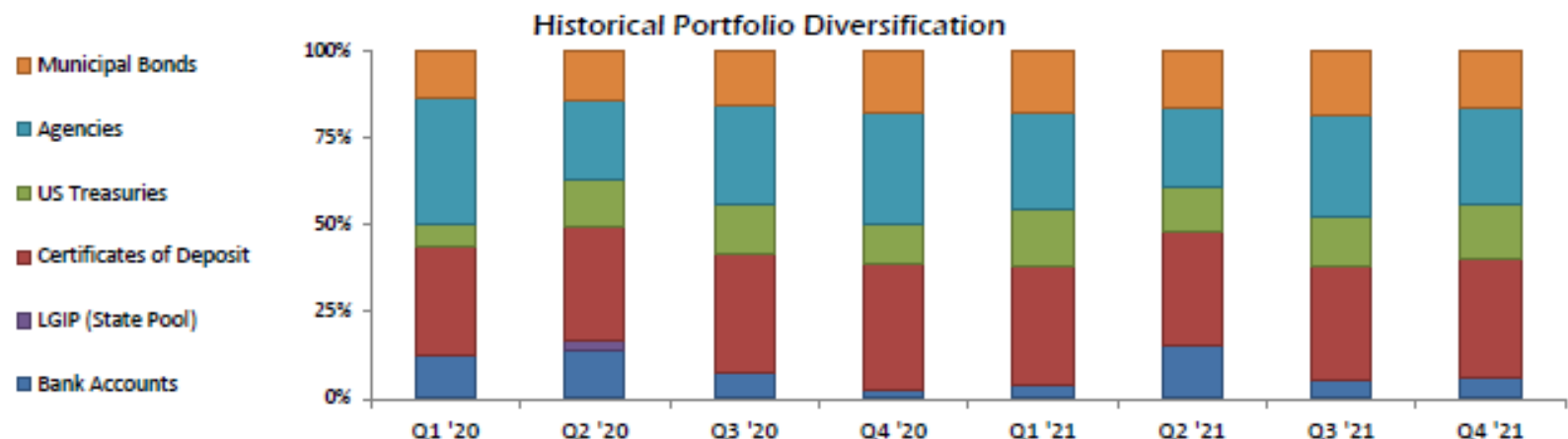
All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #16-14094

### Investments by Type - as of December 31, 2021

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 30,146	\$ 30,146	\$ 30,146	6.0%	75%	1
Certificates of Deposit	\$ 175,143	\$ 175,143	\$ 175,143	34.7%	40%	1,087
US Treasuries	\$ 76,295	\$ 76,496	\$ 76,171	15.1%	100%	1,132
LGIP (State Pool)	\$ 64	\$ 64	\$ 64	0.0%	25%	1
US Agencies	\$ 139,676	\$ 143,027	\$ 141,005	27.9%	75%	914
Municipal Bonds	\$ 80,545	\$ 83,258	\$ 82,190	16.3%	30%	918
<b>Total:</b>	<b>\$ 501,869</b>	<b>\$ 508,135</b>	<b>\$ 504,719</b>			<b>953</b>

Numbers may not foot due to rounding





## Quarterly Investment Report for the quarter ending December 31, 2021

All \$ values are shown in '000s

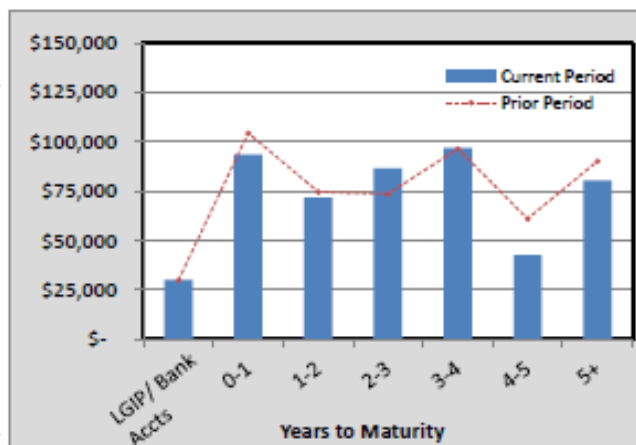
Prepared in accordance with District Banking and Investment Policy #16-14094

### Maturity Distribution - as of December 31, 2021

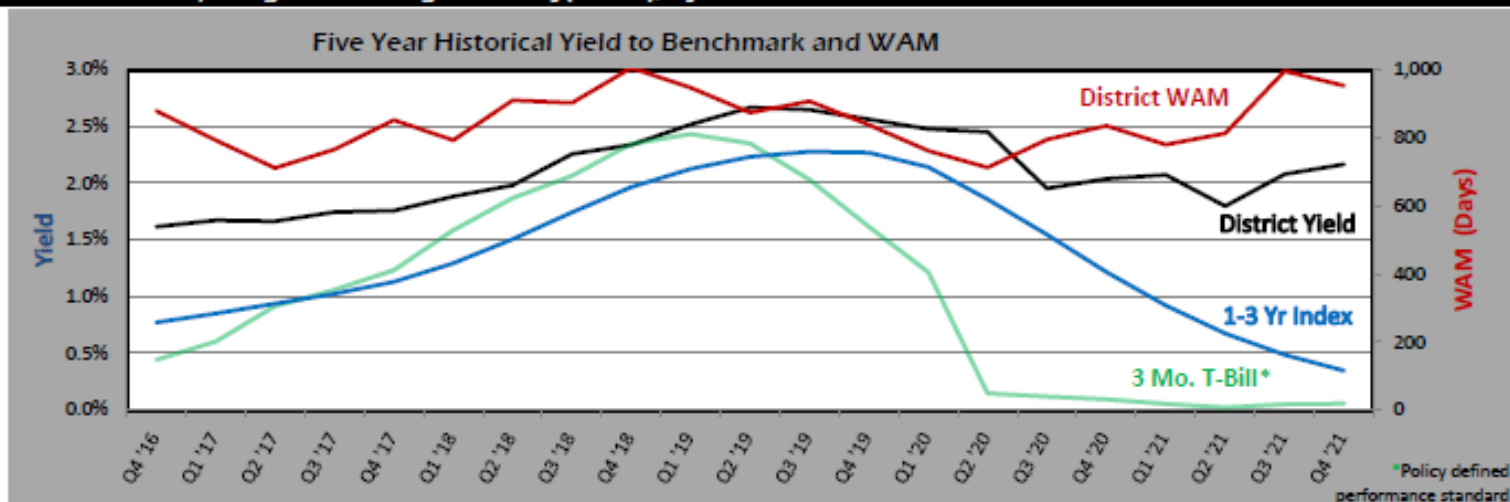
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP \$	64	0.0%	0.0%
Bank Accounts \$	30,146	6.0%	6.0%
1-90 Days \$	11,512	2.3%	8.3%
91-180 Days \$	48,474	9.7%	18.0%
181-365 Days \$	33,494	6.7%	24.6%
1-2 Yrs \$	71,760	14.3%	38.9%
2-3 Yrs \$	86,479	17.2%	56.2%
3-4 Yrs \$	96,883	19.3%	75.5%
4-5 Yrs \$	42,600	8.5%	84.0%
5+ Yrs \$	80,457	16.0%	100.0%

Total: \$ 501,869 100%

Numbers may not foot due to rounding



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



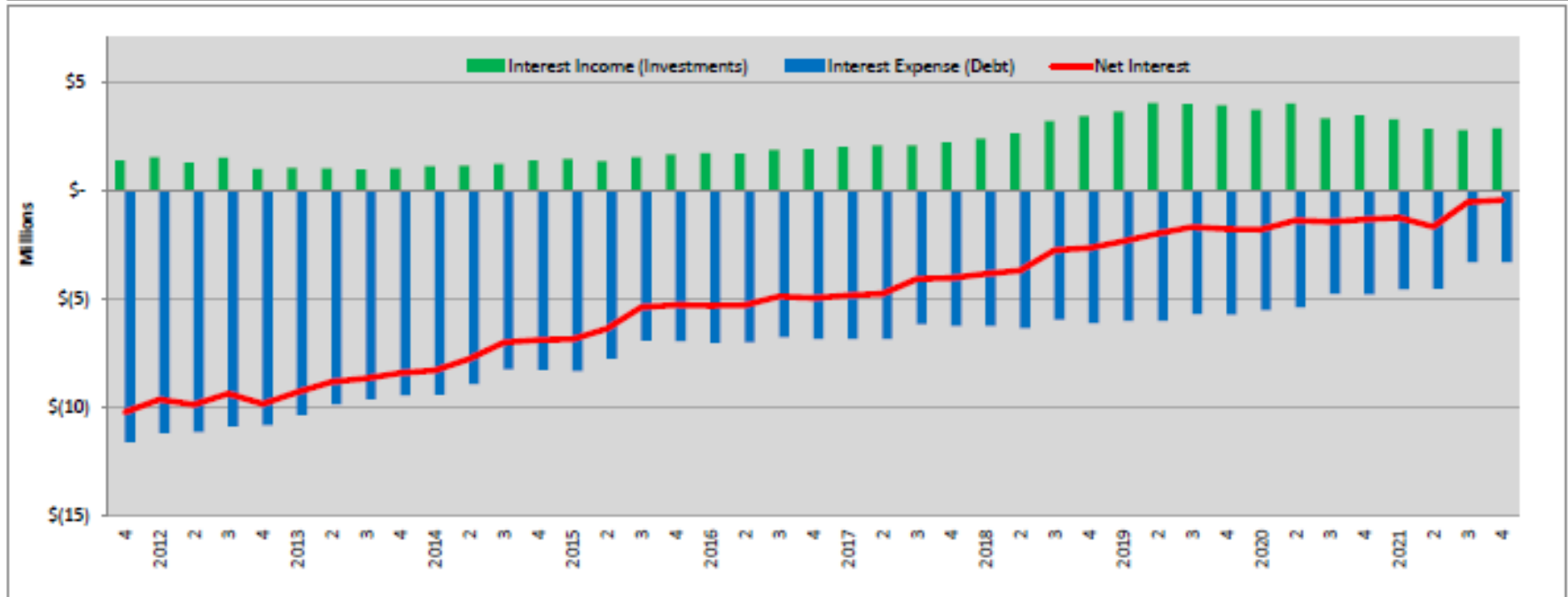


## Quarterly Investment Report for the quarter ending December 31, 2021

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #16-14094

### Historical Net Interest, by Quarter







## Quarterly Investment Report for the quarter ending December 31, 2021

All \$ values are shown in '000s

Prepared in accordance with District Banking and Investment Policy #16-14094

### 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.