

Quarterly Financial Review

for the quarter ended June 30, 2022



Board Presentation

August 15, 2022
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What We Will Cover Today

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

Update only, no action required

Appendix: Additional detailed information not covered today



Q2 2022 Key Highlights

Bottom-line results through Q2: better than budget

 Lower operating costs and higher revenue primarily from retained surplus proceeds from cost-based contract contributing to strong results YTD

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

- Higher operating revenues are expected to continue for the year
- Capital and O&M project schedules reflect heavy spending in remainder of 2022 with several significant projects well underway
- Inflation impacts continue to be manageable and are continuing to be monitored and evaluated. Forecast adjustments have been made as part of the 2023-2027 business planning. Will revisit again for budget process.

Financial metrics for the 5-year forecast: meeting targets

 District financial metrics are being met for the 5-year planning horizon with borrowing expected around 2023 to fund a portion of capital spending

Stay the course with 2020-2024 Strategic Plan



Q2 Overview

Revenue

Service Revenue \$2M below budget YTD

- ↓ Off-system end-use sales volume down
- ↓ HDL load growth continues to lag

Net Wholesale Revenue \$4M above budget YTD

- ↑ Higher energy production due to higher streamflow
- ↑ Higher market prices

Hydro Contract Revenue \$9M 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
- ↑ Environmental attribute revenue

Total Revenues forecast to be \$18M above budget for the year

Expense

Operating Expenses \$17M 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 customer line extension contributions

Total Net Expenses forecasted to be \$15M below budget for the year

Bottom Line

Bottom Line \$63M YTD: \$32M better than budget

↑ Higher Net Wholesale Revenue, hydro contract revenues from retained surplus proceeds and lower expenses

Bottom Line forecast of \$95M for the year

↑ \$33M better than budget



Q2 Overview

Capital

Capital expenditures of \$52M YTD

↓ \$19M below budget YTD

Capital forecast adjustments due to project schedule delays and deferrals

- ↓ Operations and Service Center
- ↓ RR-CM Facilities Upgrade
- ↓ Bavarian Substation
- ↓ RI PH1 Intake Gantry Crane
- ↓ RI PH1 Modernizations
- ↓ RR Tailrace Gantry Crane
- ↓ LC Seismic Study-Auto Closure Gate
- ↑ Substation to serve Microsoft

Total capital forecast of \$169M

↓ \$32M below budget for the year

Cash

Q2 Cash and investments balance of \$530M

- ↑ Increased by \$22M from year-end
 - ↑ Positive bottom line
 - ↑ Prepayment-Microsoft
 - ↓ Capital spending
 - → Principal payment on debt
 - → Reduction of payables

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

Year-end cash balance forecast of \$443M

↑ \$86M better than budget

Debt

Q2 Debt balance of \$377M

2022 Planned debt reduction of \$47M

- ↓ \$35M of net scheduled payments
- ↓ \$12M of 6-month accelerated payments

Year-end \$349M debt forecast

↓ Down \$47M in line with budget



2022 Bottom Line Forecast

	2022		
	Current	2022	% of
(in 000s)	Forecast	Budget	budget
Service Revenue	113,664	116,585	97%
Net Wholesale Revenue	72,084	63,988	113%
Hydro LT Contract Rev/Other PP	158,214	148,278	107%
Other Operating Revenue	27,683 24,97		111%
Total Revenue	371,645	353,828	105%
Operating Expense	(210,787)	(225,577)	93%
Depreciation & Tax Expense	(65,624)	(63,787)	103%
Operating Income/(Loss)	95,233	64,463	148%
Non-Operating Activity	(413)	(2,965)	14%
Bottom Line	94,820	61,498	154%

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2022 Business Line Bottom Line Forecast

	2022		
	Current	2022	% of
(in 000s)	Forecast	Budget	budget
Integrated Electric	92,027	59,158	156%
Fiber & Telecom	(284)	(263)	108%
Water	990	740	134%
Wastewater	(265)	(320)	83%
Intra-system eliminations	2,352	2,184	108%
Combined Bottom Line	94,820	61,498	154%

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



Capital Expenditures

	2022 YTD	2022 YTD	% of	2022 Current	2022 Current	% of
(in 000s)	Actuals	Budget	budget		Budget	budget
Electric Distribution	9,582	11,979	80%	34,609	33,445	103%
Network Transmission	833	990	84%	6,310	6,336	100%
Rocky Reach	1,294	2,782	47%	4,301	7,642	56%
Rock Island	15,170	23,181	65%	47,504	54,777	87%
Lake Chelan	17	1,231	1%	601	3,384	18%
Internal Services	22,742	27,556	83%	68,812	85,439	81%
Fiber & Telecom	1,825	2,688	68%	4,726	7,123	66%
Water	428	482	89%	1,546	2,175	71%
Wastewater	190	115	165%	641	461	139%
Total Expenditures	52,082	71,004	73%	169,050	200,780	84%
Contributions	(3,915)	(2,713)	144%	(5,575)	(5,427)	103%
Capital net of CIAC	48,167	68,291	71%	163,474	195,353	84%



2022 Cash Flow Year-To-Date_

	\$ Million		
Bottom line result (YTD-2022)	\$ 63		
Add back non-cash expense items (deprec./amort.) Subtract non-cash revenue items	\$ 26 (\$ 7)		
Estimated earned funds from operations	\$ 82		
Capital project expenditures	(\$ 52)		
Net debt activity (principal payments net of capitalized int.)			
Customer deposit-Substation to serve Microsoft			
Other misc. impacts (change in A/R, A/P, inventory, debt, etc.)			
Estimated use of funds			
Added to (Use of) cash reserves	\$ 22		
Cash and investments, beginning of year	\$ 508		
Added to (Use of) cash reserves			
Cash and investments, Q2 of 2022	\$ 530		

Cash & Investments Balance

(\$ Millions)	6/30/22	12/31/21
Unrestricted funds	\$341	\$270
Board Designated*:		
Electric Rate Support Fund Headquarters/Service Center Strategic Facilities Fund	2 40	2 50
Total Unrestricted Funds	\$383	\$322
Restricted funds for hydro capital/debt	<u>36</u>	93
Total Liquidity (policy minimum \$175M)	\$419	\$415
Restricted – bond reserve funds	35	47
Restricted – construction funds (2020 bonds)	0	14
Restricted – customer deposit substation - Microsoft	43	0
Restricted – power contract deposits	17	19
Restricted – self insurance and other funds	<u>16</u>	<u>13</u>
Total Cash and Investments	<u>\$530</u>	<u>\$508</u>

^{*} Board Designated Funds qualify as unrestricted for liquidity and external reporting purposes

Quarterly Reporting Requirement - Financial Policies

District Combined	2022	2023	2024	2025	2026
Liquidity (Greater calculated min \$175M-\$224M, Expected)	\$332M	\$235M	\$232M	\$224M	\$224M
Liquidity (Greater calculated min \$175M-\$224M, Unusual)		\$237M	\$232M	\$224M	\$224M
Debt Ratio (Expected case <35% by 2019)	19.7%	18.4%	17.7%	15.8%	14.2%
Debt Ratio (Unusual case <35% by 2019)		19.9%	20.1%	19.5%	18.8%
Days Cash on Hand (Expected case >250)	369	251*	251*	252*	252*
Days Cash on Hand (Unusual case > 250)		253*	251*	252*	251*
Combined Debt Cover (Expected case > 2.00x)	2.97	3.04	3.29	3.65	3.95
Combined Debt Cover (Unusual case >1.25x)		2.47	2.70	2.78	2.96
Bottom Line Results (Expected case)	\$95M	\$59M	\$70M	\$83M	\$78M
Bottom Line Results (Unusual case)		\$39M	\$51M	\$57M	\$57M
Debt Outstanding (Expected case)	\$349M	\$333M*	\$334M*	\$307M*	\$283M
Debt Outstanding (Unusual case)		\$361M*	\$378M*	\$377M*	\$375M

^{* -} 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.



Quarterly Reporting Requirement Individual Business Line Financial Policies

Business Lines	Water	Waste water	Fiber
	Fore	ecast for 20	24
Operating Cover Percentage (target by 2024)	>104.0%	>62.0%	>80.0%
Operating Cover Percentage (forecast Q2)	100.3%	54.0%	82.5%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast Q2)	\$0.2M	\$1.2M	\$18.0M
Debt Service as a % of Rev (target by 2024)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (forecast Q2)	8.3%	13.4%	

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.

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

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	YTD 2022	WAM
Average Invested Book Value (\$M)	\$529	\$523	\$504	\$509	\$506	
District Yield	2.08%	2.16%	2.07%	2.21%	2.14%	802
Benchmarks:						
3 Month T-Bill	0.05%	0.06%	0.33%	1.13%	0.73%	91
S&P US Treasury 1-3 Year Index	0.49%	0.35%	0.38%	0.69%	0.53%	692

- Q2 2022 yield increased to 2.21% (2022 budgeted rate is 2.22%);
- June 15, 2022 Federal Open Market Committee meeting report:
 - Committee anticipates ongoing increases in the targeted fed funds rate.
 - 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 1.5% to 1.75%
 (0.25% to 0.50% at end of Q1 2022)
- 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.



Q2 Key Messages

Year-end 2022 forecasts are better than budget

- Q2 YTD results are better than budget by \$32M
- Year-end forecasts anticipate higher revenues and some catch-up in operating expenses which will maintain bottom line, better than budget by \$33M

Long-term financial metrics remain strong

- Includes planned borrowing in the next five-year planning horizon to fund a portion of our capital spending program while maintaining our financial metrics
- Inflation impacts are manageable and are continuing to be monitored and evaluated for future forecasts

Stay the course with 2020-2024 Strategic Plan

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 \$4 million above budget (\$38M vs. \$34M)

↑ Annual forecast \$8M better than budget (\$72M vs. \$64M)

Drivers:

- ↑ Generation 104% of budget
- ↑ Lower purchases for Off-System sales
- ↑ Higher market prices

Hydro Long-Term Contract Revenue:

↑ YTD result \$9 million above budget (\$83M vs. \$74M)

↑ Annual forecast \$10M higher than budget (\$158M vs. \$148M)

Drivers:

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



Financial Highlights - Revenue

Service Revenue:

- ↓ YTD result \$2 million below budget (\$52M vs. \$54M)
- ↓ Forecast result \$3M below budget (\$114M vs. \$117M)

Drivers:

- ↓ Lower retail off-system sale due to market component of price and lower usage ~\$2M
- ↓Lower HDL/Crypto sales due to lagging ramping plans and differential in market price component ~\$0.7M
- ↑ Residential and commercial ~+\$0.7M

Other Operating Revenue:

- ↑ YTD results \$3 million above budget (\$16M vs. \$13M)
- ↑ Forecast results \$3M above budget

Drivers:

- ↑ Real-Time Agreement variable portion better than budget ~\$2.3M
- ↑ Environmental Attribute Revenues better than budget ~\$0.4M



Financial Highlights - Expenses

Operating Expense:

- ↓ YTD result \$17M million below budget (\$127M vs. \$144M)
- ↓ Forecast result \$13M below budget (\$276M vs. \$289M)

Drivers:

- ↓ Hydro operations and maintenance at 66% of budget
- ↓ Hydro Fish & Wildlife at 85% of budget
- ↓ Insurance and FERC fees at 64% of budget
- ↑ Admin & General at 108% of budget

Non-Operating Net Expense:

- ↓ YTD result \$1M better than budget (\$0.5M vs. -\$0.8M)
- ↓ Forecast results \$3M better than budget (-\$0.4M vs. -\$3.0M)

Drivers:

↑ Customer line extension contributions exceeding budget



Financial Highlights – Balance Sheet

Capital Expenditures below budget

- 2022 YTD Q2 \$52 million vs. budget of \$71 million
- 2022 forecast \$169 million vs. budget of \$201 million (Orig. \$196M)

Selected individual project adjustments:

N	

Operations and Service Center \$16M shifted to 2023

Bavarian Substation \$3.5M shifted to 2023

RR-CM Facilities Upgrade \$2.8M Shifted to 2023

RI PH1 Intake Gantry Crane \$2.7M shifted to 2023-24

RR Tailrace Gantry Crane \$2.5M shifted to 2023-24

LC Seis Stdy-Auto Closure Gate \$2.3M shifted to 2023-24

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Substation to serve Microsoft

\$8.6M new customer funded project

Cash remains strong, with continued debt reduction

- •Cash balance increased \$22 million in 2022 due to positive bottom line result and large customer deposit while funding capital expenditures, and remains strong at \$530M
- •Debt balance decreased \$19M and is expected to decrease \$47 million in 2022 to \$349M



Service Revenue

	2022	2022		
	Actuals	Budget	% of	
(in 000s)	YTD	YTD	budget	Variance
Residential Electric	17,432	16,886	103%	In line with budget
Commercial Electric	8,807	8,642	102%	In line with budget (Net of EV)
Industrial Electric	2,445	2,522	97%	In line with budget
High Density Load	4,025	4,754	85%	Lower than expected load growth
Off-System End-Use Sales	11,445	13,268	86%	Lower usage, lower market price rate component
EV Charging Stations	5	-		New rate class
Other Electric	661	680	97%	In line with budget
Electric Service	44,818	46,751	96%	
Water Service	3,067	3,164	97%	In line with budget
Wastewater Service	403	419	96%	In line with budget
Fiber & Telecom	4,052	4,248	95%	In line with budget

Note: Excludes internal intersystem revenues



Net Surplus Energy Revenue

	Actuals	Budget	% of	
(in 000s)	YTD 2022	YTD 2022	budget	Variance
Slice Contracts	38,881	38,881	100%	In line with budget
Net Block Trades & Other	(641)	(4,544)	14%	Lower volume of purchases and decreased power price impact on wholesale purchases
Net Wholesale Revenue	38,240	34,337	111%	
LT Hydro Contracts	83,985	74,531	113%	Retained surplus revenues, offset by lower hydro operating expenses
Other Purchased Power	(660)	(495)	133%	Small dollar variance
Hydro LT Contract Rev/ Other PP	83,325	74,036	113%	
Surplus Energy Revenue	121,566	108,373	112%	

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



Operating Expense

	2022	2022		
	Actuals	Budget	% of	
(in 000s)	YTD	YTD	budget	Variance
Hydro Operations & Maintenance	26,068	39,350	66%	Project delays, shift in labor to capital projects
Hydro Fish & Wildlife	8,312	9,810	85%	Project expense timing
Hydro Parks & Recreation	3,851	4,065	95%	In line with budget
Electric Distribution	8,622	9,568	90%	Tree Trimming, open positions
Electric Transmission	7,734	7,932	98%	Maintenance contract spending
Misc. Power Supply Expenses	2,608	2,858	91%	Small dollar variance
Water & Wastewater	1,732	1,849	94%	Small dollar variance
Fiber Network	2,821	2,775	102%	In line with budget
Customer Accounts & Service	2,412	2,290	105%	In line with budget
Conservation & Customer Assist	2,159	2,593	83%	Amortization of reg. assets/ Customer Energy Programs
Insurance & FERC Fees	3,702	5,830	64%	Self Insurance claims expense eliminations
Admin & General	24,568	22,723	108%	Labor and benefits adjustment
Total	94,589	111,644	85%	

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

Non-Operating Activity

(in 000s)	2022 Actuals YTD	2022 Budget YTD	% of budget	Variance
,				
Interest Earnings	5,319	5,160	103%	Higher cash balances
Capital Contributions	4,253	3,027	141%	Electric line extensions
Interest Expense	(9,175)	(8,791)	104%	In line with budget
Other Inc/(Exp)	121	(238)		Small dollar variance
Non-Operating Activity	518	(842)		

 $\underline{\textbf{Revenues}}$: > 100% of budget, positive for District / $\underline{\textbf{Expenses}}$: < 100% of budget, positive for District



Integrated Electric

	2022	2022		
	Actuals	Budget	% of	
(in 000s)	YTD	YTD	budget	Variance
Service Revenue	44,861	46,798	96%	Lower Off-system sales, lower market price rate component, lower HDL load
Net Wholesale Revenue	38,240	34,337	111%	Higher generation; Lower volume of purchases and lower market price for off-system sales purchases
Hydro LT Contact Rev/Other PP	83,325	74,036	113%	Retained surplus proceeds
Other Operating Revenue	17,076	13,493	127%	Variable portion of real-time agreement
Operating Expense	(90,046)	(106,750)	84%	Lower Hydro O&M
Depreciation & Taxes	(29,031)	(28,625)	101%	In line with budget
Operating Income/(Loss)	64,425	33,290	194%	
Non-Operating Activity	(3,203)	(4,418)	72%	Higher electric line extensions
Bottom Line	61,222	28,872	212%	

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



Fiber & Telecom

	2022 Actuals	2022 Budget	% of	
(in 000s)	YTD	YTD	budget	Variance
Service Revenue	5,678	5,810	98%	In line with budget
Other Operating Revenue	6	-		Small dollar variance
Operating Expense	(4,533)	(5,507)	82%	Open positions, maintenance & operations contract spending
Depreciation and Taxes	(2,062)	(2,103)	98%	In line with budget
Operating Income/(Loss)	(911)	(1,800)	51%	
Non-Operating Activity	3,042	3,070	99%	In line with budget
Bottom Line	2,132	1,270	168%	

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



Water

	2022	2022		
	Actuals	Budget	% of	
(in 000s)	YTD	YTD	budget	Variance
Service Revenue	3,112	3,257	96%	In line with budget
Other Operating Revenue	29	30	97%	In line with budget
Operating Expense	(2,406)	(2,518)	96%	In line with budget
Depreciation and Taxes	(1,233)	(1,258)	98%	In line with budget
Operating Income/(Loss)	(498)	(489)	102%	
Non-Operating Activity	575	439	131%	Higher system connections
Bottom Line	76	(50)		

 $\underline{\textbf{Revenues}}$: > 100% of budget, positive for District / $\underline{\textbf{Expenses}}$: < 100% of budget, positive for District



Wastewater

	2022 Actuals	2022 Budget	% of	
(in 000s)	YTD	YTD	budget	Variance
Service Revenue	403	419	96%	In line with budget
Other Operating Revenue	1	1	157%	Small \$ variance
Operating Expense	(437)	(424)	103%	In line with budget
Depreciation and Taxes	(224)	(224)	100%	In line with budget
Operating Income/(Loss)	(258)	(228)	113%	
Non-Operating Activity	104	67	154%	Higher connections
Bottom Line	(154)	(161)	96%	

 $\underline{\textbf{Revenues}}$: > 100% of budget, positive for District / $\underline{\textbf{Expenses}}$: < 100% of budget, positive for District



Actual Cash Balance Comparison to Budget

(millions)	2022				
Total Cash – Budgeted year-end balance	\$ 357				
Key changes in cash results:					
Decrease in capital projects (vs. original \$196M budget)					
Increase in operating activity	\$33				
Customer deposit-Substation to serve Microsoft	\$43				
Other changes in A/R, A/P, inventory, etc.	(\$17)				
Total Cash – Current forecast year-end balance	\$ 443				
Prior quarter – 2022 Q1 year-end forecasted balance for 2022	\$ 384				



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 included in 5-year forecast beginning in 2026
- 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% (2022-26)
 - Capital Recovery Charge (CRC) 50% (2022-26)
- Investment earnings rate
 - (2022-26: 2.30%, 2.34%, 2.28%, 2.26%, 2.49%)



Combined Five-Year Forecast

	Forecast	Forecast	Forecast	Forecast	Forecast
(in 000s)	2022	2023	2024	2025	2026
Service Revenue	113,664	128,155	101,641	95,531	96,365
Net Wholesale Revenue	72,084	76,876	119,505	138,417	106,827
Hydro LT Contract Rev/Other PP	158,214	160,108	158,925	151,381	172,296
Other Operating Revenue	27,683	21,847	22,600	22,923	24,889
Total Revenue	371,645	386,986	402,671	408,251	400,376
Operating Expense	(210,787)	(249,182)	(247,377)	(234,572)	(235,364)
Depreciation & Tax Expense	(65,624)	(72,709)	(77,619)	(81,015)	(84,618)
Operating Income/(Loss)	95,233	65,095	77,675	92,665	80,394
Non-Operating Activity	(413)	(6,413)	(8,141)	(9,350)	(2,491)
Bottom Line	94,820	58,682	69,534	83,315	77,903

Prior Quarter Reported Forecast	78,769	66,790	73,183	88,793	85,045
Forecast at 2022 Budget	61,588	63,058	68,989	73,683	74,482



Capital Projects

	Forecast	Forecast	Forecast	Forecast	Forecast
(in 000s)	2022	2023	2024	2025	2026
Electric Distribution	34,609	46,690	39,567	38,725	20,039
Network Transmission	6,310	14,272	20,182	20,330	5,608
Rocky Reach	4,301	11,458	11,226	13,339	10,737
Rock Island	47,504	79,127	57,251	60,203	61,188
Lake Chelan	601	2,756	2,881	1,057	463
Internal Services	68,812	37,880	6,199	4,643	3,340
Fiber & Telecom	4,726	6,211	4,943	4,793	3,912
Water	1,546	2,769	4,181	4,517	3,249
Wastewater	641	4,247	142	618	81
Total Expenditures	169,050	205,410	146,573	148,225	108,617

Prior Quarter Reported Forecast	178,548	182,839	109,862	111,557	93,704
Forecast at 2022 Budget	195,878	149,537	128,912	111,382	92,871





for the quarter ending June 30, 2022

All \$ values are shown in '000s

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

Portfolio Summary							
	Q3 2021	Q4 2021	Q1 2022	Q2 2022	YTD 2022	WAM	
Average Invested Book Value	\$529 M	\$523 M	\$504 M	\$509 M	\$506 M		
Interest Earned	\$2.8 M	\$2.9 M	\$2.6 M	\$2.8 M	\$5.4 M		Policy Objectives & Compliance
District Yield	2.08%	2.16%	2.07%	2.21%	2.14%	802	+ Safety
Benchmarks:							+ Liquidity
3 Month T-Bill	0.05%	0.06%	0.33%	1.13%	0.73%	91	+ Maturity Length
S&P US Treasury 1-3 Year Index	0.49%	0.35%	0.38%	0.69%	0.53%	692	♣ Return on Investment
LGIP (State Pool)	0.11%	0.09%	0.14%	0.71%	0.42%	21	 Diversification
Fed Funds Effective	0.09%	0.08%	0.12%	0.77%	0.44%	1	

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 Q2 2022, the District's yield increased to 2.21% (2022 budgeted rate is 2.22%) on an average invested book value of \$509 million due to the timing of interest earnings from a long-term Forward Purchase and Sale Agreement (FPSA). Interest on FPSA supplied securities may not be earned evenly over the reporting period, but will average out to the appropriate contract rate over time. The Weighted Average Maturity (WAM) decreased in Q2 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 June 15, 2022 meeting reported overall economic activity appears to have picked up after edging down in the first quarter. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures. The invasion of Ukraine by Russia is causing tremendous human and economic hardship. The invasion and related events are creating additional upward pressure on inflation and weighing on economic activity. In addition, COVID-related lockdowns in China are likely to exacerbate supply chain disruptions. 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 1.50 to 1.75 percent (up from 0.75 to 1.00 percent) and anticipates that ongoing increases in the target range will be appropriate. 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 2022. Global and national events can influence financial markets, which may impact the District.



for the quarter ending June 30, 2022

All \$ values are shown in '000s

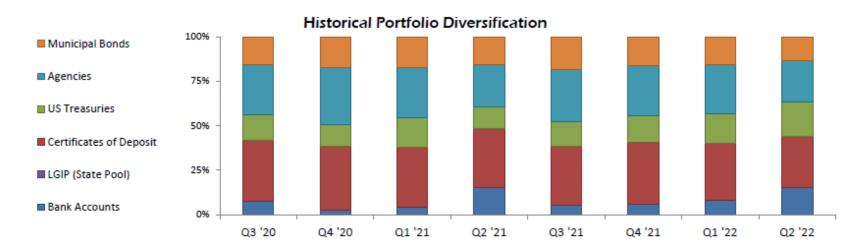
Prepared in accordance with District Banking and Investment Policy #22-14648

Investments by Type - as of June 30, 2022

		G/	ASB 31 Reported		Book Value as	Policy %	
_	Par Value		Value	Book Value	% of Portfolio	Limit	WAM
Bank Accounts	\$ 83,626	\$	83,626	\$ 83,626	15.3%	75%	1
Certificates of Deposit	\$ 155,417	\$	150,399	\$ 155,417	28.5%	40%	1,043
US Treasuries	\$ 105,939	\$	101,000	\$ 104,690	19.2%	100%	1,062
LGIP (State Pool)	\$ 64	\$	64	\$ 64	0.0%	25%	1
US Agencies	\$ 128,131	\$	125,240	\$ 129,345	23.7%	75%	801
Municipal Bonds	\$ 70,795	\$	69,921	\$ 72,195	13.2%	30%	837

Total: \$ 543,973 \$ 530,249 \$ 545,338 802

Numbers may not foot due to rounding





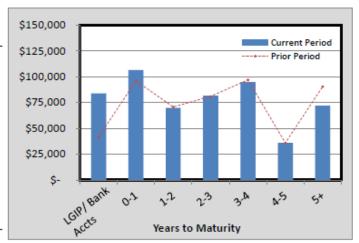
for the quarter ending June 30, 2022

All \$ values are shown in '000s

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Maturity Distribution - as of June 30, 2022

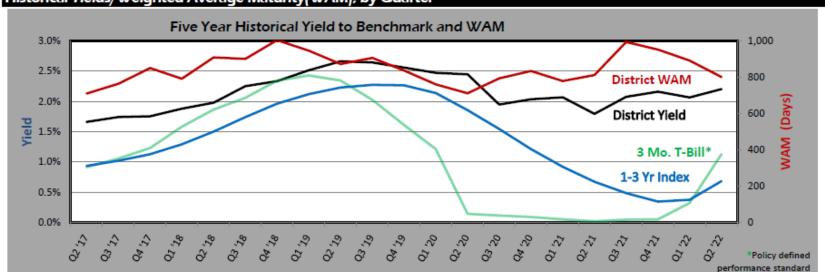
			Cumulative % of
Maturity	Par Value	% of Portfolio	Portfolio
LGIP	\$	64 0.0%	0.0%
Bank Accounts	\$ 83,6	526 15.4%	15.4%
1-90 Days	\$ 29,4	32 5.4%	20.8%
91-180 Days	\$ 24,2	220 4.5%	25.2%
181-365 Days	\$ 52,7	705 9.7%	34.9%
1-2 Yrs	\$ 69,7	⁷ 37 12.8%	47.8%
2-3 Yrs	\$ 81,5	15.0%	62.7%
3-4 Yrs	\$ 94,7	777 17.4%	80.2%
4-5 Yrs	\$ 36,0	003 6.6%	86.8%
5+ Yrs	\$ 71,8	390 13.2%	100.0%



Total: \$ 543,973 100%

Numbers may not foot due to rounding

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





for the quarter ending June 30, 2022

All \$ values are shown in '000s

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

Historical Net Interest, by Quarter Interest Income (Investments) Interest Expense (Debt) \$5 Millions \$(5) \$(10) \$(15)

Q2 2022 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: due to changes in Treasury and Internal Audit staffing

Initiators: due to changes in Human Resources staffing

Banks: due to changes in banking relationship



Quarterly Investment Report for the quarter ending June 30, 2022

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.