

Quarterly Financial Review

for the quarter ended June 30, 2023



August 21, 2023
Mark Mullins, David Nelson

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 2023 Key Highlights

Bottom-line results through Q2: better than budget

- Higher long term contract revenues and lower operating costs more than offset lower revenues due to low streamflow conditions for strong year-to-date results

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

- Operating revenues are expected to improve and come in slightly below budget for the year
- Capital and O&M project schedules reflect heavy spending for 2023
- Supply chain and inflation are impacting costs and schedules but are manageable and will continue 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

Q2 Overview

Revenue

Service Revenue slightly above budget YTD

- ↑ Residential sales higher due to cooler spring and warmer early summer temperatures
- ↓ Lower cryptocurrency load

Net Wholesale Revenue \$36M below budget YTD

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

Hydro Contract Revenue \$24M above budget YTD

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

Other Operating Revenue \$5M above budget YTD

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

Total Revenues forecast to be \$4M below budget for the year

Expense

Operating Expenses \$23M below budget YTD

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

Non-Operating Net Expense \$3M better than budget YTD

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

Total Net Expenses forecasted to be \$20M below budget for the year

Bottom Line

Bottom Line \$66M YTD: \$20M better than budget YTD

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

Bottom Line forecast of \$119M for the year

- ↑ \$16M better than budget

Q2 Overview

Capital

Capital expenditures of \$85M YTD

↑ \$8M above budget YTD

Capital forecast adjustments due to project schedule revisions

↑ Operations and Service Center

↑ RI PH1 B3 Modernization

↑ N Shore Chelan Substation

↓ Jumpoff Ridge Switchyard

↓ RI PH1 Intake Gantry Crane

↓ RR Tailrace Gantry Crane

Total capital forecast of \$192M

↓ \$26M below budget for the year

Cash

Q2 Cash and investments balance of \$531M

↓ Decreased by \$9M from year-end

↓ Higher capital spending

↑ 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 \$504M

↑ \$90M better than budget

Debt

Q2 Debt balance of \$330M

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 Current Forecast	2023 Budget	% of budget
Service Revenue	131,438	131,772	100%
Net Wholesale Revenue	60,188	96,943	62%
Hydro LT Contract Rev/Other PP	202,023	173,638	116%
Other Operating Revenue	31,507	26,724	118%
Total Revenue	425,157	429,077	99%
Operating Expense	(241,210)	(253,385)	95%
Depreciation & Tax Expense	(73,061)	(73,426)	100%
Operating Income/(Loss)	110,886	102,266	108%
*Non-Operating Activity	7,896	443	1782%
Bottom Line	118,782	102,709	116%

*Budget includes \$3M of unallocated PPB O&M spending now allocated and included in Capital PPB forecasts

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

2023 Business Line Bottom Line Forecast

(in 000s)	2023 Current Forecast	2023 Budget	% of budget
Integrated Electric	114,675	100,273	114%
Fiber & Telecom	(952)	(1,760)	54%
Water	841	671	125%
Wastewater	1,801	1,109	162%
Intra-system eliminations	2,416	2,416	100%
Combined Bottom Line	118,782	102,709	116%

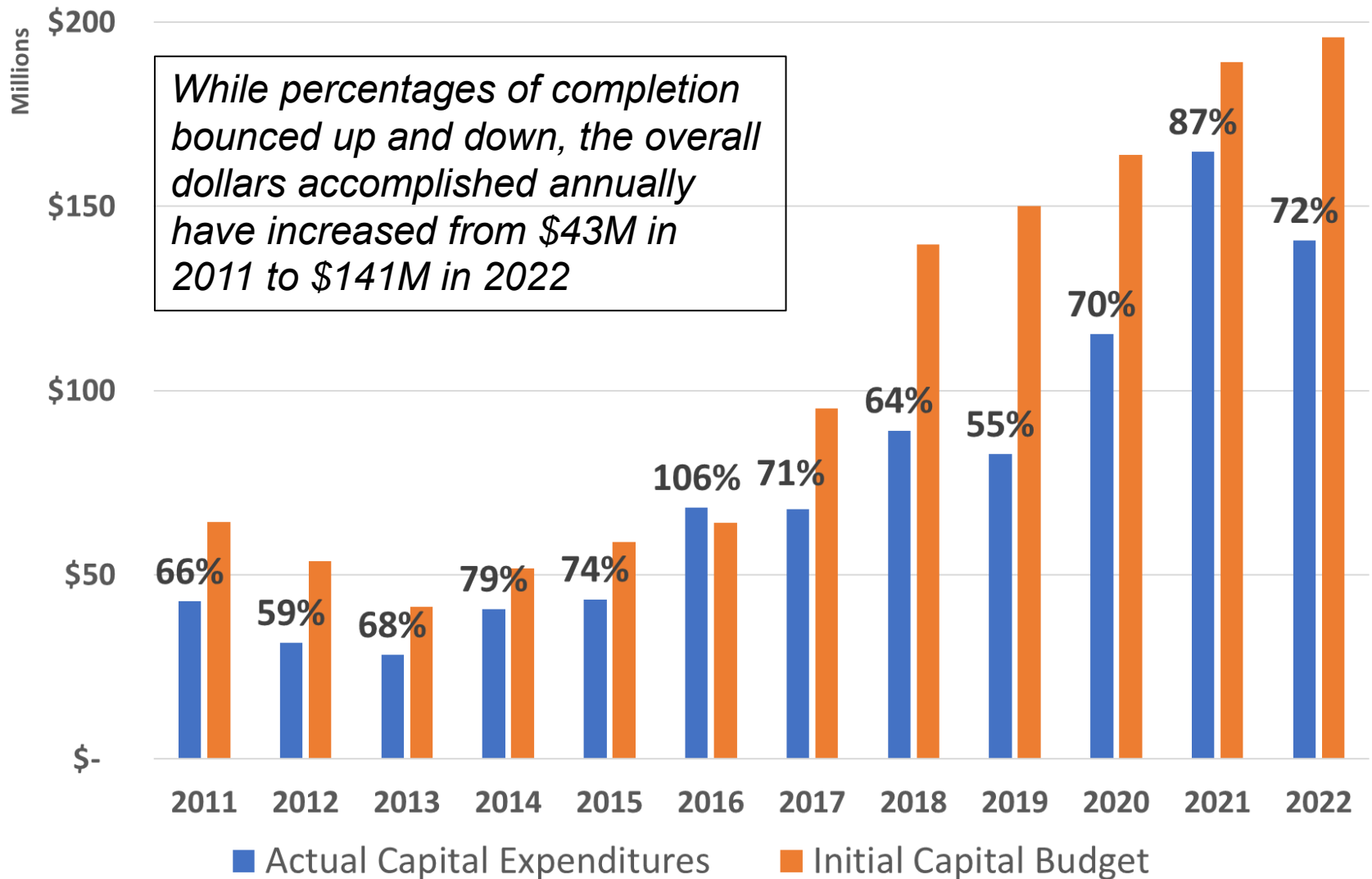
- Integrated Electric includes \$4.2M in non-operating expenses for PPB transfers
- Fiber & Telecom includes \$2.0M in non-operating income for PPB transfers and \$2.4M in expenses for make-ready work.
- Wastewater includes \$2.2M in non-operating income from PPB transfers.

Capital Expenditures

(in 000s)	2023 YTD Actuals	2023 YTD Budget	% of budget	2023 Current Forecast	2023 Current Budget	% of budget
Electric Distribution	15,465	18,334	84%	34,729	46,380	75%
Network Transmission	2,013	9,661	21%	6,587	21,985	30%
Rocky Reach	857	3,698	23%	7,262	11,227	65%
Rock Island	33,560	20,981	160%	63,607	63,618	100%
Lake Chelan	454	918	49%	1,482	2,787	53%
Internal Services	29,212	19,590	149%	65,667	58,402	112%
Fiber & Telecom	2,241	2,299	97%	5,613	6,251	90%
Water	193	729	27%	2,865	2,923	98%
Wastewater	911	1,075	85%	4,432	4,500	98%
Total Expenditures	84,905	77,287	110%	192,245	218,071	88%
Contributions	(3,249)	(3,624)	90%	(7,976)	(7,248)	110%
Capital net of CIAC	81,656	73,663	111%	184,269	210,824	87%

Capital Expenditures History

District Capital Spending vs. Budget



2023 Cash Flow Year-To-Date

	\$ Million
Bottom line result (YTD-2023)	\$ 66
Add back non-cash expense items (deprec./amort.)	\$ 28
Subtract non-cash revenue items	(\$ 7)
Estimated earned funds from operations	\$ 87
Capital project expenditures	(\$ 85)
Net debt activity (principal payments net of capitalized interest)	(\$ 19)
Other misc. impacts (change in A/R, A/P, inventory, debt, etc.)	\$ 8
Estimated use of funds	(\$ 96)
Added to (Use of) cash reserves	\$ (9)

Cash and investments, beginning of year	\$ 540
Added to (Use of) cash reserves	(\$ 9)
Cash and investments, Q2 of 2023	\$ 531

Cash & Investments Balance

(\$ Millions)	<u>6/30/23</u>	<u>12/31/22</u>
Unrestricted funds	\$317	\$340
Board Designated*:		
Electric Rate Support Fund	7	7
Headquarters/Service Center Strategic Facilities Fund	<u>20</u>	<u>42</u>
Total Unrestricted Funds	\$344	\$389
Restricted funds for hydro capital/debt	<u>83</u>	<u>31</u>
Total Liquidity (policy minimum \$231M calculated)	\$427	\$420
Restricted – bond reserve funds	33	46
Restricted – customer deposit substation - Microsoft	37	42
Restricted – power contract deposits	18	17
Restricted – self insurance and other funds	<u>16</u>	<u>15</u>
Total Cash and Investments	<u>\$531</u>	<u>\$540</u>

* 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-\$257M, Expected)	\$394M	\$365M	\$345M	\$360M	\$410M
Liquidity (Greater calculated min \$175M-\$257M, Unusual)		\$338M	\$289M	\$274M	\$283M
Debt Ratio (Expected case <35% by 2019)	15.9%	13.3%	10.6%	9.0%	7.4%
Debt Ratio (Unusual case <35% by 2019)		13.5%	10.8%	9.3%	7.9%
Days Cash on Hand (Expected case >250)	307	321	319	345	384
Days Cash on Hand (Unusual case > 250)		296	267*	262*	265*
Combined Debt Cover (Expected case > 2.00x)	4.38	4.66	5.59	6.07	7.20
Combined Debt Cover (Unusual case >1.25x)		4.11	4.86	5.21	5.99
<i>Bottom Line Results (Expected case)</i>	<i>\$119M</i>	<i>\$119M</i>	<i>\$150M</i>	<i>\$131M</i>	<i>\$160M</i>
<i>Bottom Line Results (Unusual case)</i>		<i>\$96M</i>	<i>\$120M</i>	<i>\$101M</i>	<i>\$119M</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
	Forecast for 2024		
Operating Cover Percentage (target by 2024)	>104.0%	>62.0%	>80.0%
Operating Cover Percentage (forecast Q2)	100.7%	55.6%	81.1%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast Q2)	\$2.76M	\$2.0M	\$18.8M
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%	18.7%	---

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

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	YTD 2023	WAM
Average Invested Book Value (\$M)	\$526	\$554	\$584	\$579	\$581	
District Yield	2.16%	2.42%	2.90%	3.02%	2.96%	977
Benchmarks:						
3 Month T-Bill	2.71%	4.12%	4.69%	5.17%	4.93%	91
S&P US Treasury 1-3 Year Index	1.09%	1.63%	2.17%	2.70%	2.44%	692

- Q2 2023 yield increased to 3.02% (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)
- June 14, 2023, Federal Open Market Committee meeting report:
 - Committee seeks to achieves 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 5.00% to 5.25% (4.75% to 5.00% at end of Q1 2023)
- 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"> ➤ Safety ➤ Liquidity ➤ Maturity ■ Return on Investment 	<ul style="list-style-type: none"> ➤ Diversification ➤ Duration ➤ Internal Controls

Full report in Appendix



Q2 Key Messages

Year-end 2023 forecasts are better than budget

- Q2 YTD results are better than budget by \$20M
- Year-end forecasts anticipate improved revenues and some catch-up in operating expenses which forecasts bottom line to be better than budget by \$16M

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
- Supply chain and inflation impacts are manageable and continue to be monitored and evaluated for future forecasts
- Strong financial results further anchor the District's resiliency against 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 \$36 million below budget (\$13M vs. \$49M)

↓ Annual forecast \$37M below budget (\$60M vs. \$97M)

Drivers:

- ↓ Low water - Generation 76% of budget
- ↓ Higher purchases
- ↑ Higher market prices

Hydro Long-Term Contract Revenue:

↑ YTD result \$24 million above budget (\$111M vs. \$87M)

↑ Annual forecast \$28M higher than budget (\$202M vs. \$174M)

Drivers:

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

Financial Highlights - Revenue

Service Revenue:

↑ YTD result slightly above budget
(\$61M vs. \$60M)

↓ Forecast result slightly below budget
(\$131M vs. \$132M)

Drivers:

- ↑ Residential and commercial +\$1.5M
- ↓ Lower HDL/Crypto sales due to lower crypto usage \$0.7M

Other Operating Revenue:

↑ YTD results \$5 million above budget
(\$18M vs. \$13M)

↑ Forecast results \$5M above budget
(\$32M vs. \$27M)

Drivers:

- ↑ Real-Time Agreement variable portion better than budget ~\$3.5M
- ↑ Cost based contract admin fees better than budget ~\$0.8M
- ↑ Renewable energy credit sales better than budget ~\$0.7M

Financial Highlights - Expenses

Operating Expense:

↓ YTD result \$23M million below budget (\$140M vs. \$163M)

↓ Forecast result \$13M below budget (\$314M vs. \$327M)

Drivers:

- ↓ Hydro operations and maintenance at 68% of budget
- ↓ Hydro Fish & Wildlife at 66% of budget
- ↓ Electric Transmission at 77% of budget
- ↑ Admin & General at 105% of budget

Non-Operating Net Expense:

↓ YTD result \$3.3M better than budget (\$3.5M vs. \$0.2M)

↓ Forecast results \$7.5M better than budget (\$7.9M vs. \$0.4M)

Drivers:

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

Financial Highlights – Balance Sheet

Capital Expenditures above budget YTD, Forecast below budget

- 2023 YTD Q2 \$85 million vs. budget of \$77 million
- 2023 forecast \$192 million vs. budget of \$218 million

Selected individual project adjustments:

↑	Operations and Service Center	\$8.0M carried over from 2022 and \$2.8M forecast adjustment
	RI PH1 B3 Modernization	\$6.7M increase in 2023 spend
	N Shore Chelan Substation	\$3.7M schedule moved forward and cost increase
↓	Jumpoff Ridge Switchyard	\$24M shifted to 2024+
	RI PH1 Intake Gantry Crane	\$3.3M shifted to 2025+
	RR Tailrace Gantry Crane	\$3.3M shifted to 2024-2025

Cash remains strong, with continued debt reduction

- Cash balance decreased \$9 million in 2023 YTD; Positive bottom line result being used to fund capital and pay scheduled debt payments
- Debt balance decreased \$19 million in 2023 YTD to \$330M due to principal payment net of capitalized interest

Service Revenue

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Residential Electric	17,968	16,808	107%	Cool spring and hot early summer
Commercial Electric	9,308	8,978	104%	Cool spring and hot early summer
Industrial Electric	2,292	2,482	92%	Lower load than forecasted
High Density Load	4,271	4,947	86%	Lower crypto loads
Off-System End-Use Sales	18,386	18,194	101%	Higher market price rate component offset by lower usage
EV Charging Stations	50	50	99%	In line with budget
Other Electric	684	751	91%	Small \$ variance
Electric Service	52,960	52,210	101%	
Water Service	3,376	3,402	99%	In line with budget
Wastewater Service	422	440	96%	In line with budget
Fiber & Telecom	4,192	4,348	96%	In line with budget
Service Revenue	60,950	60,400	101%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	Actuals YTD 2023	Budget YTD 2023	% of budget	Variance
Slice Contracts	32,894	32,931	100%	In line with budget
Net Block Trades & Other	(20,441)	15,540	---	Higher market prices on purchases and lower streamflow offset by lower volume of purchases for Off-System sales
Net Wholesale Revenue	12,453	48,471	26%	
LT Hydro Contracts	111,685	87,334	128%	Retained surplus revenues, offset by lower hydro operating expenses
Other Purchased Power	(539)	(505)	107%	Small dollar variance
Hydro LT Contract Rev/ Other PP	111,146	86,828	128%	
Surplus Energy Revenue	123,599	135,300	91%	

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

Operating Expense

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Hydro Operations & Maintenance	29,396	43,083	68%	Project timing
Hydro Fish & Wildlife	8,659	13,207	66%	Project expense forecast reduction
Hydro Parks & Recreation	4,225	4,890	86%	Project timing
Electric Distribution	9,240	9,703	95%	Open positions, technology-related contract spending
Electric Transmission	6,834	8,823	77%	Contract spending timing
Misc. Power Supply Expenses	2,946	3,108	95%	Lower Energy Resources contracts
Water & Wastewater	1,891	1,967	96%	Lower contract spending
Fiber Network	2,956	2,927	101%	Higher fiber network maintenance
Customer Accounts & Service	2,546	2,587	98%	Contract payment timing
Conservation & Customer Assist	2,547	3,023	84%	Higher labor to Customer Energy Programs Reg. assets, contract spending
Insurance & FERC Fees	5,807	6,936	84%	Lower self insurance claims and stop loss expenses
Admin & General	27,516	26,122	105%	Timing, in line with budget
Total	104,562	126,374	83%	

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

Non-Operating Activity

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Interest Earnings	8,501	6,408	133%	Higher cash balances and interest rates
Capital Contributions	3,699	4,065	91%	Lower electric line extensions
Interest Expense	(8,491)	(8,561)	99%	In line with budget
Other Inc/(Exp)	(193)	(1,691)	11%	Unallocated PPB not spent
Non-Operating Activity	3,515	222	1586%	

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	53,010	52,255	101%	Higher residential and commercial revenues due to cooler spring and hotter early summer
Net Wholesale Revenue	12,453	48,471	26%	Higher prices and lower streamflows requiring high market price purchases ; offset by higher market prices on sales
Hydro LT Contact Rev/Other PP	111,146	86,828	128%	Retained surplus proceeds
Other Operating Revenue	19,302	14,513	133%	Variable portion of real-time agreement
Operating Expense	(99,749)	(120,920)	82%	Lower Hydro O&M
Depreciation & Taxes	(31,685)	(33,371)	95%	In line with budget
Operating Income/(Loss)	64,477	47,777	135%	
Non-Operating Activity	(986)	(4,149)	24%	Higher interest earnings
Bottom Line	63,491	43,628	146%	

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

Fiber & Telecom

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Service Revenue	5,722	5,853	98%	In line with budget
Other Operating Revenue	11	-	---	
Operating Expense	(4,556)	(5,902)	77%	Open positions, less make-ready work
Depreciation and Taxes	(2,195)	(2,157)	102%	In line with budget
Operating Income/(Loss)	(1,017)	(2,206)	46%	
Non-Operating Activity	2,376	2,310	103%	In line with budget
Bottom Line	1,358	103	1314%	

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

Water

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Service Revenue	3,443	3,501	98%	In line with budget
Other Operating Revenue	50	30	168%	Small \$ variance
Operating Expense	(2,605)	(2,734)	95%	Contract costs lagging
Depreciation and Taxes	(1,317)	(1,320)	100%	In line with budget
Operating Income/(Loss)	(429)	(524)	82%	
Non-Operating Activity	563	501	112%	Higher system connections
Bottom Line	134	(23)	---	

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

Wastewater

(in 000s)	2023 Actuals YTD	2023 Budget YTD	% of budget	Variance
Service Revenue	422	440	96%	In line with budget
Other Operating Revenue	1	1	91%	Small \$ variance
Operating Expense	(471)	(473)	99%	In line with budget
Depreciation and Taxes	(224)	(224)	100%	In line with budget
Operating Income/(Loss)	(272)	(257)	106%	
Non-Operating Activity	1,562	1,560	100%	PPB allocation
Bottom Line	1,290	1,303	99%	

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

Actual Cash Balance Comparison to Budget

(millions)	2023
Total Cash – Budgeted year-end balance	\$ 415
Key changes in cash results:	
Decrease in capital projects	\$26
Increase in operating activity	\$16
Other changes in A/R, A/P, inventory, etc.	\$47
Total Cash – Current forecast year-end balance	\$ 504
Prior quarter – 2023 Q1 forecasted year-end balance for 2023	\$ 473

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 through 2024)
- 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: 3.08%, 3.04%, 3.20%, 3.47%, 3.69%)

Combined Five-Year Forecast

(in 000s)	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
Service Revenue	131,438	134,891	136,343	89,609	90,479
Net Wholesale Revenue	60,188	110,693	141,692	139,861	167,644
Hydro LT Contract Rev/Other PP	202,023	173,061	178,007	196,689	203,746
Other Operating Revenue	31,507	23,241	24,247	26,537	27,109
Total Revenue	425,157	441,886	480,288	452,695	488,977
Operating Expense	(241,210)	(247,451)	(251,266)	(244,126)	(251,970)
Depreciation & Tax Expense	(73,061)	(79,159)	(85,318)	(86,664)	(89,878)
Operating Income/(Loss)	110,886	115,277	143,704	121,905	147,129
Non-Operating Activity	7,896	3,492	6,004	9,275	13,023
Bottom Line	118,782	118,768	149,708	131,180	160,152

Prior Quarter Reported Forecast	111,826	118,234	155,071	138,374	164,581
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Forecast at 2023 Budget	102,746	102,531	125,026	113,339	130,027
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Capital Projects

(in 000s)	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
Electric Distribution	34,729	59,483	42,153	27,243	26,291
Network Transmission	6,587	32,420	32,046	15,386	7,323
Rocky Reach	7,262	17,750	15,649	16,278	20,579
Rock Island	63,607	63,431	93,284	74,351	71,133
Lake Chelan	1,482	3,499	2,337	463	470
Internal Services	65,667	12,383	5,885	5,407	6,239
Fiber & Telecom	5,613	7,358	4,885	3,912	4,264
Water	2,865	2,557	2,624	3,352	3,996
Wastewater	4,432	593	78	81	84
Total Expenditures	192,245	199,475	198,942	146,474	140,378

<i>Prior Quarter Reported Forecast</i>	218,653	169,799	185,282	119,026	119,621
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<i>Forecast at 2023 Budget</i>	218,156	174,238	195,936	116,009	105,061
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Quarterly Investment Report

for the quarter ending June 30, 2023

All \$ values are shown in '000s

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

Portfolio Summary

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	YTD 2023	WAM	
Average Invested Book Value	\$526 M	\$554 M	\$584 M	\$579 M	\$581 M		
Interest Earned	\$2.9 M	\$3.4 M	\$4.2 M	\$4.4 M	\$8.5 M		
District Yield	2.16%	2.42%	2.90%	3.02%	2.96%	977	
Benchmarks:							
3 Month T-Bill	2.71%	4.12%	4.69%	5.17%	4.93%	91	
S&P US Treasury 1-3 Year Index	1.09%	1.63%	2.17%	2.70%	2.44%	692	
LGIP (State Pool)	2.17%	3.64%	4.59%	5.08%	4.84%	35	
Fed Funds Effective	1.48%	3.65%	4.51%	4.99%	4.75%	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 Q2 2023, the District's yield increased to 3.02% (2023 budgeted rate is 2.63%) on an average invested book value of \$579 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 3 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 14, 2023 meeting reported recent indicators suggest economic activity has continued to expand at a modest pace. Job gains have been robust, and the unemployment rate has remained low. Inflation remains elevated. The U.S. banking system is sound and resilient. Tighter credit conditions for households and businesses are likely 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 5.00 to 5.25 percent (up from 4.75 to 5.00 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 June 30, 2023

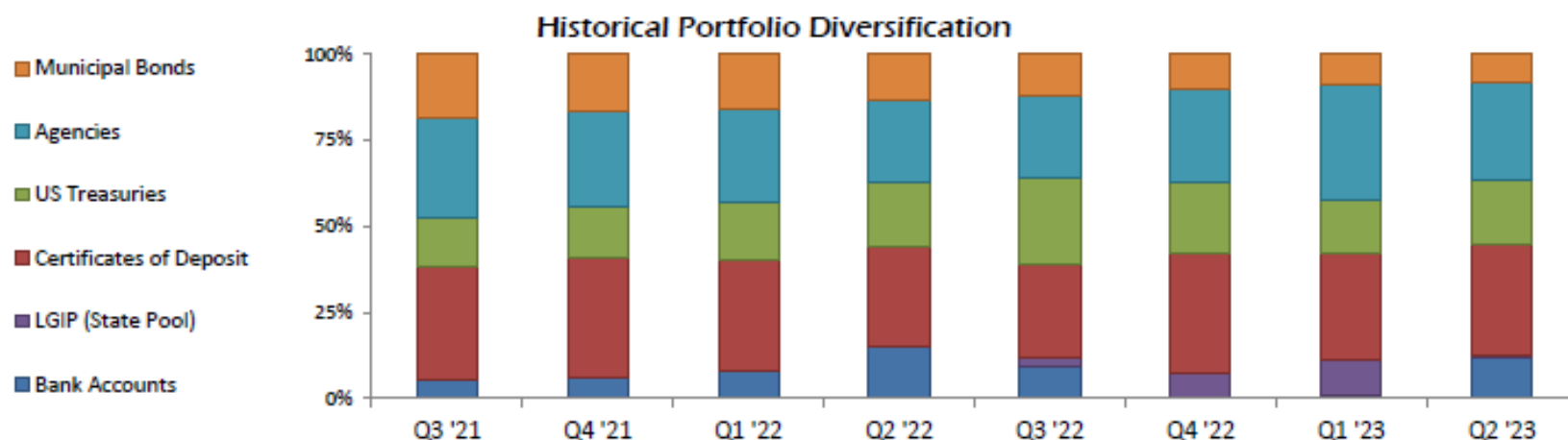
All \$ values are shown in '000s

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

Investments by Type - as of June 30, 2023

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 63,609	\$ 63,609	\$ 63,609	11.6%	75%	1
Certificates of Deposit	\$ 173,344	\$ 173,344	\$ 173,344	31.6%	40%	877
US Treasuries	\$ 105,951	\$ 97,175	\$ 102,803	18.7%	100%	1,453
LGIP (State Pool)	\$ 6,721	\$ 6,721	\$ 6,721	1.2%	25%	1
US Agencies	\$ 163,306	\$ 147,821	\$ 155,746	28.4%	75%	1,259
Municipal Bonds	\$ 44,900	\$ 42,802	\$ 46,070	8.4%	30%	829
Total:	\$ 557,832	\$ 531,473	\$ 548,295			977

Numbers may not foot due to rounding





Quarterly Investment Report

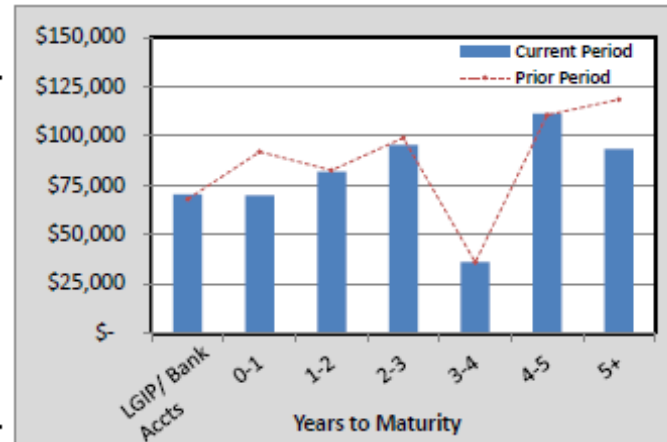
for the quarter ending June 30, 2023

All \$ values are shown in '000s

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

Maturity Distribution - as of June 30, 2023

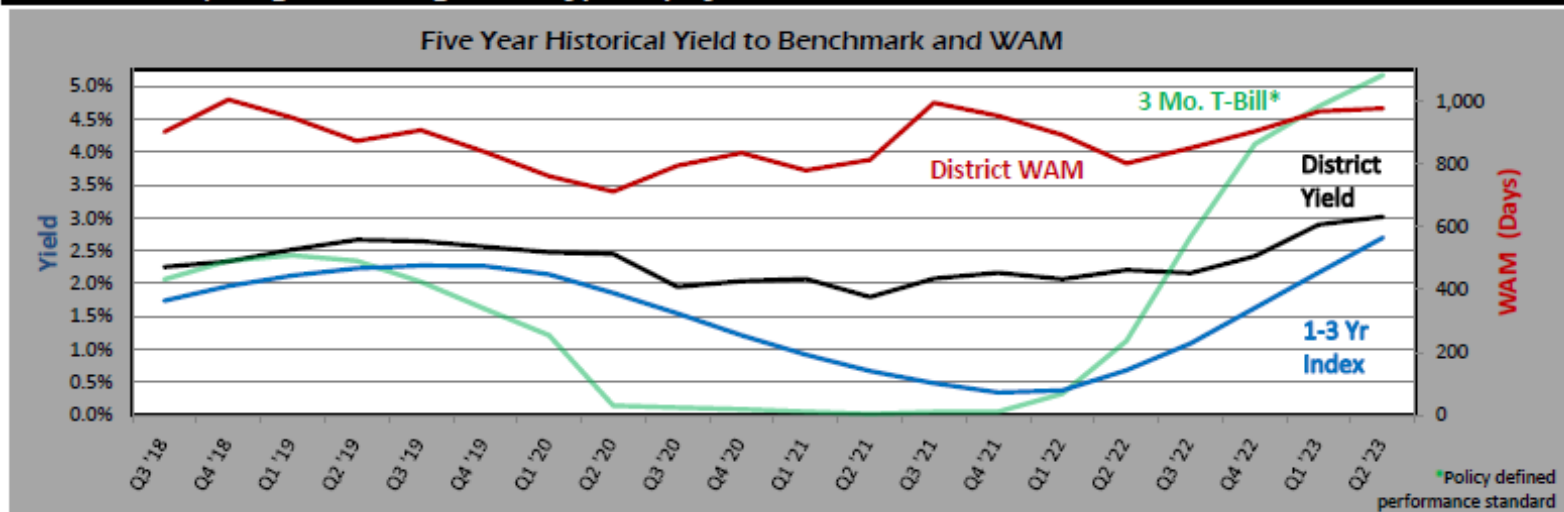
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP \$	6,721	1.2%	1.2%
Bank Accounts \$	63,609	11.4%	12.6%
1-90 Days \$	14,335	2.6%	15.2%
91-180 Days \$	15,000	2.7%	17.9%
181-365 Days \$	40,590	7.3%	25.1%
1-2 Yrs \$	81,767	14.7%	39.8%
2-3 Yrs \$	95,312	17.1%	56.9%
3-4 Yrs \$	36,003	6.5%	63.3%
4-5 Yrs \$	111,222	19.9%	83.3%
5+ Yrs \$	93,273	16.7%	100.0%



Total: \$ 557,832 100%

Numbers may not foot due to rounding

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



*Policy defined performance standard



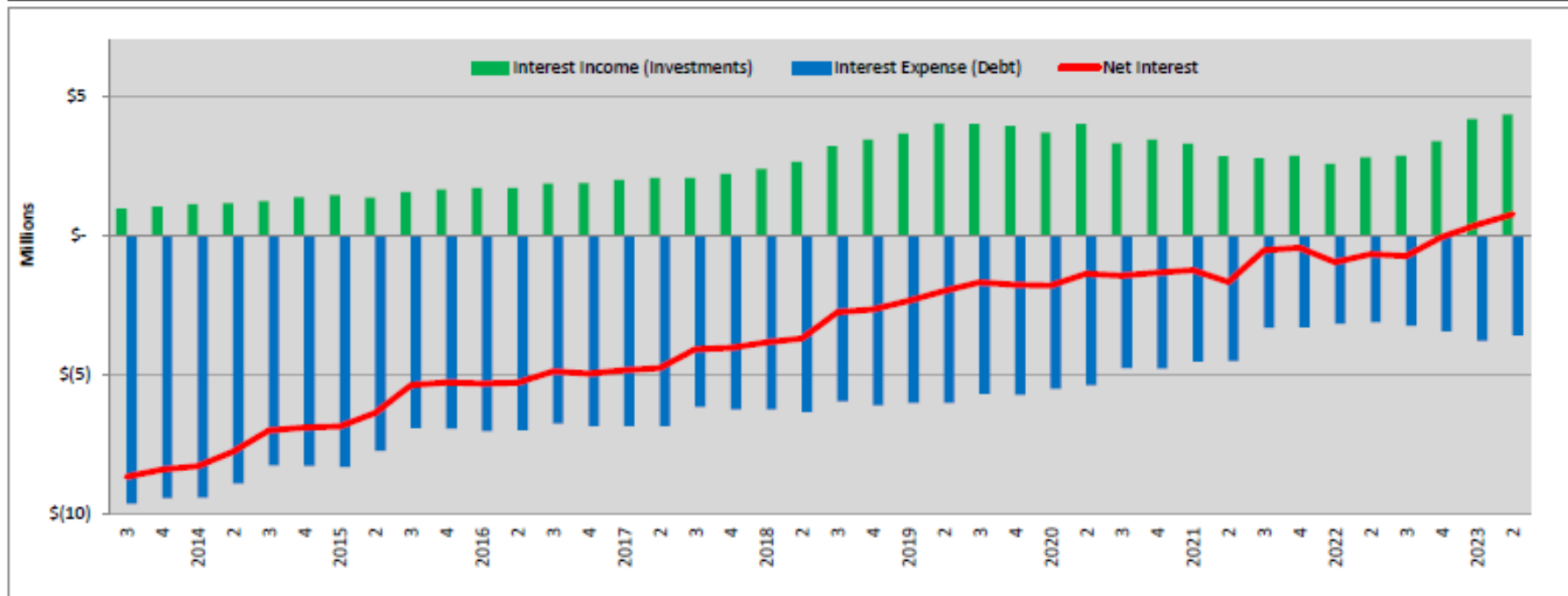
Quarterly Investment Report

for the quarter ending June 30, 2023

All \$ values are shown in '000s

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

Historical Net Interest, by Quarter



Q2 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: Due to changes in Accounting staffing

Banks: None



Quarterly Investment Report for the quarter ending June 30, 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.