Quarterly Financial Review

for the quarter ended September 30, 2022

Board Presentation

November 7, 2022

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What We Will Cover Today

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

Update only, no action required

Appendix: Additional detailed information not covered today

Q3 2022 Key Highlights

Bottom-line results through Q3: better than budget

- Lower operating costs and higher revenue primarily from retained surplus proceeds and environmental attribute sales 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 including environmental attribute sales
- Capital and O&M project schedules reflect heavy spending in Q4 for 2022
- 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 and 2023 budget process.

Financial metrics for the 5-year forecast: meeting targets

- District financial metrics are being met for the 5-year planning horizon with external borrowing expected around 2025 to fund a portion of capital spending

Stay the course with 2020-2024 Strategic Plan

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Q3 Overview

Revenue

Service Revenue $4M below budget YTD
- ↓ Off-system end-use sales volume down
- ↓ HDL load growth continues to lag

Net Wholesale Revenue $9M above budget YTD
- ↑ Higher energy production due to higher streamflow
- ↑ Higher market prices

Hydro Contract Revenue $51M above budget YTD
- ↑ Retained surplus proceeds on cost-based contract
- ↑ New environmental attribute sales on LT contract
- ↓ Hydro O&M costs lower for cost-based revenues

Other Operating Revenue $6M above budget YTD
- ↑ Variable portion of real-time agreement
- ↑ Cost based contract admin fees
- ↑ Renewable energy credits revenue

Total Revenues forecast to be $63M above budget for the year

Expense

Operating Expenses $21M 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 $3M better than budget YTD
- ↑ Higher customer line extension contributions

Total Net Expenses forecasted to be $26M below budget for the year

Bottom Line

Bottom Line $132M YTD: $86M better than budget YTD
- ↑ Higher net wholesale revenue, higher LT hydro contract revenues and lower expenses

Bottom Line forecast of $151M for the year
- ↑ $89M better than budget

Q3 Overview

Capital

Capital expenditures of $88M YTD

↓ $33M below budget YTD

Capital forecast adjustments due to project schedule delays and deferrals

↓ Operations and Service Center
↓ RI PH2 Rehab
↓ RI PH1 Modernizations
↓ Bavarian Substation
↓ RR-CM Facilities Upgrade
↓ RI PH1 Intake Gantry Crane
↓ RR Tailrace Gantry Crane
↓ LC Seismic Study-Auto Closure Gate

Total capital forecast of $150M

↓ $50M below budget for the year

Cash

Q3 Cash and investments balance of $524M

↑ Increased by $16M from year-end

↑ Improved bottom line
↑ Deposit from Microsoft
↓ Lower Capital spending

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

Year-end cash balance forecast of $517M

↑ $160M better than budget

Debt

Q3 Debt balance of $359M

2022 Planned debt reduction of $47M

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

Year-end $349M debt forecast

↓ Down $47M consistent with budget

2022 Bottom Line Forecast

(in 000s)	2022 Current Forecast	2022 Budget	% of budget
Service Revenue	113,774	116,585	*98%*
Net Wholesale Revenue	72,203	63,988	*113%*
Hydro LT Contract Rev/Other PP	200,691	148,278	*135%*
Other Operating Revenue	29,867	24,978	*120%*
Total Revenue	**416,534**	**353,828**	*118%*
Operating Expense	(203,830)	(225,577)	*90%*
Depreciation & Tax Expense	(65,494)	(63,787)	*103%*
Operating Income/(Loss)	**147,210**	**64,463**	***228%***
Non-Operating Activity	3,320	(2,890)	---
Bottom Line	**150,530**	**61,573**	***244%***

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

2022 Business Line Bottom Line Forecast

(in 000s)	2022 Current Forecast	2022 Budget	% of budget
Integrated Electric	147,313	59,158	*249%*
Fiber & Telecom	1,249	(263)	---
Water	1,219	815	*149%*
Wastewater	(257)	(320)	*80%*
Intra-system eliminations	1,006	2,184	*46%*
Combined Bottom Line	**150,530**	**61,573**	***244%***

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

Capital Expenditures

(in 000s)	2022 YTD Actuals	2022 YTD Budget	% of budget	2022 Current Forecast	2022 Current Budget	% of budget
Electric Distribution	15,725	19,920	*79%*	26,832	33,445	*80%*
Network Transmission	1,206	6,247	*19%*	1,707	6,336	*27%*
Rocky Reach	1,947	4,397	*44%*	3,668	7,642	*48%*
Rock Island	26,737	34,487	*78%*	42,994	54,777	*78%*
Lake Chelan	102	2,012	*5%*	405	3,384	*12%*
Internal Services	38,066	47,586	*80%*	67,639	85,439	*79%*
Fiber & Telecom	2,990	4,586	*65%*	4,826	7,123	*68%*
Water	1,074	1,107	*97%*	1,658	2,100	*79%*
Wastewater	212	263	*81%*	493	461	*107%*
Total Expenditures	**88,060**	**120,605**	***73%***	**150,223**	**200,705**	***75%***
Contributions	(5,620)	(4,145)	*136%*	(6,468)	(5,502)	*118%*
Capital net of CIAC	**82,440**	**116,460**	***71%***	**143,755**	**195,203**	***74%***

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2022 Cash Flow Year-To-Date

	$ Million
Bottom line result (YTD-2022)	$ 132
Add back non-cash expense items (deprec./amort.)	$ 39
Subtract non-cash revenue items	($ 11)
Estimated earned funds from operations	**$ 160**
Capital project expenditures	($ 88)
Net debt activity (principal payments net of capitalized int.)	($ 37)
Customer deposit-Substation to serve Microsoft	$ 42
Other misc. impacts (change in A/R, A/P, inventory, debt, etc.)	($ 61)
Estimated use of funds	**($ 144)**
Added to (Use of) cash reserves	**$ 16**
Cash and investments, beginning of year	$ 508
Added to (Use of) cash reserves	$ 16
Cash and investments, Q3 of 2022	**$ 524**

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Cash & Investments Balance

($ Millions)	9/30/22	12/31/21
Unrestricted funds	$344	$270
Board Designated*:		
Electric Rate Support Fund	2	2
Headquarters/Service Center Strategic Facilities Fund	32	50
Total Unrestricted Funds	**$378**	**$322**
Restricted funds for hydro capital/debt	31	93
Total Liquidity (policy minimum $175M)	**$409**	**$415**
Restricted – bond reserve funds	40	47
Restricted – construction funds (2020 bonds)	0	14
Restricted – customer deposit substation - Microsoft	42	0
Restricted – power contract deposits	17	19
Restricted – self insurance and other funds	16	13
Total Cash and Investments	**$524**	**$508**

*** 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-$218M, Expected)	$398M	$308M	$263M	$228M	$247M
Liquidity (Greater calculated min $175M-$218M, Unusual)		$285M	$235M	$227M	$224M
Debt Ratio (Expected case <35% by 2019)	19.1%	16.6%	14.0%	11.8%	10.2%
Debt Ratio (Unusual case <35% by 2019)		17.2%	16.0%	17.2%	16.2%
Days Cash on Hand (Expected case >250)	453	276	281	251*	279
Days Cash on Hand (Unusual case > 250)		251*	251*	251*	252*
Combined Debt Cover (Expected case > 2.00x)	3.97	3.77	4.12	4.69	5.24
Combined Debt Cover (Unusual case >1.25x)		3.13	3.19	2.97	3.31
Bottom Line Results (Expected case)	*$151M*	*$87M*	*$94M*	*$112M*	*$104M*
Bottom Line Results (Unusual case)		*$61M*	*$63M*	*$65M*	*$66M*
Debt Outstanding (Expected case)	*$349M*	*$312M*	*$270M*	*$236M**	*$212M*
Debt Outstanding (Unusual case)		*$318M**	*$303M**	*$344M**	*$334M*

* - Financial Policy Metrics within 10% of target which requires Board communication per resolution. Action plan assumes issuance of debt in 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.

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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 Q3)	**101.4%**	**56.3%**	**79.7%**
Cash Reserves – Unrestricted (target by 2024)	*>$1.25M*	*>$200K*	*>$2.0M*
Cash Reserves – Unrestricted (forecast Q3)	**$0.04M**	**$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 Q3)	**8.4%**	**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.

Quarterly Investment Report

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

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	YTD 2022	WAM
Average Invested Book Value ($M)	$523	$504	$509	$526	$513	
District Yield	2.16%	2.07%	2.21%	2.16%	2.15%	851
Benchmarks:						
3 Month T-Bill	0.06%	0.33%	1.13%	2.71%	1.39%	92
S&P US Treasury 1-3 Year Index	0.35%	0.38%	0.69%	1.09%	0.72%	692

- Q3 2022 yield decreased to 2.16% (2022 budgeted rate is 2.22%);
- Due to the District's longer duration portfolio, return on investment is lagging rapidly rising 3 month T-Bill rates (policy performance standard)
- September 21, 2022 Federal Open Market Committee meeting report:
  - Committee anticipates ongoing increases in 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 3.00% to 3.25% (1.50% to 1.75% at end of Q2 2022)
- Laddered investment structure continues to be our strategy to support safety of principal and liquidity and mitigate interest rate volatility

Policy Objectives
- ✚ Safety
- ✚ Liquidity
- ✚ Maturity
- ■ Return on Investment

Compliance
- ✚ Diversification
- ✚ Duration
- ✚ Internal Controls

Full report in Appendix

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Q3 Key Messages

Year-end 2022 forecasts are better than budget

- Q3 YTD results are better than budget by $86M
- Year-end forecasts anticipate higher revenues and some catch-up in operating expenses which will maintain bottom line, better than budget by $89M

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
- Strong financial results further anchor the District's resiliency to weather future uncertainty in project scope, schedule, and a rising cost environment

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.

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Financial Highlights - Revenue

Net Wholesale Revenue:

↑ YTD result $9 million above budget ($58M vs. $50M)

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

Drivers:

↑ Generation 108% of budget
↑ Lower purchases for Off-System sales
↑ Higher market prices

Hydro Long-Term Contract Revenue:

↑ YTD result $51 million above budget ($162M vs. $111M)

↑ Annual forecast $52M higher than budget ($201M vs. $148M)

Drivers:

↑ Retained surplus proceeds
↑ Environmental Attribute Sales
↓ YTD Combined hydro operating expenses below budget

Financial Highlights - Revenue

Service Revenue:

↓ YTD result $4 million below budget ($82M vs. $85M)

↓ Forecast result $3M below budget ($114M vs. $117M)

Drivers:

↓ Lower retail off-system sale due to lower usage ~$2M

↓Lower HDL/Crypto sales due to lagging ramping plans and differential in market price component ~$1.7M

↑ Residential and commercial ~+$1.0M

Other Operating Revenue:

↑ YTD results $6 million above budget ($25M vs. $19M)

↑ Forecast results $5M above budget

Drivers:

↑ Real-Time Agreement variable portion better than budget ~$4.0M

↑ Cost based contract admin fees better than budget ~$0.8M

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

Financial Highlights - Expenses

Operating Expense:

↓ YTD result $21M million below budget ($195M vs. $216M)

↓ Forecast result $20M below budget ($269M vs. $289M)

Drivers:

↓ Hydro operations and maintenance at 72% of budget
↓ Electric Distribution at 89% of budget
↓ Self insurance claims expense eliminations, Insurance at 66% of budget
↑ Admin & General at 103% of budget

Non-Operating Net Expense:

↓ YTD result $3M better than budget ($1.2M vs. -$1.8M)

↓ Forecast results $6M better than budget ($3.3M vs. -$2.9M)

Drivers:

↑ Customer line extension contributions exceeding budget
↑ Higher interest income from higher cash balances

Financial Highlights – Balance Sheet

Capital Expenditures below budget	
• 2022 YTD Q3 $88 million vs. budget of $120 million	
• 2022 forecast $150 million vs. budget of $201 million (Orig. $196M)	
Selected individual project adjustments:	
Operations and Service Center	$16M shifted to 2023
RI PH2 Rehab	$14.2M shifted to 2023-26
RI PH1 Moderization	$5.5M Shifted to 2024-25
Bavarian Substation	$4.5M shifted to 2023-24
RR-CM Facilities Upgrade	$2.8M shifted to 2023
RI PH1 Intake Gantry Crane	$2.7M shifted to 2023-24

Cash remains strong, with continued debt reduction

- Cash balance increased $16 million in 2022 due to positive bottom line result and large customer deposit while funding capital expenditures, and remains strong at $524M
- Debt balance decreased $36M and is expected to decrease $47 million in 2022 to $349M

Service Revenue

(in 000s)	2022 Actuals YTD	2022 Budget YTD	% of budget	Variance
Residential Electric	23,432	22,686	*103%*	In line with budget
Commercial Electric	12,756	12,460	*102%*	In line with budget (Net of EV)
Industrial Electric	3,640	3,858	*94%*	In line with budget
High Density Load	5,897	7,514	*78%*	Lower than expected load growth
Off-System End-Use Sales	22,508	24,618	*91%*	Lower usage offset by higher market price rate component
EV Charging Stations	31	-		New rate class
Other Electric	1,482	1,625	*91%*	Small $ variance
Electric Service	**69,746**	**72,760**	***96%***	
Water Service	**5,328**	**5,644**	***94%***	In line with budget
Wastewater Service	**609**	**627**	***97%***	In line with budget
Fiber & Telecom	**6,035**	**6,385**	***95%***	In line with budget

Note: Excludes internal intersystem revenues

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Net Surplus Energy Revenue

(in 000s)	Actuals YTD 2022	Budget YTD 2022	% of budget	Variance
Slice Contracts	58,322	58,321	*100%*	In line with budget
Net Block Trades & Other	83	(8,712)	---	Higher market prices and lower volume of purchases for Off-System sales
Net Wholesale Revenue	**58,405**	**49,610**	*118%*	
LT Hydro Contracts	162,554	111,848	*145%*	Retained surplus revenues, offset by lower hydro operating expenses
Other Purchased Power	(924)	(743)	*124%*	Small dollar variance
Hydro LT Contract Rev/ Other PP	**161,630**	**111,106**	***145%***	
Surplus Energy Revenue	**220,034**	**160,715**	***137%***	

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

Operating Expense

(in 000s)	2022 Actuals YTD	2022 Budget YTD	% of budget	Variance
Hydro Operations & Maintenance	42,378	59,109	*72%*	Project delays, shift in labor to capital projects
Hydro Fish & Wildlife	13,466	14,773	*91%*	Project expense timing
Hydro Parks & Recreation	6,530	6,214	*105%*	In line with budget
Electric Distribution	13,273	14,987	*89%*	Tree Trimming, open positions
Electric Transmission	11,481	12,020	*96%*	Maintenance contract spending
Misc. Power Supply Expenses	3,802	4,292	*89%*	Small dollar variance
Water & Wastewater	2,756	2,791	*99%*	In line with budget
Fiber Network	4,248	4,184	*102%*	In line with budget
Customer Accounts & Service	3,715	3,488	*107%*	Less labor charged to capital
Conservation & Customer Assist	3,283	3,888	*84%*	Amortization of reg. assets/ Customer Energy Programs
Insurance & FERC Fees	6,155	8,808	*70%*	Self Insurance claims expense eliminations
Admin & General	35,228	34,179	*103%*	Labor and benefits adjustment
Total	**146,314**	**168,734**	***87%***	

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	8,201	7,739	*106%*	Higher cash balances and rates
Capital Contributions	6,228	4,615	*135%*	Electric line extensions
Interest Expense	(13,385)	(13,373)	*100%*	In line with budget
Other Inc/(Exp)	204	(821)	---	Small dollar variance
Non-Operating Activity	**1,247**	**(1,839)**	**---**	

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

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Integrated Electric

(in 000s)	2022 Actuals YTD	2022 Budget YTD	% of budget	Variance
Service Revenue	69,817	72,831	*96%*	Lower Off-system sales offset by higher market price rate component; lower HDL load
Net Wholesale Revenue	58,405	49,610	*118%*	Higher generation; Lower volume of purchases for off-system sales purchases
Hydro LT Contact Rev/Other PP	161,630	111,106	*145%*	Retained surplus proceeds
Other Operating Revenue	26,249	19,931	*132%*	Variable portion of real-time agreement
Operating Expense	(139,761)	(161,369)	*87%*	Lower Hydro O&M
Depreciation & Taxes	(43,631)	(42,379)	*103%*	In line with budget
Operating Income/(Loss)	**132,708**	**49,729**	***267%***	
Non-Operating Activity	(2,937)	(5,878)	*50%*	Higher electric line extensions
Bottom Line	**129,771**	**43,851**	***296%***	

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

Fiber & Telecom

(in 000s)	2022 Actuals YTD	2022 Budget YTD	% of budget	Variance
Service Revenue	8,453	8,729	*97%*	In line with budget
Other Operating Revenue	5	-	---	Small dollar variance
Operating Expense	(6,591)	(8,372)	*79%*	Open positions, maintenance & operations contract spending
Depreciation and Taxes	(3,114)	(3,155)	99%	In line with budget
Operating Income/(Loss)	**(1,247)**	**(2,798)**	*45%*	
Non-Operating Activity	3,171	3,204	*99%*	In line with budget
Bottom Line	**1,924**	**407**	***473%***	

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

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Water

(in 000s)	2022 Actuals YTD	2022 Budget YTD	% of budget	Variance
Service Revenue	5,492	5,821	*94%*	In line with budget
Other Operating Revenue	45	45	*100%*	In line with budget
Operating Expense	(3,733)	(3,798)	*98%*	In line with budget
Depreciation and Taxes	(1,955)	(1,969)	*99%*	In line with budget
Operating Income/(Loss)	**(152)**	**100**	**---**	
Non-Operating Activity	890	734	*121%*	Higher system connections
Bottom Line	**738**	**833**	***89%***	

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

Wastewater

(in 000s)	2022 Actuals YTD	2022 Budget YTD	% of budget	Variance
Service Revenue	609	627	*97%*	In line with budget
Other Operating Revenue	2	1	*192%*	Small $ variance
Operating Expense	(665)	(641)	*104%*	In line with budget
Depreciation and Taxes	(335)	(335)	*100%*	In line with budget
Operating Income/(Loss)	**(390)**	**(349)**	***112%***	
Non-Operating Activity	124	101	*123%*	Higher connections
Bottom Line	**(266)**	**(248)**	***107%***	

Revenues: > 100% of budget, positive for District / **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)	$46
Increase in operating activity	$89
Customer deposit-Substation to serve Microsoft	$42
Other changes in A/R, A/P, inventory, etc.	($17)
Total Cash – Current forecast year-end balance	**$ 517**
Prior quarter – 2022 Q2 year-end forecasted balance for 2022	$ 443

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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
- Environmental attribute sales from Puget amendment included per contract rates and forecasted generation
- 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: 2.53%, 2.60%, 2.57%, 2.65%, 2.93%)

Combined Five-Year Forecast

(in 000s)	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
Service Revenue	113,774	134,550	101,721	93,868	94,742
Net Wholesale Revenue	72,203	81,455	122,106	147,155	110,447
Hydro LT Contract Rev/Other PP	200,691	174,312	174,764	174,396	193,408
Other Operating Revenue	29,867	26,692	22,701	23,039	24,997
Total Revenue	**416,534**	**417,009**	**421,292**	**438,458**	**423,594**
Operating Expense	(203,830)	(254,705)	(248,081)	(241,575)	(234,372)
Depreciation & Tax Expense	(65,494)	(74,411)	(76,367)	(79,987)	(85,612)
Operating Income/(Loss)	**147,210**	**87,894**	**96,845**	**116,895**	**103,610**
Non-Operating Activity	3,320	(870)	(3,047)	(4,734)	541
Bottom Line	**150,530**	**87,024**	**93,798**	**112,161**	**104,151**

Prior Quarter Reported Forecast	***94,820***	***58,682***	***69,534***	***83,315***	***77,903***
Forecast at 2022 Budget	***61,588***	***63,058***	***68,989***	***73,683***	***74,482***

Capital Projects

(in 000s)	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
Electric Distribution	26,832	49,431	43,547	43,313	21,296
Network Transmission	1,707	21,985	30,074	25,392	1,108
Rocky Reach	3,668	11,051	13,663	13,661	10,984
Rock Island	42,994	63,618	61,206	96,204	69,415
Lake Chelan	405	2,788	3,229	1,352	463
Internal Services	67,639	51,916	6,526	5,719	4,452
Fiber & Telecom	4,826	6,251	4,943	4,793	3,912
Water	1,658	3,273	4,276	4,528	3,356
Wastewater	493	4,578	211	78	81
Total Expenditures	**150,223**	**214,890**	**167,676**	**195,038**	**115,067**

Prior Quarter Reported Forecast	***169,050***	***205,410***	***146,573***	***148,225***	***108,617***
Forecast at 2022 Budget	***195,878***	***149,537***	***128,912***	***111,382***	***92,871***

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Quarterly Investment Report

for the quarter ending September 30, 2022

All $ values are shown in '000s

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

Portfolio Summary

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	YTD 2022	WAM
Average Invested Book Value	**$523 M**	**$504 M**	**$509 M**	**$526 M**	**$513 M**	
Interest Earned	**$2.9 M**	**$2.6 M**	**$2.8 M**	**$2.9 M**	**$8.2 M**	
District Yield	**2.16%**	**2.07%**	**2.21%**	**2.16%**	**2.15%**	**851**
Benchmarks:						
3 Month T-Bill	0.06%	0.33%	1.13%	2.71%	1.39%	92
S&P US Treasury 1-3 Year Index	0.35%	0.38%	0.69%	1.09%	0.72%	692
LGIP (State Pool)	0.09%	0.14%	0.71%	2.17%	1.01%	22
Fed Funds Effective	0.08%	0.12%	0.77%	1.48%	0.79%	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 Q3 2022, the District's yield decreased to 2.16% (2022 budgeted rate is 2.22%) on an average invested book value of $526 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 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 September 21, 2022 meeting reported recent indicators pointing to modest growth in spending and production. 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 food and energy prices, and broader price pressures. The invasion of Ukraine by Russia is causing tremendous human and economic hardship. The war and related events are creating additional upward pressure on inflation and weighing on global economic activity. 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 3.00 to 3.25 percent (up from 2.25 to 2.50 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.

Quarterly Investment Report

for the quarter ending September 30, 2022

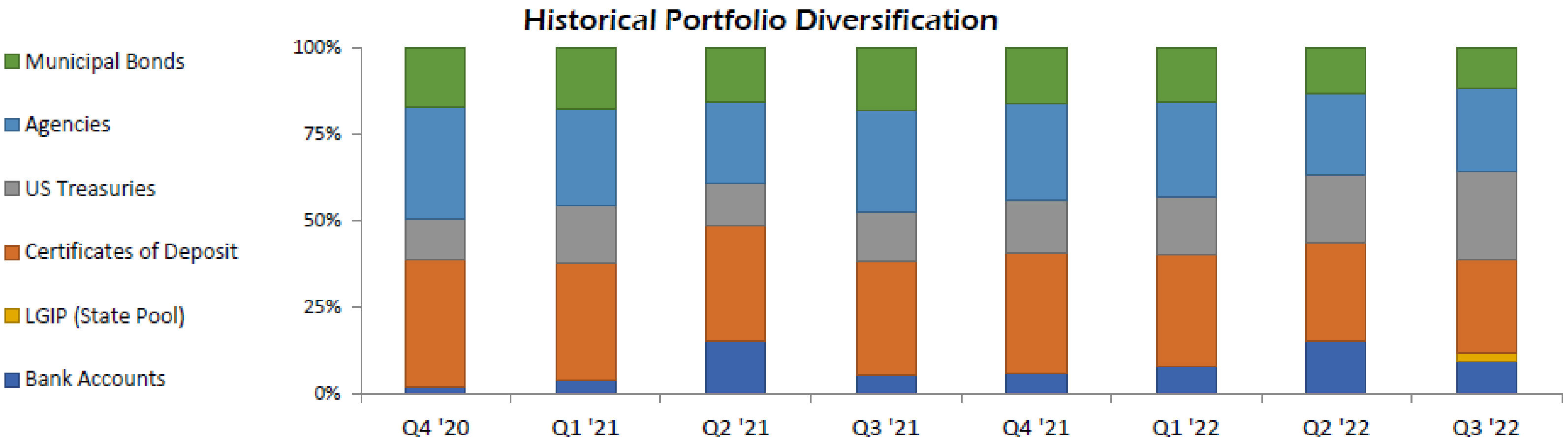
All $ values are shown in '000s

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

Investments by Type - as of September 30, 2022

		Par Value		GASB 31 Reported Value		Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	$	49,995	$	49,995	$	49,995	9.2%	75%	1
Certificates of Deposit	$	145,096	$	145,096	$	145,096	26.8%	40%	1,029
US Treasuries	$	141,052	$	131,910	$	138,447	25.6%	100%	1,197
LGIP (State Pool)	$	15,084	$	15,084	$	15,084	2.8%	25%	1
US Agencies	$	128,131	$	122,720	$	129,299	23.9%	75%	708
Municipal Bonds	$	62,440	$	59,936	$	63,774	11.8%	30%	854
Total:	**$**	**541,799**	**$**	**524,741**	**$**	**541,696**			**851**

Numbers may not foot due to rounding



Quarterly Investment Report
for the quarter ending September 30, 2022

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

Maturity Distribution - as of September 30, 2022

Maturity		Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP	$	15,084	2.8%	2.8%
Bank Accounts	$	49,995	9.2%	12.0%
1-90 Days	$	24,220	4.5%	16.5%
91-180 Days	$	33,775	6.2%	22.7%
181-365 Days	$	58,849	10.9%	33.6%
1-2 Yrs	$	72,682	13.4%	47.0%
2-3 Yrs	$	98,560	18.2%	65.2%
3-4 Yrs	$	57,404	10.6%	75.8%
4-5 Yrs	$	45,019	8.3%	84.1%
5+ Yrs	$	86,211	15.9%	100.0%
Total:	**$**	**541,799**	**100%**	

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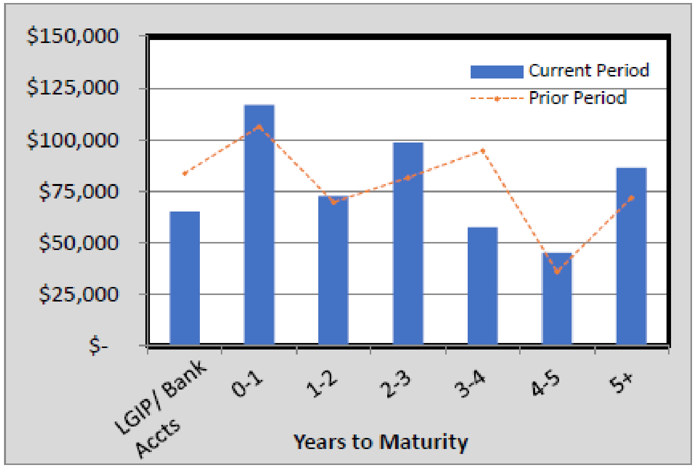
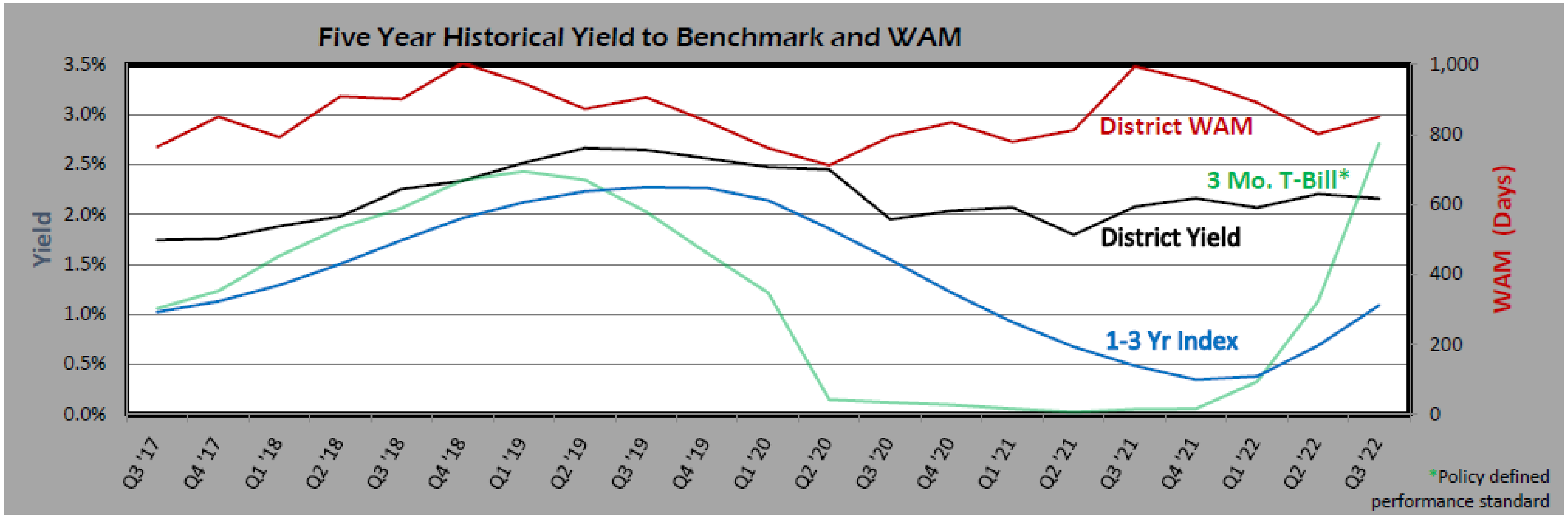


Historical Yields/Weighted Average Maturity(WAM), by Quarter



*Policy defined performance standard

Quarterly Investment Report

for the quarter ending September 30, 2022

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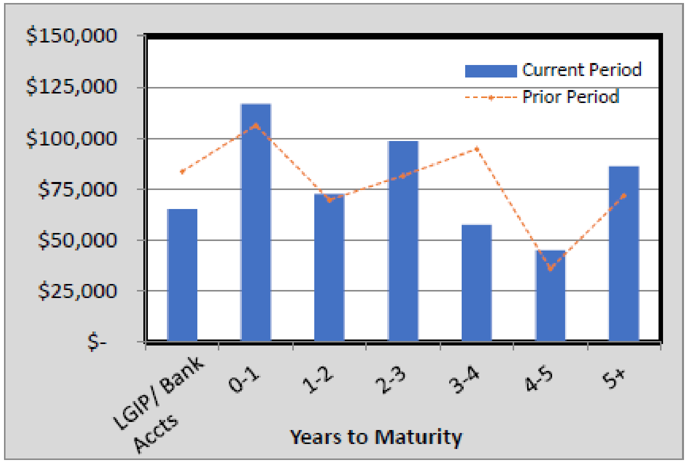

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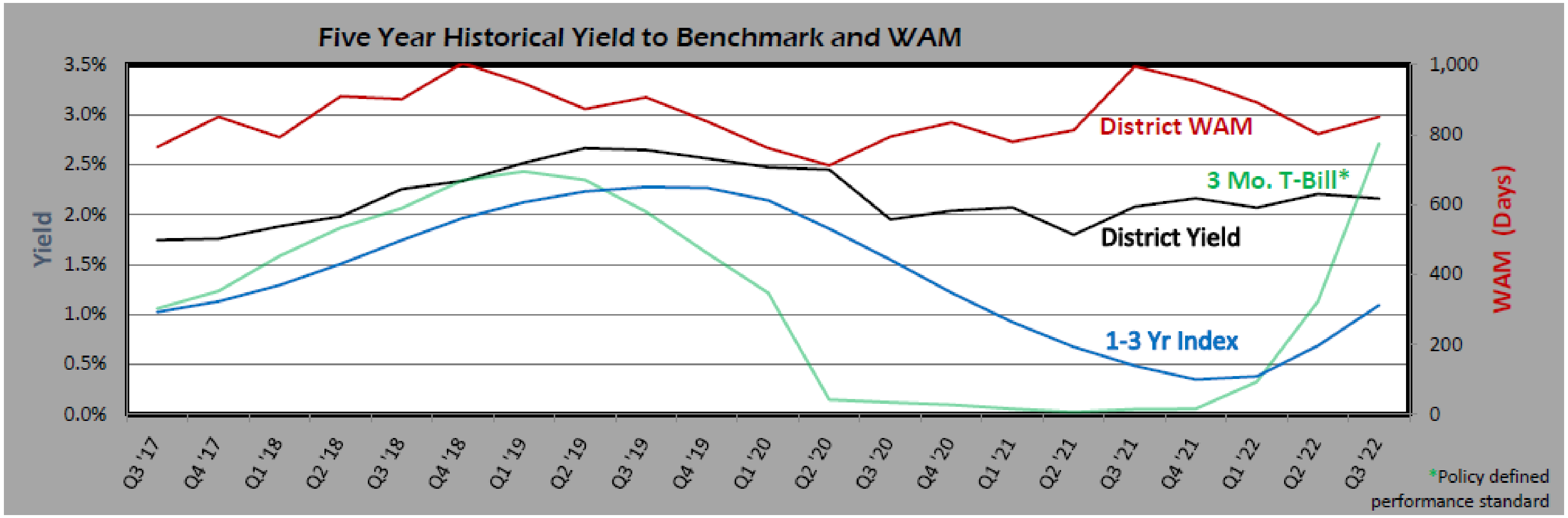

Definitions

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.