

Quarterly Financial Review

for the quarter ended March 31, 2022



Board Presentation

May 2, 2022

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What We Will Cover Today

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

Update only, no action required

Appendix: Additional detailed information not covered today

Q1 2022 Key Highlights

Bottom-line results through Q1: better than budget

- Lower operating costs and higher revenue 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 are manageable and are continuing to be monitored and evaluated for future forecasts

Financial metrics: 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

Q1 Overview

Revenue

Service Revenue \$4M below budget YTD

- ↓ Off-system end-use sales: volume down and average market price rate component lower
- ↓ HDL load growth continues to lag

Net Wholesale Revenue \$5M above budget YTD

- ↑ Higher energy production due to higher streamflow
- ↑ Lower market prices on the purchase power component of the Off-system sale

Hydro Contract Revenue \$2M above budget YTD

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

Other Operating Revenue \$1M above budget YTD

- ↑ Variable portion of real-time agreement
- ↑ Environmental attribute revenue

Total Revenues forecast to be \$16M above budget for the year

Expense

Operating Expenses \$12M 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 in line with budget YTD

- ↑ Higher customer line extension contributions

Total Net Expenses forecasted to be \$2M below budget for the year

Bottom Line

Bottom Line \$34M YTD: \$17M better than budget

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

Bottom Line forecast of \$79M for the year

- ↑ \$17M better than budget

Q1 Overview

Capital

Capital expenditures of \$19M YTD

↓ \$11M below budget YTD

Capital forecast adjustments due to project schedule delays and deferrals

- ↓ Operations and Service Center
- ↓ LC Seismic Study-Auto Closure Gate
- ↓ RR Spillway Elec Upgrades
- ↓ PKWC NB Shore Erosion Repair
- ↓ PPB: Loop Trail Extension

Total capital forecast of \$179M

↓ \$17M below budget for the year

Cash

Q1 Cash and investments balance of \$509M

- ↑ Increased by \$1M from year-end
- ↑ Positive bottom line
- ↓ Capital spending
- ↓ Reduction of payables

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

Year-end cash balance forecast of \$384M

↑ \$27M better than budget

Debt

Q1 Debt balance of \$398M

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

(in 000s)	2022 Current Forecast	2022 Budget	% of budget
Service Revenue	118,693	116,585	102%
Net Wholesale Revenue	68,981	63,988	108%
Hydro LT Contract Rev/Other PP	156,110	148,278	105%
Other Operating Revenue	25,772	24,978	103%
Total Revenue	369,555	353,828	104%
Operating Expense	(223,370)	(225,577)	99%
Depreciation & Tax Expense	(65,642)	(63,787)	103%
Operating Income/(Loss)	80,543	64,463	125%
Non-Operating Activity	(1,774)	(2,965)	60%
Bottom Line	78,769	61,498	128%

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

2022 Business Line Bottom Line Forecast

(in 000s)	2022 Current Forecast	2022 Budget	% of budget
Integrated Electric	76,673	59,158	130%
Fiber & Telecom	(799)	(263)	303%
Water	832	740	112%
Wastewater	(289)	(320)	90%
Intra-system eliminations	2,352	2,184	108%
Combined Bottom Line	78,769	61,498	128%

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	3,096	4,513	69%	33,085	33,490	99%
Network Transmission	358	568	63%	1,204	1,236	97%
Rocky Reach	606	918	66%	6,698	7,642	88%
Rock Island	4,749	8,455	56%	54,456	54,777	99%
Lake Chelan	12	356	3%	2,256	3,384	67%
Internal Services	9,145	14,233	64%	71,312	85,439	83%
Fiber & Telecom	516	946	55%	6,824	7,131	96%
Water	62	147	42%	2,253	2,255	100%
Wastewater	38	30	126%	461	461	100%
Total Expenditures	18,582	30,166	62%	178,548	195,813	91%
Contributions	(1,868)	(1,357)	138%	(5,598)	(5,427)	103%
Capital net of CIAC	16,714	28,809	58%	172,951	190,386	91%

2022 Cash Flow Year-To-Date

	\$ Million
Bottom line result (YTD-2022)	\$34
Add back non-cash expense items (deprec./amort.)	\$13
Subtract non-cash revenue items	(\$ 4)
Estimated earned funds from operations	\$ 43
Capital project expenditures	(\$ 19)
Other misc. impacts (change in A/R, A/P, inventory, debt, etc.)	(\$ 23)
Estimated use of funds	(\$42)
Added to (Use of) cash reserves	\$ 1
Cash and investments, beginning of year	\$ 508
Added to (Use of) cash reserves	\$ 1
Cash and investments, Q1 of 2022	\$ 509

Cash & Investments Balance

(\$ Millions)	<u>3/31/22</u>	<u>12/31/21</u>
Unrestricted funds	\$326	\$270
Board Designated*:		
Electric Rate Support Fund	2	2
Headquarters/Service Center Strategic Facilities Fund	<u>50</u>	<u>50</u>
Total Unrestricted Funds	\$378	\$322
Restricted funds for hydro capital/debt	<u>37</u>	<u>93</u>
Total Liquidity (policy minimum \$175M)	\$415	\$415
Restricted - bond reserve funds	52	47
Restricted - construction funds (2020 bonds)	8	14
Restricted - power contract deposits	19	19
Restricted - self insurance and other funds	<u>15</u>	<u>13</u>
Total Cash and Investments	<u>\$509</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-\$210M, Expected)	\$306M	\$225M	\$226M	\$219M	\$237M
Liquidity (Greater calculated min \$175M-\$210M, Unusual)		\$225M	\$226M	\$219M	\$220M*
Debt Ratio (Expected case <35% by 2019)	19.9%	19.0%	17.9%	15.4%	13.6%
Debt Ratio (Unusual case <35% by 2019)		20.4%	20.5%	19.9%	18.6%
Days Cash on Hand (Expected case >250)	334	251*	252*	251*	272*
Days Cash on Hand (Unusual case > 250)		251*	252*	251*	252*
Combined Debt Cover (Expected case > 2.00x)	2.68	3.19	3.35	3.82	4.23
Combined Debt Cover (Unusual case >1.25x)		2.65	2.65	2.63	3.05
Bottom Line Results (Expected case)	\$79M	\$67M	\$73M	\$89M	\$85M
Bottom Line Results (Unusual case)		\$48M	\$50M	\$50M	\$58M
Debt Outstanding (Expected case)	\$349M	\$345M*	\$336M*	\$296M*	\$270M
Debt Outstanding (Unusual case)		\$370M*	\$386M*	\$384M*	\$367M

* - Financial Policy Metrics within 10% of target which requires Board communication per resolution. Action plan assumes issuance of debt in 2023-2025 to fund a portion of the capital spending program and balance maintaining our financial targets.

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

Quarterly Reporting Requirement Individual Business Line Financial Policies

Business Lines	Water	Waste water	Fiber
	Forecast for 2024		
Operating Cover Percentage (target by 2024)	>104.0%	>62.0%	>80.0%
Operating Cover Percentage (forecast Q1)	104.8%	62.0%	85.9%
Cash Reserves – Unrestricted (target by 2024)	>\$1.25M	>\$200K	>\$2.0M
Cash Reserves – Unrestricted (forecast Q1)	\$0.1M	\$2.1M	\$19.2M
Debt Service as a % of Rev (target by 2024)	<12.0%	<2.0%	<10.0%
Debt Service as a % of Rev (forecast Q1)	8.3%	12.1%	---

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

Financial Policy not met. Action plan is to implement actions recently adopted in the 2020-2024 Strategic Plan and consider internal loaning to improve cash position to help meet capital needs.

Financial Policy Metric within 10% of target which requires Board communication per resolution. Action plan is to monitor ongoing forecasts.

Quarterly Investment Report

In compliance with District Banking and Investment Policy #16-14094

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	YTD 2022	WAM
Average Invested Book Value (\$M)	\$634	\$529	\$523	\$504	\$504	
District Yield	1.80%	2.08%	2.16%	2.07%	2.07%	892
Benchmarks:						
3 Month T-Bill	0.02%	0.05%	0.06%	0.33%	0.33%	90
S&P US Treasury 1-3 Year Index	0.67%	0.49%	0.35%	0.38%	0.38%	692

- Q1 2022 yield decreased to 2.07% (2022 budgeted rate is 2.22%); Q4 yield was higher due to the early call of an investment and the associated accelerated recognition of interest earnings.)
- March 16, 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 0.25% to 0.50% (0.00% to 0.25% for 2021 Q4)
- 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.

Q1 Key Messages

Year-end 2022 forecasts are better than budget

- Q1 YTD results are better than budget by \$17M
- Year-end forecasts anticipate higher revenues and some catch-up in operating expenses which will maintain bottom line, better than budget by \$17M

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 \$5 million above budget (\$17M vs. \$12M)

↑ Annual forecast \$5M better than budget (\$69M vs. \$64M)

Drivers:

- ↑ Generation 106% of budget
- ↑ Higher market prices

Hydro Long-Term Contract Revenue:

↑ YTD result \$2 million above budget (\$39M vs. \$37M)

↑ Annual forecast \$8M higher than budget (\$156M vs. \$148M)

Drivers:

- ↑ Retained surplus proceeds
- ↓ YTD Combined hydro “cost based” operating expenses below budget

Financial Highlights - Revenue

Service Revenue:

- ↓ YTD result \$4 million below budget (\$29M vs. \$33M)
- ↑ Forecast result \$2M above budget (\$119M vs. \$117M)

Drivers:

- ↓ Lower retail off-system sale due to market component of price and lower usage ~\$3M
- ↓ Lower HDL sales due to lagging ramping plans ~\$0.3M

Other Operating Revenue:

- ↑ YTD results \$1 million above budget (\$8M vs. \$7M)
- ↑ Forecast results \$1M above budget

Drivers:

- ↑ Real-Time Agreement variable portion better than budget ~\$0.6M
- ↑ Environmental Attribute Revenues better than budget ~\$0.5M

Financial Highlights - Expenses

Operating Expense:

↓ YTD result \$12M million below budget (\$59M vs. \$71M)

↔ Forecast results in line with budget (\$289M vs. \$289M)

Drivers:

↓ Hydro operations and maintenance at 58% of budget

↓ Hydro Fish & Wildlife at 70% of budget

↓ Fiber Network spending at 70% of budget

Non-Operating Net Expense:

↔ YTD result in line with budget (\$0.0M vs. \$0.4M)

↓ Forecast results better than budget (-\$1.8M vs. -\$3.0M)

Drivers:

↑ Customer line extension contributions exceeding budget

Financial Highlights – Balance Sheet

Capital Expenditures below budget

- 2022 Q1 \$19 million vs. budget of \$30 million
- 2022 forecast \$179 million vs. budget of \$196 million

Selected individual project adjustments:

↓ Operations and Service Center	\$16M shifted to 2023
LC Seis Stdy-Auto Closure Gate	\$2.3M shifted to 2023-2024
RR Spillway Elec Upgrades	\$1.7M shifted to 2023
PKWC NB Shore Erosion Rpr	\$1.2M shifted to 2023
PPB: Loop Trail Extension	\$1.2M shifted to 2023

Cash remains strong, with continued debt reduction

- Cash balance increased \$1 million in 2022 due to positive bottom line result while funding capital expenditures, and remains strong at \$509M
- Debt balance 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	12,054	12,245	98%	In line with budget
Commercial Electric	5,219	5,233	100%	In line with budget
Industrial Electric	1,293	1,325	98%	In line with budget
High Density Load	1,965	2,249	87%	Lower than expected load growth
Off-System End-Use Sales	5,257	8,564	61%	Lower usage, lower market price rate component
Other Electric	78	85	91%	Small dollar variance
Electric Service	25,866	29,702	87%	
Water Service	1,417	1,376	103%	In line with budget
Wastewater Service	205	216	95%	In line with budget
Fiber & Telecom	2,076	2,119	98%	In line with budget
Service Revenue	29,564	33,414	88%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	Actuals YTD 2022	Budget YTD 2022	% of budget	Variance
Slice Contracts	19,441	19,440	100%	In line with budget
Net Block Trades & Other	(2,529)	(7,163)	35%	Lower volume of purchases and decreased power price impact on wholesale purchases
Net Wholesale Revenue	16,912	12,277	138%	
LT Hydro Contracts	39,385	36,805	107%	Retained surplus revenues, offset by lower hydro operating expenses
Other Purchased Power	(330)	(248)	133%	Small dollar variance
Hydro LT Contract Rev/ Other PP	39,055	36,558	107%	
Surplus Energy Revenue	55,967	48,835	115%	

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

Operating Expense

(in 000s)	2022 Actuals YTD	2022 Budget YTD	% of budget	Variance
Hydro Operations & Maintenance	11,246	19,491	58%	Project delays, shift in labor to capital projects
Hydro Fish & Wildlife	3,167	4,541	70%	Project expense timing
Hydro Parks & Recreation	1,361	1,734	78%	Project expense timing
Electric Distribution	4,007	4,545	88%	Tree Trimming, open positions
Electric Transmission	3,447	4,055	85%	Maintenance contract spending
Misc. Power Supply Expenses	1,352	1,455	93%	Small dollar variance
Water & Wastewater	836	892	94%	Small dollar variance
Fiber Network	974	1,389	70%	Open positions, maintenance & operations contracts
Customer Accounts & Service	1,050	1,093	96%	In line with budget
Conservation & Customer Assist	1,057	1,283	82%	Amortization of reg. assets/ Customer Energy Programs
Insurance & FERC Fees	2,619	2,798	94%	Self Insurance claims expense eliminations
Admin & General	11,160	11,403	98%	In line with budget
Total	42,276	54,680	77%	

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	2,555	2,580	99%	In line with budget
Capital Contributions	2,024	1,513	134%	Electric line extensions
Interest Expense	(4,609)	(4,351)	106%	In line with budget
Other Inc/(Exp)	24	(119)	---	Small dollar variance
Non-Operating Activity	(5)	(377)	1%	

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

Integrated Electric

(in 000s)	2022 Actuals YTD	2022 Budget YTD	% of budget	Variance
Service Revenue	25,888	29,726	87%	Lower Off-system sales, lower market price rate component, lower HDL load
Net Wholesale Revenue	16,912	12,277	138%	Higher generation; Lower volume of purchases and lower market price for off-system sales purchases
Hydro LT Contact Rev/Other PP	39,055	36,558	107%	Retained surplus proceeds
Other Operating Revenue	8,298	7,018	118%	Variable portion of real-time agreement
Operating Expense	(40,575)	(52,298)	78%	Lower Hydro O&M
Depreciation & Taxes	(14,780)	(14,767)	100%	In line with budget
Operating Income/(Loss)	34,798	18,514	188%	
Non-Operating Activity	(3,166)	(3,564)	89%	Higher electric line extensions
Bottom Line	31,631	14,949	212%	

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	2,919	2,901	101%	In line with budget
Other Operating Revenue	2	-	---	Small dollar variance
Operating Expense	(1,919)	(2,832)	68%	Open positions, maintenance & operations contract spending
Depreciation and Taxes	(1,027)	(1,052)	98%	In line with budget
Operating Income/(Loss)	(26)	(983)	3%	
Non-Operating Activity	2,928	2,935	100%	
Bottom Line	2,902	1,952	149%	

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

Water

(in 000s)	2022 Actuals YTD	2022 Budget YTD	% of budget	Variance
Service Revenue	1,427	1,400	102%	In line with budget
Other Operating Revenue	14	15	91%	Small dollar variance
Operating Expense	(1,136)	(1,221)	93%	Small dollar variance
Depreciation and Taxes	(598)	(610)	98%	In line with budget
Operating Income/(Loss)	(294)	(416)	71%	
Non-Operating Activity	211	220	96%	In line with budget
Bottom Line	(83)	(197)	42%	

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	205	216	95%	In line with budget
Other Operating Revenue	0	0	122%	Small \$ variance
Operating Expense	(207)	(209)	99%	In line with budget
Depreciation and Taxes	(112)	(112)	100%	In line with budget
Operating Income/(Loss)	(113)	(104)	109%	
Non-Operating Activity	22	34	66%	Small \$ variance
Bottom Line	(91)	(70)	129%	

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)	\$17
Increase in operating activity	\$17
Other changes in A/R, A/P, inventory, etc.	(\$7)
Total Cash – Current forecast year-end balance	\$ 384
Prior quarter – 2021 Q4 year-end forecasted balance for 2022	\$ 356

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: 2.22%, 2.29%, 2.19%, 2.07%, 2.25%)

Combined Five-Year Forecast

(in 000s)	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
Service Revenue	118,693	125,630	101,133	94,892	95,848
Net Wholesale Revenue	68,981	78,148	115,837	138,698	111,050
Hydro LT Contract Rev/Other PP	156,110	155,981	155,875	148,740	170,048
Other Operating Revenue	25,772	22,134	22,533	22,515	24,019
Total Revenue	369,555	381,893	395,378	404,845	400,965
Operating Expense	(223,370)	(235,072)	(237,544)	(227,405)	(229,418)
Depreciation & Tax Expense	(65,642)	(71,881)	(76,247)	(78,555)	(80,950)
Operating Income/(Loss)	80,543	74,941	81,587	98,885	90,597
Non-Operating Activity	(1,774)	(8,151)	(8,405)	(10,092)	(5,552)
Bottom Line	78,769	66,790	73,183	88,793	85,045

<i>Prior Quarter Reported Forecast</i>	<i>60,005</i>	<i>64,827</i>	<i>70,365</i>	<i>77,609</i>	<i>78,081</i>
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<i>Forecast at 2022 Budget</i>	<i>61,588</i>	<i>63,058</i>	<i>68,989</i>	<i>73,683</i>	<i>74,482</i>
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Capital Projects

(in 000s)	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
Electric Distribution	33,085	38,486	30,157	20,961	16,226
Network Transmission	1,204	2,082	5,837	5,030	5,608
Rocky Reach	6,698	14,249	8,101	4,170	10,737
Rock Island	54,456	81,217	47,785	67,097	49,635
Lake Chelan	2,256	2,546	2,353	896	463
Internal Services	71,312	34,825	5,196	4,341	3,444
Fiber & Telecom	6,824	4,533	5,552	5,336	3,741
Water	2,253	2,293	4,750	3,650	3,771
Wastewater	461	2,610	131	78	81
Total Expenditures	178,548	182,839	109,862	111,557	93,704

<i>Prior Quarter Reported Forecast</i>	195,133	156,283	109,752	114,960	92,909
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<i>Forecast at 2022 Budget</i>	195,878	149,537	128,912	111,382	92,871
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Quarterly Investment Report for the quarter ending March 31, 2022

All \$ values are shown in '000s

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

Portfolio Summary

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	YTD 2022	WAM	
Average Invested Book Value	\$634 M	\$529 M	\$523 M	\$504 M	\$504 M		
Interest Earned	\$2.8 M	\$2.8 M	\$2.9 M	\$2.6 M	\$2.6 M		
District Yield	1.80%	2.08%	2.16%	2.07%	2.07%	892	
Benchmarks:							
3 Month T-Bill	0.02%	0.05%	0.06%	0.33%	0.33%	90	
S&P US Treasury 1-3 Year Index	0.67%	0.49%	0.35%	0.38%	0.38%	692	
LGIP (State Pool)	0.08%	0.11%	0.09%	0.14%	0.14%	25	
Fed Funds Effective	0.06%	0.09%	0.08%	0.12%	0.12%	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 Q1 2022, the District's yield decreased to 2.07% (2022 budgeted rate is 2.22%) on an average invested book value of \$504 million due to increased holdings in liquid cash to support the District's large capital plan. The Weighted Average Maturity (WAM) decreased in Q1 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 March 16, 2022 meeting reported indicators of economic activity and employment have continued to strengthen. Job gains have been strong in recent months, and the unemployment rate has declined substantially. 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 implications for the U.S. economy are highly uncertain, but in the near term the invasion and related events are likely to create additional upward pressure on inflation and weigh on economic activity. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run and expects with appropriate monetary policy, inflation will return to its 2 percent objective and the labor market will remain strong. Therefore, the Committee decided to raise the target range for the federal funds rate to 0.25 to 0.50 percent (up from 0 to 0.25 percent) and anticipates that ongoing increases in the target range will be appropriate. 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 March 31, 2022

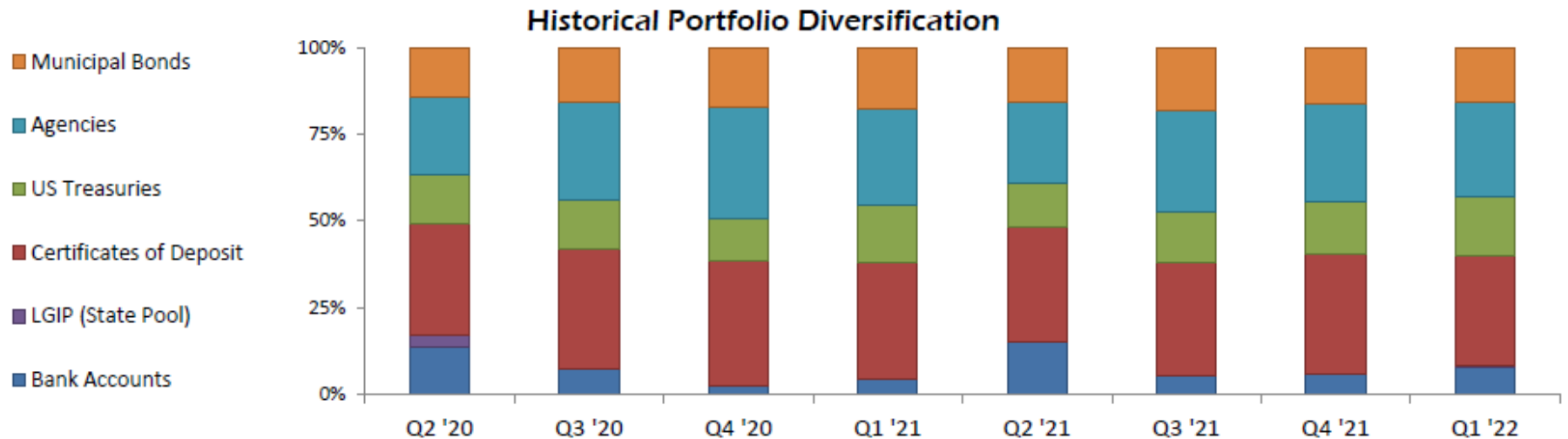
All \$ values are shown in '000s

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

Investments by Type - as of March 31, 2022

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 41,537	\$ 41,537	\$ 41,537	8.1%	75%	1
Certificates of Deposit	\$ 164,945	\$ 164,945	\$ 164,945	32.0%	40%	1,067
US Treasuries	\$ 86,295	\$ 83,596	\$ 86,030	16.7%	100%	1,154
LGIP (State Pool)	\$ 64	\$ 64	\$ 64	0.0%	25%	1
US Agencies	\$ 139,676	\$ 138,642	\$ 140,945	27.4%	75%	824
Municipal Bonds	\$ 80,045	\$ 80,277	\$ 81,567	15.8%	30%	833
Total:	\$ 512,562	\$ 509,062	\$ 515,088			892

Numbers may not foot due to rounding





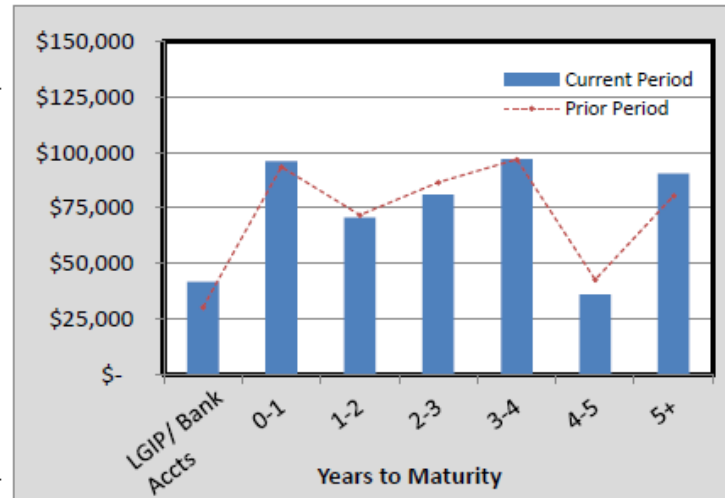
Quarterly Investment Report for the quarter ending March 31, 2022

All \$ values are shown in '000s

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

Maturity Distribution - as of March 31, 2022

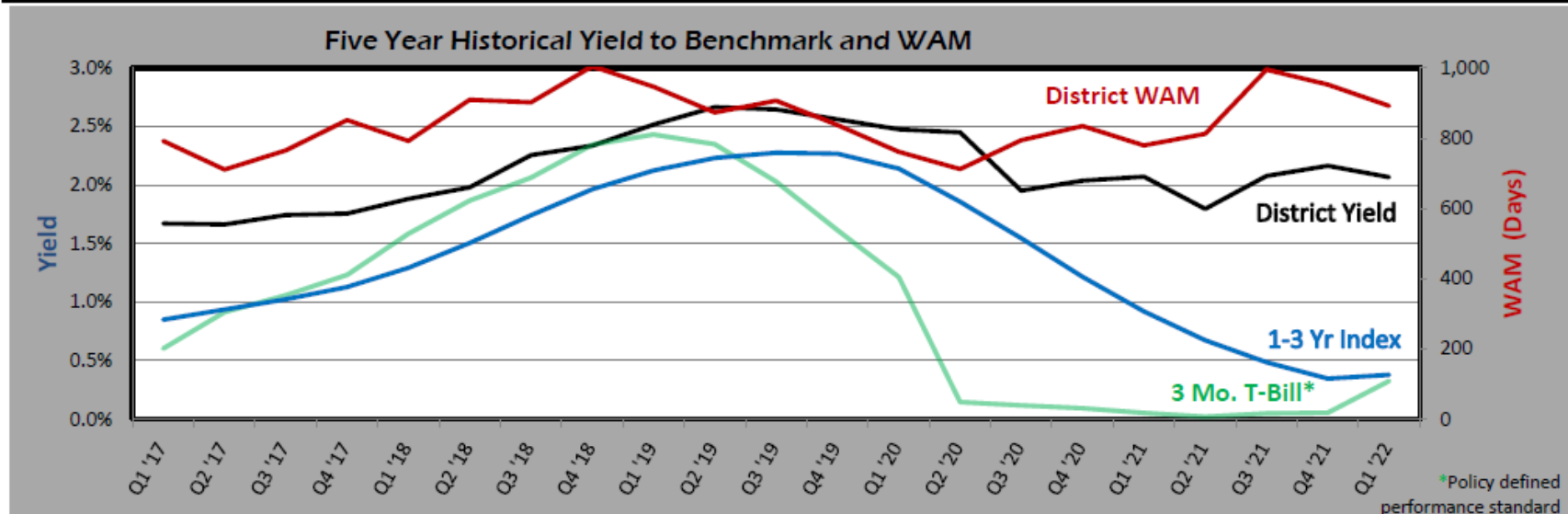
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP	\$ 64	0.0%	0.0%
Bank Accounts	\$ 41,537	8.1%	8.1%
1-90 Days	\$ 48,480	9.5%	17.6%
91-180 Days	\$ 19,353	3.8%	21.4%
181-365 Days	\$ 28,195	5.5%	26.9%
1-2 Yrs	\$ 70,680	13.8%	40.6%
2-3 Yrs	\$ 80,936	15.8%	56.4%
3-4 Yrs	\$ 96,917	18.9%	75.3%
4-5 Yrs	\$ 35,890	7.0%	82.3%
5+ Yrs	\$ 90,510	17.7%	100.0%



Total: \$ 512,562 100%

Numbers may not foot due to rounding

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



*Policy defined performance standard

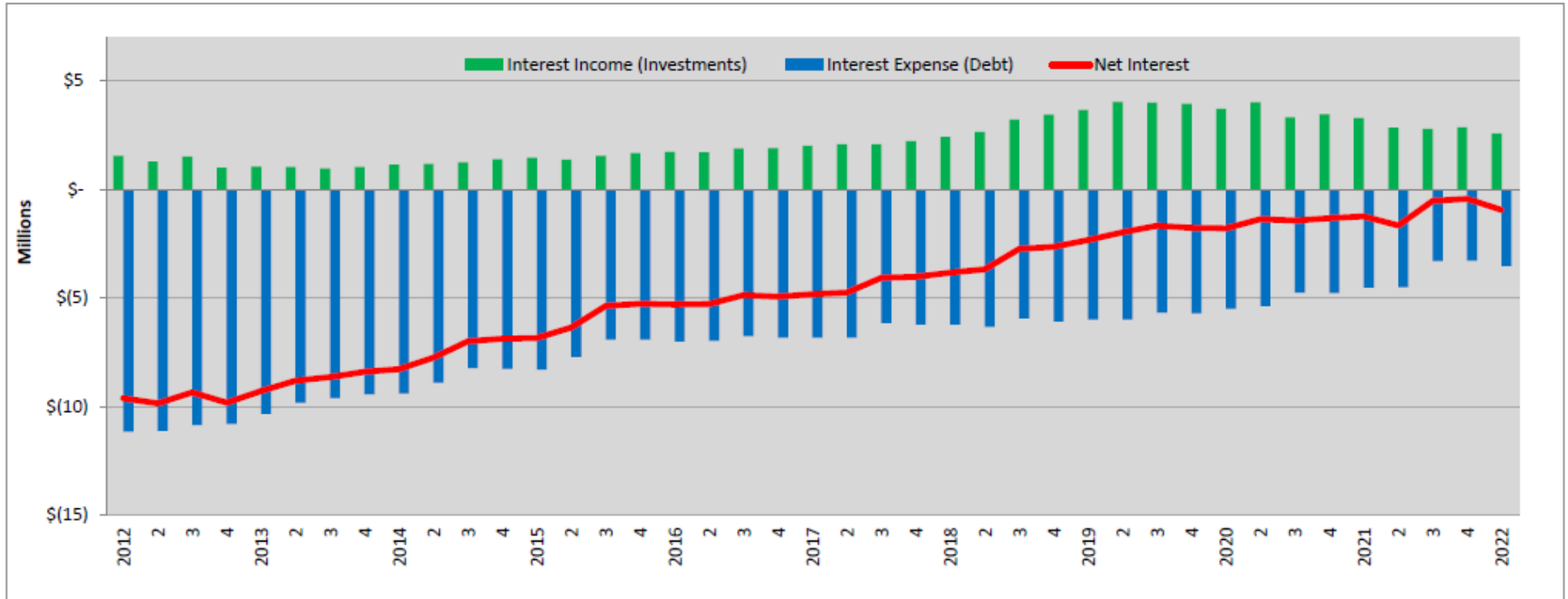


Quarterly Investment Report for the quarter ending March 31, 2022

All \$ values are shown in '000s

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

Historical Net Interest, by Quarter





Quarterly Investment Report for the quarter ending March 31, 2022

All \$ values are shown in '000s

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

Definitions

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

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

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

Book Value- original cost of a bond less amortization.

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

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

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

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

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

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

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

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

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

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

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