

Quarterly Financial Review

for the Quarter Ended June 30, 2020



Board Presentation
August 3, 2020

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 2020 Key Highlights

Bottom-line results through Q2 better than budget

- COVID-19 has had offsetting impacts through Q2 with lower retail revenues in the commercial sector (lower customer usage) and lower long-term cost-based power contract revenue (lower Hydro costs) more than offset by lower operating costs due to slowed project schedules and adapting work to COVID-19 requirements.

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

- Anticipating lower retail revenues to continue as a result of COVID-19, but expecting operating expenses to catch up closer to budget resulting in the forecasted bottom line to be more in line with budget expectations.
- Slight adjustments have been made to forecasts as a result of COVID-19 but still learning the overall impacts. Project schedules are anticipated to be impacted more than overall project costs, so timing of expenditures may be shifted out to later periods as compared to forecast at budget.

Financial metrics

- District financial metrics are being met with borrowing expected in 2022 to fund a portion of capital spending

Stay the course with new 2020-2024 strategic goals

- Will need to continue to be nimble in adjusting to COVID-19



COVID-19 Financial Impacts

- Bottom line results for the year are forecast to be slightly better than budget. Slowed spending experienced through Q2 is expected to subside during the second half of the year, partially offset by retail revenues anticipated to continue being below budget.
- The commercial sector appears to be impacted the most with electric usage currently forecast to be 92% of budget with milder seasonal temperatures also contributing.
- Some capital and O&M projects have experienced delays and progress slowed as the District safety adapts to new safety protocols with guidance from federal, state and local health agencies. Forecasts will continue to be refined as more is learned.
- These results demonstrate our resilience achieved through our prudent financial policies, strong cash position, robust risk management and hedging policies and business continuity plans and actions that enable us to weather the storm of COVID-19.

Overview

Revenue

- Service Revenue was below budget year-to-date (YTD) due to lower off-system end-use sales as lower wholesale market prices have decreased the market element of the rate. Commercial sales were also lower due to COVID-related load impacts and milder winter weather conditions. HDL load growth continues to lag behind expectations as well : (-\$4.7M)
- Net Wholesale Revenue in line with YTD budget expectations (103% of budget): (+\$1.0M)
- Hydro Long-Term Contract Revenue below budget YTD due to lower hydro production costs for the cost-based contracts: (-\$6.8M)
- Other Operating Revenue in line with budget expectations (98%): (-\$.3M)

Total Revenues forecast to be below budget for the year: -\$16.0M

Expense

- Operating Expenses below budget YTD primarily due to lower O&M at Rocky Reach with deferral on C10/C11 to focus on C2-C7 work and the impacts of COVID-19 across the District on certain projects. Expecting to be ~93% of budget overall by YE: (+\$17.7M)
- Non-Operating Net Expense better than budget YTD primarily due to lower interest expense on variable rate debt: (+\$0.9M YTD)

Total Net Expenditures forecasted to be below budget for the year: \$20.2M

Bottom Line

- Reduction in expenses greater than reduction in revenues for a better Bottom Line YTD: (+\$9.1M)

Bottom Line forecast for the year expected to be better than budget at \$60.2M: \$4.1M

Overview

Capital

- Capital expenditures overall are lagging the planned pace and below budget YTD: (\$16.0)
- Capital expenditure forecast reduced ~\$28M for the year
- Primary projects that are driving the lower estimate included Rock Island modernization, RR & RI facilities upgrade projects and Distribution substation projects

(Total capital forecast to hit \$136M which is below budget for the year: (\$28M))

Cash

- Cash and investments balance at Q2 has increased by \$88M primarily due to the net proceeds of \$103M received from the May bond issuance/refunding: (\$703M)

(Year-end cash balance forecasted to be better than budget: \$633M)

Debt

- Total debt has had a net increase of \$52M from the year-end balance driven by the net impact (\$68M) of the plan of finance executed in May and offsetting scheduled payments of \$23M

(Year-end debt forecast: \$507M (\$73M))

2020 Bottom Line Results

(in 000s)	2020 Current Forecast	2020 Budget	% of budget
Service Revenue	82,506	90,561	91%
Net Wholesale Revenue	73,546	74,113	99%
Sub	156,052	164,674	95%
Hydro LT Contract Rev/Other PP	135,552	142,794	95%
Other Operating Revenue	23,824	23,977	99%
Other Operating Expense	(193,959)	(209,945)	92%
Depreciation & Tax Expense	(55,605)	(57,152)	97%
Operating Income/(Loss)	65,862	64,348	102%
Non-Operating Activity	(5,627)	(8,260)	68%
Bottom Line	60,235	56,088	107%

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

Business Line Bottom Line Results

(in 000s)	2020 Current Forecast	2020 Budget	% of budget
Integrated Electric	59,008	52,988	111%
Fiber & Telecom	84	1,583	5%
Water	246	613	40%
Wastewater	(232)	(227)	103%
Intra-system eliminations	1,130	1,130	100%
Combined Bottom Line	60,235	56,088	107%

Note - Bottom line results reflect the 2020-2024 strategic planning guidance for Fiber, Water and Wastewater Systems to lean toward self-sustainability over the long term which includes the reduction of shared cost support from the Integrated Electric System

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

Capital Expenditures

(in 000s)	2020 YTD Actuals	2020 YTD Budget	% of budget	2020 Current Forecast	2020 Current Budget	% of budget
Electric Distribution	6,126	10,251	60%	17,503	28,976	60%
Network Transmission	1,325	1,376	96%	3,972	3,570	111%
Rocky Reach	1,126	3,597	31%	10,765	12,155	89%
Rock Island	17,604	19,718	89%	70,675	77,970	91%
Lake Chelan	338	389	87%	880	994	89%
Internal Services	7,092	13,637	52%	24,919	33,621	74%
Fiber & Telecom	1,826	2,372	77%	6,221	5,418	115%
Water	103	162	64%	495	704	70%
Wastewater	18	40	44%	48	176	27%
Total Expenditures	35,557	51,542	69%	135,478	163,585	83%
Contributions	(1,848)	(2,341)	79%	(4,664)	(4,682)	100%
Capital net of CIAC	33,709	49,201	69%	130,814	158,903	82%

Overview YTD - 2020 Cash Flow

	\$ Million
Bottom-line result (YTD-2020)	\$37
Add back non-cash related items (depreciation)	\$23
Estimated earned funds from operations	\$ 60
Capital project expenditures	\$ 36
Net debt activity (issue, refunding & payments)	(\$45)
Other misc. impacts (change in A/R, A/P, Inventory, Etc.)	(\$19)
Added to cash reserves	\$88
Estimated use of funds	\$60

Cash and investments, beginning of year	\$ 615
Added to cash reserves	\$88
Cash and investments, Q2 of 2020	\$ 703

Cash & Investments Balance

(\$ Millions)	<u>6/30/20</u>	<u>12/31/19</u>
Unrestricted funds	\$392	\$363
Board Designated*:		
Headquarters/Service Center Strategic Facilities Fund	<u>50</u>	<u>50</u>
Total Unrestricted Funds	\$442	\$413
Restricted funds for hydro capital/debt	<u>89</u>	<u>117</u>
Total Liquidity (policy minimum \$175M)	\$531	\$530
Restricted - bond reserve funds	47	53
Restricted - construction funds (2020 bonds)	90	0
Restricted - power contract deposits	19	19
Restricted - self insurance and other funds	<u>16</u>	<u>13</u>
Total Cash and Investments	<u>\$703</u>	<u>\$615</u>

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

Quarterly Reporting Requirement - Financial Policies

District Combined	2020	2021	2022	2023	2024
Liquidity (Greater calculated min \$175M-\$210M, Expected)	\$479M	\$319M	\$191M*	\$201M*	\$204M*
Liquidity (Greater calculated min \$175M-\$210M, Unusual)		\$311M	\$190M*	\$201M*	\$204M*
Debt Ratio (Expected case <35% by 2019)	30.2%	24.4%	22.0%	21.9%	20.4%
Debt Ratio (Unusual case <35% by 2019)		24.6%	22.9%	23.3%	22.9%
Days Cash on Hand (Expected case >250)	614	427	255*	258*	269*
Days Cash on Hand (Unusual case > 250)		415	254*	258*	268*
Combined Debt Cover (Expected case > 2.00x)	2.52	2.25	2.18	2.71	2.90
Combined Debt Cover (Unusual case >1.25x)		2.13	2.02	2.43	2.36
Bottom Line Results (Expected case)	\$60M	\$50M	\$46M	\$47M	\$55M
Bottom Line Results (Unusual case)		\$44M	\$40M	\$37M	\$36M
Debt Outstanding (Expected case)	\$507M	\$396M	\$358M	\$369M*	\$351M*
Debt Outstanding (Unusual case)		\$396M	\$373M	\$393M*	\$393M*

* - Financial Policy Metrics within 10% of target which requires Board communication per resolution. Action plan assumes issuance of debt in 2022, 2023 and 2024 to fund a portion of the capital spending program and balance maintaining our financial targets.

Quarterly Reporting Requirement Individual Business Line Financial Policies

Business Lines	2020	2021	2022	2023	2024
WATER Business Line					
Operating Cover Percentage (target >104% by 2024) (annual targets based on forecast at 2020 budget)	89.7%	98.3%	99.4%	100.8%	104.0%
Operating Cover Percentage (Results Q2)	93.7%	97.3%	100.8%	102.2%	105.4%
Cash Reserves – unrestricted (target > \$1.25 million)	\$4.3M	\$4.1M	\$3.6M	\$2.7M	(\$.5M)
Debt Service as a % of Rev (target < 12% by 2024) (annual targets based on forecast at 2020 budget)	11.2%	11.9%	11.7%	11.7%	12.0%
Debt Service as a % of Rev (Results Q2)	11.3%	10.1%	9.5%	8.9%	8.4%

NOTE: Board resolution for business line financial targets are defined as “by 2024” and “by 2029”. Annual targets are based on the forecast at the 2020 budget set to support the 2020-2024 strategic plan. Annual actuals are provided to show progress and to inform if action is needed to meet the 5-year target.

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 Reporting Requirement Individual Business Line Financial Policies

Business Lines	2020	2021	2022	2023	2024
WASTEWATER Business Line					
Operating Cover Percentage (target > 62% by 2024) (annual targets based on forecast at 2020 budget)	58.2%	61.8%	62.4%	62.3%	61.9%
Operating Cover Percentage (Results Q2)	59.0%	63.3%	64.2%	63.6%	63.3%
Cash Reserves – unrestricted (target > \$200K)	\$2.6M	\$2.7M	\$2.2M	\$2.5M	\$2.4M
Debt Service as a % of Rev (target < 2% by 2024) (annual targets based on forecast at 2020 budget)	2.2%	2.1%	2.0%	1.9%	2.0%
Debt Service as a % of Rev (Results Q2)	7.6%	14.5%	13.8%	13.1%	12.5%

NOTE: Board resolution for business line financial targets are defined as “by 2024” and “by 2029”. Annual targets are based on the forecast at the 2020 budget set to support the 2020-2024 strategic plan. Annual actuals are provided to show progress and to inform if action is needed to meet the 5-year target.

Financial Policy not met. Action plan is to implement actions recently adopted in the 2020-2024 Strategic Plan and monitor progress.

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

Quarterly Reporting Requirement Individual Business Line Financial Policies

Business Lines	2020	2021	2022	2023	2024
FIBER Business Line					
Operating Cover Percentage (target > 80% by 2024) (annual targets based on forecast at 2020 budget)	81.0%	74.9%	79.1%	79.4%	80.0%
Operating Cover Percentage (Results Q2)	78.6%	79.5%	81.8%	79.9%	82.1%
Cash Reserves - unrestricted (target > \$2.0 million)	\$15.3M	\$16.1M	\$15.1M	\$13.9M	\$13.3M
Debt Service as a % of Rev (target < 10% by 2024) (annual targets based on forecast at 2020 budget)	---	---	---	---	---
Debt Service as a % of Rev (Results Q2)	---	---	---	---	---

NOTE: Board resolution for business line financial targets are defined as “by 2024” and “by 2029”. Annual targets are based on the forecast at the 2020 budget set to support the 2020-2024 strategic plan. Annual actuals are provided to show progress and to inform if action is needed to meet the 5-year target.

Financial Policy not met. Action plan is to implement actions recently adopted in the 2020-2024 Strategic Plan and monitor progress.

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

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	YTD 2020	WAM
Average Invested Book Value (\$M)	\$598	\$610	\$599	\$654	\$626	
District Yield	2.65%	2.56%	2.48%	2.45%	2.46%	712
Benchmarks:						
3 Month T-Bill	2.03%	1.61%	1.21%	0.15%	0.68%	91
S&P US Treasury 1-3 Year Index	2.28%	2.27%	2.14%	1.86%	2.00%	689

- Q2 2020 yield decreased slightly to 2.45% due to the declining market interest rates. (2020 budgeted rate is 2.61%)
- June 10, 2020 Federal Open Market Committee meeting report:
 - Committee is prepared to use its full range of tools to support the flow of credit and promote maximum employment and price stability goals.
 - Committee will continue to monitor information related to public health, global developments and muted inflation pressures
 - Federal funds target rate range was maintained at 0.00% to 0.25% (0.00% to 0.25% for Q1)
- Laddered investment structure continues to be our strategy to support safety of principal and liquidity and mitigate interest rate volatility

Policy Objectives & Compliance

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

Full report is in the Appendix.

Q2 Key Messages

YE 2020 forecasts are better than budget

- Although Q2 results are better than budget by \$9M, YE 2020 forecasts are currently anticipating continued lower revenues and a catchup in operating expenses which will bring results closer to budget expectations

Forecasts have been modified due to COVID-19 but uncertainty remains and forecasts will continue to be adjusted as we learn more

Long-term financial metrics remain strong with an assumed borrowing in the next five-year planning horizon to fund a portion of our capital spending program while maintaining or financial metrics

Stay the course with 2020-2024 strategic plan goals, but be nimble to adapt to COVID-19 circumstances

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 \$1.0 million above budget
(\$39.3M vs. \$38.3M)

Annual forecast slightly lower than
budget (\$73.5M vs. \$74.1M)

Drivers:

- Generation 92% of budget
(Q2 forecast for YE @ 97% of budget)
- + Retail load 87% of budget
- Market prices below budget

Hydro Long-Term Contract Revenue:

YTD result \$6.8 million below budget
(\$63.7M vs. \$70.5M)

Annual forecast lower than budget
(\$135.6M vs. \$142.8M)

Drivers:

- Combined hydro “cost based” operating
expenses below budget (82%)

Financial Highlights - Revenue

Service Revenue:

YTD result \$4.7 million below budget
(\$39.0M vs. \$43.7M)

Forecast result lower than budget
(\$82.5M vs. \$90.6M)

Drivers:

- Lower Retail-off system sale due to lower market element of the rate
~\$1.9M
- Lower commercial sales due to mild winter temperatures and impacts from Covid-19 and lower HDL sales due to lagging ramping plans

Other Operating Revenue:

YTD results \$0.3 million below
budget (\$12.0M vs. \$12.3M)

Forecast results slightly lower than
budget \$0.2M)

Drivers:

Forecast results in line with budget

Financial Highlights - Expenses

Operating Expense:

YTD result \$17.7 million below budget (\$86.4M vs. \$104.1M)

Forecast results below budget (\$194.0M vs. \$209.9M)

Drivers:

- Hydro operations and maintenance at 68% of budget
- Hydro parks and recreation at 63% of budget

Non-Operating Net Expense:

YTD result \$0.9M better than budget (\$3.4M vs. \$4.3M)

Forecast results below budget (\$5.6M vs. \$8.3M)

Drivers:

- Increase in Public Power Benefit spending from \$4M to \$6M
- + Impacts of debt refunding and bond issue
- + Decrease forecast in interest expense on variable rate bonds

Financial Highlights – Balance Sheet

Capital expenditures below budget

- YTD - 2020 \$35.6 million vs. budget of \$51.5 million
- 2020 Forecast results below 2020 budget (\$135.5M vs \$163.6M)

Selected individual project adjustments:

- ↓ RR-CM Facilities Upgrade (~\$11.3M shifted to 2021-2022)
- ↓ RI PH2 U1-U8 Rehab (~\$5.6M forecast decrease in 2020)
- ↓ RI PH1 B3 Modernization (~\$8.1M shifted to 2021-2022)
- ↑ RI PH1 B4 Modernization (~\$2.7M forecast increase in 2020)
- ↓ Wenatchee Substation Capacity Inc. (~\$2.4M shifted to 2021-2022)
- ↓ N Shore Chelan Substation (~\$1.8M shifted to 2022)
- ↓ RI Facilities Upgrade (~\$2M shifted to 2021)

Cash remains strong (Plan of finance executed in May)

- Cash balance forecasted to increase ~\$17 million in 2020
- Debt balance forecasted to increase ~\$33 million in 2020

Service Revenue

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Residential Electric	13,995	14,349	98%	In line with budget
Commercial Electric	7,338	8,677	85%	Mild winter temperatures / COVID Impacts
Industrial Electric	2,304	2,485	93%	In line with budget
HDL/Cryptocurrency	1,366	2,447	56%	Lower than expected load growth
Off-System End-Use Sales	6,443	8,292	78%	Lower wholesale market pricing
Other Electric	711	671	106%	Small dollar variance
Electric Service	32,157	36,920	87%	
Water Service	2,841	2,761	103%	Small dollar variance
Wastewater Service	382	366	104%	Small dollar variance
Fiber & Telecom	3,668	3,620	101%	In line with budget
Service Revenue	39,048	43,669	89%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	Actuals YTD 2020	Budget YTD 2020	% of budget	Variance
Slice Contracts	33,983	35,261	96%	Powerex Slice delayed one month
Net Block Trades & Other	5,365	3,081	174%	Higher generation / lower retail load
Net Wholesale Revenue	39,348	38,342	103%	
LT Hydro Contracts	64,392	71,137	91%	Lower hydro operating expenses (82% of bud)
Less: Other Purchased Power	(660)	(660)	100%	In line with budget
Hydro LT Contract Rev/Other PP	63,732	70,477	90%	
Surplus Energy Revenue	103,080	108,819	95%	

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

Operating Expense

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Hydro Operations & Maintenance	24,489	36,106	68%	Deferral of C10 & C11 turbine repairs/Unit maintenance
Hydro Fish & Wildlife	6,763	7,982	85%	Hatchery Operations
Hydro Parks & Recreation	3,097	4,909	63%	Parks maintenance contracts/Visitor Center Contracts
Electric Distribution	7,556	8,836	86%	Line maintenance/Tree trimming
Electric Transmission	6,311	7,138	88%	Control systems contractual support/Line maintenance
Misc. Power Supply Expenses	1,977	2,565	77%	EP&T vacant positions / Contract spending
Water & Wastewater	1,465	1,776	82%	Contract spending on replacement & upgrade projects
Fiber Network	2,170	2,577	84%	ONT maintenance support contract
Customer Accounts & Service	1,922	2,296	84%	Small dollar variance
Conservation & Customer Assist	1,892	2,433	78%	Amortization of reg. assets/Industrial Energy Programs
Insurance & FERC Fees	2,887	4,898	59%	Self Insurance claims expense elimination
Other Admin & General	25,848	22,557	115%	Shift in labor charges due to Covid-19
Total	86,378	104,074	83%	

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

Non-Operating Activity

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Interest Earnings	7,480	7,370	101%	In line with budget
Capital Contributions	2,159	2,104	103%	In line with budget
Interest Expense	(11,924)	(11,625)	103%	Lower Variable Rate Debt
Other Inc/(Exp)	(1,129)	(2,179)	52%	Debt premium amortization
Non Operating Activity	(3,415)	(4,331)	79%	

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

Integrated Electric

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Service Revenue	32,201	36,975	87%	Lower Off-system sales/Commercial & HDL load
Net Wholesale Revenue	39,348	38,342	103%	In line with budget
Hydro LT Contact Rev/Other PP	63,732	70,477	90%	Lower operating expenses
Other Operating Revenue	12,958	13,044	99%	In line with budget
Other Operating Expense	(82,291)	(99,676)	83%	Hydro O&M lagging
Depreciation & Taxes	(24,506)	(25,577)	96%	Depreciation expense assumption at budget
Operating Income/(Loss)	41,440	33,584	123%	
Non-Operating Activity	(6,642)	(7,187)	92%	Debt premium amortization
Bottom Line	34,798	26,396	132%	

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

Fiber & Telecom

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Service Revenue	5,172	5,287	98%	In line with budget
Other Operating Revenue	2	1	222%	Small dollar variance
Other Operating Expense	(4,109)	(4,736)	87%	ONT maintenance support contract
Depreciation and Taxes	(1,795)	(1,799)	100%	In line with budget
Operating Income/(Loss)	(730)	(1,247)	59%	
Non Operating Activity	2,774	1,999	139%	PPB transfer budget spread evenly
Bottom Line	2,044	752	272%	

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

Water

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Service Revenue	2,912	2,844	102%	Small dollar variance
Other Operating Revenue	26	35	74%	Small dollar variance
Other Operating Expense	(2,136)	(2,386)	90%	Contract spending
Depreciation and Taxes	(1,224)	(1,217)	101%	Small dollar variance
Operating Income/(Loss)	(422)	(725)	58%	
Non Operating Activity	387	687	56%	Shared asset transfer
Bottom Line	(34)	(37)	92%	

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

Wastewater

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Service Revenue	382	366	104%	Small dollar variance
Other Operating Revenue	1	1	57%	Small dollar variance
Other Operating Expense	(426)	(450)	95%	Small dollar variance
Depreciation and Taxes	(222)	(239)	93%	Small dollar variance
Operating Income/(Loss)	(266)	(321)	83%	
Non Operating Activity	66	171	39%	Shared asset transfer
Bottom Line	(199)	(151)	132%	

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

Actual Cash Balance Comparison to Budget

(millions)	2020
Total Cash – Budgeted year-end balance	\$ 484
Key changes in cash results:	
Net proceeds from bond activity	\$100
Decrease in capital projects	\$28
Increase in operating activity	\$4
Other changes in A/R, A/P, inventory, etc.	\$17
Total Cash – Current forecast year-end balance	\$ 633
Prior quarter – 2020 year-end forecasted balance	\$ 515

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)
- Planned expenditures from 5-year business plans
- Debt reduction plan based on Q2 plan of finance
- Hydro contract terms set at maximum rates
 - Debt Reduction Charge (DRC) - 3% (2020-24)
 - Capital Recovery Charge (CRC) - 50% (2020-24)
- Investment earning rate
 - (2020-24: 2.19%, 2.35%, 2.87%, 2.74%, 2.25%)

Combined Five-Year Forecast

(in 000s)	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Service Revenue	82,506	94,773	102,315	105,607	93,939
Net Wholesale Revenue	73,546	70,930	67,912	75,079	92,274
Sub	156,052	165,704	170,227	180,686	186,212
Hydro LT Contract Rev/Other PP	135,552	141,733	139,770	147,530	141,599
Other Operating Revenue	23,824	21,136	22,018	22,700	23,282
Other Operating Expense	(193,959)	(213,024)	(212,393)	(223,686)	(213,537)
Depreciation & Tax Expense	(55,605)	(60,144)	(65,688)	(70,477)	(71,640)
Operating Income/(Loss)	65,862	55,404	53,933	56,754	65,917
Non-Operating Activity	(5,627)	(5,246)	(7,634)	(10,188)	(10,602)
Bottom Line	60,235	50,158	46,300	46,566	55,315

<i>Prior Quarter Reported Forecast</i>	53,740	48,169	42,423	53,015	59,120
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<i>Forecast at 2020 Budget</i>	58,087	41,513	46,056	56,588	64,433
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Capital Projects

(in 000s)	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Electric Distribution	17,503	33,736	34,009	26,774	17,942
Network Transmission	3,972	1,550	1,005	1,669	999
Rocky Reach	10,765	9,640	12,225	9,865	2,866
Rock Island	70,675	73,911	56,049	38,579	40,149
Lake Chelan	880	1,397	1,309	488	616
Internal Services	24,919	74,742	59,072	4,865	4,268
Fiber & Telecom	6,221	4,552	6,324	6,045	4,897
Water	495	1,324	1,895	2,435	4,059
Wastewater	48	387	1,602	1,334	76
Total Expenditures	135,478	201,239	173,490	92,053	75,871

<i>Prior Quarter Reported Forecast</i>	156,325	211,783	145,162	85,042	80,609
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<i>Forecast at 2020 Budget</i>	168,946	205,496	144,984	85,361	80,279
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Quarterly Investment Report for the quarter ending June 30, 2020

All \$ values are shown in '000s

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

Portfolio Summary

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	YTD 2020	WAM	
Average Invested Book Value	\$598 M	\$610 M	\$599 M	\$654 M	\$626 M		<u>Policy Objectives & Compliance</u> + Safety + Liquidity + Maturity Length + Return on Investment + Diversification
Interest Earned	\$4.0 M	\$3.9 M	\$3.7 M	\$4.0 M	\$7.7 M		
District Yield	2.65%	2.56%	2.48%	2.45%	2.46%	712	
Benchmarks:							
3 Month T-Bill	2.03%	1.61%	1.21%	0.15%	0.68%	91	
S&P US Treasury 1-3 Year Index	2.28%	2.27%	2.14%	1.86%	2.00%	689	
LGIP (State Pool)	2.32%	1.89%	1.56%	0.51%	1.04%	53	
Fed Funds Effective	2.19%	1.65%	1.25%	0.06%	0.66%	1	

Policy Objectives and Compliance:

The District continues to focus on meeting investment policy objectives and compliance limits. Safety of principal is the foremost objective of the District. Diversification limits mitigate credit risk and support the preservation of capital in the overall portfolio. The laddered investment structure continues to be our strategy to support liquidity and maturity objectives and mitigate interest rate volatility over time. However, the laddered structure can result in the District's yield lagging the shorter term 3 month T-Bill benchmark in both declining and rising interest rate conditions. Bank demand deposits and US Treasuries continue to be held in addition to other investments with higher yields such as bank CDs, US Agencies, and Municipal Bonds. For Q2 2020, the District's yield decreased slightly to 2.45% (2020 budgeted rate was 2.61%) on an average invested book value of \$654 million due to the declining market interest rates, and was supported by a one-time gain related to 2020 bond financing transactions. The Weighted Average Maturity (WAM) decreased slightly in Q2 and the multi-year laddered investment strategy continues to maintain overall average investment durations near 2 years. All investments continue to be matched to specific cash flows or mature within 5 years as specified in the investment policy.

General Commentary:

The Federal Open Market Committee's June 10, 2020 meeting reported that the coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. The Committee stated that it is prepared to use its full range of tools to support the U.S. economy and thereby promote its maximum employment and price stability goals. In light of the effects of the ongoing public health crisis weighing on economic activity in the near term and posing risks to the economic outlook, the Committee decided to maintain the target range for the federal funds rate at 0 to 0.25 percent. In determining the timing and size of future adjustments, the Committee will continue to monitor the implications of incoming information for the economic outlook, including information related to public health, as well as global developments and muted inflation pressures, and will act as appropriate to support the economy. The District anticipates low rates through 2020. Global and national events can influence financial markets, which may impact the District.



Quarterly Investment Report for the quarter ending June 30, 2020

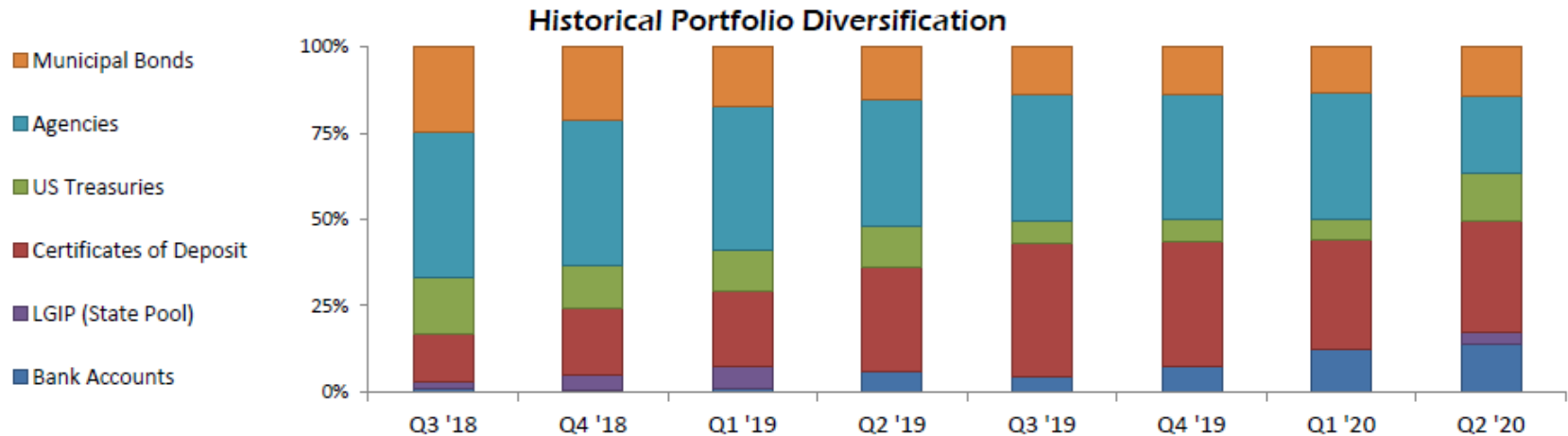
All \$ values are shown in '000s

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

Investments by Type - as of June 30, 2020

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 94,954	\$ 94,954	\$ 94,954	13.8%	75%	1
Certificates of Deposit	\$ 222,933	\$ 222,933	\$ 222,933	32.3%	40%	859
US Treasuries	\$ 96,644	\$ 100,280	\$ 97,198	14.1%	100%	623
LGIP (State Pool)	\$ 22,061	\$ 22,061	\$ 22,061	3.2%	25%	1
US Agencies	\$ 153,399	\$ 160,822	\$ 153,516	22.3%	75%	836
Municipal Bonds	\$ 96,275	\$ 101,752	\$ 98,937	14.3%	30%	1,117
Total:	\$ 686,266	\$ 702,801	\$ 689,598			712

Numbers may not foot due to rounding





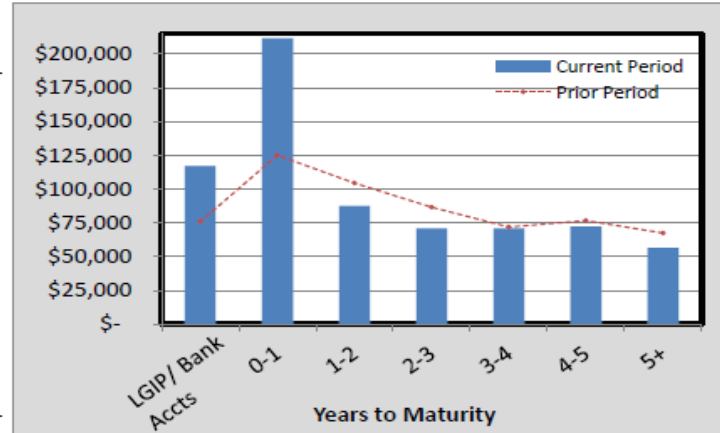
Quarterly Investment Report for the quarter ending June 30, 2020

All \$ values are shown in '000s

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

Maturity Distribution - as of June 30, 2020

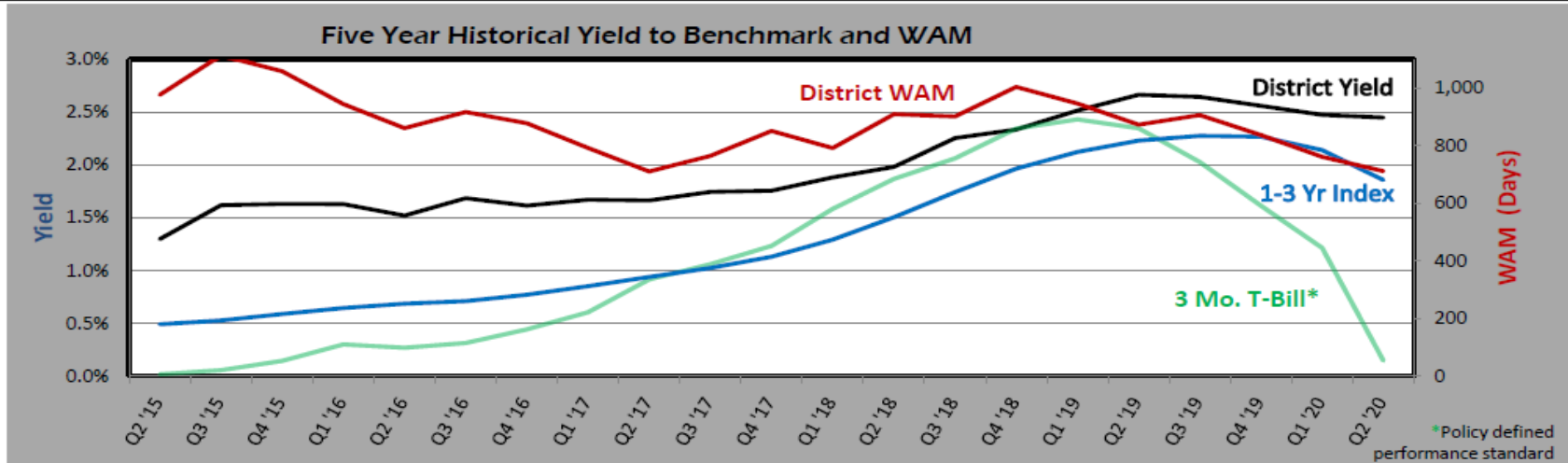
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP	\$ 22,061	3.2%	3.2%
Bank Accounts	\$ 94,954	13.8%	17.1%
1-90 Days	\$ 2,330	0.3%	17.4%
91-180 Days	\$ 29,564	4.3%	21.7%
181-365 Days	\$ 179,585	26.2%	47.9%
1-2 Yrs	\$ 87,534	12.8%	60.6%
2-3 Yrs	\$ 70,879	10.3%	71.0%
3-4 Yrs	\$ 70,877	10.3%	81.3%
4-5 Yrs	\$ 72,222	10.5%	91.8%
5+ Yrs	\$ 56,261	8.2%	100.0%



Total: \$ 686,266 100%

Numbers may not foot due to rounding

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



*Policy defined performance standard

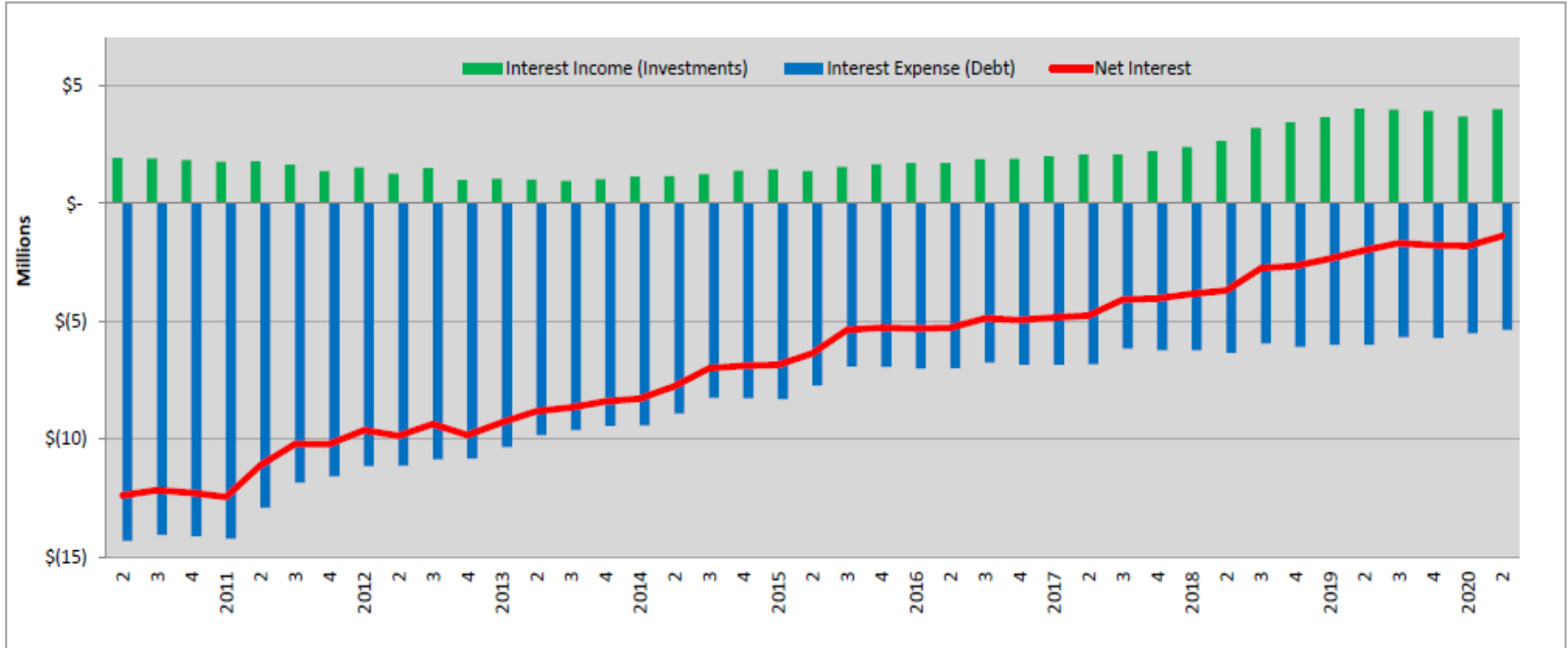


Quarterly Investment Report for the quarter ending June 30, 2020

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 June 30, 2020

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

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.