



Chelan County PUD

For the Quarter Ended March 31, 2020



Board Presentation Quarterly Financial Review May 11, 2020

5/11/2020



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 2020 Key Highlights

Bottom-line results through Q1 better than budget

- COVID-19 had offsetting impacts on Q1 with lower retail revenues (lower customer usage) and lower long-term cost-based power contract revenue (lower hydro costs) more than offset by lower operating costs due to adapting work to COVID-19 requirements

Forecasted bottom-line results for the year are below budget

- Anticipating lower retail revenues and cost-based power contract revenues to continue into the summer as a result of COVID-19 shutdowns and work slowdowns with a partial offset from slightly lower operating expenses
- Still early in understanding COVID-19 impacts and expect to know more for the Q2 forecast

Financial metrics

- District financial metrics are being met with borrowing expected in 2022 to cover liquidity and days cash on hand metrics

Stay the course with new 2020-2024 strategic goals

- Recognize need to be nimble to be able to adjust to COVID-19

COVID-19 Financial Impacts

- Q1 impacts from COVID-19 offset each other for a minimal impact, but expect full-year reductions in revenues to be greater than slowed spending resulting in a 2020 bottom line that is below budget
- Retail electric usage is currently forecast to be 95% of budget
- Many capital and O&M projects are paused while senior management and staff identify ways to safely resume work with guidance from federal, state and local health agencies
- The impacts of reduced usage, COVID-19 programs and delayed work is difficult to forecast at this time, but expect the Q2 results and forecast will provide better insight for year-end expectations.
- Today is a demonstration of 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 residential and commercial sales due to COVID-related load impacts as well as warmer than average winter temperatures. Off-system end-use sales also were lower as lower wholesale market prices decreased the market element of the rate: (-\$2.7M)
- Net Wholesale Revenue in line with YTD budget expectations (99% of budget): (-\$0.2M)
- Hydro Long-Term Contract Revenue below budget YTD due to lower hydro production costs for the cost-based contracts: (-\$2.9M)
- Other Operating Revenue in line with budget expectations (97%): (-\$.2M)

Total Revenues forecast to be below budget for the year: -\$8.7M

Expense

- Operating Expenses below budget YTD primarily due to delaying District work for COVID-19 safety with Hydro O&M projects having the highest dollar impact; expecting to be ~98% of budget by YE: (+\$6.3M)
- Non-Operating Net Expense better than budget YTD primarily due to lower interest expense on variable rate debt: (+\$0.5M YTD)

Total Net Expenditures forecasted to be below budget for the year: \$4.5M

Bottom Line

- Reduction in expenses greater than reduction in revenues for a better Bottom Line YTD: (+\$.9M)

Bottom Line forecast for the year expected to be below budget at \$53.7M: -\$4.4M

Overview

Capital

- Capital expenditures overall are lagging the planned pace and below budget YTD: (\$9.8)
- Capital expenditure forecast reduced ~\$8M for the year
- Primary drivers for remaining expenditures are Rock Island modernization, Operations/Service center and RR & RI facilities upgrade projects

(Total capital forecast to hit \$156M which is below budget for the year: (\$8M))

Cash

- Lower capital spending has increased cash and investments balance at Q1 by \$6M (\$621M)

(Total cash balance forecasted to be better than budget at year end \$515M)

Debt

- Total debt is slightly higher than budget
 - Loan for Peshastin wastewater upgrade increased ~\$1.8M from budget expectations

(\$39M net reduction with balance at year end: \$436M (\$2M))

Note: April bond financing to be reflected in Q2

2020 Bottom Line Results

(in 000s)	2020 Current Forecast	2020 Budget	% of budget
Service Revenue	84,516	90,561	93%
Net Wholesale Revenue	73,956	74,113	100%
Sub	158,472	164,674	96%
Hydro LT Contract Rev/Other PP	140,295	142,794	98%
Other Operating Revenue	23,890	23,977	100%
Other Operating Expense	(204,236)	(207,945)	98%
Depreciation & Tax Expense	(54,867)	(57,152)	96%
Operating Income/(Loss)	63,554	66,348	96%
Non-Operating Activity	(9,814)	(8,260)	119%
Bottom Line	53,740	58,088	93%

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	50,384	54,988	92%
Fiber & Telecom	1,554	1,583	98%
Water	856	613	140%
Wastewater	(183)	(227)	81%
Intra system eliminations	1,130	1,130	100%
Combined Bottom Line	53,740	58,088	93%

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	2,261	3,652	62%	21,693	29,376	74%
Network Transmission	428	492	87%	3,373	3,570	94%
Rocky Reach	560	774	72%	10,920	11,345	96%
Rock Island	4,197	5,992	70%	75,946	78,780	96%
Lake Chelan	27	100	27%	994	994	100%
Internal Services	3,155	9,142	35%	36,845	33,621	110%
Fiber & Telecom	693	944	73%	5,676	5,418	105%
Water	50	47	105%	702	704	100%
Wastewater	(20)	12	-168%	176	176	100%
Total Expenditures	11,351	21,155	54%	156,325	163,985	95%
Contributions	(844)	(1,170)	72%	(4,847)	(4,682)	104%
Capital net of CIAC	10,507	19,984	53%	151,478	159,303	95%

Overview YTD - 2020 Cash Flow

	\$ Million
Bottom–line result (YTD-2020)	\$18
Add back non-cash related items (depreciation)	\$11
Estimated earned funds from operations	\$ 29
Capital Project Expenditures	\$ 11
Net Debt Reductions	\$ ---
Other Misc. Impacts (change in A/R, A/P, Inventory, Etc.)	(\$12)
Added to cash reserves	\$ 6
Estimated use of funds	\$29

Cash and investments, beginning of year	\$ 615
Added to cash reserves	\$6
Cash and investments, Q1 of 2020	\$ 621

Cash & Investments Balance

(\$ Millions)	<u>3/31/20</u>	<u>12/31/19</u>
Unrestricted funds	\$365	\$363
Board Designated*:		
Headquarters/Service Center Strategic Facilities Fund	<u>50</u>	<u>50</u>
Total Unrestricted Funds	\$415	\$413
Restricted funds for hydro capital/debt	<u>115</u>	<u>117</u>
Total Liquidity (policy minimum \$175M)	\$530	\$530
Restricted - bond reserve funds	59	53
Restricted - power contract deposits	19	19
Restricted - self insurance and other funds	<u>13</u>	<u>13</u>
Total Cash and Investments	<u>\$621</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)	\$430M	\$260M	\$183M*	\$200M*	\$204M*
Liquidity (Greater calculated min \$175M-\$210M, Unusual)		\$250M	\$182M*	\$199M*	\$202M*
Debt Ratio (Expected case <35% by 2019)	27.2%	24.5%	23.1%	22.5%	21.0%
Debt Ratio (Unusual case <35% by 2019)		24.6%	24.2%	24.7%	24.9%
Days Cash on Hand (Expected case >250)	539	358	244**	270*	271*
Days Cash on Hand (Unusual case > 250)		344	243**	268*	269*
Combined Debt Cover (Expected case > 2.00x)	2.41	2.35	2.27	2.41	2.45
Combined Debt Cover (Unusual case >1.25x)		2.21	2.07	1.97	1.76
Bottom Line Results (Expected case)	\$54M	\$48M	\$42M	\$53M	\$59M
Bottom Line Results (Unusual case)		\$41M	\$34M	\$33M	\$27M
Debt Outstanding (Expected case)	\$435M	\$394M	\$378M	\$381M*	\$364M*
Debt Outstanding (Unusual case)		\$394M	\$395M	\$418M*	\$432M*

** -Financial forecast debt assumption will be adjusted in Q2 to be consistent with action plan to borrow to meet liquidity and Days Cash on Hand financial targets. There is ample borrowing capacity for this forecast correction.

* - 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 maintain liquidity and meet financial targets.

5/11/2020

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	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 Q1)	90.2%	98.3%	99.4%	100.7%	103.9%
Cash Reserves – unrestricted (target > \$1.25 million)	\$2.9M	\$(0.9M)	\$(1.4M)	\$(2.2M)	(\$3.2M)
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 Q1)	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 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
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 Q1)	58.7%	63.3%	63.9%	63.7%	63.4%
Cash Reserves – unrestricted (target > \$200K)	\$2.3M	\$2.3M	\$2.1M	\$2.4M	\$2.3M
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 Q1)	9.0%	14.4%	13.7%	13.1%	12.4%

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 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 Q1)	80.4%	77.4%	81.9%	82.1%	82.4%
Cash Reserves - unrestricted (target > \$2.0 million)	\$15.8M	\$11.7M	\$8.8M	\$8.7M	\$8.8M
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 Q1)	---	---	---	---	---

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

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	YTD 2020	WAM
Average Invested Book Value (\$M)	\$604	\$598	\$610	\$599	\$599	
District Yield	2.67%	2.65%	2.56%	2.48%	2.48%	761
Benchmarks:						
3 Month T-Bill	2.35%	2.03%	1.61%	1.21%	1.21%	91
S&P US Treasury 1-3 Year Index	2.23%	2.28%	2.27%	2.14%	2.14%	680

- Q1 2020 yield decreased slightly to 2.48% due to the declining market interest rates. (2020 budgeted rate is 2.61%)
- March 15, 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 lowered to 0.00% to 0.25% (1.50% to 1.75% for Q4)
 - Unscheduled rate action was taken on March 3rd to lower the target rate 0.50%
- 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

Early YE 2020 forecasts are lower than budget

- Although Q1 results are better than budget, YE 2020 forecasts are currently showing that lower revenue forecasts are exceeding the impact of lower operating expenses as compared to budget

Uncertainty around COVID-19 and impacts on spending will influence future forecasts

Long-term financial metrics remain strong with an assumed borrowing in the next five-year planning horizon to meet liquidity and days cash on hand 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 \$0.2 million below budget
(\$14.8M vs. \$15.0M)

Annual forecast slightly lower than
budget (\$74.0M vs. \$74.1M)

Drivers:

- Generation 92% of budget
(Q1 forecast for YE @ 97% of budget)
- + Retail load 94% of budget

Hydro Long-Term Contract Revenue:

YTD result \$2.9 million below budget
(\$30.5M vs. \$33.4M)

Annual forecast lower than budget
(\$140.3M vs. \$142.8M)

Drivers:

- Combined hydro “cost based” operating expenses below budget (83%)
- “Plus” contract charges below budget (93%):

Financial Highlights - Revenue

Service Revenue:

YTD result \$2.7 million below budget
(\$23.6M vs. \$26.3M)

Forecast result lower than budget
(\$84.5M vs. \$90.6M)

Drivers:

- Lower Retail-off system sale due to lower market prices ~\$1.8M
- Lower residential and commercial sales due to mild winter temperatures

Other Operating Revenue:

YTD results \$0.2 million below budget
(\$6.2M vs. \$6.4M)

Forecast results slightly lower than budget \$0.1M)

Drivers:

Forecast results in line with budget

Financial Highlights - Expenses

Operating Expense:

YTD result \$5.5 million below budget
(\$41.8M vs. \$47.3M)

Forecast results below budget
(\$204.2M vs. \$207.9M)

Drivers:

- Hydro operations and maintenance at 70% of budget
- Hydro fish and wildlife at 72% of budget

Non-Operating Net Expense:

YTD result \$0.5M better than budget
(\$1.7M vs. \$2.2M)

Forecast results above budget
(\$9.8M vs. \$8.3M)

Drivers:

- Increase in Public Power Benefit spending from \$4M to \$6M
- + Decrease forecast in interest expense on variable rate bonds

Financial Highlights – Balance Sheet

Capital expenditures below budget

- YTD - 2020 \$11.4 million vs. budget of \$21.2 million
- 2020 Forecast results below 2020 budget (\$156.3M vs \$164.0M)

Selected individual project adjustments:

- ↑ RR-CM Facilities Upgrade (~\$3.7M forecast increase in 2020)
- ↑ RI PH1 B4 Modernization (~\$3.6M forecast increase in 2020)
- ↓ Wenatchee Substation Capacity Inc. (~\$2.4M shifted to 2021)
- ↓ N Shore Chelan Substation (~\$1.8M shifted to 2021)
- ↓ RI Facilities Upgrade (~\$2M shifted to 2021)
- ↓ RI PH1 B5 Modernization (~\$1.7M shifted to 2021)

Cash remains strong (April debt financing will be reflected in the Q2 forecast)

- Cash balance forecasted to decrease ~\$100 million in 2020
- Debt balance forecasted to decrease ~\$38 million in 2020

Service Revenue

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budget	Variance
Residential Electric	10,142	10,406	97%	In line with budget
Commercial Electric	4,301	5,254	82%	Mild winter temperatures / COVID Impacts
Industrial Electric	1,268	1,306	97%	In line with budget
HDL/Cryptocurrency	668	1,180	57%	Lower than expected load growth
Off-System End-Use Sales	3,780	4,900	77%	Lower wholesale market pricing
Other Electric	78	77	101%	Small dollar variance
Electric Service	20,236	23,122	88%	
Water Service	1,309	1,201	109%	Small dollar variance
Wastewater Service	201	189	106%	Small dollar variance
Fiber & Telecom	1,825	1,810	101%	In line with budget
Service Revenue	23,571	26,322	90%	

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

(in 000s)	Actuals YTD 2020	Budget YTD 2020	% of budget	Variance
Slice Contracts	16,343	17,631	93%	Powerex Slice delayed one month
Net Block Trades & Other	(1,494)	(2,676)	56%	Lower market prices / lower retail load
Net Wholesale Revenue	14,848	14,954	99%	
LT Hydro Contracts	30,867	33,759	91%	Lower hydro operating expenses (83% of bud)
Less: Other Purchased Power	(330)	(330)	100%	In line with budget
Hydro LT Contract Rev/Other PP	30,537	33,429	91%	
Surplus Energy Revenue	45,386	48,384	94%	

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	11,358	16,140	70%	Deferral of C10 & C11 turbine repairs/Unit maintenance
Hydro Fish & Wildlife	2,461	3,420	72%	Hatchery Operations
Hydro Parks & Recreation	1,161	1,812	64%	Parks maintenance contracts/Visitor Center Contracts
Electric Distribution	4,190	4,241	99%	In line with budget
Electric Transmission	3,142	3,622	87%	Control systems contractual support
Misc. Power Supply Expenses	982	1,319	74%	EP&T vacant positions / Contract spending
Water & Wastewater	750	888	84%	Contract spending on replacement & upgrade projects
Fiber Network	972	1,296	75%	ONT maintenance support contract
Customer Accounts & Service	945	1,084	87%	Small dollar variance
Conservation & Customer Assist	920	1,187	77%	Amortization of regulatory assets
Insurance & FERC Fees	2,956	2,302	128%	Self Insurance claims expense elimination
Other Admin & General	11,931	10,017	119%	Corporate utilities offset to other categories for budget
Total	41,767	47,327	88%	

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	3,680	3,685	100%	In line with budget
Capital Contributions	998	1,052	95%	In line with budget
Interest Expense	(5,629)	(5,855)	96%	Lower Variable Rate Debt
Other Inc/(Exp)	(734)	(1,090)	67%	Small dollar variance
Non Operating Activity	(1,685)	(2,208)	76%	

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	20,255	23,149	87%	Lower Off-system sales/mild winter temps
Net Wholesale Revenue	14,848	14,954	99%	In line with budget
Hydro LT Contact Rev/Other PP	30,537	33,429	91%	Lower operating expenses
Other Operating Revenue	6,712	6,852	98%	In line with budget
Other Operating Expense	(39,836)	(45,168)	88%	Hydro O&M lagging
Depreciation & Taxes	(12,392)	(13,118)	94%	Depreciation expense assumption at budget
Operating Income/(Loss)	20,126	20,098	100%	
Non-Operating Activity	(4,500)	(3,636)	124%	PPB transfer to Fiber
Bottom Line	15,625	16,462	95%	

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	2,578	2,644	98%	In line with budget
Other Operating Revenue	1	0	186%	Small dollar variance
Other Operating Expense	(2,007)	(2,420)	83%	ONT maintenance support contract
Depreciation and Taxes	(894)	(900)	99%	In line with budget
Operating Income/(Loss)	(323)	(675)	48%	
Non Operating Activity	2,643	999	265%	PPB transfer budget spread evenly
Bottom Line	2,321	324	716%	

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

Water

(in 000s)	2020 Actuals YTD	2020 Budget YTD	% of budg e t	Variance
Service Revenue	1,319	1,222	108%	Small dollar variance
Other Operating Revenue	14	17	81%	Small dollar variance
Other Operating Expense	(1,021)	(1,161)	88%	Small dollar variance
Depreciation and Taxes	(600)	(592)	101%	Small dollar variance
Operating Income/(Loss)	(288)	(514)	56%	
Non Operating Activity	157	344	46%	Shared asset transfer
Bottom Line	(131)	(170)	77%	

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	201	189	106%	Small dollar variance
Other Operating Revenue	0	1	47%	Small dollar variance
Other Operating Expense	(226)	(248)	91%	Small dollar variance
Depreciation and Taxes	(110)	(119)	93%	Small dollar variance
Operating Income/(Loss)	(136)	(178)	76%	
Non Operating Activity	15	85	17%	Shared asset transfer
Bottom Line	(121)	(93)	130%	

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:	
Decrease in capital projects	\$8
Decrease in operating activity	(\$4)
Other changes in A/R, A/P, inventory, etc.	\$27
Total Cash – Current forecast year-end balance	\$ 515
Prior quarter – 2020 year-end forecasted balance	\$ 499

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 5-year business plans
- 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: 2.47%, 2.64%, 2.88%, 2.76%, 2.36%)

Combined Five-Year Forecast

(in 000s)	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Service Revenue	84,516	94,893	102,893	106,580	93,753
Net Wholesale Revenue	73,956	72,029	67,933	77,621	95,100
Sub	158,472	166,921	170,826	184,201	188,853
Hydro LT Contract Rev/Other PP	140,295	137,061	142,900	141,846	141,218
Other Operating Revenue	23,890	20,861	21,299	21,964	22,757
Other Operating Expense	(204,236)	(204,546)	(212,722)	(210,035)	(209,101)
Depreciation & Tax Expense	(54,867)	(59,653)	(65,666)	(69,611)	(70,171)
Operating Income/(Loss)	63,554	60,643	56,637	68,366	73,556
Non-Operating Activity	(9,814)	(12,475)	(14,214)	(15,351)	(14,437)
Bottom Line	53,740	48,169	42,423	53,015	59,120

<i>Prior Quarter Reported Forecast</i>	58,435	42,862	46,406	53,054	58,403
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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	21,693	40,242	24,514	23,399	19,982
Network Transmission	3,373	2,086	1,328	1,503	7,360
Rocky Reach	10,920	9,106	11,573	8,868	1,877
Rock Island	75,946	66,856	53,574	40,260	40,074
Lake Chelan	994	1,185	1,211	488	616
Internal Services	36,845	79,785	42,844	2,969	4,068
Fiber & Telecom	5,676	7,003	6,818	3,921	3,761
Water	702	4,998	1,967	2,302	2,795
Wastewater	176	522	1,332	1,334	76
Total Expenditures	156,325	211,783	145,162	85,042	80,609

<i>Prior Quarter Reported Forecast</i>	<i>170,777</i>	<i>208,232</i>	<i>148,731</i>	<i>85,923</i>	<i>81,479</i>
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<i>Forecast at 2020 Budget</i>	<i>168,946</i>	<i>205,496</i>	<i>144,984</i>	<i>85,361</i>	<i>80,279</i>
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Quarterly Investment Report for the quarter ending March 31, 2020

All \$ values are shown in '000s

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

Portfolio Summary

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	YTD 2020	WAM	
Average Invested Book Value	\$604 M	\$598 M	\$610 M	\$599 M	\$599 M		
Interest Earned	\$4.0 M	\$4.0 M	\$3.9 M	\$3.7 M	\$3.7 M		
District Yield	2.67%	2.65%	2.56%	2.48%	2.48%	761	
Benchmarks:							
3 Month T-Bill	2.35%	2.03%	1.61%	1.21%	1.21%	91	
S&P US Treasury 1-3 Year Index	2.23%	2.28%	2.27%	2.14%	2.14%	680	
LGIP (State Pool)	2.51%	2.32%	1.89%	1.56%	1.56%	47	
Fed Funds Effective	2.40%	2.19%	1.65%	1.25%	1.25%	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 2020, the District's yield decreased slightly to 2.48% (2020 budgeted rate was 2.61%) on an average invested book value of \$599 million due to the declining market interest rates. The Weighted Average Maturity (WAM) decreased slightly 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:

In response to evolving risks to economic activity posed by the coronavirus, the Federal Open Market Committee took unscheduled action on March 3, 2020 to lower the target range for the federal funds rate to 1.00 to 1.25 percent (a reduction of 50 basis points). The Committee took an additional unscheduled rate action March 15 and further reduced the target range for the federal funds rate to 0.00 to 0.25 percent. In light of the effects of the coronavirus weighing on economic activity in the near term and posing risks to the economic outlook, the Committee reported that it is prepared to use its full range of tools to support the flow of credit to households and businesses and thereby promote its maximum employment and price stability goals. 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 declining rates through 2020. Global and national events can influence financial markets, which may impact the District.



Quarterly Investment Report for the quarter ending March 31, 2020

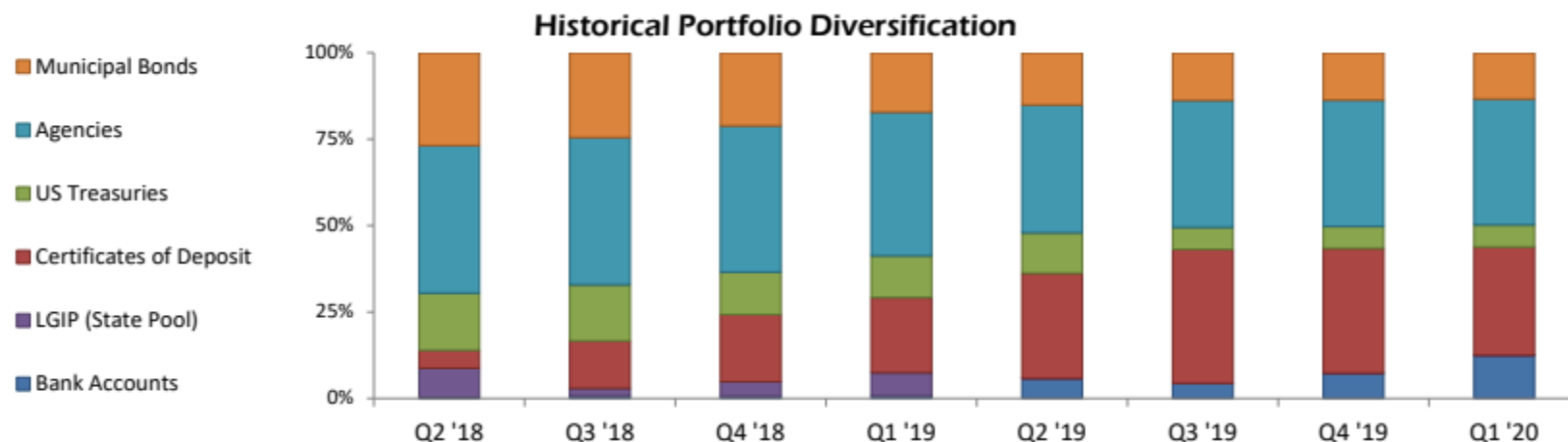
All \$ values are shown in '000s

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

Investments by Type - as of March 31, 2020

	Par Value	GASB 31 Reported Value	Book Value	Book Value as % of Portfolio	Policy % Limit	WAM
Bank Accounts	\$ 75,753	\$ 75,753	\$ 75,753	12.5%	75%	1
Certificates of Deposit	\$ 190,630	\$ 190,630	\$ 190,630	31.4%	40%	1,007
US Treasuries	\$ 38,765	\$ 42,485	\$ 38,754	6.4%	100%	1,221
LGIP (State Pool)	\$ 21	\$ 21	\$ 21	0.0%	25%	1
US Agencies	\$ 221,219	\$ 228,799	\$ 221,342	36.4%	75%	658
Municipal Bonds	\$ 80,980	\$ 83,683	\$ 81,437	13.4%	30%	956
Total:	\$ 607,368	\$ 621,371	\$ 607,938			761

Numbers may not foot due to rounding





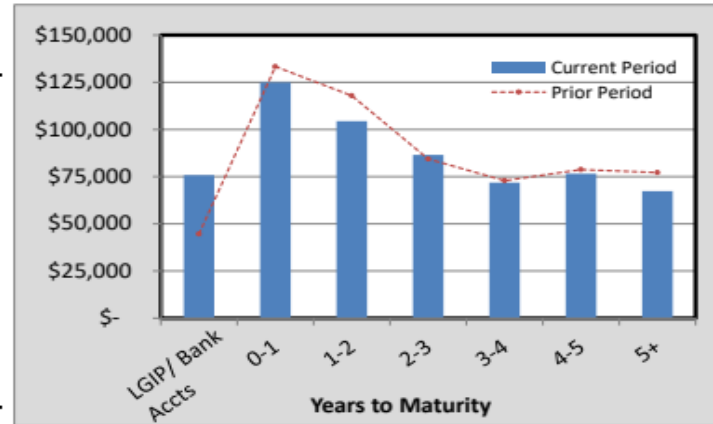
Quarterly Investment Report for the quarter ending March 31, 2020

All \$ values are shown in '000s

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

Maturity Distribution - as of March 31, 2020

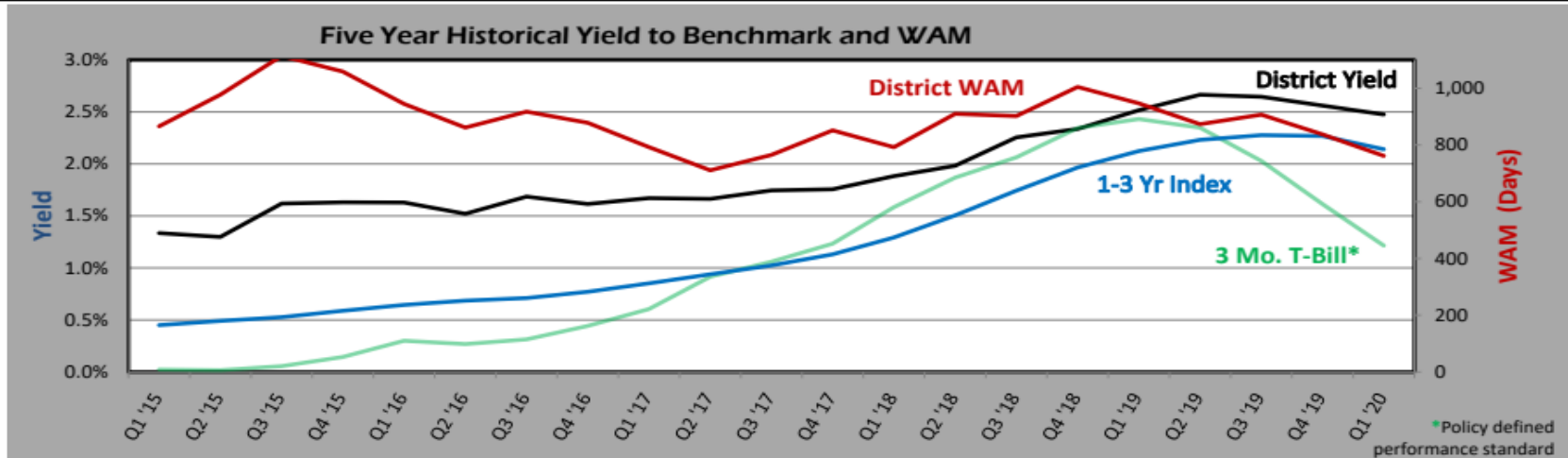
Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio
LGIP \$	21	0.0%	0.0%
Bank Accounts \$	75,753	12.5%	12.5%
1-90 Days \$	70,440	11.6%	24.1%
91-180 Days \$	2,330	0.4%	24.5%
181-365 Days \$	52,177	8.6%	33.0%
1-2 Yrs \$	104,380	17.2%	50.2%
2-3 Yrs \$	86,509	14.2%	64.5%
3-4 Yrs \$	71,824	11.8%	76.3%
4-5 Yrs \$	76,588	12.6%	88.9%
5+ Yrs \$	67,347	11.1%	100.0%



Total: \$ 607,368 100%

Numbers may not foot due to rounding

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



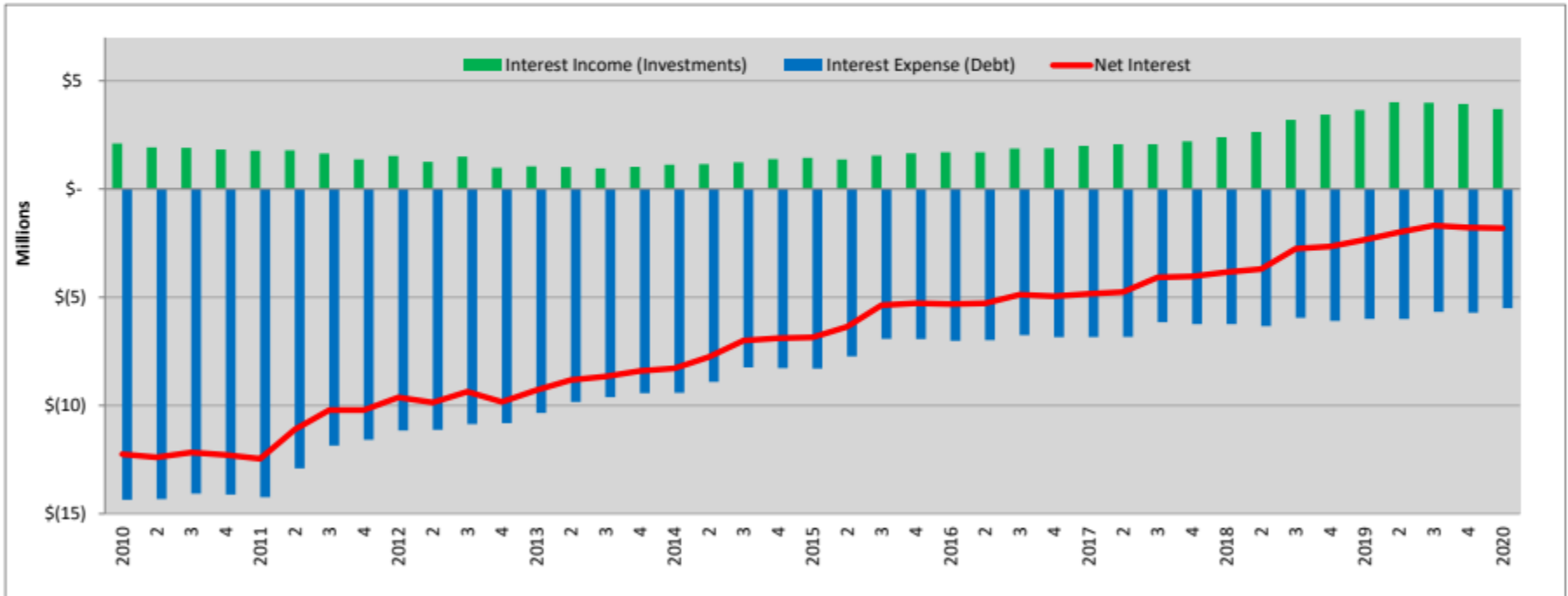


Quarterly Investment Report for the quarter ending March 31, 2020

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 March 31, 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.