



Quarterly Financial Review

for the quarter ended September 30, 2021



Board Presentation
November 1, 2021

What We Will Cover Today

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

Update only, no action required

Appendix: Additional detailed information not covered today

Q3 2021 Key Highlights

Bottom-line results through Q3: better than budget

- Lower operating costs and higher revenue from retained surplus proceeds from cost-based contract result in 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 2021 with several significant projects well underway

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

COVID-19 financial impacts: continue to be manageable

Stay the course with 2020-2024 strategic plan

Q3 Overview

Revenue

Service Revenue in line with budget YTD

- ↓ HDL load growth continues to lag
- ↓ Commercial sales COVID-related load impacts
- ↑ Off-system end-use sales; volume down but average market price rate component higher

Net Wholesale Revenue \$1M below budget YTD

- ↓ Lower energy production due to lower streamflow
- ↑ More energy available to sell due to lower retail use
- ↑ Stronger market prices

Hydro Contract Revenue \$21M above budget YTD

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

Other Operating Revenue \$4M above budget YTD

- ↑ Variable portion of real-time agreement

Total Revenues forecast to be \$32M above budget for the year

Expense

Operating Expenses \$18M 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 \$1M better than budget YTD

- ↑ Higher customer line extension contributions

Total Net Expenditures forecasted to be \$14M below budget for the year

Bottom Line

Bottom Line \$84M YTD: \$44M better than budget

- ↑ Lower expenses and higher hydro contract revenues

Bottom Line forecast of \$98M for the year

- ↑ \$46M better than budget

Q2 Bottom-Line forecast \$70M for the year

Q3 Overview

Capital

Capital expenditures of \$95M YTD

↓ \$34M below budget YTD

Capital forecast adjustments

↑ 2020 budget carryforwards

- RI PH2 bridge crane

↑ RI PH2 rehab

↑ RI PH2 draft tube gate cylinders & hydraulic power units

↓ Operations and Service Center

↓ RR-CM facilities upgrade

↓ RI PH1 modernization delays

↓ Substation schedule adjustments

↓ Advanced Metering Infrastructure

↓ RI PH2 intake gantry deferred

↓ RR tailrace gantry deferred

Total capital forecast of \$176M

↓ \$16M below budget for the year

Cash

Q3 Cash and investments balance of \$540M

↓ Decreased by \$131M from year-end

↓ Scheduled debt service

↓ Capital spending

↓ Reduction of payables

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

Year-end cash balance forecast of \$496M

↑ \$61M better than budget

Debt

Q3 Debt balance of \$405M

2021 Planned debt reduction of \$110M

↓ \$73M of retirements (2020 debt refinance)

↓ \$37M of net scheduled payments, 6-month accelerated payments

Year-end \$396M debt forecast

↓ Down \$110M in line with budget



2021 Bottom Line Results

| (in 000s) | 2021 Current Forecast | 2021 Budget | % of budget |
|--------------------------------|-----------------------------|----------------|----------------|
| Service Revenue | 100,236 | 96,433 | 104% |
| Net Wholesale Revenue | 67,212 | 67,340 | 100% |
| Hydro LT Contract Rev/Other PP | 166,257 | 141,459 | 118% |
| Other Operating Revenue | 27,409 | 23,898 | 115% |
| Total Revenue | 361,115 | 329,130 | 110% |
| Other Operating Expense | (203,680) | (213,294) | 95% |
| Depreciation & Tax Expense | (59,420) | (60,657) | 98% |
| Operating Income/(Loss) | 98,014 | 55,179 | 178% |
| Non-Operating Activity | 288 | (2,825) | --- |
| Bottom Line | 98,302 | 52,354 | 188% |

Bottom Line Forecast for Q2 2021 was \$70M, 134% of budget

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

2021 Business Line Bottom Line Results

| (in 000s) | 2021 Current Forecast | 2021 Budget | % of budget |
|-----------------------------|-----------------------------|----------------|----------------|
| Integrated Electric | 92,694 | 48,686 | 190% |
| Fiber & Telecom | 3,157 | 2,630 | 120% |
| Water | 756 | 517 | 146% |
| Wastewater | (272) | (379) | 72% |
| Intra-system eliminations | 1,968 | 900 | 219% |
| Combined Bottom Line | 98,302 | 52,354 | 188% |

Note – Intra-system elimination is Fiber/Distribution make ready work, variance is due to accelerated plan

Bottom line: >100% better than budget / <100% less than budget

Capital Expenditures

| (in 000s) | 2021 YTD Actuals | 2021 YTD Budget | % of budget | 2021 Current Forecast | 2021 Current Budget | % of budget |
|----------------------------|------------------------|-----------------------|----------------|-----------------------------|---------------------------|----------------|
| Electric Distribution | 16,704 | 17,724 | 94% | 26,024 | 33,338 | 78% |
| Network Transmission | 924 | 1,130 | 82% | 1,176 | 1,325 | 89% |
| Rocky Reach | 6,300 | 7,910 | 80% | 9,445 | 11,248 | 84% |
| Rock Island | 29,415 | 44,804 | 66% | 62,045 | 63,791 | 97% |
| Lake Chelan | 186 | 1,046 | 18% | 361 | 1,571 | 23% |
| Internal Services | 36,897 | 52,231 | 71% | 70,364 | 75,110 | 94% |
| Fiber & Telecom | 3,124 | 2,716 | 115% | 4,529 | 3,794 | 119% |
| Water | 950 | 995 | 95% | 1,359 | 1,533 | 89% |
| Wastewater | 52 | 230 | 23% | 286 | 400 | 71% |
| Total Expenditures | 94,550 | 128,787 | 73% | 175,589 | 192,111 | 91% |
| Contributions | (4,991) | (4,246) | 118% | (5,301) | (5,369) | 99% |
| Capital net of CIAC | 89,559 | 124,541 | 72% | 170,288 | 186,741 | 91% |

Overview YTD - 2021 Cash Flow

| | \$ Million |
|---|----------------|
| Bottom line result (YTD-2021) | \$84 |
| Add back non-cash related items (depreciation) | \$35 |
| Estimated earned funds from operations | \$ 119 |
| Capital project expenditures | (\$ 95) |
| Net debt activity (issue, refunding and payments) | (\$110) |
| Other misc. impacts (change in A/R, A/P, Inventory, Etc.) | (\$ 45) |
| Estimated use of funds | (\$250) |
| Added to (Use of) cash reserves | (\$131) |

| | |
|---|---------------|
| Cash and investments, beginning of year | \$ 671 |
| Added to (Use of) cash reserves | (\$131) |
| Cash and investments, Q3 of 2021 | \$ 540 |



Cash & Investments Balance

| (\$ Millions) | <u>9/30/21</u> | <u>12/31/20</u> |
|---|---------------------|---------------------|
| Unrestricted funds | \$267 | \$377 |
| Board Designated*: | | |
| Headquarters/Service Center Strategic Facilities Fund | <u>50</u> | <u>50</u> |
| Total Unrestricted Funds | \$317 | \$427 |
| Restricted funds for hydro capital/debt | <u>104</u> | <u>74</u> |
| Total Liquidity (policy minimum \$175M) | \$421 | \$501 |
| Restricted - bond reserve funds | 41 | 58 |
| Restricted - construction funds (2020 bonds) | 45 | 78 |
| Restricted - power contract deposits | 19 | 19 |
| Restricted - self insurance and other funds | <u>14</u> | <u>15</u> |
| Total Cash and Investments | <u>\$540</u> | <u>\$671</u> |

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

Quarterly Reporting Requirement - Financial Policies

| District Combined | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|--------|--------|---------|---------|---------|
| Liquidity (Greater calculated min \$175M-\$210M, Expected) | \$401M | \$247M | \$208M* | \$210M* | \$206M* |
| Liquidity (Greater calculated min \$175M-\$210M, Unusual) | | \$231M | \$208M* | \$210M* | \$206M* |
| Debt Ratio (Expected case <35% by 2019) | 23.5% | 20.6% | 20.2% | 19.5% | 18.1% |
| Debt Ratio (Unusual case <35% by 2019) | | 20.8% | 21.8% | 21.8% | 21.5% |
| Days Cash on Hand (Expected case >250) | 416 | 293 | 251* | 251* | 251* |
| Days Cash on Hand (Unusual case > 250) | | 273* | 251* | 250* | 251* |
| Combined Debt Cover (Expected case > 2.00x) | 3.05 | 2.34 | 3.06 | 3.08 | 3.20 |
| Combined Debt Cover (Unusual case >1.25x) | | 2.08 | 2.68 | 2.65 | 2.53 |
| Bottom Line Results (Expected case) | \$98M | \$57M | \$62M | \$65M | \$71M |
| Bottom Line Results (Unusual case) | | \$43M | \$49M | \$52M | \$49M |
| Debt Outstanding (Expected case) | \$396M | \$349M | \$356M* | \$357M* | \$340M* |
| Debt Outstanding (Unusual case) | | \$349M | \$385M | \$399M* | \$405M* |

* - 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 Q3) | 107.4% | 56.8% | 86.1% |
| | | | |
| Cash Reserves – Unrestricted (target by 2024) | >\$1.25M | >\$200K | >\$2.0M |
| Cash Reserves – Unrestricted (forecast Q3) | \$0.9M | \$1.7M | \$17.8M |
| | | | |
| Debt Service as a % of Rev (target by 2024) | <12.0% | <2.0% | <10.0% |
| Debt Service as a % of Rev (forecast Q3) | 8.3% | 11.9% | --- |
| | | | |

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

| | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 | YTD 2021 | WAM |
|-----------------------------------|------------|------------|------------|------------|-------------|-----|
| Average Invested Book Value (\$M) | \$670 | \$644 | \$634 | \$529 | \$602 | |
| District Yield | 2.04% | 2.07% | 1.80% | 2.08% | 1.98% | 995 |
| Benchmarks: | | | | | | |
| 3 Month T-Bill | 0.09% | 0.05% | 0.02% | 0.05% | 0.04% | 92 |
| S&P US Treasury 1-3 Year Index | 1.22% | 0.92% | 0.67% | 0.49% | 0.69% | 703 |

- Q3 2021 yield increased to 2.08% (2021 budgeted rate is 2.17%)
- September 22, 2021 Federal Open Market Committee meeting report:
 - Committee stated that it is committed to using its full range of tools to support the U.S. economy in this challenging time
 - 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 maintained at 0.00% to 0.25% (0.00% to 0.25% for 2021 Q2)
- 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.

Q3 Key Messages

Year-end 2021 forecasts are better than budget

- Q3 YTD results are better than budget by \$44M
- Year-end forecasts anticipate higher revenues and some catch-up in operating expenses which will improve bottom line results slightly, better than budget by \$46M

Long-term financial metrics remain strong

- Includes assumed borrowing in the next five-year planning horizon to fund a portion of our capital spending program while maintaining our financial metrics

Stay the course with 2020-2024 strategic plan

- Stay the long-term course while continuing to adapt to COVID-19 impacts which have been manageable to date

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 within \$1 million of budget (\$51M vs. \$52M)

↔ Annual forecast in line with budget (\$67M vs. \$67M)

Drivers:

- ↓ Generation 92% of budget (Q2 forecast for YE @ 94% of budget)
- ↑ Retail load 93% of budget
- ↑ Higher market prices

Hydro Long-Term Contract Revenue:

↑ YTD result \$21 million above budget (\$127M vs. \$106M)

↑ Annual forecast \$24M higher than budget (\$166M vs. \$142M)

Drivers:

- ↑ Retained surplus proceeds
- ↑ Debt cost on new Internal Hydro loans
- ↓ YTD Combined hydro “cost based” operating expenses below budget

Financial Highlights - Revenue

Service Revenue:

↔ YTD result in line with budget
(\$70M vs. \$70M)

↑ Forecast result \$4M above budget
(\$100M vs. \$96M)

Drivers:

- ↓ Lower HDL sales due to lagging ramping plans ~\$1M
- ↑ Higher retail off-system sale due to market prices ~\$2M
- ↓ Lower commercial sales due to impacts from Covid-19 ~\$1M

Other Operating Revenue:

↑ YTD results \$4 million above budget
(\$22M vs. \$18M)

↑ Forecast results \$3M above budget

Drivers:

- ↑ Real-Time Agreement variable portion better than budget ~\$3M

Financial Highlights - Expenses

Operating Expense:

↓ YTD result \$18M million below budget (\$186M vs. \$204M)

↓ Forecast results slightly below budget (\$263M vs. \$274M)

Drivers:

- ↓ Hydro operations and maintenance at 79% of budget
- ↓ Electric Distribution at 87% of budget
- ↓ Fiber Network spending at 69% of budget

Non-Operating Net Expense:

↓ YTD result \$1.3M better than budget (\$0.8M vs. \$2.1M)

↓ Forecast results better than budget (-\$0.3M vs. \$2.8M)

Drivers:

- ↑ Customer line extension contributions exceeding budget

Financial Highlights – Balance Sheet

Capital Expenditures below budget

- YTD 2021 \$95 million vs. budget of \$129 million
- 2021 Forecast results below budget at \$176M vs \$192M (Orig. \$189M)

Selected individual project adjustments:

| | | |
|---|--------------------------------------|---------------------------------|
| ↑ | Ohme Substation | \$1.4M shifted to 2021 |
| | RI PH2 Bridge Crane | \$1.8M forecast shift from 2020 |
| | RI PH2 Rehab U1-U8 | \$2.5M added |
| | RI PH2 DTG Cyl & HPU Upgrade | \$1.9M added |
| ↓ | RI PH1 Modernization | \$10.9M shifted to 2022-2024 |
| | Operations and Service Center | \$16.0M shifted to 2022-2023 |
| | RR-CM Facilities Upgrade | \$4.2M shifted to 2022 |
| | Substations (Wen, Bav, N. Shore) | \$5.9M shifted to 2022-2024 |
| | Advanced Metering Infrastructure | \$4.0M shifted to 2023 |
| | RI PH2 Intake Gantry & Bridge Cranes | \$3.2M shifted to 2022 |
| | RR Tailrace Gantry Crane | \$2.9M shifted to 2022 |

Cash remains strong, with continued debt reduction

- Cash balance forecasted to decrease ~\$44 million in 2021 to fund debt reduction and capital expenditures, while remaining strong at \$496M
- Debt balance forecasted to decrease ~\$110 million in 2021

Service Revenue

| (in 000s) | 2021 Actuals YTD | 2021 Budget YTD | % of budget | Variance |
|----------------------------|------------------|-----------------|-------------|---|
| Residential Electric | 21,101 | 20,622 | 102% | In line with budget |
| Commercial Electric | 11,918 | 12,843 | 93% | Mild winter temperatures / COVID Impacts |
| Industrial Electric | 3,714 | 3,939 | 94% | Small dollar variance |
| HDL/Cryptocurrency | 2,724 | 4,032 | 68% | Lower than expected load growth |
| Off-System End-Use Sales | 17,268 | 15,466 | 112% | Lower usage but higher market component of rate |
| Other Electric | 1,599 | 1,432 | 112% | Small dollar variance |
| Electric Service | 58,324 | 58,333 | 100% | |
| Water Service | 5,242 | 5,304 | 99% | In line with budget |
| Wastewater Service | 595 | 595 | 100% | In line with budget |
| Fiber & Telecom | 6,012 | 6,020 | 100% | In line with budget |
| Service Revenue | 70,173 | 70,252 | 100% | |

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

| (in 000s) | Actuals YTD 2021 | Budget YTD 2021 | % of budget | Variance |
|---------------------------------------|---------------------|--------------------|----------------|--|
| Slice Contracts | 54,976 | 55,201 | 100% | In line with budget |
| Net Block Trades & Other | (3,538) | (2,904) | 122% | Increased power price impact on Off-System Sales purchases |
| Net Wholesale Revenue | 51,437 | 52,298 | 98% | |
| LT Hydro Contracts | 128,210 | 106,876 | 120% | Retained surplus revenues, offset by lower hydro operating expenses |
| Less: Other Purchased Power | (992) | (990) | 100% | In line with budget |
| Hydro LT Contract Rev/Other PP | 127,218 | 105,885 | 120% | |
| Surplus Energy Revenue | 178,656 | 158,183 | 113% | |

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

Operating Expense

| (in 000s) | 2021 Actuals YTD | 2021 Budget YTD | % of budget | Variance |
|--------------------------------|---------------------|--------------------|----------------|---|
| Hydro Operations & Maintenance | 42,344 | 53,465 | 79% | Project delays, shift in labor to capital projects |
| Hydro Fish & Wildlife | 12,690 | 14,957 | 85% | Project expense timing |
| Hydro Parks & Recreation | 8,698 | 7,079 | 123% | Discovery Center projects from 2020 budget |
| Electric Distribution | 12,873 | 14,716 | 87% | Tree Trimming, open positions |
| Electric Transmission | 9,816 | 10,824 | 91% | Open positions, maintenance contract spending |
| Misc. Power Supply Expenses | 3,422 | 3,817 | 90% | Small dollar variance |
| Water & Wastewater | 2,488 | 2,503 | 99% | In line with budget |
| Fiber Network | 3,174 | 4,578 | 69% | Open positions, maintenance & operations contracts |
| Customer Accounts & Service | 3,217 | 3,463 | 93% | Contract spending timing |
| Conservation & Customer Assist | 2,986 | 3,570 | 84% | Amortization of reg. assets/ Customer Energy Programs |
| Insurance & FERC Fees | 7,824 | 7,868 | 99% | In line with budget |
| Other Admin & General | 33,006 | 31,956 | 103% | In line with budget |
| Total | 142,539 | 158,796 | 90% | |

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

Non-Operating Activity

| (in 000s) | 2021 Actuals YTD | 2021 Budget YTD | % of budget | Variance |
|-------------------------------|---------------------|--------------------|----------------|--|
| Interest Earnings | 8,719 | 9,457 | 92% | Lower interest rates |
| Capital Contributions | 5,454 | 4,041 | 135% | Electric line extensions and Water connections |
| Interest Expense | (16,677) | (16,942) | 98% | In line with budget |
| Other Inc/(Exp) | 1,737 | 1,333 | 130% | PPB and property disposition accounting and timing |
| Non Operating Activity | (766) | (2,112) | 36% | |

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

Integrated Electric

| (in 000s) | 2021 Actuals YTD | 2021 Budget YTD | % of budget | Variance |
|--------------------------------|------------------------|-----------------------|----------------|--|
| Service Revenue | 58,400 | 58,405 | 100% | Mild winter temperatures, lower HDL load: offset by higher Off-system sales |
| Net Wholesale Revenue | 51,437 | 52,298 | 98% | In line with budget |
| Hydro LT Contact Rev/Other PP | 127,218 | 105,885 | 120% | Retained surplus proceeds |
| Other Operating Revenue | 23,759 | 19,146 | 124% | Variable portion of real-time agreement |
| Other Operating Expense | (137,288) | (151,475) | 91% | Hydro O&M lagging |
| Depreciation & Taxes | (38,643) | (40,020) | 97% | In line with budget |
| Operating Income/(Loss) | 84,883 | 44,238 | 192% | |
| Non-Operating Activity | (6,998) | (8,207) | 85% | Higher capital contributions that offset debt expenses |
| Bottom Line | 77,885 | 36,031 | 216% | |

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

Fiber & Telecom

| (in 000s) | 2021 Actuals YTD | 2021 Budget YTD | % of budget | Variance |
|--------------------------------|------------------------|-----------------------|----------------|--|
| Service Revenue | 8,397 | 8,320 | 101% | In line with budget |
| Other Operating Revenue | 2 | 1 | 140% | Small dollar variance |
| Other Operating Expense | (6,156) | (7,710) | 80% | Open positions, maintenance & operations contract spending |
| Depreciation and Taxes | (2,887) | (2,891) | 100% | In line with budget |
| Operating Income/(Loss) | (644) | (2,279) | 28% | |
| Non Operating Activity | 5,622 | 5,582 | 101% | In line with budget |
| Bottom Line | 4,978 | 3,303 | 151% | |

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

Water

| (in 000s) | 2021 Actuals YTD | 2021 Budget YTD | % of budget | Variance |
|--------------------------------|------------------------|-----------------------|----------------|---------------------------|
| Service Revenue | 5,454 | 5,466 | 100% | In line with budget |
| Other Operating Revenue | 52 | 47 | 109% | Small dollar variance |
| Other Operating Expense | (3,336) | (3,442) | 97% | In line with budget |
| Depreciation and Taxes | (1,867) | (1,878) | 99% | In line with budget |
| Operating Income/(Loss) | 303 | 193 | 157% | |
| Non Operating Activity | 479 | 428 | 112% | Higher system connections |
| Bottom Line | 781 | 621 | 126% | |

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

Wastewater

| (in 000s) | 2021 Actuals YTD | 2021 Budget YTD | % of budget | Variance |
|--------------------------------|------------------------|-----------------------|----------------|---------------------|
| Service Revenue | 595 | 595 | 100% | In line with budget |
| Other Operating Revenue | 15 | 1 | 1054% | Study funding |
| Other Operating Expense | (629) | (645) | 98% | In line with budget |
| Depreciation and Taxes | (335) | (333) | 100% | In line with budget |
| Operating Income/(Loss) | (354) | (382) | 93% | |
| Non Operating Activity | 131 | 85 | 155% | Higher connections |
| Bottom Line | (223) | (297) | 75% | |

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

Actual Cash Balance Comparison to Budget

| (millions) | 2021 |
|--|---------------|
| Total Cash – Budgeted year-end balance | \$ 435 |
| Key changes in cash results: | |
| Decrease in capital projects (vs. original \$189M budget) | \$13 |
| Increase in operating activity | \$46 |
| Other changes in A/R, A/P, inventory, etc. | \$2 |
| Total Cash – Current forecast year-end balance | \$ 496 |
| Prior quarter – 2021 Q2 year-end forecasted balance for 2021 | \$ 466 |

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)
- Planned expenditures from 5-year business plans
- Debt reduction plan based on 2021 plan of finance
- Hydro contract terms set at maximum rates
 - Debt Reduction Charge (DRC) - 3% (2021-25)
 - Capital Recovery Charge (CRC) - 50% (2021-25)
- Investment earnings rate
 - (2021-25: 2.05%, 2.22%, 2.25%, 2.08%, 1.87%)

Combined Five-Year Forecast

| (in 000s) | Forecast 2021 | Forecast 2022 | Forecast 2023 | Forecast 2024 | Forecast 2025 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| Service Revenue | 100,236 | 111,988 | 113,546 | 94,822 | 90,444 |
| Net Wholesale Revenue | 67,212 | 68,758 | 82,869 | 110,799 | 123,293 |
| Hydro LT Contract Rev/Other PP | 166,257 | 149,547 | 151,296 | 152,752 | 147,510 |
| Other Operating Revenue | 27,409 | 25,025 | 21,794 | 22,193 | 22,179 |
| Total Revenue | 361,115 | 355,318 | 369,505 | 380,565 | 383,426 |
| Other Operating Expense | (203,680) | (227,317) | (227,320) | (233,464) | (227,334) |
| Depreciation & Tax Expense | (59,420) | (66,017) | (70,086) | (71,884) | (73,890) |
| Operating Income/(Loss) | 98,014 | 61,984 | 72,098 | 75,217 | 82,201 |
| Non-Operating Activity | 288 | (4,544) | (10,158) | (9,808) | (11,680) |
| Bottom Line | 98,302 | 57,440 | 61,941 | 65,409 | 70,521 |

| | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Prior Quarter Reported Forecast | 70,351 | 48,776 | 62,565 | 73,466 | 72,251 |
|--|---------------|---------------|---------------|---------------|---------------|

| | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Forecast at 2021 Budget | 51,553 | 40,583 | 53,090 | 56,664 | 44,597 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|

Capital Projects

| (in 000s) | Forecast 2021 | Forecast 2022 | Forecast 2023 | Forecast 2024 | Forecast 2025 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Electric Distribution | 26,024 | 32,450 | 35,221 | 28,816 | 21,036 |
| Network Transmission | 1,176 | 1,209 | 2,082 | 5,837 | 5,030 |
| Rocky Reach | 9,445 | 8,073 | 13,294 | 8,327 | 5,853 |
| Rock Island | 62,045 | 65,328 | 76,857 | 48,412 | 65,219 |
| Lake Chelan | 361 | 3,347 | 1,999 | 678 | 839 |
| Internal Services | 70,364 | 86,114 | 9,611 | 5,196 | 4,341 |
| Fiber & Telecom | 4,529 | 7,647 | 4,533 | 5,552 | 5,336 |
| Water | 1,359 | 2,129 | 2,158 | 4,750 | 3,492 |
| Wastewater | 286 | 475 | 2,609 | 131 | 78 |
| Total Expenditures | 175,589 | 206,772 | 148,362 | 107,699 | 111,225 |

| | | | | | |
|---|----------------|----------------|----------------|---------------|----------------|
| <i>Prior Quarter Reported Forecast</i> | 181,676 | 182,197 | 131,129 | 99,414 | 109,760 |
|---|----------------|----------------|----------------|---------------|----------------|

| | | | | | |
|---------------------------------------|----------------|----------------|----------------|---------------|---------------|
| <i>Forecast at 2021 Budget</i> | 189,176 | 179,506 | 100,248 | 76,132 | 83,525 |
|---------------------------------------|----------------|----------------|----------------|---------------|---------------|



Quarterly Investment Report for the quarter ending September 30, 2021

All \$ values are shown in '000s

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

Portfolio Summary

| | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 | YTD 2021 | WAM | |
|--------------------------------|---------|---------|---------|---------|----------|-----|---|
| Average Invested Book Value | \$670 M | \$644 M | \$634 M | \$529 M | \$602 M | | |
| Interest Earned | \$3.4 M | \$3.3 M | \$2.8 M | \$2.8 M | \$8.9 M | | |
| District Yield | 2.04% | 2.07% | 1.80% | 2.08% | 1.98% | 995 | <u>Policy Objectives & Compliance</u> |
| Benchmarks: | | | | | | | + Safety |
| 3 Month T-Bill | 0.09% | 0.05% | 0.02% | 0.05% | 0.04% | 92 | + Liquidity |
| S&P US Treasury 1-3 Year Index | 1.22% | 0.92% | 0.67% | 0.49% | 0.69% | 703 | + Maturity Length |
| LGIP (State Pool) | 0.17% | 0.13% | 0.08% | 0.11% | 0.11% | 43 | + Return on Investment |
| Fed Funds Effective | 0.09% | 0.08% | 0.06% | 0.09% | 0.08% | 1 | + Diversification |

Policy Objectives and Compliance:

The District continues to focus on meeting investment policy objectives and compliance limits. Safety of principal is the foremost objective of the District. Diversification limits mitigate credit risk and support the preservation of capital in the overall portfolio. The laddered investment structure continues to be our strategy to support liquidity and maturity objectives and mitigate interest rate volatility over time. However, the laddered structure can result in the District's yield lagging the shorter term 3 month T-Bill benchmark in both declining and rising interest rate conditions. Bank demand deposits and US Treasuries continue to be held in addition to other investments with higher yields such as bank CDs, US Agencies, and Municipal Bonds. For Q3 2021, the District's yield increased to 2.08% (2021 budgeted rate is 2.17%) on an average invested book value of \$529 million due to a combination of applying lower yielding cash to planned debt retirements and the timing of interest earnings from a long-term Forward Purchase and Sale Agreement (FPSA). Interest on FPSA supplied securities may not be earned evenly over the reporting period, but will average out to the appropriate contract rate over time. The Weighted Average Maturity (WAM) increased in Q3 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 September 22, 2021 meeting reported that with progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen. The sectors most adversely affected by the pandemic have improved in recent months, but the rise in COVID-19 cases has slowed their recovery. Inflation is elevated, largely reflecting transitory factors. The path of the economy continues to depend on the course of the virus and risks to the economic outlook remain. The Committee also stated that it is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals. Therefore, the Committee decided to maintain the target range for the federal funds rate at 0 to 0.25 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. 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 low rates into 2022. Global and national events can influence financial markets, which may impact the District.



Quarterly Investment Report for the quarter ending September 30, 2021

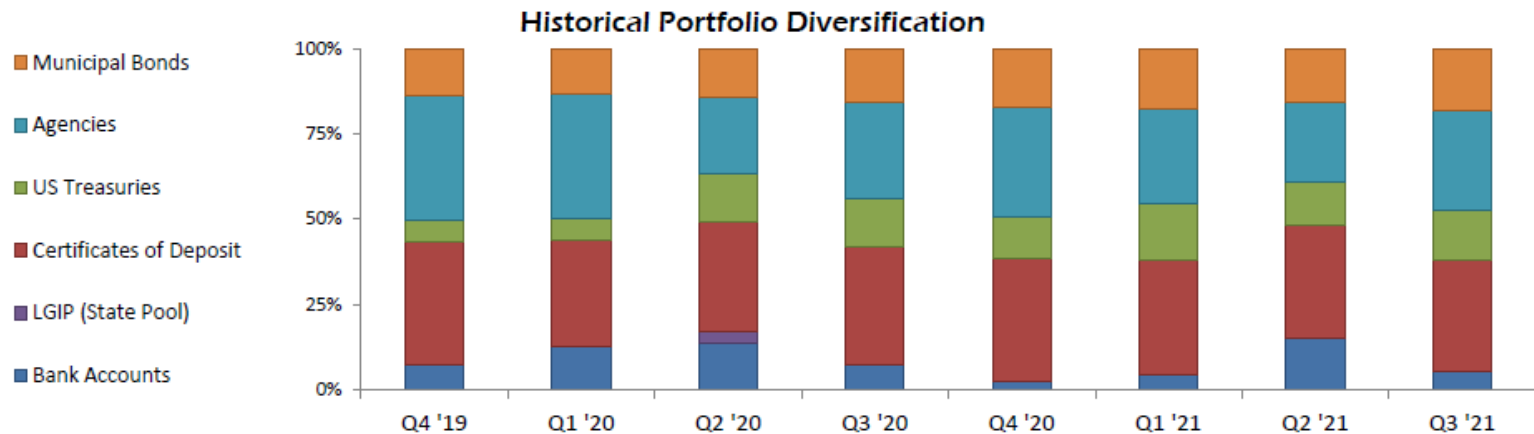
All \$ values are shown in '000s

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

Investments by Type - as of September 30, 2021

| | Par Value | GASB 31 Reported Value | Book Value | Book Value as % of Portfolio | Policy % Limit | WAM |
|-------------------------|-------------------|------------------------|-------------------|------------------------------|----------------|------------|
| Bank Accounts | \$ 29,918 | \$ 29,918 | \$ 29,918 | 5.6% | 75% | 1 |
| Certificates of Deposit | \$ 174,071 | \$ 174,071 | \$ 174,071 | 32.6% | 40% | 1,179 |
| US Treasuries | \$ 76,126 | \$ 77,103 | \$ 76,322 | 14.3% | 100% | 1,177 |
| LGIP (State Pool) | \$ 64 | \$ 64 | \$ 64 | 0.0% | 25% | 1 |
| US Agencies | \$ 154,676 | \$ 159,662 | \$ 156,071 | 29.2% | 75% | 916 |
| Municipal Bonds | \$ 95,725 | \$ 99,683 | \$ 97,738 | 18.3% | 30% | 957 |
| Total: | \$ 530,580 | \$ 540,500 | \$ 534,184 | | | 995 |

Numbers may not foot due to rounding





Quarterly Investment Report for the quarter ending September 30, 2021

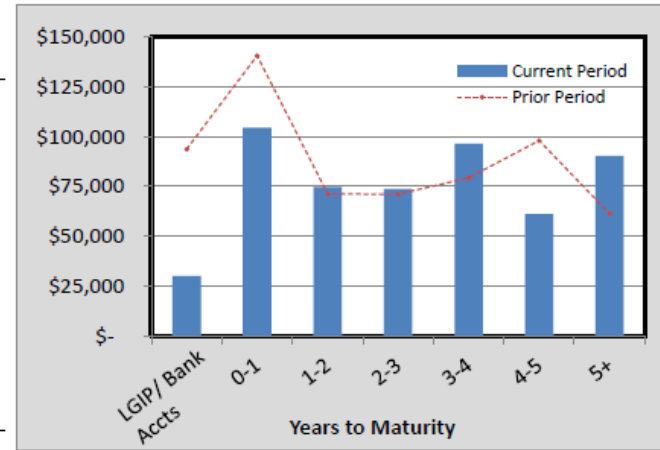
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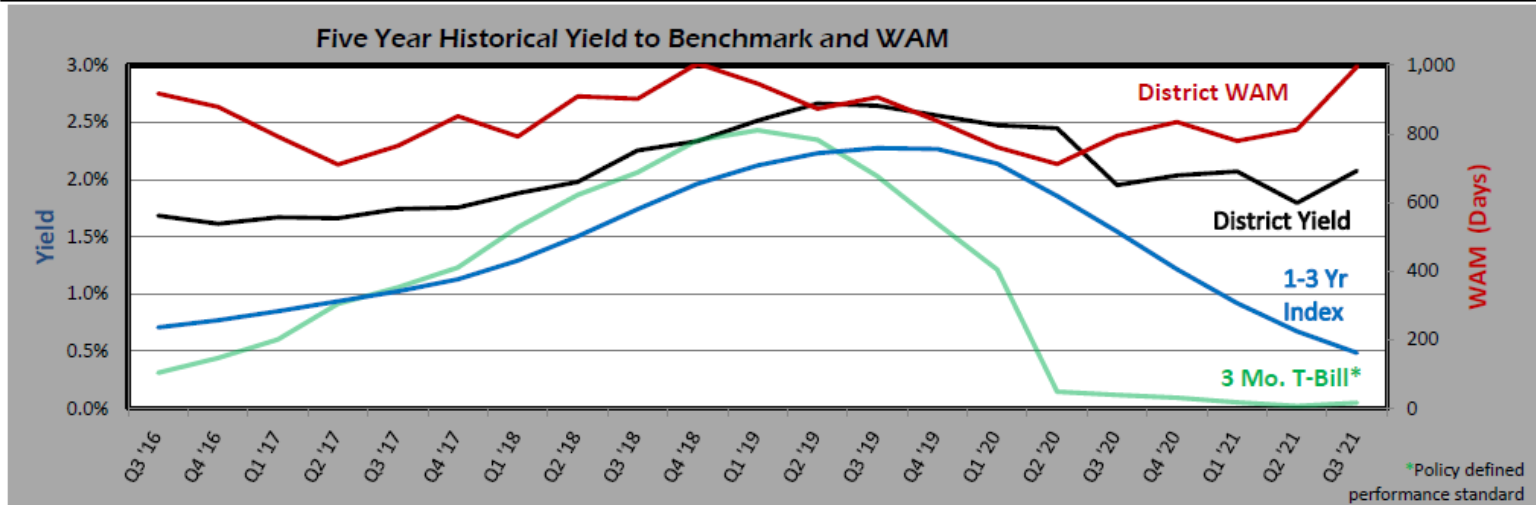
Maturity Distribution - as of September 30, 2021

| Maturity | Par Value | % of Portfolio | Cumulative % of Portfolio |
|---------------|-------------------|----------------|---------------------------|
| LGIP | \$ 64 | 0.0% | 0.0% |
| Bank Accounts | \$ 29,918 | 5.6% | 5.7% |
| 1-90 Days | \$ 20,640 | 3.9% | 9.5% |
| 91-180 Days | \$ 11,425 | 2.2% | 11.7% |
| 181-365 Days | \$ 72,372 | 13.6% | 25.3% |
| 1-2 Yrs | \$ 74,724 | 14.1% | 39.4% |
| 2-3 Yrs | \$ 73,615 | 13.9% | 53.3% |
| 3-4 Yrs | \$ 96,498 | 18.2% | 71.5% |
| 4-5 Yrs | \$ 61,089 | 11.5% | 83.0% |
| 5+ Yrs | \$ 90,234 | 17.0% | 100.0% |
| Total: | \$ 530,580 | 100% | |

Numbers may not foot due to rounding



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



*Policy defined performance standard

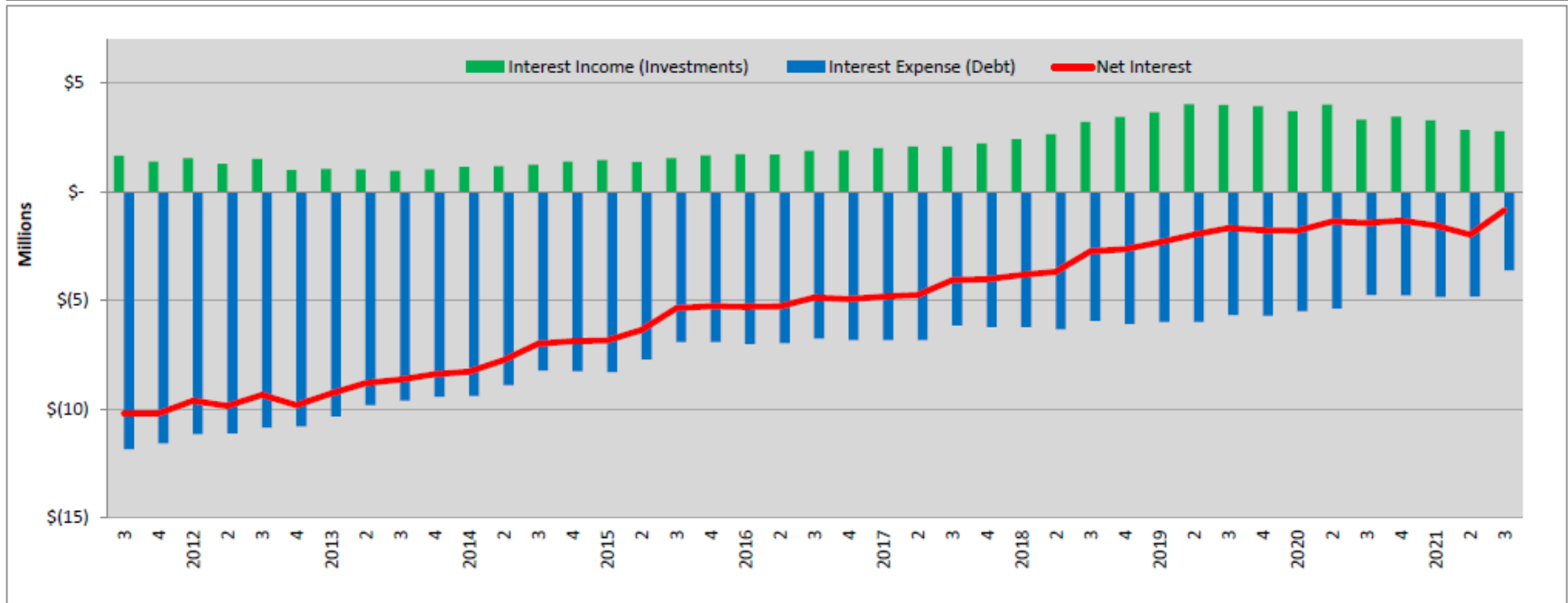


Quarterly Investment Report for the quarter ending September 30, 2021

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 September 30, 2021

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.