

Quarterly Financial Review

for the quarter ended March 31, 2024



May 6, 2024
Mark Mullins, David Nelson

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 2024 Key Highlights

Bottom-line results through Q1: better than budget

- Higher long-term contract and other operating revenues and lower operating costs more than offset lower revenues due to low streamflow conditions for strong year-to-date results

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

- Revenues are expected to be below budget for the year
- Operating Expense forecasted below budget and includes significant project work for 2024
- Supply chain, schedule delays, and inflation are driving project costs higher

Financial metrics for the 5-year forecast: meeting targets

- District financial metrics are being met for the 5-year planning horizon
- Low debt leverage and high debt service coverage provides financial flexibility

Stay the long-term course

Q1 Overview

Revenue

Service Revenue \$1M below budget YTD

- ↓ Residential sales lower due to mild weather
- ↑ Higher Off-System market price component in January

Net Wholesale Revenue \$23M below budget YTD

- ↓ Lower energy production due to lower streamflow
- ↓ Higher volume of market purchases

Hydro Contract Revenue \$24M above budget YTD

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

Other Operating Revenue \$5M above budget YTD

- ↑ Climate Commitment Act (CCA) Allowance
- ↑ Variable portion of real-time agreement

Total Revenues forecast to be \$4M below budget for the year

Expense

Operating Expenses \$13M below budget YTD

- ↓ O&M lower at the hydros due to project schedules

Non-Operating Activity–Inc/(Exp) \$3M better than budget YTD

- ↑ Higher interest income
- ↑ Peshastin Water District acquisition

Total Net Expenses forecasted to be \$6M below budget for the year

Bottom Line

Bottom Line \$41M YTD: \$21M better than budget

- ↑ Higher LT hydro contract revenues and lower expenses partially offset by lower net wholesale revenue

Bottom Line forecast of \$127M for the year

- ↑ \$2M better than budget

Q1 Overview

Capital

Capital expenditures of \$28M YTD

↑ \$3M above budget YTD

Capital forecast adjustments due to project schedule revisions

↑ Ravenwing Ranch

↑ RI PH1 B3 Modernization

↓ HTCF Abatement Pond

↓ Loop Trail Extension

↓ Bavarian Substation

Total capital forecast of \$222M

↑ \$4M above budget for the year

Cash

Q1 Cash and investments balance of \$532M

↓ Decreased by \$8M from year-end

↓ Increased Capital spending

↑ Improved bottom line

Cash balance being utilized for capital spending and debt principal payments

Year-end cash balance forecast of \$433M

↓ \$11M below budget

Debt

Q1 Debt balance of \$325M

2024 Planned debt reduction of \$54M

↓ \$54M of net scheduled payments

Year-end \$270M debt forecast

2024 Bottom Line Forecast

| (in 000s) | 2024 Current Forecast | 2024 Budget | % of budget |
|--------------------------------|-----------------------------|----------------|----------------|
| Service Revenue | 133,107 | 137,760 | 97% |
| Net Wholesale Revenue | 86,542 | 117,883 | 73% |
| Hydro LT Contract Rev/Other PP | 206,550 | 179,175 | 115% |
| Other Operating Revenue | 33,334 | 28,821 | 116% |
| Total Revenue | 459,533 | 463,638 | 99% |
| Operating Expense | (260,890) | (263,650) | 99% |
| Depreciation & Tax Expense | (79,149) | (80,338) | 99% |
| Operating Income/(Loss) | 119,494 | 119,650 | 100% |
| Non-Operating Activity | 7,929 | 5,981 | 133% |
| Bottom Line | 127,423 | 125,631 | 101% |

2024 Business Line Bottom Line Forecast

| (in 000s) | 2024 Current Forecast | 2024 Budget | % of budget |
|-----------------------------|-----------------------------|----------------|----------------|
| Integrated Electric | 124,842 | 125,810 | 99% |
| Fiber & Telecom | (46) | (144) | 32% |
| Water | 3,174 | 386 | 821% |
| Wastewater | (546) | (421) | 130% |
| Combined Bottom Line | 127,423 | 125,631 | 101% |

- Integrated Electric (IE) includes \$2.65M in other revenue for make-ready work; \$2.85M in non-operating expenses for PPB transfers; and \$1.0M transfer for water rights in the Peshastin Water District acquisition.
- Fiber & Telecom includes \$2.85M in non-operating income for PPB transfers and \$2.65M in expenses for make-ready work.
- Water includes \$1.0M transfer from IE for PWD water rights and \$1.5M in non-operating income (non-cash) related to net activity of the PWD acquisition.

Capital Expenditures

| (in 000s) | 2024 YTD Actuals | 2024 YTD Budget | % of budget | 2024 Current Forecast | 2024 Current Budget | % of budget |
|----------------------------|------------------|-----------------|-------------|-----------------------|---------------------|-------------|
| Electric Distribution | 3,933 | 7,165 | 55% | 64,628 | 61,093 | 106% |
| Network Transmission | 4,666 | 2,369 | 197% | 18,292 | 18,292 | 100% |
| Rocky Reach | 1,242 | 1,324 | 94% | 15,013 | 16,770 | 90% |
| Rock Island | 9,498 | 10,286 | 92% | 86,627 | 86,626 | 100% |
| Lake Chelan | 75 | 94 | 80% | 752 | 789 | 95% |
| Internal Services | 6,747 | 2,374 | 284% | 22,959 | 21,185 | 108% |
| Fiber & Telecom | 927 | 779 | 119% | 8,201 | 8,201 | 100% |
| Water | 521 | 416 | 125% | 3,484 | 3,297 | 106% |
| Wastewater | 361 | 159 | 226% | 2,498 | 2,498 | 100% |
| Total Expenditures | 27,970 | 24,968 | 112% | 222,453 | 218,749 | 102% |
| Contributions | (1,953) | (1,812) | 108% | (7,305) | (7,249) | 101% |
| Capital net of CIAC | 26,016 | 23,155 | 112% | 215,147 | 211,500 | 102% |

2024 Cash Flow Year-To-Date

| | \$ Million |
|--|----------------|
| Bottom line result (YTD-2024) | \$ 41 |
| Add back non-cash expense items (deprec./amort.) | \$ 15 |
| Subtract non-cash revenue items | (\$ 4) |
| Estimated earned funds from operations | \$ 52 |
| Capital project expenditures | (\$ 28) |
| Net debt activity (principal payments net of capitalized interest) | \$ 2 |
| Other misc. impacts (change in A/R, A/P, inventory, debt, etc.) | (\$ 34) |
| Estimated use of funds | (\$ 60) |
| Added to (Use of) cash reserves | \$ (8) |

| | |
|---|---------------|
| Cash and investments, beginning of year | \$ 540 |
| Added to (Use of) cash reserves | (\$ 8) |
| Cash and investments, Q1 of 2024 | \$ 532 |

Cash & Investments Balance

| (\$ Millions) | <u>3/31/24</u> | <u>12/31/23</u> |
|---|---------------------|---------------------|
| Unrestricted funds | \$355 | \$345 |
| Board Designated*: Electric Rate Support Fund | <u>14</u> | <u>14</u> |
| Total Unrestricted Funds | \$369 | \$389 |
| Restricted funds for hydro capital/debt | <u>46</u> | <u>65</u> |
| Total Liquidity (policy minimum \$231M calculated) | \$415 | \$424 |
| Restricted – bond reserve funds | 52 | 46 |
| Restricted – customer deposit substation - Microsoft | 33 | 36 |
| Restricted – power contract deposits | 18 | 18 |
| Restricted – self insurance and other funds | <u>14</u> | <u>15</u> |
| Total Cash and Investments | <u>\$532</u> | <u>\$540</u> |

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

Quarterly Reporting Requirement - Financial Policies

| District Combined | 2024 | 2025 | 2026 | 2027 | 2028 |
|--|--------|--------|---------|---------|---------|
| Liquidity (Greater calculated min \$175M-\$286M, Expected) | \$353M | \$312M | \$285M | \$313M* | \$376M |
| Liquidity (Greater calculated min \$175M-\$286M, Unusual) | | \$287M | \$261M* | \$289M* | \$298M* |
| Debt Ratio (Expected case <35%) | 13.1% | 10.5% | 8.9% | 7.4% | 6.0% |
| Debt Ratio (Unusual case <35%) | | 10.6% | 10.3% | 10.3% | 8.8% |
| Days Cash on Hand (Expected case >250) | 311 | 281 | 274* | 298 | 350 |
| Days Cash on Hand (Unusual case > 250) | | 258* | 251* | 275* | 278* |
| Combined Debt Cover (Expected case > 2.00x) | 3.65 | 5.41 | 5.84 | 7.05 | 7.43 |
| Combined Debt Cover (Unusual case >1.25x) | | 4.91 | 4.80 | 5.16 | 5.15 |
| Bottom Line Results (Expected case) | \$127M | \$140M | \$122M | \$153M | \$168M |
| Bottom Line Results (Unusual case) | | \$119M | \$95M | \$115M | \$115M |
| Debt Outstanding (Expected case) | \$270M | \$226M | \$201M | \$177M | \$151M |
| Debt Outstanding (Unusual case) | | \$226M | \$229M | \$243M | \$216M |

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

Prior quarter

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



Quarterly Reporting Requirement Individual Business Line Financial Policies

| Business Lines | Water | Waste water | Fiber |
|---|--------------------------|---------------|----------------|
| | Forecast for 2024 | | |
| Operating Cover Percentage (target by 2024) | >104.0% | >62.0% | >80.0% |
| Operating Cover Percentage (forecast Q1) | 98.0% | 58.2% | 77.4% |
| | | | |
| Cash Reserves – Unrestricted (target by 2024) | >\$1.25M | >\$200K | >\$2.0M |
| Cash Reserves – Unrestricted (forecast Q1) | \$5.2M | \$1.2M | \$19.0M |
| | | | |
| Debt Service as a % of Rev (target by 2024) | <12.0% | <2.0% | <10.0% |
| Debt Service as a % of Rev (forecast Q1) | 9.0% | 18.5% | --- |
| | | | |

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

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

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

Quarterly Investment Report

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

| | Q2 2023 | Q3 2023 | Q4 2023 | Q1 2024 | YTD 2024 | WAM |
|-----------------------------------|------------|------------|------------|------------|-------------|-----|
| Average Invested Book Value (\$M) | \$579 | \$535 | \$545 | \$552 | \$552 | |
| District Yield | 3.02% | 2.96% | 3.11% | 3.21% | 3.21% | 817 |
| Benchmarks: | | | | | | |
| 3 Month T-Bill | 5.17% | 5.35% | 5.35% | 5.29% | 5.29% | 91 |
| S&P US Treasury 1-3 Year Index | 2.70% | 3.30% | 3.84% | 4.24% | 4.24% | 692 |

- Q1 2024 yield increased to 3.21%
- Our longer duration portfolio is lagging more responsive short-term rates
- Federal Open Market Committee will continue to monitor related information and expectations
- Laddered investment structure continues to be our strategy to support safety of principal and liquidity and mitigate interest rate volatility

| Policy Objectives | Compliance |
|------------------------|---------------------|
| + Safety | + Diversification |
| + Liquidity | + Duration |
| + Maturity | + Internal Controls |
| ■ Return on Investment | |

Full report in Appendix

Q1 Key Messages

- Year-end 2024 forecasts are better than budget
- Long-term financial metrics remain strong
- Stay the long-term course

Appendix



The information in the appendix contains forward-looking information and projections 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 \$23 million below budget (-\$9M vs. \$14M)

↓ Annual forecast \$31M below budget (\$87M vs. \$118M)

Drivers:

- ↓ Low water - Generation 67% of budget
- ↓ Higher purchases
- ↓ Lower market prices

Hydro Long-Term Contract Revenue:

↑ YTD result \$24 million above budget (\$69M vs. \$45M)

↑ Annual forecast \$27M higher than budget (\$206M vs. \$179M)

Drivers:

- ↑ Retained surplus proceeds
- ↓ YTD Combined hydro operating expenses below budget

Financial Highlights - Revenue

Service Revenue:

↓ YTD result \$1M below budget
(\$39M vs. \$40M)

↓ Forecast result \$5M below budget
(\$133M vs. \$138M)

Drivers:

- ↓ Residential & Commercial -\$1.5M
- ↑ Higher Off-System sales due to higher market price component of sales in January

Other Operating Revenue:

↑ YTD results \$5 million above budget
(\$12M vs. \$7M)

↑ Forecast results \$4M above budget
(\$33M vs. \$29M)

Drivers:

- ↑ Real-Time Agreement variable portion better than budget +\$1.0M
- ↑ Renewable energy credit and CCA sales better than budget +\$3.2M

Financial Highlights - Expenses

Operating Expense:

↓ YTD result \$13M million below budget (\$74M vs. \$87M)

↓ Forecast result \$4M below budget (\$340M vs. \$344M)

Drivers:

- ↓ Hydro operations and maintenance at 70% of budget
- ↓ Hydro Fish & Wildlife at 67% of budget
- ↓ Electric Transmission at 67% of budget
- ↑ Admin & General at 103% of budget

Non-Operating Activity–Inc/(Exp) :

↓ YTD result \$2.7M better than budget (\$4.1M vs. \$1.4M)

↓ Forecast results \$1.9M better than budget (\$7.9M vs. \$6.0M)

Drivers:

- ↑ Higher interest income from higher cash balances and higher interest rates
- ↑ Capital contributions related to the Peshastin Water District acquisition

Financial Highlights – Balance Sheet

Capital Expenditures greater than budget

- 2024 YTD Q1 \$28 million vs. budget of \$25 million
- 2024 forecast \$222 million vs. budget of \$219 million

Selected individual project adjustments:

| | | |
|---|----------------------------|---|
| ↑ | Ravenwing Ranch | \$5.4M land purchase |
| | RI PH1 B3 Modernization | \$3.3M schedule delay and cost increase |
| ↓ | HTCF Abatement Pond Improv | \$3.8M project on hold |
| | PPB: Loop Trail Extension | \$2.6M shifted to 2026 |
| | Bavarian Substation | \$2.3M shifted to 2025 |

Cash remains strong, with continued debt reduction

- Cash balance decreased \$8 million due to positive bottom line result being used to fund capital and remains strong at \$532M
- Debt balance increased \$2 million to \$325M due to capitalized interest

Service Revenue

| (in 000s) | 2024 Actuals YTD | 2024 Budget YTD | % of budget | Variance |
|----------------------------|------------------------|-----------------------|----------------|---|
| Residential Electric | 11,615 | 12,983 | 89% | Mild weather |
| Commercial Electric | 5,388 | 5,562 | 97% | In line with budget |
| Industrial Electric | 1,343 | 1,232 | 109% | Higher usage |
| High Density Load | 2,534 | 2,522 | 100% | In line with budget |
| Off-System End-Use Sales | 13,454 | 12,608 | 107% | Higher market price rate component in January |
| EV Charging Stations | 47 | 52 | 91% | Small \$ variance |
| Other Electric | 85 | 406 | 21% | Weather based usage |
| Electric Service | 34,466 | 35,365 | 97% | |
| Water Service | 1,753 | 1,657 | 106% | Peshastin Water District acquisition |
| Wastewater Service | 220 | 233 | 94% | In line with budget |
| Fiber & Telecom | 2,191 | 2,307 | 95% | In line with budget |
| Service Revenue | 38,630 | 39,563 | 98% | |

Note: Excludes internal intersystem revenues

Net Surplus Energy Revenue

| (in 000s) | Actuals YTD 2024 | Budget YTD 2024 | % of budget | Variance |
|--|---------------------|--------------------|----------------|---|
| Slice Contracts | 30,077 | 30,133 | 100% | In line with budget |
| Net Block Trades & Other | (39,105) | (16,050) | 244% | Lower streamflow and higher market purchases |
| Net Wholesale Revenue | (9,028) | 14,084 | --- | |
| LT Hydro Contracts | 69,313 | 45,072 | 154% | Retained surplus revenues, offset by lower hydro operating expenses |
| Other Purchased Power | (241) | (241) | 100% | In line with budget |
| Hydro LT Contract Rev/ Other PP | 69,072 | 44,831 | 154% | |
| Surplus Energy Revenue | 60,044 | 58,914 | 102% | |

Operating Expense

| (in 000s) | 2024 Actuals YTD | 2024 Budget YTD | % of budget | Variance |
|--------------------------------|------------------------|-----------------------|----------------|--|
| Hydro Operations & Maintenance | 15,564 | 22,181 | 70% | Project delays: RR large unit repairs |
| Hydro Fish & Wildlife | 3,671 | 5,492 | 67% | Project delays: RI Lt Ladder Drop Structure |
| Hydro Parks & Recreation | 1,950 | 2,397 | 81% | Contract and project timing |
| Electric Distribution | 4,596 | 5,672 | 81% | Open positions; contract spending |
| Electric Transmission | 3,325 | 4,944 | 67% | Open positions; lower contract spend |
| Misc. Power Supply Expenses | 1,588 | 1,898 | 84% | Contract timing |
| Water & Wastewater | 1,020 | 1,095 | 93% | Lower labor |
| Fiber Network | 1,652 | 1,314 | 126% | Contract timing |
| Customer Accounts & Service | 1,158 | 1,542 | 75% | Open positions; lower contract spend |
| Conservation & Customer Assist | 1,289 | 1,811 | 71% | Higher labor to Reg. assets; lower contract spending |
| Insurance & FERC Fees | 3,295 | 3,759 | 88% | Lower self insurance claims and stop loss expense |
| Admin & General | 14,607 | 14,078 | 104% | Labor shift from other areas |
| Total | 53,717 | 66,182 | 81% | |

Non-Operating Activity

| (in 000s) | 2024 Actuals YTD | 2024 Budget YTD | % of budget | Variance |
|-------------------------------|------------------|-----------------|-----------------|---|
| Interest Earnings | 4,401 | 3,975 | 111% | Higher cash balances and interest rates |
| Capital Contributions | 2,181 | 2,033 | 107% | In line with budget |
| Interest Expense | (3,916) | (4,035) | 97% | In line with budget |
| Other Inc/(Exp) | 1,452 | (585) | --- | Peshastin Water District acquisition |
| Non-Operating Activity | 4,117 | 1,389 | >100% | |

Integrated Electric

| (in 000s) | 2024 Actuals YTD | 2024 Budget YTD | % of budget | Variance |
|-----------------------------------|------------------|-----------------|-------------|--|
| Service Revenue | 34,494 | 35,390 | 97% | Lower Off System sales usage and market price rate component |
| Net Wholesale Revenue | (9,028) | 14,084 | --- | Lower streamflows requiring higher market purchases |
| Hydro LT Contact Rev/ Other PP | 69,072 | 44,831 | 154% | Retained surplus proceeds |
| Other Operating Revenue | 12,560 | 8,179 | 154% | Variable portion of real-time agreement, CCA sales |
| Operating Expense | (50,955) | (63,341) | 80% | Lower Hydro O&M |
| Depreciation & Taxes | (17,899) | (18,952) | 94% | In line with budget |
| Operating Income/(Loss) | 38,243 | 20,190 | 189% | |
| Non-Operating Activity | (1,721) | (1,859) | 93% | Higher interesting earnings offset by lower contributions |
| Bottom Line | 36,522 | 18,331 | 199% | |

Fiber & Telecom

| (in 000s) | 2024 Actuals YTD | 2024 Budget YTD | % of budget | Variance |
|--------------------------------|------------------------|-----------------------|----------------|---------------------|
| Service Revenue | 3,016 | 3,019 | 100% | In line with budget |
| Other Operating Revenue | 1 | 1 | 166% | Small \$ variance |
| Operating Expense | (2,705) | (2,985) | 91% | Lower labor costs |
| Depreciation and Taxes | (1,131) | (1,099) | 103% | In line with budget |
| Operating Income/(Loss) | (819) | (1,065) | 77% | |
| Non-Operating Activity | 3,013 | 3,028 | 100% | In line with budget |
| Bottom Line | 2,194 | 1,963 | 112% | |

Water

| (in 000s) | 2024 Actuals YTD | 2024 Budget YTD | % of budget | Variance |
|--------------------------------|------------------------|-----------------------|----------------|--------------------------------------|
| Service Revenue | 1,776 | 1,679 | 106% | Peshastin Water District acquisition |
| Other Operating Revenue | 16 | 15 | 102% | In line with budget |
| Operating Expense | (1,518) | (1,479) | 103% | In line with budget |
| Depreciation and Taxes | (708) | (670) | 106% | Peshastin Water District acquisition |
| Operating Income/(Loss) | (434) | (454) | 96% | |
| Non-Operating Activity | 2,764 | 178 | >100% | Peshastin Water District acquisition |
| Bottom Line | 2,330 | (277) | --- | |

Wastewater

| (in 000s) | 2024 Actuals YTD | 2024 Budget YTD | % of budget | Variance |
|--------------------------------|------------------------|-----------------------|----------------|---------------------------------|
| Service Revenue | 220 | 233 | 94% | In line with budget |
| Other Operating Revenue | 0 | 0 | 106% | Small \$ variance |
| Operating Expense | (257) | (272) | 94% | In line with budget |
| Depreciation and Taxes | (112) | (114) | 98% | In line with budget |
| Operating Income/(Loss) | (149) | (153) | 97% | |
| Non-Operating Activity | 61 | 42 | 145% | Increased capital contributions |
| Bottom Line | (88) | (111) | 79% | |

Actual Cash Balance Comparison to Budget

| (millions) | 2024 |
|--|---------------|
| Total Cash – Budgeted year-end balance | \$ 444 |
| Key changes in cash results: | |
| Increase in capital projects | (\$ 4) |
| Increase in operating activity | \$ 2 |
| Other changes in A/R, A/P, inventory, etc. | (\$ 9) |
| Total Cash – Current forecast year-end balance | \$ 433 |
| Prior quarter – 2023 Q4 forecasted year-end balance for 2024 | \$ 420 |

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 through 2024)
- Avista Long-term Power Sales Contract beginning in 2026
- Puget Slice executed in March 2024 included for 2025
- Environmental attribute sales from LT Hydro contract amendment included per contract rates and forecasted generation
- Off-system load extended through 2025
- Planned expenditures from 5-year business plans
- Debt reduction plan based on 2024 plan of finance
- Hydro contract terms set at maximum rates
 - Debt Reduction Charge (DRC) - 3% (2022-26)
 - Capital Recovery Charge (CRC) - 50% (2022-26)
- Investment earnings rate
 - (2024-28: 3.23%, 3.31%, 3.68%, 4.00%, 4.15%)

Combined Five-Year Forecast

| (in 000s) | Forecast 2024 | Forecast 2025 | Forecast 2026 | Forecast 2027 | Forecast 2028 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| Service Revenue | 133,107 | 137,949 | 93,324 | 94,709 | 96,122 |
| Net Wholesale Revenue | 86,542 | 141,295 | 128,718 | 156,831 | 188,879 |
| Hydro LT Contract Rev/Other PP | 206,550 | 183,353 | 201,890 | 207,199 | 198,702 |
| Other Operating Revenue | 33,334 | 24,351 | 26,632 | 27,201 | 26,074 |
| Total Revenue | 459,533 | 486,948 | 450,564 | 485,939 | 509,777 |
| Operating Expense | (260,890) | (265,193) | (248,908) | (252,175) | (260,571) |
| Depreciation & Tax Expense | (79,149) | (86,567) | (87,533) | (91,596) | (96,965) |
| Operating Income/(Loss) | 119,494 | 135,188 | 114,123 | 142,168 | 152,241 |
| Non-Operating Activity | 7,929 | 4,547 | 7,427 | 10,486 | 15,334 |
| Bottom Line | 127,423 | 139,735 | 121,550 | 152,654 | 167,576 |

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Prior Quarter Reported Forecast | 112,210 | 144,801 | 123,447 | 152,575 | 164,958 |
|--|----------------|----------------|----------------|----------------|----------------|

| | | | | | |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Forecast at 2024 Budget | 125,694 | 144,937 | 125,365 | 155,211 | 171,013 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|

Capital Projects

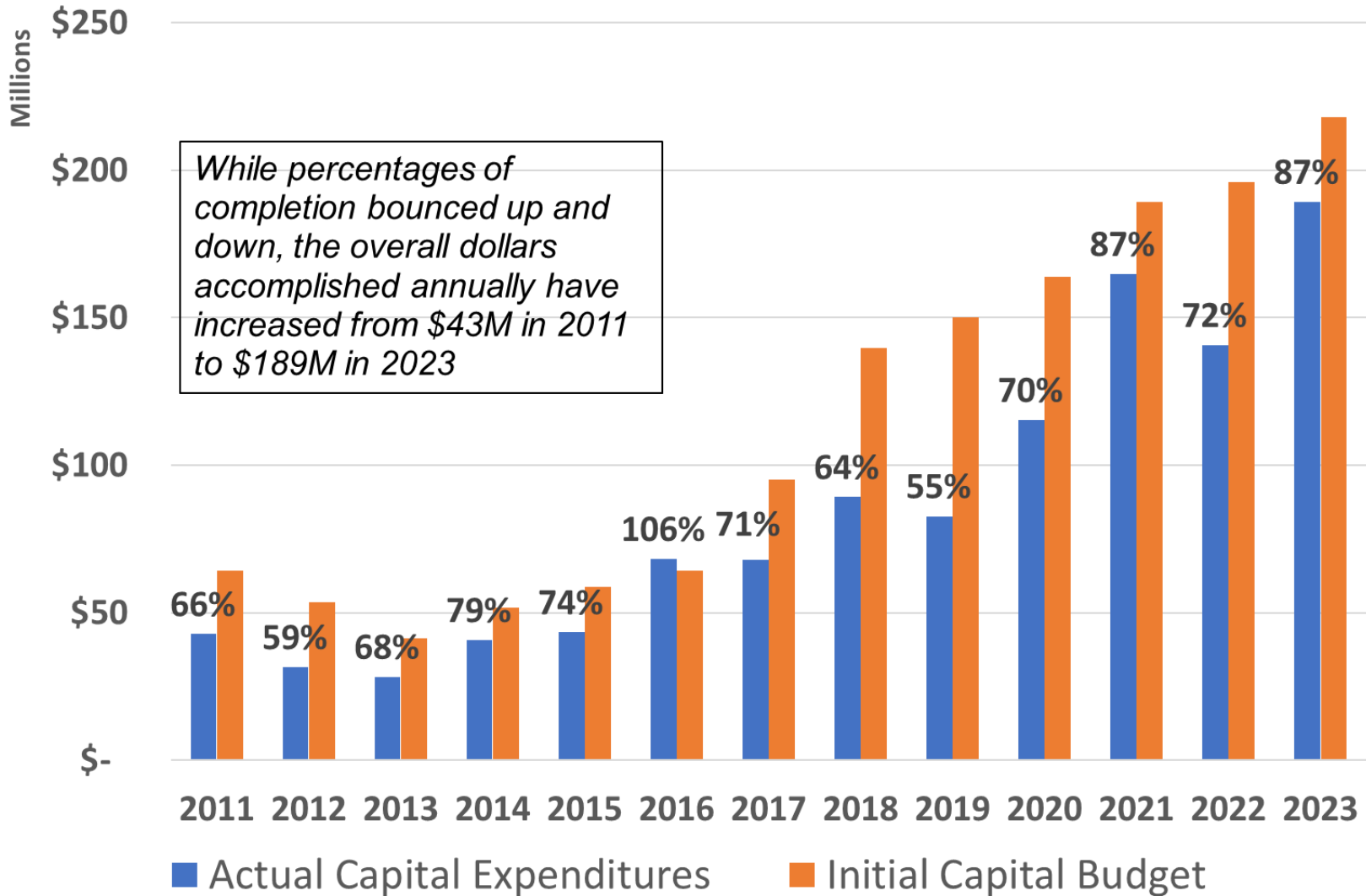
| (in 000s) | Forecast 2024 | Forecast 2025 | Forecast 2026 | Forecast 2027 | Forecast 2028 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Electric Distribution | 64,628 | 42,196 | 40,107 | 41,778 | 36,899 |
| Network Transmission | 18,292 | 25,210 | 14,243 | 7,316 | 1,327 |
| Rocky Reach | 15,013 | 16,899 | 19,112 | 23,760 | 22,139 |
| Rock Island | 86,627 | 93,603 | 92,342 | 85,679 | 64,280 |
| Lake Chelan | 752 | 5,484 | 1,438 | 750 | 846 |
| Internal Services | 22,959 | 10,267 | 14,360 | 5,790 | 4,171 |
| Fiber & Telecom | 8,201 | 6,415 | 3,912 | 4,264 | 2,927 |
| Water | 3,484 | 3,799 | 3,151 | 5,934 | 3,558 |
| Wastewater | 2,498 | 78 | 81 | 84 | 447 |
| Total Expenditures | 222,453 | 203,951 | 188,747 | 175,355 | 136,593 |

| | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| <i>Prior Quarter Reported Forecast</i> | 220,056 | 205,749 | 192,498 | 174,976 | 127,217 |
|---|----------------|----------------|----------------|----------------|----------------|

| | | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <i>Forecast at 2024 Budget</i> | 218,512 | 210,196 | 192,511 | 175,968 | 127,230 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|

Capital Expenditures History

District Capital Spending vs. Budget





Quarterly Investment Report for the quarter ending March 31, 2024

All \$ values are shown in '000s

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

Portfolio Summary

| | Q2 2023 | Q3 2023 | Q4 2023 | Q1 2024 | YTD 2024 | WAM | |
|--------------------------------|---------|---------|---------|---------|----------|-----|--|
| Average Invested Book Value | \$579 M | \$535 M | \$545 M | \$552 M | \$552 M | | |
| Interest Earned | \$4.4 M | \$4.0 M | \$4.3 M | \$4.4 M | \$4.4 M | | |
| District Yield | 3.02% | 2.96% | 3.11% | 3.21% | 3.21% | 817 | |
| Benchmarks: | | | | | | | |
| 3 Month T-Bill | 5.17% | 5.35% | 5.35% | 5.29% | 5.29% | 91 | |
| S&P US Treasury 1-3 Year Index | 2.70% | 3.30% | 3.84% | 4.24% | 4.24% | 692 | |
| LGIP (State Pool) | 5.08% | 5.32% | 5.42% | 5.41% | 5.41% | 18 | |
| Fed Funds Effective | 4.99% | 5.26% | 5.33% | 5.33% | 5.33% | 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 2024, the District's yield increased slightly to 3.21% (2024 budgeted rate is 3.13%) on an average invested book value of \$552 million due to reinvestment of maturing funds in higher yielding accounts and securities. The multi-year laddered investment strategy continues to maintain healthy overall average investment durations near 2 years. All investments continue to be matched to specific cash flows or mature within 5 years as specified in the investment policy.

General Commentary:

The Federal Open Market Committee's March 20, 2024 meeting reported recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated. The Committee judges that the risks to achieving its employment and inflation goals are moving into better balance. The economic outlook is uncertain, and the Committee is highly attentive to inflation risks. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to maintain the target range for the federal funds rate to 5.25 to 5.50 percent. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. The Committee is strongly committed to returning inflation to its 2 percent objective. In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments. The District anticipates relatively flat rates in 2024, with some gradual future declines going into 2025. Global and national events can influence financial markets, which may impact the District.



Quarterly Investment Report for the quarter ending March 31, 2024

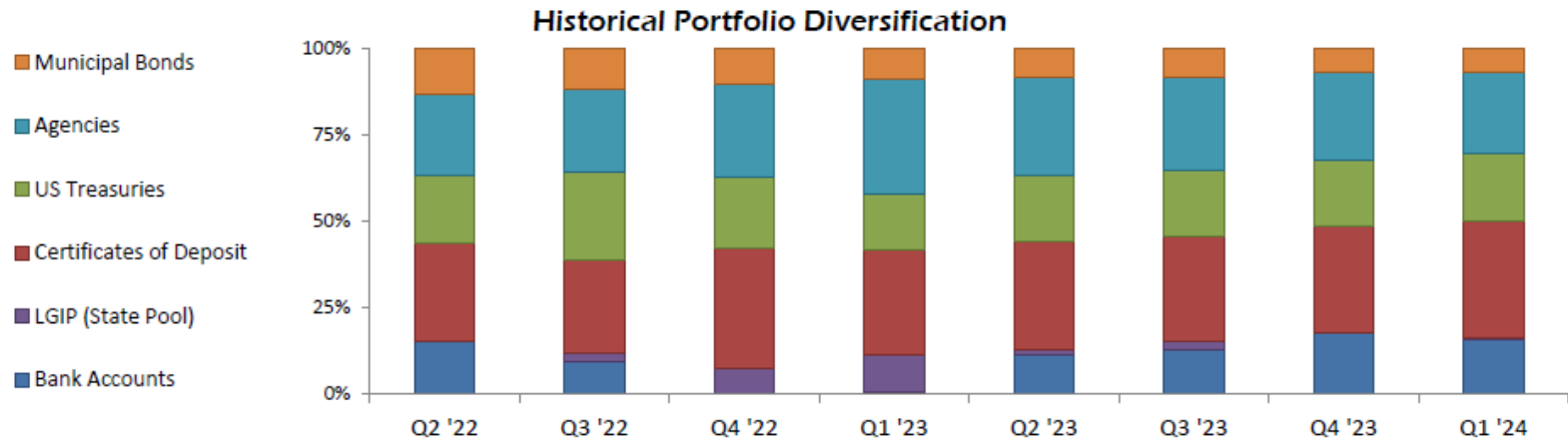
All \$ values are shown in '000s

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

Investments by Type - as of March 31, 2024

| | Par Value | GASB 31 Reported Value | Book Value | Book Value as % of Portfolio | Policy % Limit | WAM |
|-------------------------|-------------------|------------------------|-------------------|------------------------------|----------------|------------|
| Bank Accounts | \$ 87,330 | \$ 87,330 | \$ 87,330 | 16.0% | 75% | 1 |
| Certificates of Deposit | \$ 185,914 | \$ 185,914 | \$ 185,914 | 34.1% | 40% | 724 |
| US Treasuries | \$ 107,248 | \$ 99,384 | \$ 104,670 | 19.2% | 100% | 1,197 |
| LGIP (State Pool) | \$ 904 | \$ 904 | \$ 904 | 0.2% | 25% | 1 |
| US Agencies | \$ 134,429 | \$ 122,651 | \$ 127,800 | 23.4% | 75% | 1,241 |
| Municipal Bonds | \$ 37,400 | \$ 36,698 | \$ 38,441 | 7.1% | 30% | 689 |
| Total: | \$ 553,226 | \$ 532,882 | \$ 545,061 | | | 817 |

Numbers may not foot due to rounding





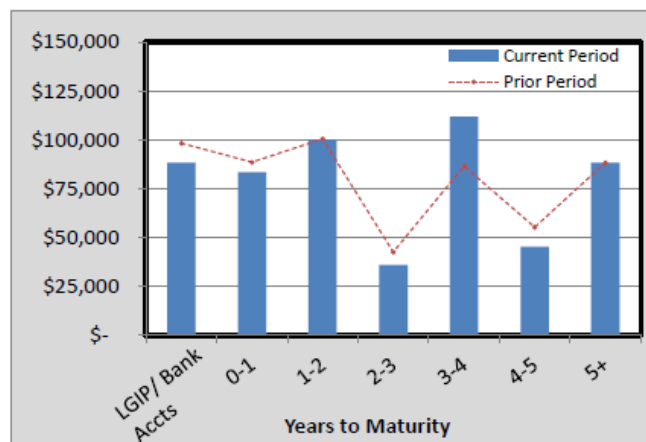
Quarterly Investment Report for the quarter ending March 31, 2024

All \$ values are shown in '000s

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

Maturity Distribution - as of March 31, 2024

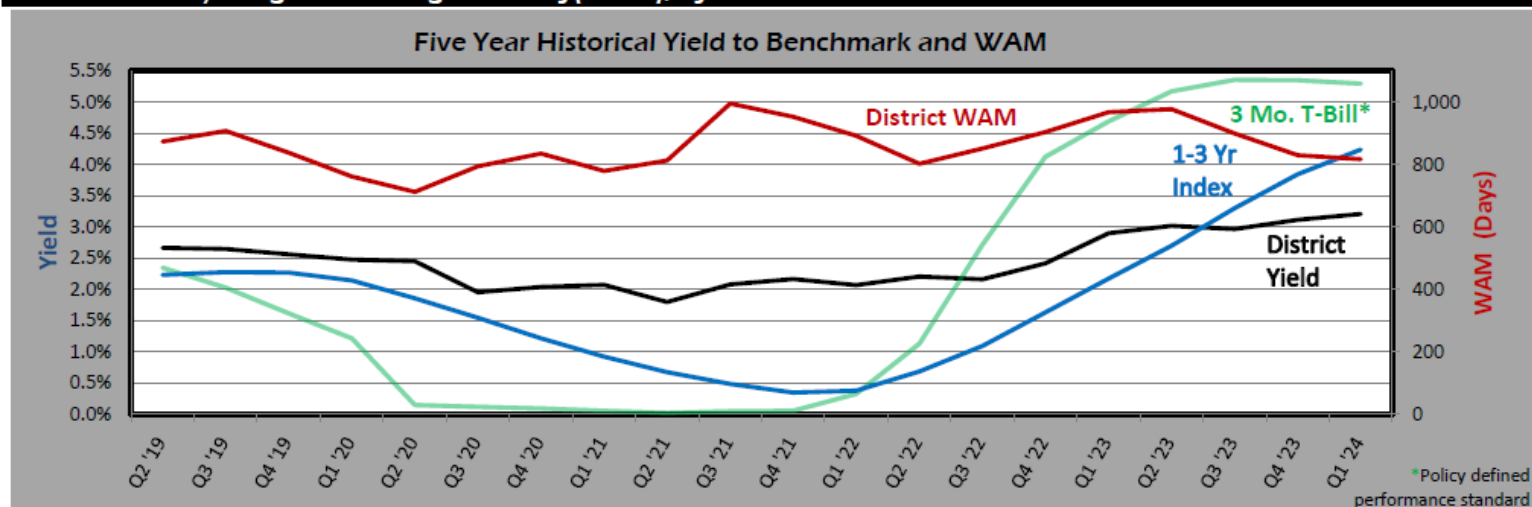
| Maturity | Par Value | % of Portfolio | Cumulative % of Portfolio |
|---------------|------------|----------------|---------------------------|
| LGIP | \$ 904 | 0.2% | 0.2% |
| Bank Accounts | \$ 87,330 | 15.8% | 15.9% |
| 1-90 Days | \$ 29,030 | 5.2% | 21.2% |
| 91-180 Days | \$ 22,972 | 4.2% | 25.3% |
| 181-365 Days | \$ 31,384 | 5.7% | 31.0% |
| 1-2 Yrs | \$ 100,133 | 18.1% | 49.1% |
| 2-3 Yrs | \$ 35,890 | 6.5% | 55.6% |
| 3-4 Yrs | \$ 111,934 | 20.2% | 75.8% |
| 4-5 Yrs | \$ 45,369 | 8.2% | 84.0% |
| 5+ Yrs | \$ 88,280 | 16.0% | 100.0% |



Total: \$ 553,226 100%

Numbers may not foot due to rounding

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



*Policy defined performance standard

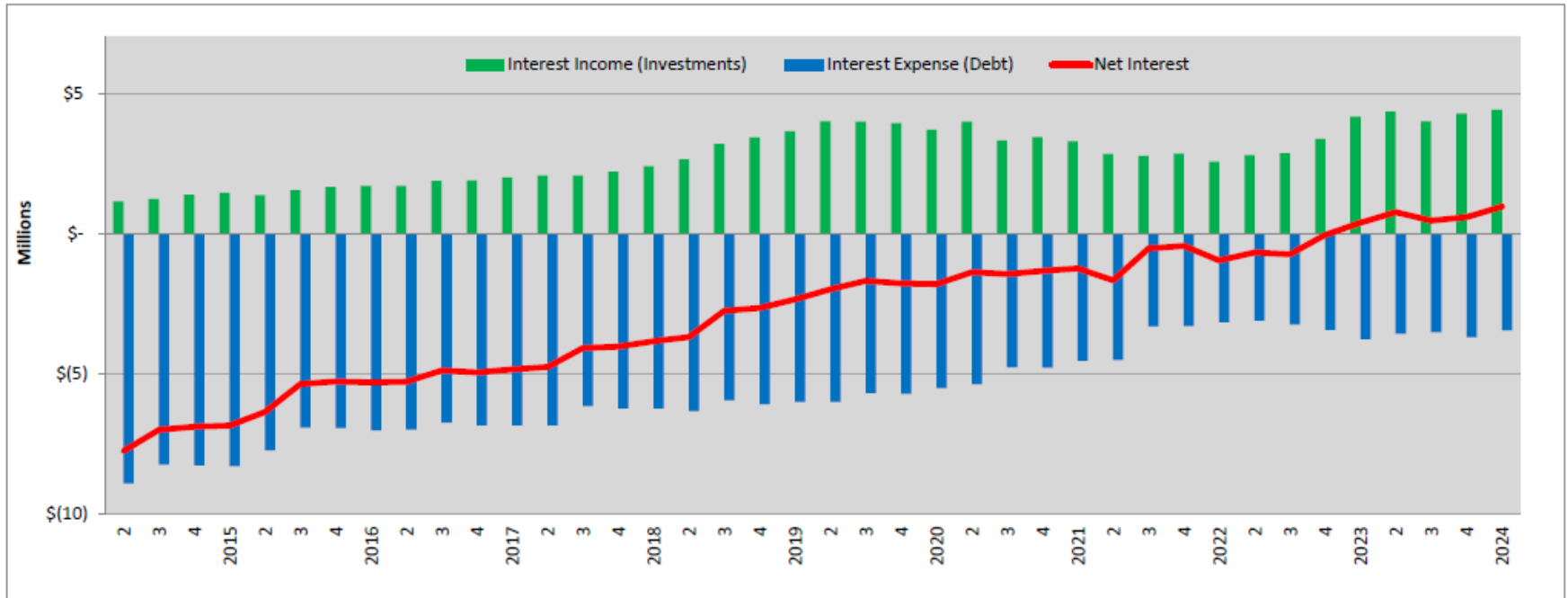


Quarterly Investment Report for the quarter ending March 31, 2024

All \$ values are shown in '000s

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

Historical Net Interest, by Quarter



Q1 2024 Administrative Updates:

In accordance with Resolution Number 22-14648, during this quarter the District's Treasurer, with concurrence of the Chief Financial Officer, has authorized the following updates:

Signers: None

Initiators: None

Banks: None



Quarterly Investment Report for the quarter ending March 31, 2024

All \$ values are shown in '000s

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

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.