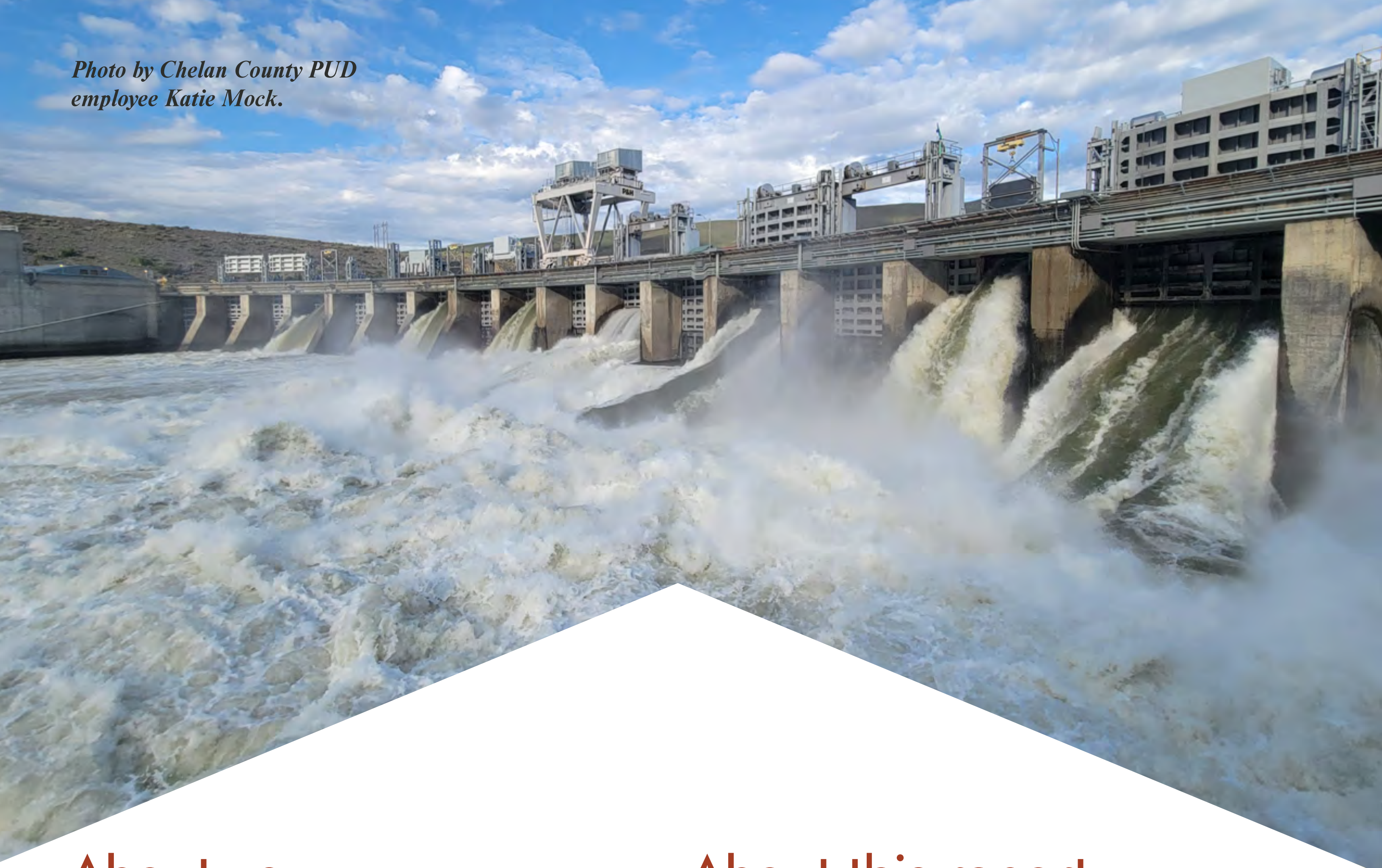
BUILDING ON OUR FOUNDATION

2023 ANNUAL REPORT

Photo by Chelan County PUD employee Katie Mock.



About us

Public Utility District No. 1 of Chelan County was created by a vote of the people in 1936 and delivered its first power in 1947. The PUD is governed by a locally elected five-member Board of Commissioners. The general manager uses the policies and guiding principles set by the commission to generate and deliver electricity from our three dams to utilities that serve customers across the Pacific Northwest as well as to more than 51,000 retail customers in the county. Chelan PUD also provides water, sewer and wholesale telecommunications services.

About this report

The financial report is designed to provide a general overview of Chelan PUD's finances and to demonstrate the PUD's accountability for the money it receives. Questions concerning any of the information provided in this report should be directed to Chelan PUD at P.O. Box 1231, Wenatchee, WA 98807 or via email to *ContactUs@chelanpud.org*.

Note: *The statements and information on pages 1-13 of the 2023 annual report are provided for general information only. They are not intended, and should not be relied upon, for making investment decisions by current or prospective investors. Official statements can be found at* ***chelanpud.org****.*

- 5.0 million megawatt hours generated
- 11 generators
- 1,349 megawatt capacity

- 2.1 million megawatt hours generated
- 2 powerhouses with 18 generators (plus 1,000 kW house unit)
- 629 megawatt capacity

- 0.3 million megawatt hours generated
- 2 generators
- 59 megawatt capacity

BUILDING ON OUR
FOUNDATION

MISSION
To enhance the quality of life in Chelan County by providing sustainable, reliable utility services.

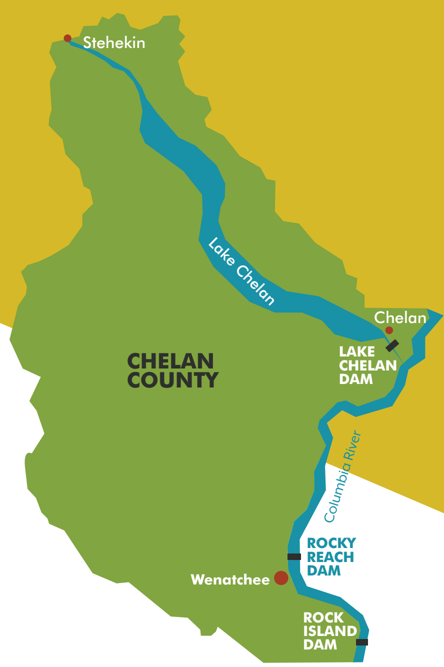
VISION/CHALLENGE
In a rapidly changing utility environment, we will provide: *The best value for the most people for the longest time.*

OUR VALUES
Safety: Protect public and employee health and safety

Stewardship: Acting on behalf of customer-owners, protecting public resources entrusted to us

Trustworthiness: Competence, integrity, respect, collaboration

Operational Excellence: High-quality, innovative work execution through supporting personal accountability



CHELAN COUNTY

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2023 FAST FACTS

PUD created 1936
First service 1947

Total distribution miles 1,904
New Service Center acres 24

Average residential electric rate
(Cents/kWh) ..... 3.53¢

Number of retail customers*
Electric 51,253
Water/sewer 7,125
Fiber end-users 22,037

District peak demand and date
483 MW ..... Jan. 30

Number of employees
Dec. 31, 2023 808

Power generation (MWh)
Rocky Reach ..... 5.0 million
Rock Island ..... 2.1 million
Lake Chelan ..... 0.3 million

Generating units
Rocky Reach 11
Rock Island 18
Lake Chelan 2

Generator nameplate capacity
Rocky Reach ..... 1,349 MW
Rock Island ..... 629 MW
Lake Chelan ..... 59 MW

District operating revenue
Total ..... $553 million

Bond ratings*
Fitch Ratings ..... AA+
S&P Global Ratings ..... AA+
Moody's Investors Service Aa2

*Dec. 31, 2023

CHELAN PUD WAS BUILT ON THE FOUNDATION OF PUBLIC POWER

General Manager, Kirk Hudson

Our early leaders had great foresight more than 70 years ago to build and acquire hydropower dams in North Central Washington. In doing so, Chelan PUD ensured that the energy future of Chelan County would be governed by a locally elected board. That commission is guided by the vision to provide *"the best value for the most people for the longest time."*

As a utility, we continue to build on that foundation. Chelan PUD achieved several once-in-a-lifetime successes in 2023. I'm excited to share with you the progress we've made toward the goals outlined in our 2020-2024 strategic plan:

INVEST IN ASSETS AND PEOPLE

Chelan PUD is investing in major modernization projects at Rocky Reach and Rock Island dams to ensure that they'll continue generating clean, renewable hydropower for the next generation.

At Rocky Reach Dam, crews finished repairs on seven generating units — C1 to C7. Our crews overcame many challenges, including a global pandemic, to extend the life of these units another 30 years.

It was a proud moment as we invited more than 200 employees into the newly remodeled Central Maintenance facility to celebrate a job well done. These new facilities were specifically designed for collaboration, efficiency, and the work our crews do.

At Rock Island, crews removed the first unit of eight in a long-term modernization endeavor at Powerhouse 2. Over the next 10 years, each unit will be disassembled, inspected, repaired and reassembled using an innovative air-filled turbine hub design.

In the biggest event of the year, Chelan PUD welcomed about 1,500 customers to explore the main administrative building at the new Service Center campus at Olds Station. I led many tours that day, and the excitement and optimism was apparent in the interactions I shared with customers.

SUSTAIN EXCELLENT FINANCIAL RESILIENCY

Those milestones were made possible by several years of strong financial performance. Chelan PUD wrapped up 2023 with a bottom line of $138 million — about $35 million better than budget — despite low-water conditions.

According to the Northwest River Forecast Center, the 2023 January through July water supply forecast for the Columbia River at Grand Coulee ended up at 76% of average. The impact of reduced generation was offset by higher revenues from long-term energy contracts.

The PUD's risk management plans, hedging strategies and financial policies have positioned it well to weather such conditions. We also reduced debt by $25 million and funded ambitious capital investments into our assets.

ENHANCE THE QUALITY OF LIFE

Our strong financial position enables us to fulfill our mission: *"To enhance the quality of life in Chelan County by providing sustainable, reliable utility services."* In 2023, we improved our parks with new playgrounds, pickleball courts and protected our shorelines from erosion.

We also upgraded two-thirds of all electrical meters in Chelan County. Advanced meters will lay the groundwork for better tools for customers, including faster outage notification, more accurate billing, and high-use alerts.

ENGAGE IN COUNTY-WIDE GROWTH PLANNING

Publicly owned hydropower has been one of Chelan County's greatest assets. Looking ahead, we can see scenarios where local electrical load growth may increase exponentially, driven by the demand for affordable, carbon-free energy.

That's why we partnered with Douglas and Grant PUDs to host the region's first Clean Energy Expo. The goal was to start a conversation among our customers and community leaders about exploring different ways of generating and storing energy, such as fusion, gravity storage and battery storage.

That visioning process is just beginning. I'm excited to see where that conversation takes us as we continue to build upon our foundation.

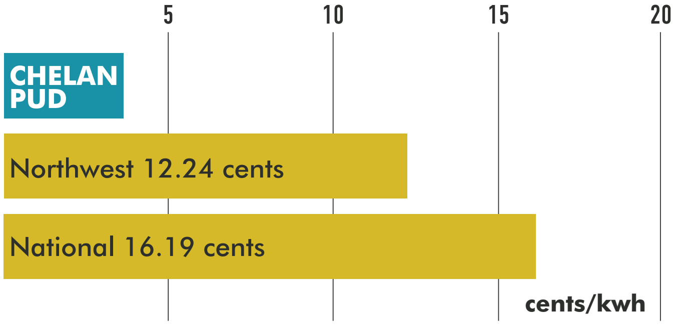
COMMISSIONERS:
Powered by the people we serve

Chelan PUD is governed by five publicly elected commissioners. As commissioners, we are entrusted to be good stewards of public resources and represent the people we serve. Every decision we make is guided by our vision of **providing the best value for the most people for the longest time.** We welcome ideas and comments from customer-owners anytime at ***contactus@chelanpud.org***. We also encourage participation at board meetings, which are held on the first and third Monday of the month.

From left: Randy Smith, Steve McKenna, Kelly Allen, Garry Arseneault and Carnan Bergren.

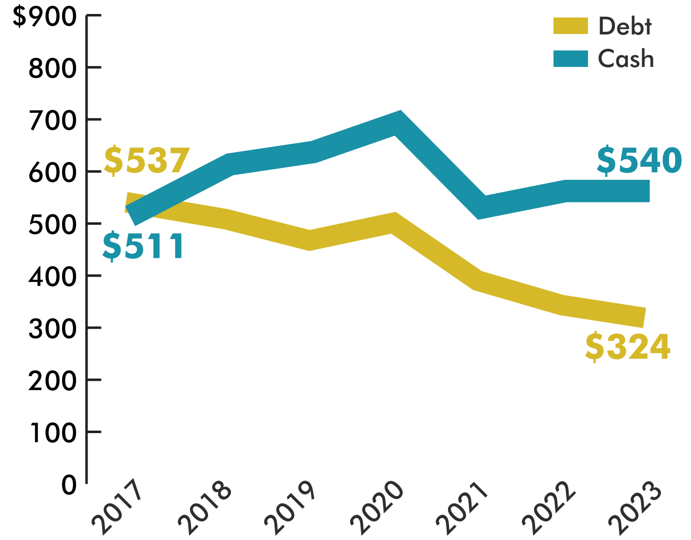
2023 AT A GLANCE

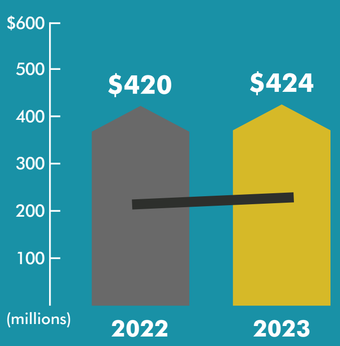
3.53¢ Chelan PUD average residential rate per kilowatt hour in 2023



Cash & Debt Balances

(amounts in millions)

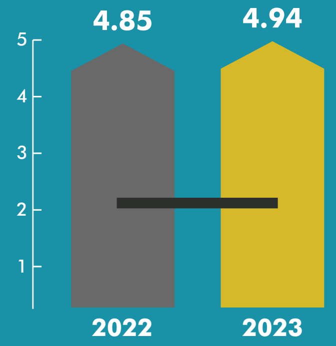




Financial liquidity

Target: Calculated

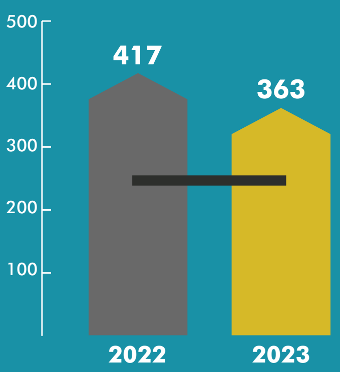
Represents cash reserves to cover risks and provide additional financial stability



Debt service coverage

Target: Greater than 2.0

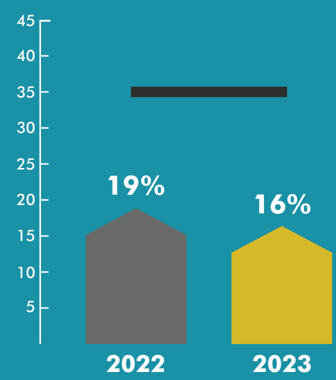
Demonstrates the ability to meet debt obligations even under unusual conditions



Days cash on hand

Target: Greater than 250 days

Reflects the days of unrestricted cash relative to expenses and demonstrates financial flexibility



Debt ratio

Target: Less than 35%

Reflects the percentage of utility assets financed by debt

Target line

HIGHLIGHTS

Environmental, social and governance

More investors are considering environmental, social and governance (ESG) factors when evaluating, selecting and monitoring their municipal bond investments. In the next few pages, look for these symbols E S G to learn more about ESG at the PUD.

Chelan PUD, Puget Sound Energy announce long-term clean energy contract

E G Puget Sound Energy (PSE) and Chelan PUD executed a **20-year contract for renewable hydropower**. The competitively priced contract provides PSE with 25% of the output from the PUD's Rock Island and Rocky Reach hydropower projects from 2031 to 2051. The contract includes both carbon-free energy attributes provided by hydropower, as well as flexible capacity to help PSE meet peak energy needs during high customer usage times.

The long-term contract complements a five-year slice contract announced later in 2023 that supplies PSE with 5% of the output from Rocky Reach and Rock Island from 2024 to 2028.

Mid-C PUDs host first Clean Energy Expo

E S G More than 200 people explored the future of clean energy in an event co-hosted by Chelan, Douglas and Grant PUDs in December. **A dozen of the world's leading energy technology companies** talked to customers, business leaders and legislators about new carbon-free ways of generating and storing energy, including hydrogen, compressed gas, fission, fusion, battery storage and more.

In a post-event survey, participants said their top three priorities for an energy source are: **low-cost electricity, reliability, and minimal environmental impacts**. The survey showed more positive interest around hydrogen, battery storage, gravity storage and solar. Dozens of participants expressed interest in learning more about clean energy.

INVESTING IN ASSETS

In 2023, the U5 turbine (pictured) was removed from the water passage for the first time since it was originally installed in the mid-70s. The turbine weighed 223 tons. The generator and rotor had a combined weight of 460 tons.

Powerhouse 2 first unit removed for refurbishment

E G In a major project milestone, crews removed a **460-ton generator stator and rotor** from the water passage at Rock Island Powerhouse 2. The unit – U5 – will be the first to be disassembled, inspected, repaired and reassembled using an innovative air-filled turbine hub design. In total, all eight units will be modernized over the next 10 years.

Service Center opening a grand success

S G Chelan PUD welcomed about 1,500 customer-owners to their Service Center, where they toured the new administration building and visited with staff. The energetic and talented Mariachi Huenachi band from Wenatchee High school played for the crowd, and local vocalist Ruth Dagg sang a stirring rendition of the National Anthem. More than 85 employees volunteered to make the historic day a success.

The new Service Center campus consolidated all non-hydro operations into one central location, which **provides a better customer service experience and significant cost savings over time**. The operations buildings are scheduled to open in 2024.

New Central Maintenance facility was built to last

Chelan PUD opened a renovated Central Maintenance campus that encompasses about 100,000 square feet across several buildings adjacent to Rocky Reach. The campus supports more than 75 employees who maintain Chelan PUD's hydropower equipment. Those crews include divers, wiremen, mechanics, engineering and the safety team. The benefits include **modern safety features, collaboration space and better efficiency**.

The Central Maintenance facility grand opening also included a celebration of another major milestone, the completion of a three-year project to repair seven units at Rocky Reach. As part of its stewardship role and **commitment to the environment**, the PUD chose to begin to completely disassemble C1 through C7 generating units and replace all turbine hub bushings and trunnion seals. This work required significant outages. Each unit was out of service for about 10 to 14 months and entailed 20,000 craft labor hours. The work is expected to **extend the life of these units another 30 years**.

STEWARDSHIP

Bank restoration at Confluence, Entiat

E Chelan PUD stabilized about 1,100 feet of riverbank at Confluence State Park and 120 feet of riverbank at Entiat Park. The work was necessary to prevent further erosion along the Columbia River. The **riverbank was fortified** with boulders and river cobble, then replanted with native trees and shrubs.

Chelan PUD secures water rights with Oroville-Tonasket Irrigation District

E Chelan PUD entered into a mitigation water supply agreement with Oroville-Tonasket Irrigation District for access to 4,000 acre-feet of water annually from April 1 through October 15 for irrigation from an Okanogan County water bank source. The PUD will pay $1 million annually in exchange for access to water resources. The agreement **will help Chelan PUD meet future water supply needs**, including possible use for hatcheries, parks, water systems and power generation. In the meantime, the water will be used to maintain in-stream flows until it's needed.

Rock Island relicensing formally starts

E G The road to relicensing Rock Island Hydroelectric Project has officially begun. Chelan PUD filed a pre-application document and notice of intent to relicense in December 2023.

The license is a 30 to 50 year permit that **authorizes Chelan PUD to continue generating power**. Relicensing is a public process that requires Chelan PUD and the Federal Energy Regulatory Commission to evaluate the resources associated with the project, including: fish and wildlife, flood control, power generation, cultural resources, recreation and other aspects of environmental quality.

The current 40-year license for Rock Island expires in 2028.

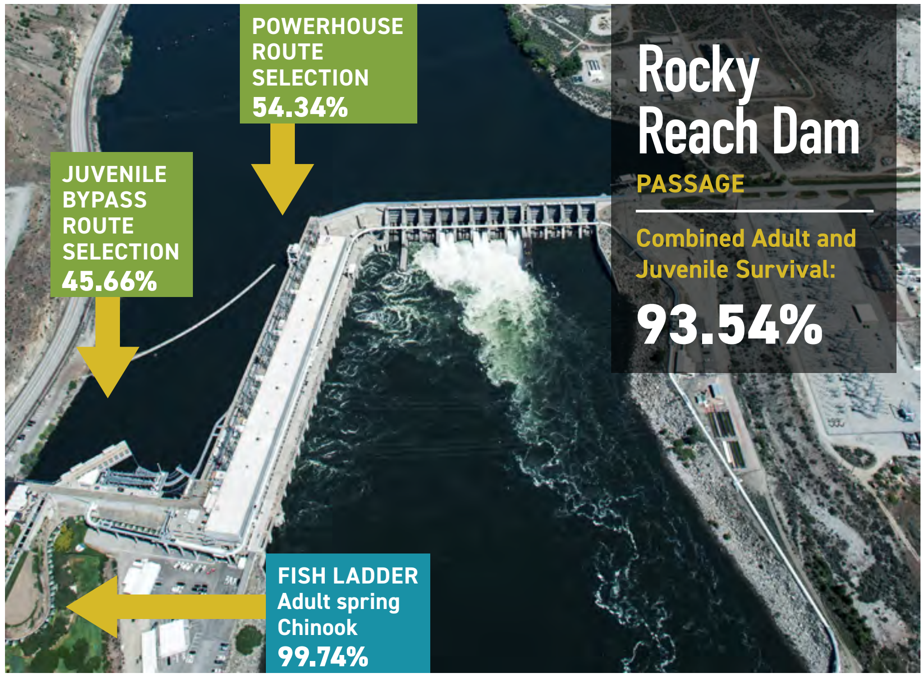
Bank restoration at Entiat Park along a bank of the Columbia river.

Salmon survival put to the test at Rocky Reach

E More than 93% of young Chinook safely passed Rocky Reach Hydroelectric Project last spring. The results represent the **most successful survival study of yearling Chinook in the 21-year history** of the Rocky Reach Habitat Conservation Plan (HCP).

The study also followed previously tagged adult salmon headed upriver from Rocky Reach to Wells Dam. Of the 193 adult fish detected, all but one completed the journey. Overall, the combined adult and juvenile survival was 93.54% at Rocky Reach, which is **above the HCP requirement** to achieve 91% combined survival.

Chelan PUD developed the HCP cooperatively with state and federal fisheries agencies and tribes.



More than 93% of young Chinook safely passed Rocky Reach Hydroelectric Project last spring.

OPERATIONAL EXCELLENCE AND TRUSTWORTHINESS

Nearly 80% advanced meters installed

Chelan PUD replaced a substantial portion — about 79% — of its 51,000 electricity meters with two-way digital meters that will **provide more accurate billing and faster outage notification and response**. The advanced metering technology will lay the foundation for expanded customer service, including high-use alerts and web-based tools for energy savings.

Chelan PUD, City of Wenatchee negotiate land exchange agreement

Chelan PUD commissioners unanimously supported a **land exchange agreement** with the City of Wenatchee. The agreement includes a range of measures intended to reduce the anticipated impact of Confluence Parkway, a proposed 2.5-mile bypass adjacent to Horan Natural Area and Confluence State Park.

The land exchange will trade a long, narrow parcel of land along the western edges of Horan Natural Area and Confluence State Park — about 5 acres total owned by the PUD — for roughly equivalent property from the City. The land exchange agreement also includes: road noise abatement, the relocation of two wells and powerlines, and improvements to the Apple Capital Recreation Loop Trail.

Chelan PUD, YMCA agree to property sale terms

What was once a utility warehouse will one day become a new, expanded YMCA facility. The YMCA plans to purchase a parcel of about 144,000 square feet on the eastern side of Chelan PUD's Fifth Street campus for $1.2 million.

The agreement **establishes the YMCA as an anchor tenant for future development** in accordance with the community vision for the site.

New, improved sport courts are ready for play at six PUD parks

Chelan PUD debuted new and improved sport courts at six parks, including 12 more pickleball courts. The new pickleball courts were part of a maintenance project to **ensure safety, quality, and longevity** of sport courts. The work included resurfacing, new nets and posts, asphalt repair and relining for pickleball play. Chelan PUD finished a similar project at Walla Walla Point Park in 2022. Chelan PUD now offers 18 pickleball courts.

Community celebrates new playground at Daroga State Park

S Chelan PUD opened a new playground at Daroga State Park with a community event that brought together several partners, including Washington State Parks, North Central Washington Libraries, Chelan-Douglas Land Trust and Community for the Advancement of Family Education (CAFE).

The goal was to create a **safe, inclusive play space that appealed to a variety of ages**. Chelan PUD surveyed park visitors and local families and incorporated many of their ideas into the design, including rubberized surfacing, shading, benches and slides.

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Report of Independent Auditors

To the Board of Commissioners of Public Utility District No. 1 of Chelan County, Washington

Opinions

We have audited the accompanying financial statements of Public Utility District No. 1 of Chelan County, Washington (the "District") which comprise the statements of net position and the related statements of revenues, expenses and changes in net position and of cash flows for the years ended December 31, 2023 and December 31, 2022, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Public Utility District No. 1 of Chelan County, Washington as of December 31, 2023 and December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a

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material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 19 through 25 and the required supplementary information on pages 55 through 56 to supplement the basic financial statements. Such information is the responsibility of management, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedule of revenues, expenses and changes in net position, of assets and deferred outflows of resources and liabilities, deferred inflows of resources and net position, and of cash flows on page 57 through 61 are presented for purposes of additional analysis and are not a part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information referred to above is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises Combining Financial Statements, Community Report, Bondholder-Fiduciaries, Continuing Disclosure, and Description of Major Power Purchasers**,** but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

April 16, 2024

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The following discussion provides an overview and analysis of the financial activities of Public Utility District No. 1 of Chelan County (the District) for the years ended December 31, 2023 and 2022. This discussion and analysis is designed to be used in conjunction with the financial statements, notes and other supplementary information, which follow this section.

FINANCIAL HIGHLIGHTS

- The District produced a positive change in net position of $138 million during 2023, $35 million more than budget for the year and $60 million less than the prior year's results of $198 million. The District continued to achieve strong operating results while meeting strategic priorities to invest in utility assets and employees, sustain excellent financial resiliency and continue Public Power Benefit projects. The District's better than anticipated bottom-line was the result of long-term contract proceeds in excess of budgeted amounts, combined with the unbudgeted sale of no-cost allowances received under Washington State's Climate Commitment Act (CCA) that were in excess of the District's CCA compliance obligation. The decrease from the prior year is due to higher purchased power costs that resulted from increased wholesale energy prices and significantly below average water conditions. The District invested $190 million in capital projects in 2023. Investments include the modernization of Rock Island Powerhouses 1 and 2, the new Service Center, facilities upgrades, substation and switchyard construction for meeting future growth and development, advanced meter infrastructure and fiber network expansion. Overall, the District's financial standing remains strong, and its debt ratio remained well below the 35% target consistent with the District's Board approved financial policies.

- ### Investing in utility assets:

New Service Center:

The District began moving into its new Service Center in Olds Station in 2023. Phase 1 of the project was completed in August and provides one convenient location where customer-owners can pay bills, apply for new services and meet with staff and commissioners. Phase 2 was completed in mid-November, allowing field operations to relocate to the new campus. The final turnover of Phase 3 is expected during the first quarter of 2024, allowing relocation of the remaining departments. The 24-acre campus combines most of the District's non-hydro services at one location. The site is the center of Chelan County, which will help reduce response times and operational costs. The new Service Center replaces several aging District facilities, including its downtown headquarters in use since 1955.

Modernization of Rock Island Dam Powerhouse 1 — Large Units:

Work continued on the modernization project of six large generating units in the first powerhouse at Rock Island Dam. After modernization work was completed on several units in prior years, the units suffered various turbine issues. The contractor completed a root cause analysis of the failures, and remedies and costs were negotiated for additional repairs. As of December 31, 2023, modernization work has been completed on 5 of the 6 units. Of these units, two need the additional repairs noted above. One of these units is nearing repair completion, with return to service scheduled for early 2024. The second unit in need of additional repairs will be taken out of service in 2024, with a return to service forecasted for early 2025. Modernization of one remaining unit is anticipated to be completed in 2027.

Modernization of Rock Island Dam Powerhouse 1 — Small Units:

The original four small generating units in the first powerhouse at Rock Island Dam were taken out of service in early 2016 due to corrosion fatigue on the blades following 50-plus years of service. Repair work and modernization of the units began in 2018. The first small unit was returned to service in 2021, and a second small unit is scheduled for completion in 2024. Repairs, re-work and modernization of the remaining two units are anticipated to be complete in early 2028.

Rehabilitation of Rock Island Dam Powerhouse 2:

Extensive analysis reviewed by the Board of Commissioners in 2017 showed it was cost-effective to also rehabilitate major components, such as turbines, generators and related equipment, of the eight 1970s-era units in the second Powerhouse at Rock Island Dam. This work should provide at least 40 years of additional use. The District and GE Renewable Energy reached an agreement in 2021 for the modernization at Rock Island Powerhouse 2. I. In 2023, the District removed the first unit for disassembly. The rehabilitation of the unique Powerhouse 2 units is complex, and much will be learned from completion of the first unit. The project schedule and cost estimates will be refined over the next few years as work progresses.

Rocky Reach Dam Large Unit Repairs:

Units C-10 and C-11 turbine repairs are in progress with expected in-service dates of April 2025 and December 2024, respectively. Repairs have been completed on the two other large units, C-8 and C-9.

- In February 2023, the District and Puget Sound Energy (PSE) entered into a contract for renewable hydropower from the District's two hydro projects on the Columbia River. Under the terms of the 20-year contract, the District will sell PSE 25% of the hydropower output from Rocky Reach and Rock Island dams from 2031 through 2051. PSE's current contracts with the District, expiring in 2026 and 2031, provide a portion of the output from the projects. The competitively priced contract helps cover future costs of producing power at Rocky Reach and Rock Island dams and recognizes the increasing value of hydropower as a carbon-free renewable source of energy. The pricing under the cost-plus agreement includes fixed price components for the additional value provided from the output, including from environmental attributes and capacity. With this new contract, the District continued implementation of its energy marketing strategy through a long-term sales contract designed to ensure that the District's customer-owners benefit. Under the District's long-term marketing strategy, the District offers a mix of shorter-term market based and longer-term cost-based products. Both types of contracts are based on selling a "slice" of hydropower output from Rocky Reach and Rock Island, which reduces risk of variable output from hydropower production. Overall, the goal of the long-term marketing strategy is to strike the right balance of contracts to reduce risk, create value and provide financial stability for decades to come.
- The District and PSE also announced a new contract for renewable hydropower from two District hydro projects on the Columbia River. The five-year "slice" contract supplies PSE with 5% of the output from Rock Island and Rocky Reach hydropower projects from 2024 through 2028. The contract complements an existing contract between the two utilities, while generating revenue for the District to provide continued rate stability for its customers. The competitive market pricing also allowed the District to lock in a margin above production costs for the benefit of its customer-owners. The contract will bolster PSE's supply of carbon-free energy, in line with the goal of becoming a "Beyond Net Zero Carbon" energy company by 2045. The District values its continuing long-standing positive working relationship with PSE and is pleased that this energy will help the state meet its low-carbon policy goals.
- In March 2023, the District entered into a land exchange agreement with the City of Wenatchee (the City). The agreement includes a range of measures intended to reduce the anticipated impact of the City's proposed Confluence Parkway project, which is a 2.5-mile bypass to alleviate traffic congestion along North Wenatchee Avenue. The land exchange agreement trades a parcel of land along the western edges of Horan Natural Area and Confluence State Park for property roughly equivalent in size from the City. The land swap provides value to the District's customer-owners by securing and preserving undeveloped land as future wildlife habitat. The land exchange agreement also includes provisions requiring that the City implement noise abatement in areas where road noise is expected to have the greatest impact and make certain improvements to the Apple Capital Recreation Loop Trail for better safety and user experience. The agreement also commits the City to reimburse the District to relocate two water wells that support Confluence State Park and replace state park staff housing that is in the way of the proposed roadway. In most cases, the City will cover the relocation of electrical transmission and distribution lines in coordination with roadway construction.
- In late March 2023, the District entered into a mitigation water supply agreement with Oroville-Tonasket Irrigation District (OTID) for access to 4,000 acre-feet of water annually for irrigation from an Okanogan County water bank source. The District will pay $1 million annually in exchange for the water resource. The term of the agreement is "indefinite," but after the first two years, the District can terminate with a year's notice. OTID can only terminate due to breach of the agreement by the District or if a government agency prevents its performance. Through the agreement, the District gains access to water resources to meet future water supply needs. Future needs include possible use for hatcheries, parks, water systems and power generation. In the near term, the water will be used to maintain in-stream flows until the water is needed for other uses. The agreement provides value to the District's customer-owners by providing protection for District assets that enhance the quality of life in Chelan County.
- In December 2023, the District approved a $1.2 million purchase and sale agreement with the Wenatchee Valley YMCA to redevelop part of the Fifth Street campus that was vacated by the District's move to its new Service Center. What is now a utility warehouse is one step closer to becoming the site of a bustling community hub. The YMCA plans to redevelop part of the District's former campus into a new, expanded YMCA facility. Under the agreement, the YMCA will purchase a parcel of about 144,000 square feet on the eastern side of the Fifth Street campus. The nonprofit plans to demolish the existing warehouse, office and shop sometime in the spring of 2024, and prepare the parcel for construction. The District will improve water, stormwater, and electrical infrastructure to enable redevelopment of the entire site, including the future

YMCA facility. The District will also be responsible for the construction of an internal roadway and sidewalk through the 7.5-acre campus.

- The road to relicensing Rock Island hydroelectric project officially began December 15, 2023. The District has operated Rock Island for 68 years. The next license will be Rock Island's third. The license is anticipated to be a 30-to-50-year permit from the Federal Energy Regulatory Commission (FERC) that authorizes the District to continue generating power. The current 40-year license for Rock Island, the District's second largest power producer, expires in 2028. Relicensing is a public process that requires the District and FERC to evaluate the resources associated with the project, including: fish and wildlife, flood control, power generation, cultural resources, recreation and other aspects of environmental quality. The new license will require the District to invest in protection, mitigation and enhancement measures. FERC determines what those measures should be, based on scientific studies and historical information. The formal process takes a minimum of five years, but the District has been preparing since 2021. The District has conducted six formal studies and three evaluations, and organized several technical working groups that involved more than 130 people from 43 entities. The District filed a pre-application document and notice of intent to relicense. The final license application is due December 31, 2026. A new license may be issued as early as January 2029.

2024 ITEMS OF NOTE

- In January 2024, commissioners approved the purchase of 4,910 acres of undeveloped land in the foothills above Malaga for $5.3 million. How the District will use the land is still under consideration. The District is embarking on a strategic planning process that will guide key decisions into the future, with an emphasis on preparing the utility for the next 50 years. The 50-year visioning process includes the possibility for potential new sources of energy generation, energy storage and wildlife habitat.
- In January 2024, the District hosted a community meeting regarding the planned acquisition of the Peshastin Water District. The acquisition has been in the works since 2016 when Peshastin Water District asked the District to take on the 240-meter system for better efficiency. Under an agreement signed in September 2023, the District will pay the water system's debts and cover system improvements to bring Peshastin Water District up to the same standard as other community water systems that the District operates. The utility completed the acquisition in late March 2024.

USING THIS FINANCIAL REPORT

This section of the Annual Report consists of the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements with accompanying Notes and Supplementary Information. The financial statements of the District are designed to provide readers with a broad overview of the District's finances similar to a private-sector business. They are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Under this basis of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows. These statements offer short- and long-term financial information about District activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis of the financial performance of the District provides an overview of the financial activities for the years ended December 31, 2023 and 2022. This discussion and analysis should be read in conjunction with the financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all the District's revenues and expenses for the periods shown. These statements measure the success of operations over the year and can be used to determine whether the District has successfully recovered its costs.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income and debt financing, and other uses such as payments for debt service and capital additions.

The Notes to the Financial Statements provide detailed information to support the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position increased by $138 million in 2023 and $198 million in 2022, despite an increase in operational costs in 2023 and 2022, and impacts to revenues in 2023 as a result of reduced generation at the hydroelectric projects due to significantly below average streamflows. The District realized strong financial results for both 2023 and 2022, despite the continuing operating challenges of generating unit repairs and modernizations at Rocky Reach and Rock Island, which demonstrates the effectiveness of the District's risk management plans and strong financial policies. The increases to net position in both 2023 and 2022 are primarily due to continued strong operating revenues stemming from the District's hedging program, real-time agreement and long-term power sales contracts. The hedging program ensures predictable revenue through the sale of excess energy under both forward block transactions and slice contracts and is proving to be successful at providing rate stability and allowing the District to meet its financial goals. The change in net position for 2023 is lower when compared to 2022 primarily due to significantly below average water conditions that resulted in a reduction in revenue from wholesale sales of surplus energy.

The following analysis provides a three-year comparison of key financial information:

CONDENSED COMPARATIVE FINANCIAL INFORMATION

(amounts in millions)	2023	2022*	2021**	Increase (Decrease) 2023–2022
Current assets	$ 229	$ 268	$ 161	$ (39)
Net utility plant	1,619	1,487	1,383	132
Other non-current assets	481	480	530	1
Total assets	2,329	2,235	2,074	94
Deferred outflows of resources	26	29	11	(3)
Current liabilities	160	153	143	7
Long-term debt	290	331	372	(41)
Other liabilities	161	186	134	(25)
Total liabilities	611	670	649	(59)
Deferred inflows of resources	81	70	110	11
Net investment in capital assets	1,237	1,104	976	133
Restricted	130	103	165	27
Unrestricted	295	317	185	(22)
Total net position	$ 1,662	$ 1,524	$ 1,326	$ 138

(amounts in millions)	2023	2022*	2021**	Increase (Decrease) 2023–2022
Operating revenues	$ 553	$ 590	$ 443	$ (37)
Less				
Operating expenses	419	393	331	26
Other expenses	2	7	8	(5)
Net income before capital contributions and special items	132	190	104	(58)
Capital contributions	6	8	7	(2)
Special items – pensions	-	-	26	-
Change in net position	138	198	137	(60)
Total net position – beginning of year	1,524	1,326	1,189	198
Total net position – end of year	$ 1,662	$ 1,524	$ 1,326	$ 138

**The District's 2022 Financial Statements were updated for impacts of the required retroactive implementation of GASB Statement No. 96.*

***The District's 2021 Financial Statements were updated for the impacts of the required retroactive implementation of GASB Statement No. 87.*

ASSETS

Current assets decreased by $39 million in 2023 primarily due to reduced accounts receivable balances, partially offset by an increase in materials and supplies. Accounts receivable balances were higher at year-end 2022 as a result of significantly higher wholesale market prices in December 2022 compared to December 2023. Increased prices and supply chain issues, combined with large capital improvement plans were the primary contributors to higher inventory balances.

Current assets increased by $107 million in 2022 primarily due to higher investment balances combined with an increase in accounts receivable. The higher investment balances were primarily the result of additional investable cash generated by the District's positive operating results that were not required to meet funding requirements for capital projects or debt service obligations. Accounts receivable increased as a result of significantly higher wholesale power prices received on surplus sales of energy in December 2022 compared to December 2021.

As of December 31, 2023, the District had approximately $1.6 billion invested in a variety of capital assets. Net utility plant increased $132 million in 2023, reflecting additional investments in utility plant assets. Additions included progress on the District's new operations and service center, completion of the remaining Rocky Reach and central maintenance facilities upgrades, ongoing modernization at the Rock Island hydroelectric project and installation of advanced meter infrastructure. The 2023 additions were partially offset by annual depreciation of plant in service and retirements of assets replaced or removed from service.

As of December 31, 2022, the District had approximately $1.5 billion invested in a variety of capital assets. Net utility plant increased $104 million in 2022, reflecting additional investments in utility plant assets. Additional investments in plant, the largest being the District's new operations and service center, were offset somewhat by annual depreciation. Other large additions included continued modernization at the Rock Island hydroelectric project, spending for facility upgrades at Rocky Reach and Rock Island, and advanced meter infrastructure.

Other noncurrent assets, which includes noncurrent restricted assets and other assets, increased $1 million in 2023 due primarily to an increase in deferred relicensing costs associated with the ramping up of relicensing efforts for Rock Island offset by lower investment balances resulting from spending funds restricted for capital additions at the District's hydroelectric projects.

Other noncurrent assets decreased $50 million in 2022 due primarily to lower restricted cash and investment balances resulting from spending of funds restricted for capital additions at the District's hydroelectric projects, combined with a decrease in net pension asset. Net pension asset is down due to a decline in the funded status of the Washington State Department of Retirement Systems' PERS Plans 2 and 3 as determined by the 2022 actuarial valuation for these plans. While the plans are still overfunded, the valuation was negatively impacted by changes of assumptions and differences between projected and actual investment earnings.

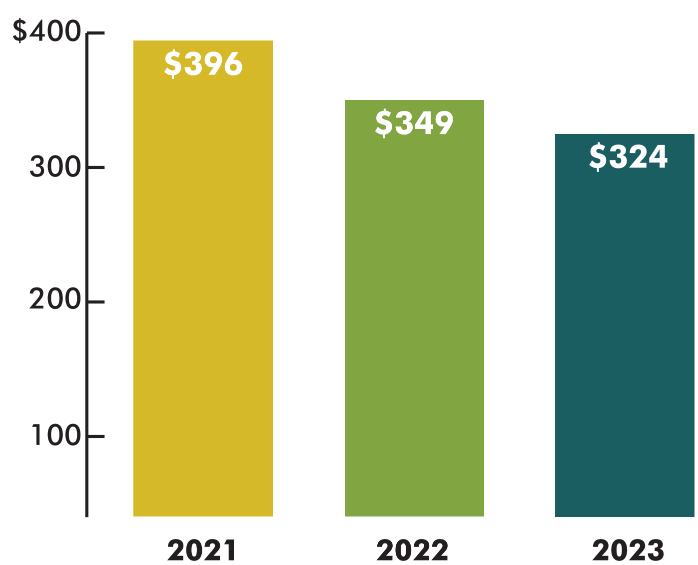
Deferred outflows of resources remained comparable for all three years.

LIABILITIES

Current liabilities increased $7 million in 2023 due to an increase in current portion of long-term obligations offset by a decrease in accounts payable balances. The current portion of long-term obligations is higher than the prior year due to an increase in scheduled maturities of debt principal. Accounts payable balances were higher in 2022 due to significantly higher purchased power costs in December 2022 compared to December 2023, as a result of extremely high wholesale energy prices at that time.

Current liabilities increased $10 million in 2022 due to an increase in accounts payable offset by a decrease in the current portion of long-term obligations. Accounts payable increased primarily as a result of higher balances owed for purchased power due to significantly higher wholesale market prices in December 2022 compared to December 2021. The current portion of long-term obligations was lower than the prior year due to a decrease in scheduled maturities of debt principal.

TOTAL DEBT OUTSTANDING
(amounts in millions)



During 2023, reductions in debt balances due to scheduled maturities of debt were partially offset by accretion of interest on capital appreciation bonds, resulting in a net decrease in total debt outstanding of $25 million. This reduction in total debt contributed to the $41 million reduction in long-term debt in 2023, which is net of premiums and the current portion of the obligations. The District did not refinance or issue additional bonds in 2023.

During 2022, reductions in debt balances due to scheduled maturities of debt and early retirement of a portion of the 2011C bonds, were partially offset by accretion of interest on capital appreciation bonds, resulting in a net decrease in total debt outstanding of $47 million. This reduction in total debt contributed to the $41 million reduction in long-term debt in 2022, which is net of premiums and the current portion of the obligations. The District did not refinance or issue additional bonds in 2022.

Other liabilities decreased $25 million in 2023 primarily due to the continued amortization of unearned wholesale power sales revenue combined with a decrease in the District's net pension liability. Unearned wholesale power sales revenue reflects contractual amounts received under long-term power sales agreements that were deferred upon receipt and are being recognized as revenue over the life of the related agreements. Net pension liability fluctuates due to changes in the actuarial valuation of the collective net pension liability of PERS plans administered by the Washington State Department of Retirement Systems in which the District participates. As a result of the 2023 actuarial valuation, the funded status of PERS plans 1 improved, resulting in a decrease in the District's net pension liability.

Other liabilities increased $52 million in 2022, primarily due to an increase in unearned revenue. The District received a large cash deposit from a customer as prepayment for a portion of the cost of building the needed infrastructure to connect their planned data center to the District's electric system. The deposit was recorded as unearned revenue and will be recognized as contributions in aid of construction as the deposit is spent to fund construction of the infrastructure project.

Deferred inflows of resources increased by $11 million in 2023, after decreasing by $40 million in 2022. The increase in 2023 was primarily due to an increase in regulatory liabilities associated with ongoing spending on a switchyard project that is being funded entirely by the customer. Once the project is complete and placed in service, this contribution in aid of construction will be amortized to income over the life of the related plant assets. The decrease in 2022 was primarily due to a decline in the funded status of the Washington State Department of Retirement Systems' PERS Plans 2 and 3 as determined by the 2022 actuarial valuation for the plans. While the plans are still over-funded, the valuation was negatively impacted by changes of assumptions and differences between projected and actual investment earnings

NET POSITION

Net investment in capital assets increased $133 million and $128 million in 2023 and 2022, respectively. The increase in 2023 reflects additions to plant combined with reductions in debt as a result of scheduled repayments of existing debt. The increase in 2022 reflects additions to plant combined with reductions in debt as a result of both scheduled repayments and early retirements of existing debt.

Restricted net position represents resources that are subject to external restrictions, such as bond covenants or third-party contractual agreements. Restricted net position increased $27 million in 2023 and decreased $62 million in 2022, respectively. The increase in 2023 was primarily due to higher balances restricted for capital spending and debt service payments under long-term power sales agreements. The decrease in 2022 was primarily due to lower balances restricted for capital spending and debt service payments, partially offset by the receipt of a large, restricted cash deposit from a customer as prepayment for a portion of the cost of building the needed infrastructure to connect their planned data center to the District's electric system.

Unrestricted net position is not subject to any external constraints and can be used to finance the day-to-day operations of the District. In 2023, unrestricted net position decreased $22 million due primarily to the issuance of internal loans from unrestricted operating reserves to Rocky Reach and Rock Island hydroelectric systems for restricted use. The unspent balance of these internal loans is now held in these systems and is restricted for capital spending and debt reduction in accordance with long-term power sales agreements. These outflows of cash exceeded the positive cash flow from operations. In 2022, unrestricted net position increased $132 million due to the District's strong operating results.

REVENUES AND EXPENSES

In 2023, retail sales remained relatively flat compared to 2022. A small increase in the District's local retail revenue driven by increased high-density load sales was mostly offset by a reduction in off-system retail electric sales.

In 2022, retail sales increased $24 million compared to 2021. Sales were higher due to a combination of increased usage as a result of weather conditions, increased revenue from an off-system retail load, local customer growth and a rate increase.

In 2023, wholesale sales decreased $48 million compared to 2022 despite higher average market prices. Generation was lower in 2023 at Rocky Reach, Rock Island and Lake Chelan hydroelectric projects as compared to the prior year due to low water conditions, resulting in less surplus energy available for sale on the wholesale market.

In 2022, wholesale sales increased $118 million compared to 2021 due to higher average market prices received on surplus sales of energy, additional proceeds from a long-term power sales agreement and an increase in environmental attribute revenue associated with a long-term power sales contract amendment.

Despite higher average market prices, purchased power costs decreased $7 million in 2023 compared to 2022. Lower purchased power costs are primarily due to higher average market prices for transactions that were booked out for scheduling convenience, combined with an increase in certain contractual sales and purchases that are reported on a net basis.

Purchased power costs were $47 million higher in 2022 compared to 2021. The increase in costs was primarily due to higher average market prices on energy purchased to balance the District's resource and load compared to 2021.

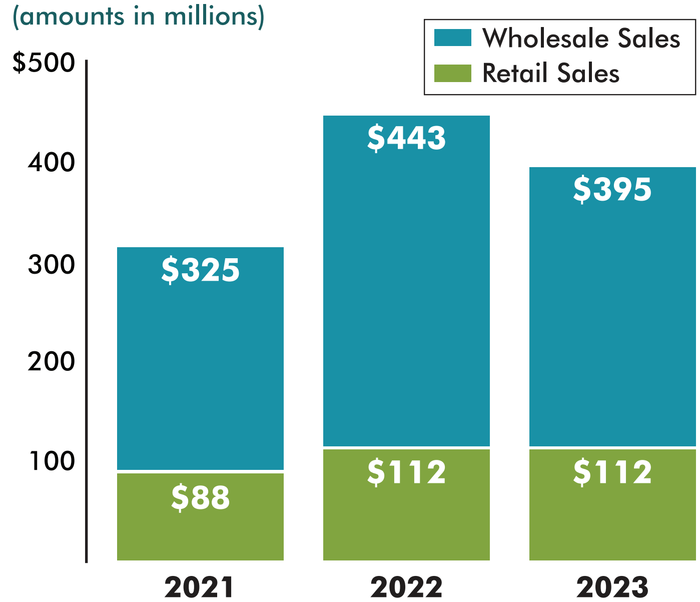
Other income and expenses, which includes net interest expense and income, decreased by $5 million in 2023 primarily due to increased investment income earned as a result of higher interest rates compared to 2022. The higher interest rates available on the District's investments correlate with rate changes enacted by the Federal Reserve to the federal funds target rate.

Other income and expenses, which included net interest expense and income, decreased by $1 million in 2022 primarily due to reduced interest on long-term debt resulting from lower debt balances.

Net income before capital contributions decreased $58 million in 2023 when compared to 2022. The decrease in earnings is primarily due to reduced wholesale energy sales resulting from lower generation at the District's hydroelectric facilities. Capital contributions remained relatively flat from 2023 to 2022.

In 2022, net income before capital contributions increased $86 million compared to 2021. The increase in earnings is due to increased operating revenues resulting primarily from higher average market prices received on surplus sales of electricity and additional proceeds associated with a long-term power sales agreement, combined with an increase in revenue associated with a long-term power sales contract amendment that monetizes the environmental attributes attributable to the contractual share of energy output. Capital contributions remained relatively flat from 2022 to 2021. Special items – pensions decreased $26 million. This was attributable to a one-time accounting adjustment in the prior year.

Wholesale/Retail Revenues
(amounts in millions)



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report should be directed to the District at P.O. Box 1231, Wenatchee, WA 98807.

STATEMENTS OF NET POSITION

December 31, 2023 and 2022

Assets and Deferred Outflows of Resources

(amounts in thousands)	2023	2022
Current Assets		
Cash and cash equivalents	$ 69,150	$ 32,072
Investments	57,462	93,066
Accounts receivable, net	37,842	87,538
Accrued interest receivable	1,207	1,286
Materials and supplies	27,662	20,349
Prepayments and other	4,573	3,902
Current portion regulatory assets	1,919	2,407
	199,815	240,620
Restricted Assets - Current		
Cash and cash equivalents	15,788	7,165
Investments	13,118	20,786
	28,906	27,951
Total Current Assets	228,721	268,571
Utility Plant		
In service, at original cost	2,578,945	2,421,304
Construction work in progress	230,140	229,964
Less-accumulated depreciation	(1,190,257)	(1,164,001)
	1,618,828	1,487,267
Restricted Assets – Noncurrent		
Cash and cash equivalents	12,934	3,083
Long-term investments	138,896	119,878
	151,830	122,961
Other Assets		
Deferred relicensing costs	9,953	6,540
Net pension asset	27,833	27,105
Long-term receivables, net	138	169
Long-term investments	232,518	264,157
Regulatory assets, net	53,208	53,381
Derivative instrument asset	1,923	1,944
Other	3,618	3,744
	329,191	357,040
Total Assets	2,328,570	2,235,839
Deferred Outflows of Resources		
Losses on refunding debt	1,441	1,840
Pensions	23,645	26,734
Other post-employment benefits	443	459
	25,529	29,033
Total Assets and Deferred Outflows of Resources	$ 2,354,099	$ 2,264,872

Liabilities, Deferred Inflows of Resources and Net Position

(amounts in thousands)	2023	2022
Current Liabilities		
Current portion of long-term obligations	$ 48,169	$ 35,512
Current portion of unearned revenue	15,588	15,321
Accounts payable	68,948	74,806
Accrued taxes	5,363	6,288
Accrued interest	3,533	3,777
Accrued vacation and other	18,896	17,672
	160,497	153,376
Long-Term Debt		
Revenue bonds and notes payable, less current portion	289,895	331,169
Other Liabilities		
Unearned revenue, less current portion	103,457	124,549
Net pension liability	12,041	15,717
Long-term contract customer deposit	18,500	18,500
Licensing obligation, less current portion	10,161	9,366
Subscription liability, less current portion	14,016	15,145
Other liabilities	2,868	2,680
	161,043	185,957
Total Liabilities	611,435	670,502
Deferred Inflows of Resources		
Derivatives	1,923	1,944
Pensions	14,938	27,518
Regulatory liabilities	63,454	40,438
Other post-employment benefits	241	246
	80,556	70,146
Total Net Position		
Net investment in capital assets	1,236,651	1,104,168
Restricted	130,335	102,967
Unrestricted	295,122	317,089
	1,662,108	1,524,224
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 2,354,099	$ 2,264,872

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the years ended December 31, 2023 and 2022

(amounts in thousands)	2023	2022
Operating Revenues		
Retail sales	$ 112,489	$ 111,711
Wholesale sales	394,675	442,509
Other operating revenues	45,641	35,674
	552,805	589,894
Operating Expenses		
Purchased power and water	119,703	126,275
Generation	132,936	113,410
Utility services	73,057	66,361
Other operating expenses	21,452	19,202
Taxes	14,336	14,469
Depreciation and amortization	58,017	53,641
	419,501	393,358
Operating Income	133,304	196,536
Other Income (Expense)		
Interest on long-term debt	(16,585)	(17,779)
Amortization of deferred debt costs	(452)	(520)
Investment income	16,982	11,396
Other	(1,699)	72
	(1,754)	(6,831)
Income Before Capital Contributions	131,550	189,705
Capital Contributions	6,334	8,416
Change in Net Position	137,884	198,121
Total Net Position, Beginning of the year	1,524,224	1,326,103
Total Net Position, End of the year	$ 1,662,108	$ 1,524,224

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022

(amounts in thousands)	2023	2022
Cash Flows from Operating Activities		
Receipts from customers	$ 589,113	$ 530,393
Payments to suppliers	(246,442)	(204,234)
Payments to employees	(121,334)	(116,203)
Net cash provided by operating activities	221,337	209,956
Cash Flows from Capital and Related Financing Activities		
Additions to plant	(185,277)	(143,186)
Proceeds from sale of plant	237	411
Proceeds of new third party debt	177	-
Principal paid on debt and intersystem loans	(33,654)	(55,627)
Interest paid on debt and intersystem loans	(8,703)	(9,475)
Capital contributions	6,562	8,393
Other	(22,348)	29,811
Net cash (used in) capital and related financing activities	(243,006)	(169,673)
Cash Flows from Investing Activities		
Purchase of investments	(100,982)	(190,093)
Proceeds from sales and maturities of investments	161,255	151,451
Interest on investments	16,841	11,585
Long-term receivables	31	35
Other, net	76	(836)
Net cash provided by (used in) investing activities	77,221	(27,858)
Net Increase in Cash and Cash Equivalents	55,552	12,425
Cash and Cash Equivalents, Beginning of Year	42,320	29,895
Cash and Cash Equivalents, End of Year	$ 97,872	$ 42,320
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 133,304	$ 196,536
Depreciation and amortization	58,017	53,641
(Increase) decrease in operating assets:		
Accounts receivable, net	49,696	(46,303)
Materials and supplies	(7,313)	(2,649)
Prepayments	361	(759)
Net OPEB asset	14	356
Other	4,233	3,653
Deferred outflows of resources	16	(200)
Increase (decrease) in operating liabilities:		
Current portion unearned wholesale power sales	267	211
Accounts payable	(3,952)	17,897
Accrued taxes	(925)	1,435
Accrued vacation and other	1,224	(363)
Unearned wholesale revenue	(13,572)	(13,474)
Customer deposits	(28)	65
Deferred inflows of resources	(5)	(90)
Net cash provided by operating activities	$ 221,337	$ 209,956
Supplemental Disclosure of Noncash Activities		
Construction costs included in accounts payable	$ (1,879)	$ 996
Capital contributions	9,113	64
Amortization of regulatory assets	4,234	3,653

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Operations of the District

Public Utility District No. 1 of Chelan County, Washington (the District) is a municipal corporation of the State of Washington established in 1936. The District owns and operates electric generation, electric transmission, electric and water distribution, wastewater properties and a wholesale telecommunication system. The District is governed by an elected five-member Board of Commissioners (Commissioners). The Commissioners' responsibilities are to appoint the General Manager, approve budgets for the District's Systems, adopt regulations and set policies and guiding financial and operating principles for the operations included in these financial statements. The District has no material component units. The District's operations consist of the Rocky Reach Hydroelectric System, the Rock Island Hydroelectric System, the Lake Chelan Hydroelectric System (the Hydro Systems); a retail electric distribution and transmission system, a water system, a wastewater system, a fiber-optic telecommunication system (Utility Services); and two internal service systems.

Accounting Policies

The accompanying financial statements of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to a municipal utility. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has applied all applicable GASB pronouncements including GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

In March 2020, GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." This statement provides guidance for reporting relationships where nonfinancial exchanges are made and how they should be reported. This statement is effective for the District for fiscal year 2023. Implementation did not impact the District's financial statements.

In June 2022, GASB issued Statement No. 101, "Compensated Absences." This statement requires that liabilities for compensated absences be recognized for (a) leave that has not been used and (b) leave that has been used but not yet paid in cash or settled through noncash means. The statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This statement is effective for the District for fiscal year 2024. The District is currently evaluating the financial statement impact of adopting this statement.

In December 2023, GASB issued Statement No. 102, "Certain Risk Disclosures." This statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. This statement is effective for the District for fiscal year 2025. The District is currently evaluating the impact of implementing this statement.

Change in Accounting Principle – Subscription-Based Information Technology Arrangements (SBITA)

In May 2020, GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements." The primary objective of Statement No. 96 is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs to improve the comparability of financial statements among governments that have entered into SBITAs, while enhancing the understandability, reliability, relevance and consistency of information about SBITAs. This statement (1) defines a SBITA; (2) establishes that a SBITA results in an intangible right-to-use asset and a corresponding liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA; and (4) requires note disclosures for SBITAs. This statement was effective for the District beginning in fiscal year 2023.

The District's 2022 Financial Statements were restated for the impacts of the required retroactive implementation of GASB Statement No. 96. Prior to implementation of this statement, all SBITAs were accounted for as operating agreements and outflows of resources were recognized based on payment provisions of the contract. Upon the adoption of GASB Statement No. 96, the District is required to recognize a SBITA liability and intangible right-to-use assets for material SBITAs.

The impacts of restating the District's 2022 financial statements are presented in the following tables:

Impacts to the District's Statement of Net Position

(amounts in thousands)	2022 Restated Balance	2022 Balance as Previously Reported
UTILITY PLANT		
In service, at original cost	$ 2,421,304	$ 2,404,121
Construction work in progress	229,964	229,829
Less-accumulated depreciation	(1,164,001)	(1,162,731)
Net utility plant	1,487,267	1,471,219
TOTAL ASSETS	2,235,839	2,219,791
CURRENT LIABILITIES		
Current portion of long-term obligations	35,512	34,565
Total current liabilities	153,376	152,429
LIABILITIES		
Subscription liabilities	15,145	-
TOTAL LIABILITIES	670,502	654,410
NET POSITION	1,524,224	1,524,268

Impacts to the District's Statement of Revenues, Expenses and Changes in Net Position

(amounts in thousands)	2022 Restated Results	2022 Results as Previously Reported
OPERATING EXPENSES		
Generation	$ 113,410	$ 113,998
Utility Services	66,361	67,200
Depreciation and amortization	53,641	52,371
Total operating expenses	393,358	393,515
OTHER INCOME (EXPENSE)		
Other	72	273
Total other income (expense)	(6,831)	(6,630)
CHANGE IN NET POSITION	198,121	198,165

Impacts to the District's Statement of Cash Flows

(amounts in thousands)	2022 Restated Results	2022 Results as Previously Reported
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	$ (204,234)	$ (205,661)
Net cash provided by operating activities	209,956	208,529
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Additions to Plant	(143,186)	$ (141,961)
Other	29,811	30,013
Net cash (used in) capital and related financing activities	(169,673)	(168,246)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	$ 53,641	$ 52,371
Net cash provided by operating activities	209,956	208,529

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The District has used significant estimates in the determination of fair value of derivatives, regulatory assets and liabilities, depreciable lives of utility plant, lease liabilities, SBITA liabilities, license obligations, unbilled revenues, incurred but not reported self-insurance liabilities, allowance for uncollectible accounts receivable and payroll-related liabilities.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits at commercial banks and investments with maturities of ninety days or less when purchased.

Revenues and Expenses from Operations

Revenues of the District are recognized when services are delivered and are comprised of sales of wholesale power, sales of electric, water, wastewater and wholesale telecommunication services and sales of environmental attributes. The accompanying financial statements include estimated unbilled revenues for energy and wholesale telecommunication services delivered to customers between the last billing date and the end of the year. Estimated unbilled revenues amounted to $3.4 million and $3.7 million in 2023 and 2022, respectively. The amounts are included in accounts receivable.

Revenues from the Rocky Reach and Rock Island hydroelectric production facilities represent sales of power generated under firm "take-or-pay" power sales contracts or sales directly to the retail electric distribution system. Revenues under these contracts are cost-plus based, including financing costs.

In January 2006, the District entered into a 20-year power sales contract with Puget Sound Energy (PSE) for 25% of the output of the Rocky Reach and Rock Island projects, effective in 2011 and 2012, respectively. PSE is generally responsible to pay 25% of costs associated with the projects, including capital, operation and maintenance and financing costs, in addition to charges for capital recovery, debt reduction and various fees. Under the terms of the contract, the District received an advance payment of $89.0 million during 2006, which was deferred and is being recognized as revenue over the term of the contract.

Effective January 2022, the 20-year power sales contract with PSE for 25% of the output of the Rocky Reach and Rock Island projects was amended to reflect an allocation of the environmental attributes that result from the renewable, carbon-free energy generated from the District's hydroelectric dams. Through the remainder of the contract term, Puget will pay the District an amount for environmental attributes that is based on the volume of renewable energy credits generated and transferred to them, in addition to the other costs already being paid under the current long-term power sales contract.

In February 2023, the District entered into a 20-year power sales agreement with PSE for 25% of the renewable hydropower output of the Rocky Reach and Rock Island projects for the years 2031 through 2051. PSE is generally responsible to pay 25% of costs associated with the projects, including capital, operation and maintenance and financing costs, in addition to charges for capital recovery, debt and various fees, plus price adders that include a fixed price portion for the additional value provided from the output, including from environmental attributes and capacity.

In July 2008, the District entered into a 17-year power sales contract with Alcoa, Inc., now Alcoa Corporation, for output equivalent to 26% of the Rocky Reach and Rock Island projects, effective in 2011 and 2012, respectively. Alcoa, Inc. is generally responsible to pay 26% of costs associated with the projects, including capital, operation and maintenance and financing costs. Under the terms of the contract, the District received an advance payment of $22.9 million of an $89.0 million capacity reservation charge during 2008, which was deferred and is being recognized as revenue over the term of the contract. The balance of the capacity reservation charge was to be deferred as long as the plant continued to operate and waived if the plant continued to operate under the terms of the contract for the entire contract term. In the event of a shutdown lasting longer than 90 days, the deferred charges would become due depending on the length of the shutdown.

In December 2015, Alcoa curtailed its Wenatchee Works smelting facility. Under terms of the power sales agreement, Alcoa Corporation must continue to pay its 26% share of the costs and charges regardless of the actual amount of energy produced or the amount of power used to operate Wenatchee Works.

In accordance with contract provisions addressing a shutdown event, the District is selling unused power in the wholesale market on Alcoa Corporation's behalf. The proceeds from the sale of any unused power are first applied to Alcoa Corporation's monthly contractual costs. Any surplus proceeds in excess of Alcoa Corporation's costs are retained by the District, and any shortfalls are paid by Alcoa Corporation. Alcoa Corporation continues to have contractual rights to the 26% share of project output even while Wenatchee Works is idle.

Additional contract provisions apply for the initially deferred capacity charges due to the shutdown event. The first charge, the "Initial Shutdown Amount," of $8.6 million, became due and was paid in December 2016, upon the plant being idle for one year. The "Initial Shutdown Amount" was deferred and will be recognized in revenue over the remaining term of the agreement. A second charge, the "Shutdown Settlement Amount," which is the $67.1 million deferred balance of the capacity reservation charge was scheduled to become due in the event the Wenatchee Works facility remained shutdown for longer than 18 months measured from the December 2015 curtailment.

In May 2017, the District entered into an amendment to the power sales agreement that allowed a one-year deferral of a large portion of the "Shutdown Settlement Amount" to June 2018. In June 2018, the Wenatchee Works smelting facility remained curtailed, and the $62.4 million balance of the Shutdown Settlement Amount became due and was paid by Alcoa Corporation. The $62.4 million contract charge was deferred and will be recognized in revenue over the remaining term of the agreement. The contract and original terms remain in place throughout the contract term.

In December 2021, Alcoa Corporation announced that the Wenatchee Works smelting facility will be permanently decommissioned. Closure of the plant does not impact the contract terms of the power sales agreement, which remains in effect until expiration in 2028.

In December 2021, the District entered into a 20-year power sales contract with Avista Corporation for 5% of the output of the Rocky Reach and Rock Island projects for the years 2026 thru 2030, and 10% of the output for the years 2031 thru 2045. Avista Corporation is generally responsible to pay 5% for the first 5 years and 10% for the remainder of the agreement, of costs associated with the projects, including capital, operation and maintenance and financing costs, in addition to charges for capital recovery, debt and various fees, plus price adders that include a fixed price portion for the additional value provided from the output, including from environmental attributes and capacity.

The District's share of power produced by the Rocky Reach and Rock Island Systems is sold to the retail electric distribution system on a cost-plus basis. Power produced by the Lake Chelan System is sold to the retail electric distribution system at cost. As of December 31, 2023, the Rocky Reach, Rock Island and Lake Chelan Systems sell 49%, 49% and 100%, respectively, of their output to the retail electric distribution system, which is in turn sold to retail customers, firm power purchasers or sold on the wholesale market if in excess of the District's local load.

Revenues and purchased power expenses related to "booked-out" wholesale energy sales and purchases (agreement with counterparty to net settle before scheduling for delivery) are reported net in the Statement of Revenues, Expenses and Changes in Net Position as a component of Wholesale Sales. For the years ended December 31, 2023 and December 31, 2022, booked-out energy transactions amounted to $99.6 million and $80.3 million, respectively.

Certain contractual wholesale sales and purchases are reported net in the Statement of Revenues, Expenses and Changes in Net Position as a component of Wholesale Sales. Net reporting better reflects the underlying substance of the power sales and purchase agreements, and the related net settlement provisions. For the years ending December 31, 2023 and December 31, 2022, the energy transactions reported at net amounted to $44.7 million and $34.4 million, respectively.

Revenues from the sale of environmental attributes associated with a portion of the District's hydroelectric and wind generation are recorded as generated when bundled with the associated energy, or as delivered, when unbundled from the energy and sold as a stand-alone financial instrument.

Under Washington State's Climate Commitment Act (CCA), the District receives no-cost allowances that are distributed by the Department of Ecology (DOE) to utilities subject to the Clean Energy Transformation Act (CETA) for the purpose of mitigating CCA compliance cost exposure related to the retail load served by a utility. Any allowances received by the District that are in excess of its compliance obligation may be sold at quarterly DOE hosted auctions. The District uses the inventory method of accounting for CCA allowances, recording revenues at the time of sale.

Electric, water and wastewater customers and telecommunication service providers are billed on a cyclical basis under rates established by the District's Commission. Revenues from the sale of electric, water, wastewater and telecommunication services are recorded as delivered and earned.

For the year ended December 31, 2023, the District had three significant customers (greater than 10% of operating revenues), collectively comprising total revenue of $271.7 million. The District had two significant customers for the year ended December 31, 2022, collectively comprising total revenue of $230.4 million.

The District accounts for expenses on an accrual basis. Expenses for the costs of production from the Rocky Reach, Rock Island and Lake Chelan hydroelectric production facilities are recovered under firm power sales contracts or sales directly to the retail electric distribution system.

Intradistrict revenues and expenses are eliminated in the Statement of Revenues, Expenses and Changes in Net Position.

Regulatory Deferrals

The Commissioners have the authority to establish the level of rates charged for all District services. As a regulated entity, the District's financial statements are prepared in accordance with "Regulated Operations," which require that the effects of the rate-making process be recorded in the financial statements. Accordingly, certain expenses and credits, normally reflected in the Statement of Revenues, Expenses and Changes in Net Position as incurred, are recognized when included in rates and recovered from, or refunded to, customers. The District records various regulatory assets and credits to reflect rate-making actions of the Commissioners. See Note 5.

Power Marketing

The District enters into forward physical power sales and purchase agreements to hedge expected forward surplus power and balance the District's anticipated power resources and demand for those power resources.

The District has implemented a multi-layered approach to power resource sales, including retail load, cost-plus contracts and a comprehensive market-based power hedging strategy to help manage risk and keep future rates stable and affordable. A key component of this strategy includes the execution of market-based wholesale products such as fixed price slice output contracts using a laddered approach over a rolling forward horizon of 60 months beyond the current year. The execution of this strategy helps mitigate the risks the District faces related to the wholesale power markets while securing stable revenue for the future. Forward physical block transactions are used to mitigate wholesale market price risk the District faces related to its long or short positions as defined by the hedging strategy. The execution of fixed price slice output contracts, which provide a counterparty with a percentage share of hydropower production for a fixed payment, help mitigate price risk, as well as mitigating volumetric risk related to river flows and production risk related to the District's ability to generate power due to generating unit outages.

In addition to the forward trading horizon of 60 months beyond the current year, the District's Board of Commissioners approved a resolution in 2014, authorizing the General Manager or designee to enter into one or more transactions for the forward sale of energy and capacity and associated environmental attributes not to exceed 10% of the output of Rocky Reach and Rock Island for a term up to fifteen years in duration, with the delivery to begin within six years of execution. In 2017, the District entered into an agreement under this resolution for a 10-year slice sale of 5% of Rocky Reach and Rock Island output for the years 2021-2030. Additionally, in 2021, the District entered into another agreement under the resolution for a 10-year slice of 5% of Rocky Reach and Rock Island output for the years 2024-2033, with an option to extend an additional five years. Both agreements further hedge against downside risk and help reduce wholesale revenue volatility.

The District entered into two separate extended duration Power Sales Agreements that support the long-term marketing strategy that continues to diversify the portfolio with both cost and market-based contracts to mitigate District hydro generation risks. These new 20-year cost-based agreements begin deliveries in 2026 and 2031, respectively, with pricing based on the District's cost of production, where the counterparty pays their proportionate share, plus price adders that include a fixed price portion for the additional value provided from the output, including environmental attributes and capacity. Like the fixed price slice output contracts, these agreements hedge downside risk against low streamflow and outages and help reduce wholesale volatility. In addition, they provide protection from rising costs.

All power risk management activities are subject to the Power Risk Management Policy requirements and oversight by the District's Power Risk Management Committee, which monitors the District's exposure to various power related risks using a series of industry standard methodologies. The power hedging strategy is included as part of the Power Risk Management Policy and defines the specific hedging objectives and targets that are measured, monitored and communicated to the Committee.

The Power Risk Management Policy includes credit management provisions under which individual dollar and volumetric limits are assigned to counterparties based upon specific predetermined criteria utilizing an industry standard credit-scoring model. Active counterparties are reviewed on a regular basis to evaluate whether the assigned limits need to be adjusted. In addition, daily monitoring of financial and market information is performed to identify any developing counterparty credit risk. Transactions are limited accordingly when deemed necessary, and any exceptions to the assigned limits are reported to the Power Risk Management Committee.

The District requires that a one-way collateral annex be executed in conjunction with its slice output contracts, including the two 10-year market-based contracts, or when deemed necessary to mitigate the District's credit risk. The District is not required to post any collateral under these one-way margin agreements. Currently, the District requires that all posting requirements be met with a Letter of Credit unless the counterparty holds a senior unsecured credit rating of A+ from at least one of the nationally recognized rating agencies. For the higher-rated counterparties, the District accepts performance assurance in the form of cash.

All of the District's forward power contracts are derivative instruments. All forward power contracts in place during 2023 and 2022 are classified as normal purchases and sales under GASB Statement No. 53, and are excluded from fair value reporting requirements. All forward power contracts are recognized over the duration of the contracts as a component of Operating Revenues and Purchased Power Operating Expenses in the Statement of Revenues, Expenses and Changes in Net Position.

Allowance for Uncollectible Accounts Receivable

A reserve is established for uncollectible accounts receivable based upon actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. The allowance for uncollectible accounts was $101,000 at both December 31, 2023 and 2022.

Capital Contributions

A portion of the District's utility plant has been financed through contributions from federal and state agencies and from assessments of local property owners. The District also records contributions from customers and developers, primarily relating to the District's Utility Services System, in accordance with the District's line extension policy. In-kind contributions are recognized based on the donor's actual costs. Capital contributions are recorded as non-operating revenues in the Statements of Revenues, Expenses and Changes in Net Position. For rate-making purposes, individual contributions in excess of $1 million are deferred when received and included in revenues to match the estimated useful lives and amortized costs of the related facilities. See Note 5.

Materials and Supplies Inventory

Materials and supplies consist of hydroelectric generation, transmission, distribution, water and wastewater assets, fiber-optic cable and fiber-related supplies and are valued at average cost.

Compensated Absences

Employees of the District accrue a personal leave benefit based upon a years of service schedule. Personal leave may be used for vacation and sick leave purposes. The District records personal leave as an expense and a liability as earned. Unused personal leave may be accumulated up to a maximum of 1,350 hours for non-bargaining unit personnel and 1,200 hours for bargaining unit employees. Effective April 1, 2012, any newly hired employee may only accrue 800 hours of personal leave. Upon resignation, retirement or death, 90% of accumulated personal leave is deposited into a personal Voluntary Employees' Beneficiary Association (VEBA) account. The remaining 10% of accumulated personal leave is cashed out.

Utility Plant

Utility plant is stated at original cost, which includes both direct and indirect costs of construction or acquisition. The District charges the cost of repairs and minor renewals to maintenance expense and the cost of renewals and replacement of property units that meet the District's capitalization threshold to utility plant. The District's capitalization threshold is $5,000. As the District constructs various major projects, costs accumulate in construction work in progress and are capitalized to utility plant after the projects have been completed and placed into service. Provision for depreciation is computed using the straight-line method by applying rates based upon the estimated service lives of the related plant, ranging from 5 to 90 years.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Chelan County Public Utility District Retirees' Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Asset Retirement Obligations

An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. The District identified AROs for certain assets that are expected to operate in perpetuity. As the District cannot estimate a settlement date or extent of the obligation, a reasonable estimate of the obligation cannot be made. As such, ARO liabilities are not recorded for retirement activities associated with certain transmission, distribution and wastewater facilities and hydro-electric projects. The District does not have any recorded AROs as of December 31, 2023 or 2022.

Leases

The District is a lessee for noncancelable leases. The District recognizes a lease liability and an intangible right-to-use lease asset for lease liabilities with an initial, individual value of $1 million or more, or estimated annual payments of $250,000 or more. As of December

31, 2023 and 2022, the District's lease liability amounted to $2.1 million and $2.6 million, respectively.

At the commencement of the lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized using the straight-line method over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, and (2) lease term.

- None of the leases recorded by the District provide an interest rate charged by the lessor. In the absence of a provided interest rate, the District uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.

The District monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

The District is not currently a lessor for any material, noncancelable leases. The District would recognize a lease receivable and deferred inflows of resources for lease receivables with an initial, individual value of $1 million or more, or estimated annual payments of $250,000 or more. The District monitors changes in circumstances that would require it to recognize a lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly increase the materiality of the lessor agreements.

Subscription-Based Information Technology Arrangements (SBITA)

The District has SBITAs that provide for use of a vendor's information technology assets. The District recognizes a SBITA liability and an intangible right-to-use SBITA asset for SBITA liabilities with an initial, individual value of $1 million or more, or estimated annual subscription payments of $250,000 or more. As of December 31, 2023 and 2022, the District's SBITA liability amounted to $15.0 million and $16.1 million, respectively.

At the commencement of the SBITA, the District initially measures the SBITA liability at the present value of subscription payments expected to be made during the term of the arrangement. Subsequently, the SBITA liability is reduced by the principal portion of subscription payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability plus capitalizable initial implementation costs when applicable, adjusted for subscription payments made at or before the SBITA commencement date. Subsequently, the SBITA asset is amortized using the straight-line method over its useful life.

Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, and (2) SBITA term.

- None of the SBITAs recorded by the District provide an interest rate charged by the vendor. In the absence of a provided interest rate, the District uses its incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancelable period of the arrangement plus periods for which the District has the option to extend, and is reasonably certain to exercise that option.

The District monitors changes in circumstances that would require a remeasurement of its SBITAs, and will remeasure SBITA assets and liabilities if certain changes occur that are expected to significantly affect the amount of the SBITA liabilities.

NOTE 2: CASH AND INVESTMENTS

Investments of the District are held by banks or trust companies as the District's agent and in the District's name. The remainder of the District's funds consists of uninvested cash that is protected against loss by a combination of federal depository insurance and being on deposit with qualified public depositories of the Washington Public Deposit Protection Commission (WPDPC).

Cash and investments are recorded in accounts as required by the District's bond indentures. Restricted assets represent accounts that are restricted by bond covenants or third-party contractual agreements. Accounts that are allocated by resolution of the Commissioners are considered to be board designated accounts. Board designated accounts are a component of unrestricted assets as their use may be redirected at any time by approval of the Commissioners. Generally, when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first as appropriate, then unrestricted resources as they are needed.

As of December 31, the District's unrestricted, board designated and restricted assets included on the Statements of Net Position as cash and cash equivalents, investments and long-term investments, consisted of the following:

(amounts in thousands)	2023	2022
Unrestricted assets		
Unrestricted	$ 104,468	$ 105,140
Board designated	254,661	284,155
Total unrestricted assets	359,129	389,295
Restricted assets	180,737	150,912
	$ 539,866	$ 540,207

As of December 31, 2023 and 2022, the District had the following cash and investments:

Investment type (amounts in thousands)	Total 2023	Investment Maturities (in Years) Less than 1	1–2	2–3	More than 3
U.S. Treasuries	$ 62,702	$ 1,275	$ 755	$ 6,946	$ 53,726
U.S. Treasury Strips	37,315	18,928	-	-	18,387
U.S. Agency Notes	115,684	27,699	12,267	18,368	57,350
U.S. Agency Bills	20,432	-	-	-	20,432
Municipal Bonds	36,064	12,638	10,279	5,435	7,712
State Investment Pool	892	892	-	-	-
Certificates of Deposit	169,797	40,691	82,141	-	46,965
Cash Deposits	96,980	96,980	-	-	-
	$ 539,866	$ 199,103	$ 105,442	$ 30,749	$ 204,572

Investment type (amounts in thousands)	Total 2022	Investment Maturities (in Years) Less than 1	1 - 2	2 – 3	More than 3
U.S. Treasuries	$ 80,629	$ 20,553	$ -	$ 675	$ 59,401
U.S. Treasury Strips	27,535	9,963	-	-	17,572
U.S. Agency Notes	121,597	45,507	27,331	11,645	37,114
U.S. Agency Bills	22,338	22,338	-	-	-
Municipal Bonds	54,440	16,660	14,430	9,923	13,427
State Investment Pool	40,355	40,355	-	-	-
Certificates of Deposit	191,347	25,840	39,497	80,505	45,505
Cash Deposits	1,966	1,966	-	-	-
	$ 540,207	$ 183,182	$ 81,258	$ 102,748	$ 173,019

Valuation of investments The District reports cash on hand and bank deposits at their carrying amount. U.S. Treasury notes or bonds, U.S. Government agency securities and municipal bonds that had a remaining maturity at the time of purchase of greater than one year are recorded at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities. Investments classified in Level 2 are valued using observable inputs including quoted prices for similar assets or market corroborated pricing inputs such as yield curves and indices. U.S. Treasury bills, notes or bonds, U.S. Government agency securities, municipal bonds and commercial paper that had a remaining maturity at the time of purchase of one year or less are recorded at amortized cost, which approximates fair value. It is generally the District's policy to hold investments to maturity.

The District also reports its investment in the Washington State Treasurer's Local Government Investment Pool (LGIP) at amortized cost. The LGIP is an unrated external investment pool which reports its investments at amortized cost and transacts with its participants at a stable net asset value per share of $1.00. Participants may contribute and withdraw funds on a daily basis and must inform the LGIP of any contribution or withdrawal over $1.0 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for $1.0 million or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than $1.0 million when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the LGIP. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The following schedule presents fair value measurements as of December 31, 2023 and 2022:

Investments (amounts in thousands)	Total 2023	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value (NAV)	Not Leveled
U.S. Treasuries	$ 62,702	$61,426	$ -	$ -	$ -	$ 1,276
U.S. Treasury Strips	37,315	18,387	-	-	-	18,928
U.S. Agency Notes	115,684	-	115,684	-	-	-
U.S. Agency Bills	20,432	-	20,432	-	-	-
Municipal Bonds	36,064	-	36,064	-	-	-
State Investment Pool	892	-	-	-	-	892
Certificates of Deposit	169,797	-	-	-	-	169,797
Cash Deposits	96,980	-	-	-	-	96,980
Total Investments	$539,866	$79,813	$172,180	$ -	$ -	$ 287,873

Investments (amounts in thousands)	Total 2022	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Net Asset Value (NAV)	Not Leveled
U.S. Treasuries	$ 80,629	$60,076	$ -	$ -	$ -	$ 20,553
U.S. Treasury Strips	27,535	17,572	-	-	-	9,963
U.S. Agency Notes	121,597	-	121,597	-	-	-
U.S. Agency Bills	22,338	-	3,412	-	-	18,926
Municipal Bonds	54,440	-	54,440	-	-	-
State Investment Pool	40,355	-	-	-	-	40,355
Certificates of Deposit	191,347	-	-	-	-	191,347
Cash Deposits	1,966	-	-	-	-	1,966
Total Investments	$540,207	$77,648	$179,449	$ -	$ -	$ 283,110

Interest rate risk The District's investment policy limits direct investments in securities to those with maturities of five years or less unless matched to a specific cash flow, or as designated in specific bond resolutions if such investments are made to coincide with the expected use of the funds. The District may collateralize its repurchase agreements using longer-dated investments. The District may also invest in variable rate securities with final maturities beyond five years, as long as the time period between rate changes is less than five years. Callable investments are assumed to be held to maturity.

Credit risk The District's Treasurer directs the investment of any temporary cash surplus in accordance with the District's investment policy and guided by State of Washington statute. The Treasurer may invest such surplus, depending on individual fund restrictions, in one or more of the following investments in accordance with the current District investment policy: 1) U.S. Treasury bills, notes or bonds; 2) U.S. Government agency securities, limited to 75% of the qualifying portfolio and no more than 25% of the total assets invested with a single issuer; 3) repurchase agreements, which must be collateralized with a third party at 102%, limited to $10 million with any financial institution; 4) savings or time deposits, including insured or collateralized certificates of deposit, with institutions approved as qualified public depositories by the WPDPC, amount held by each issuer limited to 15% for certificates of deposit and 20% for savings and other deposit accounts, of the District's investment portfolio; 5) bankers' acceptances with the highest short-term credit rating of any two nationally recognized statistical ratings organizations at the time of purchase, limited to no more than 30% of the qualifying portfolio and no more than $5 million invested in a single issuer; 6) commercial paper having received the highest short-term credit ratings of any two nationally recognized statistical ratings organizations at the time of purchase, limited to no more than 25% of the qualifying portfolio and no more than 3% of the total assets invested with a single issuer; 7) bonds of the State of Washington or any local government in the State of Washington, which bonds have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency, limited to no more than 30% of the qualifying portfolio and no more than 5% of the total assets invested with a single issuer; 8) the LGIP, limited to no more than 25% of the qualifying portfolio; 9) general obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington, which bonds have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency, and when combined with bonds of the State of Washington or any local government in the State of Washington, limited to no more than 30% of the qualifying portfolio and no more than 5% of the total assets invested with a single issuer; 10) and any other investment permitted under the laws of the State of Washington.

As of December 31, 2023 and 2022, investments in debt securities had credit quality ratings as follows:

Investment Rating (S&P Equivalent)

(amounts in thousands)	2023	2022
Long Term		
AAA	$ 32,369	$ 13,455
AA+	108,505	139,061
AA	15,596	21,356
AA-	7,867	16,760
	$ 164,337	$ 190,632

Custodial credit risk The District's investment policy requires that securities purchased are held by a master custodian or other entity legally allowed to act as an independent third party on behalf of the District within that entity's trust department.

Concentration of credit risk The District's investment policy requires that investments are diversified by security type and institution. Investments in an individual issuer of state or local government bonds are limited to no more than 5% of the District's total investment portfolio, and investments in an individual issuer of commercial paper are limited to no more than 3%; bankers' acceptances are limited to no more than $5.0 million by institution. The aggregate amount of savings, demand deposits and certificates of deposit are limited to 75% of portfolio and 20% per institution.

As of December 31, 2023 and 2022, 5% or more of the District's total investment portfolio was invested with each of the following issuers:

Issuer	S&P Credit Rating	Percentage of Portfolio 2023	2022
Federal Farm Credit Bank	AA+	8%	9%
Federal Home Loan Bank	AA+	4%	10%

Derivative Instruments — Forward Purchase Agreement

Objective and Terms As a tool to achieve a fixed rate of return on certain District bond reserves, the District has entered into a forward purchase agreement for the purchase of investment securities. Under the terms of the agreement, the provider must tender qualified securities with maturities of six months or less to the District on the semi-annual debt service dates at a price that produces at least the guaranteed rate of return under the agreement.

The terms, including the counterparty credit ratings of the outstanding forward purchase agreement, as of December 31, 2023, are provided below.

Forward Purchase Agreement

Counterparty	Credit Rating by Moody's/ S&P/Fitch	Guaranteed Yield	Notional Amount	Effective Date	Maturity	12/31/23 Fair Value	12/31/22 Fair Value
Wells Fargo Bank, N.A.	Aa2/A+/AA-	6.63%	$ 18,820,179	12/22/1999	6/1/2029	$ 1,923,315	$ 1,944,125

As of December 31, 2023 and 2022, the agreement is considered a hedging derivative instrument, and the fair value is recorded on the Statement of Net Position as a derivative asset and a Deferred Inflow of Resources in the same amount.

Fair value Due to interest rates which are lower than when the forward purchase agreement was entered into, the agreement had a positive fair value to the District as of December 31, 2023 and 2022. The fair value takes into consideration the prevailing investment rate environment and the specific terms and conditions of the transaction. The fair value was estimated using the income approach.

Credit risk The District is exposed to credit risk in the amount of the positive fair value of the forward purchase agreement. The credit ratings of the counterparty are noted in the preceding table.

Interest rate risk The District is exposed to interest rate risk if the counterparty to the forward purchase agreement defaults or if the agreement is terminated.

Termination risk The District or the counterparty may terminate a forward purchase agreement if the other party fails to perform under the terms of the respective contracts. If at the time of termination, the agreement has a negative fair value, the District would be liable to the counterparty for a payment equal to the agreement's fair value.

NOTE 3: UTILITY PLANT

A summary of utility plant in service for the years ended December 31, 2023 and 2022 is as follows:

(amounts in thousands)	January 1, 2023	Additions	Reductions and Transfers	December 31, 2023	Depreciation Expense
Hydroelectric generation	$ 1,456,818	$ 9,881	$ (3,150)	$ 1,463,549	$ 25,102
Transmission	168,915	3,984	(1,397)	171,502	2,897
Distribution	327,457	18,994	(7,356)	339,095	9,258
General plant	201,926	150,937	(21,590)	331,273	11,814
Intangible	41,356	1,128	-	42,484	829
Intangible right-to-use lease asset	4,425	-	-	4,425	417
Intangible right-to-use subscription asset	17,183	-	(123)	17,060	1,377
Telecommunications	110,413	4,471	(523)	114,361	4,368
Water/ Wastewater	92,811	2,710	(325)	95,196	1,955
	2,421,304	192,105	(34,464)	2,578,945	58,017
Construction work in progress	229,964	189,560	(189,384)	230,140	
Accumulated depreciation	(1,161,247)	(56,224)	31,762	(1,185,709)	
Accumulated depreciation intangible right-to-use lease asset	(1,484)	(417)	-	(1,901)	
Accumulated depreciation intangible right-to-use subscription asset	(1,270)	(1,377)	-	(2,647)	
	$ 1,487,267	$ 323,647	$ (192,086)	$ 1,618,828	

(amounts in thousands)	January 1, 2022	Additions	Reductions and Transfers	December 31, 2022	Depreciation Expense
Hydroelectric generation	$ 1,365,628	$ 99,805	$ (8,615)	$ 1,456,818	$ 23,767
Transmission	165,012	4,479	(576)	168,915	3,268
Distribution	298,393	31,168	(2,104)	327,457	8,059
General plant	180,777	25,204	(4,055)	201,926	9,678
Intangible	40,666	690	-	41356	809
Intangible right-to-use lease asset	4,425	-	-	4,425	772
Intangible right-to-use subscription asset	17,183	-	-	17,183	1,270
Telecommunications	104,899	5,743	(229)	110,413	4,142
Water/ Wastewater	91,347	1,646	(182)	92,811	1,876
	2,268,330	168,735	(15,761)	2,421,304	53,641
Construction work in progress	257,084	140,861	(167,981)	229,964	
Accumulated depreciation	(1,124,002)	(51,600)	14,355	(1,161,247)	
Accumulated depreciation intangible right-to-use lease asset	(712)	(772)	-	(1,484)	
Accumulated depreciation intangible right-to-use subscription asset	-	(1,270)	-	(1,270)	
	$ 1,400,700	$ 255,954	$ (169,387)	$ 1,487,267	

Plant assets include land of $85.3 million and $85.2 million as of December 31, 2023 and 2022, respectively.

In 2013, the four large generating units at Rocky Reach Dam were taken out of service after discovering that one of the turbines had a deep crack in a stainless steel servo-rod, which is part of the mechanism used to adjust turbine blades. District officials were concerned about the integrity of all four units, which have the same design elements. Out of concern for the health and safety of District employees, the public and the environment, it was decided to keep all four units out of service for further investigation. Temporary repairs were made to all four units by limiting the blades to a fixed operating mode, with the last of the four large units being returned to service in 2014. The first two units have been repaired and returned to Kaplan operation with variable blade capability in 2017 and 2020. The remaining two units were taken out of service for repairs in 2023. The repairs will restore Kaplan operation with variable blade capability, with the two units expected to return to service in 2024 and 2025. The seven additional generating units at Rocky Reach do not have a similar design and were not impacted by this repair.

Based on currently available information, the District does not anticipate the generating unit repairs and outages to have a significant impact to the District's financial condition.

Leases

The District entered into a lease agreement to lease digital monitoring equipment for use at Rock Island Hydro. The lease is for a period of 234 months, beginning July 1, 2022. The lease terminates December 2040. Under the terms of the agreement, the District pays an annual fee in accordance with the payment schedule defined in the contract. The District made a lease payment of $227,400 in 2023. Lease payments step-down over the life of the agreement and range from $227,400 to $56,300.

A summary of scheduled principal and interest requirements to maturity is as follows:

(amounts in thousands)	Principal	Interest
2024	$ 172	$ 56
2025	176	51
2026	181	46
2027	186	42
2028	191	37
2029-2033	768	118
2034-2038	353	36
2039-2043	108	4

Subscription-Based Information Technology Arrangements

The District has five material subscription-based information technology arrangements (SBITA) related to software subscriptions that have remaining terms ranging from 84 months to 216 months, as of December 31, 2023.

A summary of scheduled principal and interest requirements to maturity is as follows:

(amounts in thousands)	Principal	Interest
2024	$ 970,540	$ 523,125
2025	1,043,356	488,104
2026	1,120,241	450,362
2027	1,224,123	409,517
2028	1,310,460	365,172
2029-2033	7,866,826	1,038,788
2034-2038	864,192	162,643
2039-2043	622,438	29.207

NOTE 4: LICENSING

The District's hydroelectric projects are licensed under the Federal Power Act of 1920 and subsequent amendments. The Rock Island Project license was issued in 1989. The Rock Island Project license expires in 2028. Since 2021, the District has voluntarily been meeting with participants, including local communities, state and federal agencies, Tribes and non-governmental organizations, to identify and conduct necessary studies in support of the formal relicensing process, which began on December 15, 2023, with the District's submittal of the Pre-Application Document and Notice of Intent to relicense. The District received a 50-year license for the Lake Chelan Project in 2006 and a 43-year license for the Rocky Reach Project in 2009 and is implementing license measures for both projects. The costs associated with relicensing the projects have been included in the District's Utility Plant balance as Intangible Assets and are being amortized over the lives of the associated licenses.

The Rock Island Project license contains various operational requirements and environmental protections. Primary measures include continuation of the Habitat Conservation Plan (HCP) for salmon and steelhead, measures to protect bull trout, continuation of maintenance and operation of the Wenatchee Confluence, Kirby Billingsley Hydro, Wenatchee Riverfront, Walla Walla and Coyote Dunes recreation sites. The HCP provides a framework for long-term resolution of certain fish issues at the projects. As also required in the license, the District manages cultural, shoreline, recreation and wildlife resources. All costs associated with the ongoing fulfillment of these Rock Island license measures are recognized as operating expenses in the year incurred.

The license for the Lake Chelan Project is based on a settlement agreement submitted to FERC in 2003, between the District and stakeholders, including local communities, state and federal agencies, Tribes and non-governmental organizations. The license requires implementation of detailed management plans for fish, operations, wildlife, shoreline erosion, water quality, cultural and recreation resources over the life of the license. In addition, the Lake Chelan Project settlement agreement and license contains some measures that will be carried out by various agencies using funds provided by the District. The present value of these accrued funding obligations was estimated to be $10.7 million and $9.8 million as of December 31, 2023 and 2022, respectively. The estimate for these funding obligations may increase by measures that are deferred to later years due to inflationary adjustments and may be reduced by measures that are completed.

A summary of accrued funding obligations, accounted for as intangible assets, for the years ended December 31, 2023 and 2022 are as follows:

(amounts in thousands)	2023	2022
Licensing obligation – beginning of year	$ 9,833	$ 9,415
Additions	1,128	690
Reductions	(282)	(272)
Licensing obligation – end of year	$ 10,679	$ 9,833

The District's Rocky Reach Project license is based on a settlement agreement submitted to FERC in 2006, between the District and stakeholders, including local communities, state and federal agencies, Tribes and non-governmental organizations. The Rocky Reach Project license requires implementation of various operational requirements and environmental protections. Primary measures include continuation of the HCP for salmon and Steelhead, measures to protect and enhance White Sturgeon, Bull Trout, resident fish and Pacific Lamprey, and operation and maintenance of Beebe Bridge, Chelan Falls, Powerhouse, Entiat, Daroga, Lincoln Rock and Rocky Reach Dam parks. As also required in the license, the District finalized detailed management plans for operations, shoreline erosion, water quality, recreation, cultural and wildlife resources. These plans are now being implemented. The Rocky Reach project license does not contain funding obligations; therefore, future costs of implementing the license requirements cannot be reasonably estimated and no obligation has been recorded. All related costs are recognized as operating expenses in the year incurred.

NOTE 5: REGULATORY DEFERRALS

The Commission has taken various regulatory actions that result in differences between recognition of revenues and expenses for rate making purposes and their treatment under generally accepted accounting principles for non-regulated entities. These actions result in regulatory assets and liabilities, which are summarized below.

Changes to the balances, and their inclusion in rates, occur only at the direction of the Commission.

The following regulatory balances are as of December 31, 2023 and 2022.

(amounts in thousands)	2023	2022
Regulatory Assets:		
Swap termination payments	$ 4,515	$ 6,922
Conservation expenses	25,282	22,666
Debt issuance costs	2,207	2,659
Investments in assets owned by others	12,240	8,277
Fair Value of Investments	10,882	15,263
	$ 55,126	$ 55,787
Regulatory Liabilities:		
Contributed Capital	$ 38,480	$ 29,139
Pension Expense	24,499	10,604
Fair Value of Investments	475	695
	$ 63,454	$ 40,438

Swap Termination Payments The District terminated three interest rate swaps during 2013 and three interest rate swaps during 2011, incurring swap termination fees in the amount of $15.9 million and $24.6 million, respectively. The termination fees would normally have been reflected as a non-operating expense in the years incurred; however, the Commission approved a resolution providing for deferral of the termination fees as regulatory assets to be amortized over periods of up to 15 years to match the expense with the period in which the payments will be recovered through rates.

Conservation Costs The District's conservation plans include program expenditures to support compliance with the Energy Independence Act. The District defers conservation expenditures as incurred and amortizes them over the estimated benefit period. The Commission has approved resolutions that require this treatment in order to match the expense with the periods in which the benefit is received and will be reflected in rates.

Debt Issuance Costs In order to match the costs incurred in conjunction with the issuance of debt with the periods in which the benefit is received and will be reflected in rates, the Commission has approved a resolution that requires these costs to be deferred and amortized over the life of the related bonds. Amortization expense is calculated under the straight-line method or effective interest method, depending on the maturity schedule of the related bonds.

Investments in Assets Owned by Others The District makes various contributions toward the cost of constructing assets that will be owned and maintained by another entity. These investments are made under agreements by which the District either directly or indirectly receives a benefit from construction of the asset. The Commission has approved a resolution that requires investments exceeding $1 million be deferred and amortized over the estimated benefit period in order to match the expense with the period the investment will be recovered through rates.

Pension Expense The Commission approved a resolution to include the cash contribution for pensions, as set by the Washington State Pension Funding Council, in the District's rate-setting calculations. This board action requires the use of regulatory accounting to defer any differences between the cash contributions and pension expense calculated in accordance with GASB 68 "Accounting and Financial Reporting for Pensions" as regulatory assets and/or liabilities. This approach matches pension expense with the recovery of the contributions through rates.

Fair Value of Investments The District holds various long-term investments that are carried at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." Under Statement No. 31, both realized and unrealized changes in fair value are to be reflected in Net Increase/(Decrease) in Net Position for the period. The Commission, however, approved a resolution providing for the deferral of these gains and losses as regulatory assets and/or liabilities in recognition that any unrealized amounts will not be included in the District's ratemaking process due to the fact that they do not have an impact on cash flows as long as they are held to maturity; and any realized gains or losses will be amortized and included in rates over the remaining life of the investments at the time of sale.

Contributed Capital Individual contributions exceeding $1 million are deferred as regulatory liabilities and amortized over the life of the related contributed depreciable plant assets. The Commission has approved resolutions that require this treatment in order to offset the earnings effect of these large non-exchange transactions and align the District's recognition of these credits with the periods in which the amounts will be reflected for rate-making purposes.

NOTE 6: LONG-TERM DEBT

(amounts in thousands)	January 1, 2023	Additions	Reductions	December 31, 2023	Due Within One Year
Revenue Bonds					
Rock Island Revenue Bonds, 6.05%, due June 1, 2024, to June 1, 2029	$ 145,419	$ 8,125	$ (22,685)	$ 130,859	$ 22,685
Consolidated System Revenue Bonds, 4.0% to 5.0%, due July 1, 2024, to July 1, 2039 (net unamortized premiums of $12,862)	214,014	-	(13,247)	200,767	23,035
	359,433	8,125	(35,932)	331,626	45,720
Notes from Direct Borrowings					
Notes, 0.25% to 1.8%, due March 30, 2024, to December 31, 2044	5,389	177	(788)	4,778	789
Total Long-Term Debt	$ 364,822	$ 8,302	$ (36,720)	$ 336,404	$ 46,509

(amounts in thousands)	January 1, 2022	Additions	Reductions	December 31, 2022	Due Within One Year
Revenue Bonds					
Rock Island Revenue Bonds, 6.0% to 6.05%, due June 1, 2023, to June 1, 2029	$ 159,151	$ 8,953	$ (22,685)	$ 145,419	$ 22,685
Consolidated System Revenue Bonds, 4.0% to 5.0%, due July 1, 2023, to July 1, 2039 (net unamortized premiums of $15,929)	250,589	-	(36,575)	214,014	10,180
	409,740	8,953	(59,260)	359,433	32,865
Notes from Direct Borrowings					
Notes, 0.25% to 1.8%, due March 30, 2023, to March 30, 2040	6,176	-	(787)	5,389	788
Total Long-Term Debt	$ 415,916	$ 8,953	$ (60,047)	$ 364,822	$ 33,653

A summary of scheduled debt service requirements to maturity is as follows:

Principal and Interest	Revenue Bonds		Direct Borrowings	
(amounts in thousands)	Principal	Interest	Principal	Interest
2024	$ 45,720	$ 8,236	$ 789	$ 33
2025	48,495	7,203	798	31
2026	45,290	6,040	622	26
2027	27,895	5,033	575	22
2028	28,840	4,772	236	19
2029-2033	126,570	15,637	941	72
2034-2038	19,245	3,087	589	33
2039-2043	3,870	155	218	4
2044-2048	-	-	10	-
Total	$ 345,925	$ 50,163	$ 4,778	$ 240

Estimated principal retirements are based on the assumption that all bonds are called or purchased at par. Principal retirements of $345.9 million also include $27.2 million of future appreciation on Capital Appreciation Bonds (CABs).

The Consolidated System Revenue Bonds, Series 2008B, in the outstanding amount of $40.2 million at December 31, 2023, were issued as variable rate bonds and have a reset of interest rates every seven days. The standby bond purchase agreement (Credit Facility) associated with the bonds was entered into with Barclays Bank PLC (Barclays) as of June 1, 2018, and including subsequent extensions will be in effect through July 1, 2027. The District pays Barclays a commitment fee of 31 basis points as prescribed in the Credit Facility through July 1, 2027. If any 2008B bonds are purchased and held by Barclays, the bonds will bear interest at a fluctuating annual rate as specified by the Credit Facility, which would be at least 700 basis points. In addition, any 2008B bonds purchased and held under the Credit Facility are subject to special mandatory redemption over a five-year period in twenty equal quarterly principal installments. As of December 31, 2023, Barclays does not hold any un-remarketed 2008B bonds.

The District has covenanted in a Consolidated System resolution that it will establish, maintain and collect rates and charges for electrical power and energy, water, wastewater, fiber-optic networks and other services, facilities and commodities sold, furnished or supplied by or through the Consolidated System, adequate net revenues sufficient to pay at least (a) 100% of annual debt service in such fiscal year and (b) together with available funds, 125% of annual debt service in such fiscal year on the Consolidated System Bonds.

The Consolidated System currently includes the District's retail electric utility business operations (referred to as the "Distribution Division"), the Lake Chelan Project, the Fiber and Telecommunications System, the Water System and the Wastewater System. Although these systems have been consolidated into the Consolidated System for financing purposes, all of these systems are accounted for separately.

The District has adopted two additional resolutions confirming and continuing both the Rocky Reach Hydroelectric System and the Rock Island Hydroelectric System. The District has covenanted in these resolutions to fix, establish, maintain and collect rates and charges for electric power and energy, and other services, facilities and commodities sold, furnished or supplied by or through the Rocky Reach System and the Rock Island System, adequate net revenues in each system sufficient to pay 100% of annual debt service in such fiscal year.

As of December 31, 2023 and 2022, the District was in compliance with all debt covenants.

NOTE 7: PURCHASED POWER SUPPLY

A significant portion of the electric distribution system power is purchased from the District's hydro projects on a cost-plus basis. These intra-district purchases are eliminated in the Statements of Revenues, Expenses and Changes in Net Position. Power purchases from external sources amounted to $119.1 million and $125.8 million for 2023 and 2022, respectively, and is included as purchased power in the Statements of Revenues, Expenses and Changes in Net Position. This purchased power is used to meet local load requirements, meet certain contractual obligations, balance the District's power resources and demand for those resources and support the District's hedging strategy.

NOTE 8: EMPLOYEE BENEFIT PLANS

Pension Plans

Substantially all of the District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

All information on the website is the responsibility of the State of Washington. The District's independent auditor has not audited nor examined such information and does not express an opinion nor any other form of assurance with respect thereto.

Public Employees' Retirement System (PERS)

PERS was established in 1947 and its retirement benefit provisions are contained in chapters 41.34 RCW and 41.40 RCW. PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1

Benefits Provided PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.20%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1 Actual Contribution Rates:	Employer	Employee
January through June 2023	10.39%	6.00%
July through August 2023	9.39%	6.00%
September through December 2023	9.53%	6.00%

For the years ended December 31, 2023 and 2022, the District's actual contributions to the plan were $3,800 and $6,400, respectively.

PERS Plan 2/3

Benefits Provided PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL) and an administrative expense that is currently set at 0.20%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3 Actual Contribution Rates:	Employer 2/3	Employee 2
January through June 2023	10.39%	6.36%
July through August 2023	9.39%	6.36%
September through December 2023	9.53%	6.36%
Employee PERS Plan 3		varies

For the years ended December 31, 2023 and 2022, the District's actual contributions to the plans were $9.7 million and $9.4 million, respectively.

Pension Liabilities, Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023 and 2022, the District reported a total net pension asset of $15.8 million and $11.4 million, respectively, for its proportionate share of the net pension liabilities as follows:

(amounts in thousands)	Liability (Asset) 2023	Liability (Asset) 2022
PERS 1	$ 12,041	$ 15,717
PERS 2/3	$ (27,833)	$ (27,105)

At December 31, the District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 12/31/23	Proportionate Share 12/31/22	Change in Proportion
PERS 1	.527467%	.564484%	(.037017%)
PERS 2/3	.679064%	.730844%	(.051780%)

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations.*

The collective net pension liability was measured as of June 30, 2023, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2022, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

During 2021, the Commission took board action which resulted in the District applying regulatory accounting to recognize pension expense in the amount of the required employer contributions in order to align the recognition of expense with the recovery of contributions through rates. For the years ended December 31, 2023 and 2022, the District recognized pension expense as follows:

(amounts in thousands)	Pension Expense 2023	Pension Expense 2022
PERS 1	$ 4	$ 6
PERS 2/3	9,714	9,389
Total	$ 9,718	$ 9,395

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1

(amounts in thousands)	Deferred Outflows of Resources 2023	Deferred Inflows of Resources 2023	Deferred Outflows of Resources 2022	Deferred Inflows of Resources 2022
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	1,358	-	2,605
Changes of assumptions	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	-
Contributions subsequent to the measurement date	1,511	-	1,777	-
TOTAL	$ 1,511	$ 1,358	$ 1,777	$ 2,605

PERS Plan 2/3

(amounts in thousands)	Deferred Outflows of Resources 2023	Deferred Inflows of Resources 2023	Deferred Outflows of Resources 2022	Deferred Inflows of Resources 2022
Differences between expected and actual experience	$ 5,669	$ 311	$ 6,716	$ 614
Net difference between projected and actual investment earnings on pension plan investments	-	10,489	-	20,039
Changes of assumptions	11,685	2,547	15,108	3,956
Changes in proportion and differences between contributions and proportionate share of contributions	1,571	231	160	303
Contributions subsequent to the measurement date	3,208	-	2,974	-
TOTAL	$ 22,133	$ 13,578	$ 24,958	$ 24,912

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(amounts in thousands) Year ended Dec. 31:	PERS Plan 1	PERS Plan 2/3
2024	$ 587	$ (1,528)
2025	(1,162)	(5,835)
2026	717	8,862
2027	11	3,373
2028	-	3,334
Thereafter	-	349
Total	$ 153	$ 8,555

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024.

Actuarial Methods and Assumptions

Actuarial Assumptions The total pension liability (TPL) for each of the PERS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study.*

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increases.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g., active, retiree or survivor), as the base table. Office of the State Actuary (OSA) applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Discount Rate The discount rate used to measure the total pension liability for all PERS plans was 7.0%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in OSA's certification letter within the DRS ACFR, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return OSA selected a 7.0% long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of Net Pension Liability (Asset)

The table below presents the District's proportionate share of the net pension liability(asset) calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate.

(amounts in thousands)	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$ 16,822	$ 12,041	$ 7,868
PERS 2/3	$ 30,271	$ (27,833)	$ (75,569)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Deferred Compensation Plans

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (457 Plan). The 457 Plan, available to District employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In accordance with the 457 Plan, the District has placed the 457 Plan assets into a separate trust for the exclusive benefit of plan participants and beneficiaries. Accordingly, plan assets and the corresponding liability are not included on the District's financial statements.

The District also offers its employees a 401(a) employer matching plan. The 401(a) is a qualified, tax deferred plan that allows the District to match employee contributions made to the 457 Plan. Under the 401(a) Plan, the District will match each employee's contribution to the 457 Plan at a rate of 50% with a cap of 5% of an employee's annual base salary up to a maximum of $11,250 or up to a maximum of $15,000 for employees age 50 years and over. The District's 401(a) Plan matching contributions for the years ending December 31, 2023 and 2022, were $3.1 million and $2.9 million, respectively. Matching contribution rates are at the District's discretion within the requirements of the current bargaining unit agreement.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District administers a single-employer defined benefit healthcare plan ("the retiree medical plan"). The plan provides other postemployment benefits (OPEB) for retirees and their dependents. The retiree medical plan does not issue a publicly available financial report.

Benefits Provided

The retiree medical plan provides healthcare and vision insurance until the age of 65 for retirees and their spouses and until the age of 26 for children. Insurance coverage is provided through the District's group health insurance plan, which covers both active and retired members.

Employees Covered by Benefit Terms

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Active Employees	801
Total	819

Contributions

The District's subsidy of the cost of 2023 and 2022 premiums for eligible retired plan members and their spouses amounted to $91,000 and $106,000, respectively. Plan members receiving benefits contributed 79% and 80% of the premium costs for the years 2023 and 2022, respectively. Future subsidies will be provided by the District at the 2007 level adjusted for inflation, with plan members contributing the remaining premium. Contribution rates may be adjusted at the District's discretion.

Net OPEB Asset

As of December 31, 2023 and 2022, the retiree medical plan was fully funded. The District's net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. Actuarial update procedures were used to roll forward the service cost and the total OPEB liability to the December 31, 2023, measurement date.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Assumptions

The total OPEB liability in the September 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	3.00%
Salary increases	3.75%
Discount rate	3.85%
Healthcare cost trend rates	A healthcare trend is not used in the valuation as retiree premiums are assumed to be age-adjusted and changes in the District's subsidy are solely dependent on inflation

Rates of retirement, mortality, withdrawal and disability are all based on the rates published by the Office of the State Actuary for PERS plan participants.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected inflation. The current asset allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Fund Type	% of Total Portfolio	Expected Long-Term Real Rate of Return
Domestic Equity	30%	4.3%
Foreign Equity	20%	4.2%
Fixed Income	42%	1.7%
Real Estate	5%	3.5%
3 Month Treasury Bills	3%	0.3%
	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.85%. Based on expected 5% long-term rate of return on the OPEB plan's assets, the fiduciary net position was only projected to be available to make projected OPEB payments for plan participants through 2042. Therefore, the expected long-term rate of return on the plans assets has been blended with the December 31, 2023, rate of 3.26% in the 20-year General Obligation Municipal Bond Index published by Bond Buyer.

Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (a+b)
Balances at 1/1/2023	$ 982,537	$ (1,201,386)	$ (218,849)
Changes for the year:			
Service cost	45,668	-	45,668
Interest	36,788	-	36,788
Differences between expected and actual Income	-	(105,923)	(105,923)
Change in assumptions	10,134	-	10,134
Experience (Gain)/Loss	67,454	-	67,454
Contributions - retirees	340,950	(340,950)	-
Net investment income	-	(56,528)	(56,528)
Benefit payments	(466,604)	466,604	-
Administrative expense	-	15,980	15,980
Net changes	34,390	(20,817)	13,573
Balances at 12/31/2023	$ 1,016,927	$ (1,222,203)	$ (205,276)

Sensitivity of the net OPEB asset to changes in the discount rate The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.85%) or 1-percentage-point higher (4.85%) than the current discount rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Net OPEB (asset)	$ (132,872)	$ (205,276)	$ (273,973)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2023 and 2022, the District recognized OPEB expense of $24,982 and $65,831, respectively. At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2023	2022	2023	2022
Differences between expected and actual experience	$ 245,875	$ 209,086	$ -	$ -
Changes of assumptions	9,275	-	98,177	111,999
Net difference between actual and projected earnings	187,676	250,236	143,064	134,329
Total	$ 442,826	$ 459,322	$ 241,241	$ 246,328

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended Dec. 31:	
2024	$ 16,557
2025	43,271
2026	59,073
2027	(3,481)
2028	17,702
Thereafter	68,463

NOTE 10: SEGMENT DISCLOSURE

The District has outstanding revenue bonds used to finance the Rock Island hydroelectric production facility. The outstanding bond issues are secured by a pledge of the net revenues of the project. The project has an external requirement to be accounted for separately, and investors in the revenue bonds rely solely on the revenue generated by the individual project for repayment. Summary financial information as of, and for the years ended, December 31, 2023 and 2022, for the Rock Island project is presented below. The financial information for 2022 was restated for the impacts of the required retroactive implementation of GASB Statement No. 96. Included in operating revenues and expenses are intradistrict sales and rents which are eliminated in the Statement of Revenues, Expenses and Changes in Net Position.

CONDENSED STATEMENTS OF NET POSITION

(amounts in thousands)	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets	$ 7,141	$ 5,346
Restricted assets – current	9,572	8,396
Total current assets	16,713	13,742
Utility plant, net	592,967	530,759
Restricted assets – noncurrent	74,426	56,103
Other assets	31,593	28,445
Deferred outflows of resources	7,767	8,707
Total assets and deferred outflows of resources	$ 723,466	$ 637,756
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities	$ 52,621	$ 48,835
Long-term debt	313,027	273,379
Other liabilities	21,510	22,382
Total liabilities	387,158	344,596
Deferred inflows of resources	28,583	28,566
Net Position:		
Net investment in capital assets	451,879	388,207
Restricted	76,049	59,145
Unrestricted	(220,203)	(182,758)
Total net position	307,725	264,594
Total liabilities, deferred inflows of resources and net position	$ 723,466	$ 637,756

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(amounts in thousands)	2023	2022
Operating revenues	$ 153,452	$ 137,366
Less:		
Operating expenses	73,507	61,374
Depreciation and amortization	14,602	13,837
Operating income	65,343	62,155
Other expense	23,688	22,856
Income before capital contributions and interfund transfers	41,655	39,299
Capital contributions	1,475	736
Interfund transfers	-	132
Change in net position	43,130	40,167
Total net position – beginning of year	264,595	224,428
Total net position – end of year	$ 307,725	$ 264,595

CONDENSED STATEMENTS OF CASH FLOWS

(amounts in thousands)	2023	2022
Net cash provided (used) by:		
Operating activities	$ 83,105	$ 78,630
Capital and related financing activities	(67,364)	(119,378)
Investing activities	(5,935)	39,319
Net increase /(decrease)	9,806	(1,429)
Beginning cash and cash equivalents	4,497	5,926
Ending cash and cash equivalents	$ 14,303	$ $4,497

NOTE 11: SELF-INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; workers compensation; and health care of its employees. The District has elected to cover these risks primarily through self-insurance programs. Secondarily, the District has purchased commercial excess liability insurance for claims beyond the deductible amounts. The accrual and payment of claims for the years ended December 31, 2023 and 2022, is summarized in the following table for each insurance program:

(amounts in thousands)	Property & Liability	Workers Comp.	Medical & Health	Dental
Claims Liability as of January 1, 2023	$ -	$ 333	$ 1,799	$ 27
Claims accrued	115	937	19,154	1,220
Claims paid	(115)	(979)	(18,981)	(1,213)
Claims Liability as of December 31, 2023	$ -	$ 291	$ 1,972	$ 34

(amounts in thousands)	Property & Liability	Workers Comp.	Medical & Health	Dental
Claims Liability as of January 1, 2022	$ -	$ 404	$ 1,065	$ 135
Claims accrued	26	835	17,114	1,142
Claims paid	(26)	(906)	(16,380)	(1,250)
Claims Liability as of December 31, 2022	$ -	$ 333	$ 1,799	$ 27
Commercial Insurance Deductible as of December 31, 2023 and 2022.	Up to $2,000,000 depending on line of coverage	$500,000 per incident	$300,000 per incident	N/A

NOTE 12: COMMITMENTS AND CONTINGENCIES

Environmental Matters

In 2004, the Federal Energy Regulatory Commission (FERC) ordered the incorporation of the Anadromous Fish Agreements and Habitat Conservation Plans (HCPs) into the licenses for the Rocky Reach and Rock Island projects. The Rocky Reach Project HCP was included in the FERC license issued in 2009. The HCPs provide a framework for long-term resolution of certain fish issues at the projects and do not expire until 2054. The District, the U.S. Fish and Wildlife Service (USFWS), NOAA Fisheries, the Washington State Department of Fish and Wildlife, the Confederated Tribes of the Colville Reservation and the Yakama Nation are signatories to the HCPs. NOAA Fisheries completed biological opinions for the HCPs and issued Incidental Take Permits (ITPs) under Section 10 of the Endangered Species Act (ESA) in 2003. The incorporation of the HCPs and ITPs into the current FERC licenses provides greater certainty for continued operation of the District's hydroelectric systems while meeting requirements to prevent jeopardy to certain listed and unlisted species of salmon and steelhead. The Upper Columbia River spring Chinook are listed as endangered and Upper Columbia River steelhead are listed as threatened under the ESA. The HCPs satisfy the District's obligations for hydro project operations under the ESA for these species and in addition, protect other anadromous salmon including sockeye salmon, summer/fall Chinook and coho salmon. Collectively, these five species are known as the "Plan Species." In addition to the ESA, the HCPs are also intended to satisfy the projects' obligations for all Plan Species under the Federal Power Act, the Fish and Wildlife Coordination Act, the Essential Fish Habitat provisions of the Magnuson-Stevens Fishery Conservation and Management Act, the Pacific Northwest Electric Power Planning and Conservation Act and Title 77 RCW of the State of Washington.

The District's commitments under the HCPs include projects and programs to improve fish passage, to provide capacity and funding for hatchery operations and to contribute annual funding for the protection and restoration of tributary habitat, which when combined and successfully achieved culminates in obtaining the desired HCP outcome of No Net Impact (NNI). In December 2023, the District submitted its second 10-year comprehensive progress reports for Rock Island and Rocky Reach projects documenting the progress toward meeting NNI. The successful achievement of combined adult and juvenile project survival standards for spring migrants, necessary funding and capacity improvements for hatchery operations and annual contributions to the tributary habitat fund resulted in a determination by the HCP Coordinating Committee (designated decision body) that the District had met the obligations of the HCPs to warrant approval of NNI status. The District is responsible to continue managing programs and projects with a level of protection and tools equivalent to that which was used to achieve NNI status. Each 10-year cycle, the District will enter into a one-year testing mode to confirm project survival, verifying protection levels continue to meet the HCP standards. The 10-year assessments will take place for the duration of the HCPs. In 2021, the District conducted its first 10-year confirmation survival study at the Rock Island project. The District met the combined adult and juvenile project survival standard, and the next confirmation will occur in 2031. In 2023, the District conducted its first 10-year confirmation survival study at the Rocky Reach project. The District met the combined adult and juvenile project survival standard, and the next confirmation will occur in 2033.

The Columbia River Distinct Population Segment of bull trout is listed by the USFWS (the Service) as a threatened species under the ESA, and a Bull Trout Recovery Team has been established, of which the District is an active member. A draft Upper Columbia River Bull Trout Recovery Plan has been developed, which contains recommendations for recovering bull trout in the Columbia River Basin. Additionally, the Mid-Columbia Recovery Unit Implementation Plan (RUIP), in support of the Bull Trout Recovery Plan, was finalized in 2015 and updated in 2019. The District developed comprehensive Bull Trout Management Plans for the Rocky Reach and Rock Island projects in response to the USFWS's biological opinion on potential effects of the 2004 HCPs on bull trout, which are not covered by the HCPs. Implementation of the plans began in 2005. The plan for Rocky Reach was later replaced with the Comprehensive Bull Trout Management Plan as required by the Comprehensive Settlement Agreement for the Rocky Reach Project Relicensing. The Bull Trout Management Plan was approved in the 2009 license and provides for protection, mitigation and enhancement measures. Additionally, the USFWS filed its Biological Opinion for the Rocky Reach Project in 2008 concluding that the Project is not likely to jeopardize the continued existence of bull trout or destroy or adversely modify critical habitat. The USFWS Biological Opinion provided terms and conditions of an incidental take permit and required five reasonable and prudent measures be implemented to minimize the incidental take of bull trout. In 2010, the USFWS formally designated critical habitat for bull trout in the upper mid-Columbia river, including the project areas for Rock Island and Rocky Reach hydros. To date, no additional consultation has been required for the projects.

Revised Washington State Department of Ecology (WDOE) water quality standards (WQS) became effective in 2017. These standards are applicable to the Columbia River basin and address total dissolved gas and temperature for the Columbia and Snake Rivers. As part of the relicensing process for the Rocky Reach and Lake Chelan projects, the District obtained Water Quality Certifications issued by the WDOE that are consistent with the revised WQS. The WDOE allows the District a ten-year window to demonstrate compliance with the new WQS and can require the District to conduct further studies, implement further operational changes or even, in a worst-case event, provide structural changes to meet requirements. Compliance with the conditions set forth in these WQS place the District on a path forward in maintaining or achieving water quality standards. Water Quality Certifications may require that further studies be conducted to document methods implemented to address compliance of the WQS during the ten-year window and beyond. In 2019, the District conducted its first 10-year evaluation of compliance with the total dissolved gas WQS at Rocky Reach. Based on the evaluation report, the WDOE determined the District had demonstrated reasonable compliance with the 401 water quality certification, and must submit a second 10-year evaluation compliance report in 2029.

Asset Management Program

The District's capital improvement programs include large projects at Rock Island Dam for replacement of generators and turbines in both the first and second powerhouses. The District has committed by contract to fulfill these programs between 2024 and 2031. The contractually committed amount on the future work to be performed on these major capital programs is approximately $76.4 million as of December 31, 2023.

The District also has contractual commitments relating to other significant capital improvement projects including the construction of new substations, hydro crane replacements and expansion of the District's fiber telecommunications system. As of December 31, 2023, commitments total approximately $40.2 million and will be fulfilled between 2024 and 2029.

The District's capital improvement program includes a large project for the construction of interconnection facilities to support the load associated with a planned new data center. The construction is being paid for entirely by the requesting customer, and is expected to be completed in 2025. As of December 31, 2023, the remaining contractual commitments for this project total approximately $37.3 million.

In addition, the District has contractual commitments relating to large projects at Rocky Reach Dam for both turbine repairs and replacement of juvenile fish bypass surface collector pumps. The contractual commitments for these projects will be fulfilled between 2024 and 2029. As of December 31, 2023, the remaining contractual commitments for this work totals approximately $20.4 million.

Power Marketing

As of December 31, 2023, the District had entered into forward block contracts obligating it to deliver approximately 5,081,000 MWh of energy during the years 2024–2025. The District expects to receive approximately $519.1 million from the purchasers of this power. In addition, as part of its comprehensive forward energy hedging strategy, the District has entered into several slice output contracts, which provide a counterparty a percentage share of hydropower production for a fixed payment. Under the slice output contracts the District has committed to delivering varying percentages of the hydropower production of its Rocky Reach and Rock Island projects during each of the years in the period 2024-2033, in exchange for approximately $662.4 million.

The District has committed to purchase approximately 4,911,000 MWh of energy during the years 2024–2025, at a cost of approximately $451.3 million to fulfill these power marketing obligations, meet District load requirements and mitigate credit risk. The District believes it has sufficient internal resources or has acquired sufficient external resources to complete these transactions.

Energy Northwest

In 2001, the District executed a 20-year contract to purchase power from Energy Northwest's Nine Canyon Wind Project (the Project). The Project was constructed in phases. The District is a participant in phases 1 and 2 of the Project, which have a combined generating capacity of 64 MW. In exchange for paying certain project costs after phase 1 and 2 commenced commercial operation, including debt service on the Wind Project Revenue Bonds issued by Energy Northwest to finance the construction of the Project, the District received a 12.5% share of the total project output up to a maximum of 7.96 MW. As of December 31, 2023, the Wind Project Revenue Bonds were paid in full. The District no longer has any debt service obligation. The power purchased under this contract is reported as a component of Purchased Power Operating Expenses.

For complete financial statements for Energy Northwest including the Nine Canyon Project, please write: Energy Northwest, P.O. Box 968, Richland, Washington, 99352-0968.

The Report of Independent Auditors included with these financial statements relates solely to historical financial information of the District and does not relate to Energy Northwest or any other entity.

Claims and Litigation

The District is involved in various claims arising in the normal course of business. The District does not believe that the ultimate outcome of these matters will have a material impact on its financial position, results of operations or cash flows.

NOTE 13: SUPPLEMENTAL DISCLOSURE OF TELECOMMUNICATION SERVICES

The District has developed a fiber-optic network to provide a backbone for the District's utility communication use, as well as infrastructure over which to provide wholesale telecommunications services in accordance with the authority granted to PUDs by state law. Private service providers deliver services over the District's infrastructure, including high-speed internet access, telephone and television to end-users. These private firms set final end-user pricing and are directly responsible for billing each end-user. The District bills the service providers for wholesale telecommunications services.

Following is a summary of the results of operations of the District's fiber-optic activities included in the accompanying financial statements. Included in operating revenues and expenses are intradistrict sales and rents which are eliminated in the Statements of Revenues, Expenses and Changes in Net Position.

(amounts in thousands)	2023	2022
Operating revenues		
Wholesale fiber services	$ 7,944	$ 7,186
Fiber leasing	1,057	853
Intradistrict revenues	3,163	3,195
Total operating revenues	12,164	11,234
Operating expenses		
Administrative and general	2,970	2,182
Repairs and maintenance	2,064	2,036
Other operating	7,798	4,470
Depreciation expense	4,368	4,142
Total operating expense	17,200	12,830
Operating loss	(5,036)	(1,596)
Other income	664	558
Net loss before capital contributions	(4,372)	(1,038)
Capital contributions	139	202
Interfund transfers	2,000	2,800
Change in net position	$ (2,233)	$ 1,964

Following is a summary of the District's fiber-optic Statements of Net Position as of December 31, 2023 and 2022:

(amounts in thousands)	2023	2022
ASSETS & DEFERRED OUTFLOWS OF RESOURCES		
Current assets	$ 25,869	$ 27,848
Utility plant, net and other assets	56,630	56,036
Total assets	82,499	83,884
Deferred outflows of resources	872	1,009
Total assets and deferred outflows of resources	$ 83,371	$ 84,893
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Total liabilities	$ 2,714	$ 2,184
Deferred inflows of resources	1,453	1,439
Net position	79,204	81,270
Total liabilities, deferred inflows of resources and net position	$ 83,371	$ 84,893

The District's capital investment in telecommunications plant and equipment, net of retirements, for 2023 and 2022 was $5.2 million and $4.4 million, respectively. The District's cumulative capital investment in telecommunications plant and equipment as of December 31, 2023 and 2022, respectively, was $119.2 million and $113.9 million. The capital investment, as well as cumulative net losses, was funded by interfund transfers.

PERS PLAN 1

Schedule of the District's Proportionate Share of the Net Pension Liability

(dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	.527467%	.564484%	.536512%	.529644%	.547288%	.546415%	.543040%	.542981%	.531455%	.542102%
Proportionate share of the net pension liability	$ 12,041	$ 15,717	$ 6,552	$ 18,699	$ 21,045	$ 24,403	$ 25,768	$ 29,161	$ 27,800	$ 27,309
Covered-employee payroll	$ 37	$ 62	$ 316	$ 240	$ 237	$ 342	$ 448	$ 447	$ 630	$ 765
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	32,543.24%	25,350.00%	2,073.42%	7,791.25%	8,879.75%	7,135.38%	5,751.79%	6,523.71%	4,412.70%	3,569.80%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

PERS PLAN 2/3

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)

(dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	.679064%	.730844%	.683495%	.682794%	.701021%	.689768%	.688436%	.681594%	.672073%	.673703%
Proportionate share of the net pension liability (asset)	$ (27,833)	$ (27,105)	$ (68,087)	$ 8,733	$ 6,809	$ 11,777	$ 23,920	$ 34,318	$ 24,014	$ 13,618
Covered-employee payroll	$ 97,548	$ 91,233	$ 84,741	$ 80,057	$ 78,421	$ 74,348	$ 69,866	$ 65,077	$ 64,259	$ 58,959
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(28.53)%	(29.71)%	(80.35)%	10.91%	8.68%	15.84%	34.24%	52.73%	37.37%	23.10%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

PERS PLAN 1

Schedule of the District's Contributions

(dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 4	$ 6	$ 37	$ 31	$ 31	$ 44	$ 53	$ 50	$ 64	$ 70
Contributions in relation to the contractually required contribution	(4)	(6)	(37)	(31)	(31)	(44)	(53)	(50)	(64)	(70)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 37	$ 62	$ 316	$ 240	$ 237	$ 342	$ 448	$ 447	$ 630	$ 765
Contributions as a percentage of covered-employee payroll	10.81%	9.68%	11.57%	12.89%	12.66%	12.87%	11.83%	11.18%	10.21%	9.21%

PERS PLAN 2/3

Schedule of the District's Contributions

(dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 9,714	$ 9,389	$ 9,891	$ 10,322	$ 10,073	$ 9,469	$ 8,328	$ 7,276	$ 6,539	$ 5,428
Contributions in relation to the contractually required contribution	(9,714)	(9,389)	(9,891)	(10,322)	(10,073)	(9,469)	(8,328)	(7,276)	(6,539)	(5,428)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 97,548	$ 91,233	$ 84,740	$ 80,057	$ 78,421	$ 74,348	$ 69,866	$ 65,077	$ 64,259	$ 58,959
Contributions as a percentage of covered-employee payroll	9.96%	10.29%	11.67%	12.89%	12.84%	12.74%	11.92%	11.18%	10.18%	9.21%

OPEB

Schedule of Changes in Net OPEB Asset and Related Ratios

Fiscal Year End Date	Fiduciary Net Position (a)	Total OPEB Liability (b)	Net OPEB (Asset) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	Net OPEB Asset as a Percentage of Covered Payroll (b – a) / c)
12/31/23	$ 1,222,203	$ 1,016,927	$ (205,276)	120%	$ 93,060,611	(0.22)%
12/31/22	1,201,386	982,537	(218,849)	122%	83,104,941	(0.26)%
12/31/21	1,669,622	1,095,065	(574,557)	152%	80,594,132	(0.71)%
12/31/20	1,667,242	1,059,528	(607,714)	157%	77,351,848	(0.79)%
12/31/19	1,493,009	979,400	(513,609)	152%	74,917,044	(0.69)%
12/31/18	1,265,976	862,908	(403,068)	147%	63,455,719	(0.64)%
12/31/17	1,371,296	820,150	(551,146)	167%	61,162,139	(0.90)%
12/31/16	1,493,891	1,030,417	(463,474)	145%	58,951,459	(0.79)%
12/31/15	2,455,113	1,042,605	(1,412,508)	235%	55,857,915	(2.53)%
12/31/14	2,455,113	1,042,605	(1,412,508)	235%	55,857,915	(2.53)%

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended December 31, 2023, with comparative totals for December 31, 2022

(amounts in thousands)	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	2023	2022
Operating Revenues									
Retail sales	$ -	$ -	$ -	$ 113,550	$ -	$ -	$ (1,061)	$ 112,489	$ 111,711
Wholesale sales	100,841	153,295	9,616	339,832	5,832	-	(214,741)	394,675	442,509
Other operating revenues	257	157	1,033	61,398	-	29,611	(46,815)	45,641	35,674
	101,098	153,452	10,649	514,780	5,832	29,611	(262,617)	552,805	589,894
Operating Expenses									
Purchased power and water	-	-	-	331,281	-	-	(211,578)	119,703	126,275
Generation	72,381	73,013	8,201	-	-	-	(20,659)	132,936	113,410
Utility services	-	-	-	103,423	-	-	(30,366)	73,057	66,361
Other operating expenses	-	-	-	-	-	21,452	-	21,452	19,202
Taxes	1,029	494	76	12,737	-	-	-	14,336	14,469
Depreciation and amortization	10,547	14,602	2,033	20,262	-	10,573	-	58,017	53,641
	83,957	88,109	10,310	467,703	-	32,025	(262,603)	419,501	393,358
Operating Income	17,141	65,343	339	47,077	5,832	(2,414)	(14)	133,304	196,536
Other Income (Expense)									
Interest on long-term debt	-	(8,125)	-	(36)	(8,424)	-	-	(16,585)	(17,779)
Interest on intersystem loans	(8,396)	(15,708)	-	2,123	21,981	-	-	-	-
Amortization of deferred debt costs	-	(255)	-	-	(197)	-	-	(452)	(520)
Investment income	1,102	3,571	206	9,614	967	1,522	-	16,982	11,396
Other	(1,235)	(3,171)	(1,198)	6,159	(161)	(2,107)	14	(1,699)	72
	(8,529)	(23,688)	(992)	17,860	14,166	(585)	14	(1,754)	(6,831)
Income Before Capital Contributions	8,612	41,655	(653)	64,937	19,998	(2,999)	-	131,550	189,705
Capital Contributions	-	1,475	-	4,859	-	-	-	6,334	8,416
Change in Net Position	8,612	43,130	(653)	69,796	19,998	(2,999)	-	137,884	198,121
Total Net Position, Beginning of the year	230,121	264,595	91,254	736,853	178,997	22,404	-	1,524,224	1,326,103
Total Net Position, End of the year	$ 238,733	$ 307,725	$ 90,601	$ 806,649	$ 198,995	$ 19,405	$ -	$ 1,662,108	$ 1,524,224

1. Eliminating entries reduce revenue and expense to account for intradistrict transactions.

COMBINING SCHEDULE OF ASSETS AND DEFERRED OUTFLOWS OF RESOURCES AND LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

For the years ended December 31, 2023 and 2022

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	2023	2022
Current Assets									
Cash and cash equivalents	$ 1,224	$ 1,774	$ 1,391	$ 54,914	$ 5,045	$ 4,802	$ -	$ 69,150	$ 32,072
Investments	1,017	1,474	1,156	45,633	4,192	3,990	-	57,462	93,066
Accounts receivable, net	2,089	2,930	60	32,655	-	108	-	37,842	87,538
Accrued interest receivable	86	155	15	664	208	79	-	1,207	1,286
Materials and supplies	8,304	-	-	19,279	-	79	-	27,662	20,349
Prepayments and other	1,060	808	148	1,781	-	776	-	4,573	3,902
Current portion regulatory assets	-	-	-	-	1,919	-	-	1,919	2,407
	13,780	7,141	2,770	154,926	11,364	9,834	-	199,815	240,620
Restricted Assets – Current									
Cash and cash equivalents	1,845	5,228	1	6,843	-	1,871	-	15,788	7,165
Investments	1,533	4,344	-	5,686	-	1,555	-	13,118	20,786
	3,378	9,572	1	12,529	-	3,426	-	28,906	27,951
Total Current Assets	17,158	16,713	2,771	167,455	11,364	13,260	-	228,721	268,571
Utility Plant									
In service, at original cost	656,443	784,651	124,220	712,865	-	300,766	-	2,578,945	2,421,304
Construction work in progress	5,957	155,524	270	34,736	-	33,653	-	230,140	229,964
Less-accumulated depreciation	(394,052)	(347,208)	(41,177)	(319,278)	-	(88,542)	-	(1,190,257)	(1,164,001)
	268,348	592,967	83,313	428,323	-	245,877	-	1,618,828	1,487,267
Restricted Assets – Noncurrent									
Cash and cash equivalents	5,248	7,301	-	23	362	-	-	12,934	3,083
Long-term investments	28,209	67,125	-	23,107	14,163	6,292	-	138,896	119,878
	33,457	74,426	-	23,130	14,525	6,292	-	151,830	122,961
Other Assets									
Deferred relicensing costs	-	9,953	-	-	-	-	-	9,953	6,540
Net pension asset	8,188	7,779	1,010	10,856	-	-	-	27,833	27,105
Long-term receivables, net	-	-	-	138	-	-	-	138	169
Long-term investments	4,114	5,966	4,678	184,649	16,964	16,147	-	232,518	264,157
Regulatory assets, net	864	2,868	144	43,939	4,700	693	-	53,208	53,381
Derivative instrument asset	-	1,923	-	-	-	-	-	1,923	1,944
Other	32	3,104	1	9,859	-	205	(9,583)	3,618	3,744
	13,198	31,593	5,833	249,441	21,664	17,045	(9,583)	329,191	357,040
Total Assets	332,161	715,699	91,917	868,349	47,553	282,474	(9,583)	2,328,570	2,235,839
Deferred Outflows of Resources									
Losses on refunding debt	-	1,159	-	-	282	-	-	1,441	1,840
Pensions	6,955	6,608	857	9,225	-	-	-	23,645	26,734
Other post-employment benefits	-	-	-	-	-	443	-	443	459
	6,955	7,767	857	9,225	282	443	-	25,529	29,033
Total Assets and Deferred Outflows of Resources	$ 339,116	$ 723,466	$ 92,774	$ 877,574	$ 47,835	$ 282,917	$ (9,583)	$ 2,354,099	$ 2,264,872

1. *Eliminating entries reduce assets and liabilities to account for intradistrict transactions.*

COMBINING SCHEDULE OF ASSETS AND DEFERRED OUTFLOWS OF RESOURCES AND LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (CONT.)

For the years ended December 31, 2023 and 2022

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	2023	2022
Current Liabilities									
Current portion of long-term obligations	$ 13,760	$ 35,241	$ 518	$ (1,365)	$ (701)	$ 716	$ -	$ 48,169	$ 35,512
Current portion of unearned revenue	997	1,020	-	12,934	637	-	-	15,588	15,321
Accounts payable	4,777	19,697	458	25,978	5	18,033	-	68,948	74,806
Accrued taxes	1,122	628	78	2,725	-	810	-	5,363	6,288
Accrued interest	-	-	-	11	3,522	-	-	3,533	3,777
Intersystem payables (receivables)	(2,308)	(4,051)	(196)	16,186	-	(9,631)	-	-	-
Accrued vacation and other	55	86	4	121	-	18,630	-	18,896	17,672
	18,403	52,621	862	56,590	3,463	28,558	-	160,497	153,376
Long-Term Debt									
Revenue bonds and notes payable	-	130,859	-	4,778	200,767	-	-	336,404	364,822
Intersystem loans payable (receivable)	65,454	217,238	(10,718)	(137,164)	(360,360)	225,550	-	-	-
Less-current maturities	(13,760)	(35,070)	-	1,620	701	-	-	(46,509)	(33,653)
	51,694	313,027	(10,718)	(130,766)	(158,892)	225,550	-	289,895	331,169
Other Liabilities									
Unearned revenue, less current portion	5,894	6,027	-	97,325	3,794	-	(9,583)	103,457	124,549
Net pension liability	3,542	3,365	437	4,697	-	-	-	12,041	15,717
Long-term contract customer deposit	9,250	9,250	-	-	-	-	-	18,500	18,500
Licensing obligation, less current portion	-	-	10,161	-	-	-	-	10,161	9,366
Subscription liability, less current portion	-	-	-	4,853	-	9,163	-	14,016	15,145
Other liabilities	-	2,868	-	-	-	-	-	2,868	2,680
	18,686	21,510	10,598	106,875	3,794	9,163	(9,583)	161,043	185,957
Total Liabilities	88,783	387,158	742	32,699	(151,635)	263,271	(9,583)	611,435	670,502
Deferred Inflows of Resources									
Derivatives	-	1,923	-	-	-	-	-	1,923	1,944
Pensions	4,387	4,173	542	5,836	-	-	-	14,938	27,518
Regulatory liabilities	7,213	22,487	889	32,390	475	-	-	63,454	40,438
Other post-employment benefits	-	-	-	-	-	241	-	241	246
	11,600	28,583	1,431	38,226	475	241	-	80,556	70,146
Total Net Position	238,733	307,725	90,601	806,649	198,995	19,405	-	1,662,108	1,524,224
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 339,116	$ 723,466	$ 92,774	$ 877,574	$ 47,835	$ 282,917	$ (9,583)	$ 2,354,099	$ 2,264,872

1. Eliminating entries reduce assets and liabilities to account for intradistrict transactions.

COMBINING SCHEDULE OF CASH FLOWS

For the year ended December 31, 2023, with comparative totals for December 31, 2022

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	2023	2022
Cash Flows from Operating Activities									
Receipts from customers	$ 100,808	$ 152,206	$ 10,611	$ 552,853	$ 5,195	$ 29,851	$ (262,411)	$ 589,113	$ 530,393
Payments to suppliers	(37,429)	(31,931)	(4,081)	(402,938)	-	(24,115)	254,052	(246,442)	(204,234)
Payments to employees	(33,917)	(37,170)	(3,989)	(47,437)	-	1,179	-	(121,334)	(116,203)
Net cash provided by (used in) operating activities	29,462	83,105	2,541	102,478	5,195	6,915	(8,359)	221,337	209,956
Cash Flows from Capital and Related Financing Activities									
Additions to plant	(3,446)	(77,451)	(372)	(49,562)	-	(54,446)	-	(185,277)	(143,186)
Additions to pooled assets	58	46	7	-	-	(111)	-	-	-
Proceeds from sale of plant	23	34	-	97	-	83	-	237	411
Proceeds of new intersystem loans	20,000	75,000	-	(70,000)	(25,000)	-	-	-	-
Proceeds of new third party debt	-	-	-	177	-	-	-	177	-
Principal (paid) received on debt and intersystem loans	(21,909)	(43,952)	(1,025)	(10,461)	13,348	22,000	8,345	(33,654)	(55,627)
Interest (paid) received on debt and intersystem loans	(8,396)	(15,707)	-	2,084	13,316	-	-	(8,703)	(9,475)
Capital contributions	-	948	-	5,614	-	-	-	6,562	8,393
Other	(685)	(6,282)	(1,181)	(13,198)	(636)	(380)	14	(22,348)	29,811
Net cash provided by (used in) capital and related financing activities	(14,355)	(67,364)	(2,571)	(135,249)	1,028	(32,854)	8,359	(243,006)	(169,673)
Cash Flows from Investing Activities									
Investments, net	(10,096)	(9,826)	896	56,751	(3,699)	26,247	-	60,273	(38,642)
Interest on investments	1,073	3,533	208	9,711	734	1,582	-	16,841	11,585
Long-term receivables	-	-	-	31	-	-	-	31	35
Other, net	-	358	(282)	-	-	-	-	76	(836)
Net cash provided by (used in) investing activities	(9,023)	(5,935)	822	66,493	(2,965)	27,829	-	77,221	(27,858)
Net Increase in Cash and Cash Equivalents	6,084	9,806	792	33,722	3,258	1,890	-	55,552	12,425
Cash and Cash Equivalents, Beginning of Year	2,233	4,497	600	28,058	2,149	4,783	-	42,320	29,895
Cash and Cash Equivalents, End of Year	$ 8,317	$ 14,303	$ 1,392	$ 61,780	$ 5,407	$ 6,673	$ -	$ 97,872	$ 42,320

1. Eliminating entries reduce receipts and payments to account for intradistrict transactions.

COMBINING SCHEDULE OF CASH FLOWS (CONT.)

For the year ended December 31, 2023, with comparative totals for December 31, 2022

	Rocky Reach	Rock Island	Lake Chelan	Utility Services	Financing Facilities	Internal Services	Intra-District Transactions (1)	2023	2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities									
Operating income	$ 17,141	$ 65,343	$ 339	$ 47,077	$ 5,832	$ (2,414)	$ (14)	$ 133,304	$ 196,536
Depreciation and amortization	10,547	14,602	2,033	20,262	-	10,573	-	58,017	53,641
Amortization of interfund balances	2,489	2,084	348	3,424	-	-	(8,345)	-	-
(Increase) decrease in operating assets:									
Accounts receivable, net	(331)	(1,264)	(38)	51,090	-	239	-	49,696	(46,303)
Materials and supplies	(2,146)	-	-	(5,195)	-	28	-	(7,313)	(2,649)
Prepayments	1,412	(142)	(28)	(111)	-	(769)	-	362	(759)
Net OPEB asset	-	-	-	-	-	14	-	14	356
Other	-	132	-	4,306	-	-	(206)	4,232	3,653
Deferred outflows of resources	-	-	-	-	-	16	-	16	(200)
Increase (decrease) in operating liabilities:									
Current portion unearned wholesale power sales	133	134	-	-	-	-	-	267	211
Accounts payable	693	3,861	(116)	(8,683)	-	293	-	(3,952)	17,897
Accrued taxes	(334)	(98)	(25)	(614)	-	146	-	(925)	1,435
Accrued vacation and other	(50)	(1,301)	28	3,754	-	(1,207)	-	1,224	(363)
Unearned wholesale power sales revenue	(92)	(114)	-	(12,935)	(637)	-	206	(13,572)	(13,474)
Customer deposits	-	-	-	(29)	-	1	-	(28)	65
Deferred inflows of resources	-	-	-	-	-	(5)	-	(5)	(90)
Net cash provided by (used in) operating activities	$ 29,462	$ 83,237	$ 2,541	$ 102,346	$ 5,195	$ 6,915	$ (8,359)	$ 221,337	$ 209,956
Supplemental Disclosure of Non-Cash Activities									
Construction costs included in accounts payable	$ (37)	$ (425)	$ 163	$ (2,307)	$ -	$ 727	$ -	$ (1,879)	$ 996
Capital contributions	-	-	-	9,113	-	-	-	9,113	64
Amortization of regulatory assets	-	-	-	4,234	-	-	-	4,234	3,653

1. Eliminating entries reduce receipts and payments to account for intradistrict transactions.

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BONDHOLDER-FIDUCIARIES

Bond Series	Trustee/Registrar/Paying Agent
Consolidated System:	
2008B	U.S. Bank Trust Company, N.A.
2011C	U.S. Bank Trust Company, N.A.
2020A, B & C	U.S. Bank Trust Company, N.A.
Columbia River-Rock Island Hydroelectric System:	
1997A	PUD No. 1 of Chelan County

Addresses:

Public Utility District No. 1 of Chelan County
PO Box 1231
Wenatchee, WA 98807
(509) 663-8121

U.S. Bank Trust Company, N.A.
PD-WA-T7CT
1420 Fifth Ave., 7th Floor
Seattle, WA 98101
(206) 340-4750

U.S. Bank Trust Company, N.A.
Bondholder Services
111 Fillmore Ave. E
St. Paul, MN 55107
Mail Station: EP-MN-WS2N
(800) 934-6802

Continuing Disclosure Information

The following information is based on unaudited financial information and should be used in conjunction with the District's financial statements as a whole, including the footnotes and other supplementary information contained in this document.

In addition, the information contains estimates and projections prepared by the District. Such estimates and projections are based upon a number of assumptions with respect to future events and conditions, including, without limitation, water conditions, federal and state environmental and other laws and regulations, and economic conditions. While the District believes that these assumptions are reasonable, they are dependent on such future events and conditions. To the extent actual events and conditions differ from such assumptions, actual results will vary from the projections, and these variances could be substantial.

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Additional information can be found on our website at *www.chelanpud.org*

Bond & Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP, Seattle, WA

DISTRIBUTION DIVISION

Five Largest Local Wholesale Purchasers and Major Retail Customers 2023 (1) (Unaudited)

Customer	Business	Energy Sales (000 MWh)	Revenue from Energy Sales ($000)	Percent of Distribution's Total Revenue
Douglas County PUD	Electric Utility	265	$ 5,888	1.2%
Diamond Foundry Inc	Manufacturing	149	6,664	1.4%
Stemilt Growers Inc	Agriculture	60	1,354	0.3%
Salcido Enterprises LLC	High Density Load	55	2,308	0.5%
Confluence Health	Healthcare	28	688	0.1%
		557	$ 16,902	3.5%

1. *Excludes non-firm sales for resale and off-system retail sales. Per MWh charges vary and are based on rate schedules specific to business type.*

DISTRIBUTION DIVISION

Statement of Revenues and Expenses ($000) (Unaudited)

Calendar Year	2019	2020	2021	2022	2023
Operating revenues					
Retail	$ 66,358	$ 66,966	$ 81,095	$ 104,501	$ 104,787
Wholesale	207,731	175,226	263,573	385,318	328,021
Other (1)	39,679	36,062	42,811	47,059	60,787
Total	313,768	278,254	387,479	536,878	493,595
Operating expenses (2) (3)	281,002	285,382	362,956	425,466	440,846
Net operating revenue (loss)	32,766	(7,128)	24,523	111,412	52,749
Other income	11,642	9,697	18,465	10,302	17,001
Net revenue (4)	$ 44,408	$ 2,569	$ 42,988	$ 121,714	$ 69,750

1. *The Distribution Division includes transmission revenue under transmission agreements.*
2. *Includes contractual purchases and nonfirm purchases for resale.*
3. *2022 restated due to implementation of Financial Reporting for SBITAs.*
4. *Prior to capital contributions, special item, and interfund transfers.*

DISTRIBUTION DIVISION

Energy Requirements, Resources and Power Costs (Unaudited)

Calendar Year	2019	2020	2021	2022	2023
Requirements (000 MWh) (1)					
Retail	1,979	1,960	2,008	2,194	2,230
Other (2)	8,355	8,668	6,066	6,536	5,283
	10,334	10,628	8,074	8,730	7,513
Resources (000 MWh)					
Rocky Reach System	2,363	2,806	2,719	3,083	2,356
Rock Island System	1,155	1,287	1,255	1,391	1,088
Lake Chelan System	355	406	434	449	333
Other purchases (2)(3)	6,461	6,129	3,666	3,807	3,736
	10,334	10,628	8,074	8,730	7,513
Purchased Power Costs ($000)					
Rocky Reach System	$ 34,990	$ 43,347	$ 44,567	$ 45,955	$ 49,482
Rock Island System	59,065	62,240	67,514	68,479	76,366
Lake Chelan System	10,768	11,084	11,917	9,968	9,616
Other purchases (3)	96,728	83,655	146,776	198,880	195,228
	$ 201,551	$ 200,326	$ 270,774	$ 323,282	$ 330,692
Average cost ($/MWh) (4)	$ 20	$ 19	$ 34	$ 37	$ 44

1. *Net of timing differences and losses.*
2. *In 2021, change in reporting methodology to exclude non-District merchant activity that flows through the District's control area.*
3. *Other purchases include firm and non-firm power purchased to meet local requirements and certain contractual obligations, hedge price movements and minimize the District's overall risk exposure to changes in power prices. In 2020 and 2019, Other purchases were restated to correct an entry error.*
4. *Includes actual costs of power of the Distribution Division plus allocable administrative and other expenses of the Distribution Division.*

DISTRIBUTION DIVISION

Customers, Energy Sales and Revenues (Unaudited)

Calendar Year	2019	2020	2021	2022	2023
Customers					
Retail:					
Residential	39,453	40,152	40,574	41,338	41,826
Commercial	6,446	6,443	6,458	6,507	6,546
Industrial	30	33	34	34	33
High density load/cryptocurrency	13	10	8	6	8
Irrigation, frost, lighting (1)	5,592	5,572	2,222	2,236	2,228
Interdepartmental	612	603	605	608	612
Total retail customers	52,146	52,813	49,901	50,729	51,253
Wholesale and other end-use off-system sales: (2)(3)	89	38	42	41	31
Total customers	52,235	52,851	49,943	50,770	51,284
Energy Sales (000 MWh)					
Retail:					
Residential	879	844	855	974	931
Commercial	478	432	451	470	475
Industrial	247	235	238	228	220
High density load/cryptocurrency	81	91	111	157	211
Irrigation, frost, lighting	36	44	44	35	39
Interdepartmental	20	21	23	22	25
Total retail sales	1,741	1,667	1,722	1,886	1,901
Other End-Use:					
Off-system sales (3)	238	293	286	308	329
Wholesale:					
Douglas County PUD	265	288	306	343	265
Other – firm/slice	1,745	2,030	1,998	2,245	1,389
Other – non-firm/block/preschedule/real time (4)	6,008	5,981	3,773	3,816	2,955
Total sales for resale	8,018	8,299	6,077	6,404	4,609
Total energy sales	9,997	10,259	8,085	8,598	6,839
Revenue ($000)					
Retail:					
Residential	$ 27,985	$ 27,123	$ 28,837	$ 33,073	$ 32,881
Commercial	16,438	15,194	16,413	17,561	18,296
Industrial	5,072	4,890	5,196	5,077	5,065
High density load/cryptocurrency	1,845	2,756	3,944	7,673	9,322
Irrigation, frost, lighting	1,465	1,577	1,658	1,544	1,633
Interdepartmental	600	603	722	719	830
Total retail revenue	53,405	52,143	56,770	65,647	68,027
Other End-Use:					
Off-system sales (3)	12,953	14,822	24,325	38,854	36,760
Wholesale:					
Douglas County PUD	4,031	5,250	6,234	5,728	5,888
Other – firm/slice	70,241	69,245	73,376	77,762	65,863
Other – non-firm/block/preschedule/real time	120,525	87,797	171,028	288,894	243,336
Amortization of deferred power sales (5)	12,934	12,934	12,934	12,934	12,934
Total resale revenue	207,731	175,226	263,572	385,318	328,021
Other revenue (6)	39,679	36,062	42,811	47,059	60,787
Total revenue	$ 313,768	$ 278,253	$ 387,478	$ 536,878	$ 493,595

1. *In 2021, the District changed the method of counting street light customers.*
2. *In 2020, change in reporting methodology to only include counterparties with purchases during the calendar year.*
3. *In 2019, the District began providing power under a five-year agreement to Microsoft's Puget Sound campuses. Microsoft is the only off-system customer.*
4. *In 2021, change in reporting methodology to exclude non-District merchant activity that flows through the District's control area.*
5. *Includes power sales payments received in advance, which were deferred and are being recognized as revenue over the term of the contracts.*
6. *Includes transmission, real-time agreement and unbundled environmental attribute revenues.*

HYDROELECTRIC SYSTEMS

Power Cost and Net Power Delivered ($000 other than cost in $/MWh) (Unaudited)

Calendar Year	2019	2020	2021	2022	2023
Rocky Reach System					
Operating expenses (1)	$ 53,765	$ 59,050	$ 64,572	$ 65,636	$ 73,410
Depreciation and amortization	9,988	9,857	10,066	10,434	10,547
Interest expense	9,134	8,455	8,674	8,283	8,396
Other (revenue) expense (2)	(13,569)	(627)	(420)	(324)	(124)
Total power cost (3)	$ 59,318	$ 76,735	$ 82,892	$ 84,029	$ 92,229
Net power delivered (000 MWh)	4,795	5,687	5,523	6,254	4,790
Cost in $/MWh	$ 12	$ 13	$ 15	$ 13	$ 19
Plant factor (4)	42%	50%	49%	55%	42%
Availability factor	68%	70%	79%	78%	83%
Average river flow (000 CFS) (5)	87	113	99	120	86
Rock Island System					
Operating expenses (1)(6)	$ 51,306	$ 53,582	$ 62,073	$ 61,375	$ 73,507
Depreciation and amortization (6)	11,292	11,387	12,302	13,837	14,602
Interest expense	23,055	22,809	22,905	22,034	23,832
Other (revenue) expense (2)	(1,729)	(1,273)	(1,226)	(95)	(1,777)
Total power cost (3)	$ 83,924	$ 86,505	$ 96,054	$ 97,151	$ 110,164
Net power delivered (000 MWh)(7)	2,347	2,649	2,552	2,826	2,218
Cost in $/MWh	$ 36	$ 33	$ 38	$ 34	$ 50
Plant factor (4)	43%	48%	46%	51%	40%
Availability factor	55%	58%	62%	69%	68%
Lake Chelan System					
Operating expenses (1)	$ 5,558	$ 6,619	$ 6,953	$ 6,797	$ 8,277
Depreciation and amortization	1,940	1,954	1,993	2,012	2,033
Interest expense	545	458	153	-	-
Other (revenue) expense (2)	(95)	(80)	(70)	(80)	(41)
Total power cost (3)	$ 7,948	$ 8,951	$ 9,029	$ 8,729	$ 10,269
Net power delivered (000 MWh)	355	406	434	449	333
Cost in $/MWh	$ 22	$ 22	$ 21	$ 19	$ 31
Plant factor (4)	69%	79%	84%	87%	65%
Availability factor	96%	97%	90%	99%	86%
Combined Hydro Cost in $/MWh	$ 20	$ 20	$ 22	$ 20	$ 29

1. *2022 restated due to implementation of GASB Statement No. 96, "SBITAs."*
2. *Includes other income and expenses that impact power cost. Excludes one-time regulatory pension adjustment.*
3. *Non-GAAP, may not be comparable with similarly titled other District metrics.*
4. *Net power delivered as a percentage of rated capacity for the year.*
5. *Annual average Columbia River flow measured at Rocky Reach System in thousands of cubic feet per second (000 CFS).*
6. *2021 restated due to implementation of GASB Statement No. 87, "Leases."*
7. *After minor sales to operators' cottages and adjustments for encroachment and Canadian Treaty deliveries.*

CONSOLIDATED SYSTEM

Operating Results and Debt Service Coverage ($000) (Unaudited)
As defined in the Master Resolution 07-13067

Calendar Year	2019	2020	2021	2022	2023
Operating revenues (1)					
Retail	$ 73,333	$ 74,188	$ 88,984	$ 112,620	$ 113,550
Wholesale	237,669	205,048	293,951	412,413	355,280
Other	64,266	61,844	70,007	75,446	92,041
Total	375,268	341,080	452,942	600,479	560,871
Less: Operating expenses					
Purchased power and water	(202,726)	(200,761)	(271,270)	(323,789)	(331,281)
Other operation & maintenance (2)	(97,809)	(107,268)	(112,343)	(119,112)	(133,076)
Taxes	(8,192)	(8,244)	(9,817)	(12,504)	(12,813)
Depreciation & amortization	(22,294)	(24,698)	(25,190)	(28,099)	(32,867)
Operating income	44,247	109	34,322	116,975	50,834
Adjustments					
Add back depreciation & amortization	22,294	24,698	25,190	28,099	32,867
Add investment income	10,066	9,119	7,436	8,338	12,308
Add principal and interest payments from Rocky Reach & Rock Island	38,665	39,050	42,417	43,565	48,914
Total adjustments	71,025	72,867	75,043	80,002	94,089
Net revenues	115,272	72,976	109,365	196,977	144,923
Plus withdrawals (deposits) to Rate Stabilization Fund	-	-	-	-	-
Adjusted net revenues	$ 115,272	$ 72,976	$ 109,365	$ 196,977	$ 144,923
Available funds (3)	$ 372,232	$ 383,264	$ 291,009	$ 366,212	$ 334,101
Annual debt service	$ 25,983	$ 25,490	$ 29,121	$ 30,916	$ 19,524
Debt service coverage					
With available funds (required 1.25x)	18.76	17.90	13.75	18.22	24.54
Without available funds (required 1.00x)	4.44	2.86	3.76	6.37	7.42

1. *Includes revenues of the District's Distribution Division; Financing Facilities and Internal Service Funds; and Lake Chelan, Fiber and Telecommunications, Water and Wastewater Systems; all of which are part of the Consolidated System. Also certain revenues which were deferred and are being recognized over the terms of the applicable contracts.*
2. *Non-GAAP, may not be comparable with similarly titled other District metrics.*
3. *Includes all unencumbered funds of the District that the District reasonably expects to be available to pay debt service on the Bonds.*

CONSOLIDATED SYSTEM AND HYDROELECTRIC SYSTEMS

Outstanding Long-Term Debt as of December 31, 2023 ($000) (Unaudited)

Date of Bonds	Final Maturity Date	Series of Bonds	Original Principal Amount	Scheduled Retirement (1)	Actual Retirement (2)	Principal Amount Outstanding	Accumulated for Retirement (3)
CONSOLIDATED SYSTEM							
6/3/2009	7/1/2032	2008B	$ 92,880	$ 38,840	$ 52,725	$ 40,155	$ 972
11/9/2011	7/1/2026	2011C	164,425	120,320	120,320	44,105	5,351
5/1/2020	7/1/2039	2020A	109,630	27,230	27,230	82,400	6,176
5/1/2020	7/1/2034	2020B	10,965	960	960	10,005	640
5/1/2020	7/1/2032	2020C	13,230	1,990	1,990	11,240	772
Total Consolidated System			391,130	189,340	203,225	187,905	13,911
ROCK ISLAND SYSTEM							
3/17/1997	6/1/2029	1997A(4)	135,944	325,985	325,985	130,859	32,060
Grand Total			$ 527,074	$ 515,325	$ 529,210	$ 318,764	$ 45,971

1. *Amount of serial bonds matured as of December 31, 2023 plus scheduled minimum redemption of term bonds to have been retired from mandatory sinking funds.*
2. *Amount of serial bonds matured as of December 31, 2023 plus actual retirement of term bonds retired from mandatory sinking funds, reserve accounts and optional purchases.*
3. *Amounts accumulated as cash and investments in various principal accounts, sinking funds and reserve accounts available for the future retirement of bonds. Investments are represented at book value.*
4. *Represents Capital Appreciation Bonds on which interest is compounded. Thus, the accreted value reported as Principal Amount Outstanding may exceed Original Principal Amount less Actual Retirements.*

CONSOLIDATED SYSTEM

Loans as of December 31, 2023 ($000) (Unaudited)

	Net Loans Outstanding (1)
Rocky Reach System	$ 65,454
Rock Island System	217,238
Consolidated System (2)	77,668
	$ 360,360

1. *Represents aggregate principal amounts of Consolidated System Bonds and other available funds allocated to intersystem and interfund loans, net of prior loan repayments, adjustments for unamortized original issue discounts, issuance costs and amounts payable to and (receivable) from other systems.*
2. *Includes bond proceeds advanced to various funds and components of the Consolidated System for capital purposes.*

CONSOLIDATED SYSTEM DEBT SERVICE AND HYDROELECTRIC SYSTEM LOAN PAYMENTS

As of December 31, 2023 (Unaudited)

	Consolidated Bonds			Loan Payments (1)		
	Aggregate Annual Debt Service					
Year	Principal (2)	Interest	Total	Rocky Reach	Rock Island	Total Loan Payments
2024	$ 23,035,000	$ 8,235,584	$ 31,270,584	$ 21,664,528	$ 28,499,224	$ 50,163,752
2025	25,810,000	7,203,156	33,013,156	19,522,099	28,047,136	47,569,235
2026	17,254,260	6,040,383	23,294,643	17,840,163	28,084,451	45,924,614
2027	5,210,000	5,032,828	10,242,828	16,420,744	28,619,776	45,040,520
2028	6,155,000	4,772,328	10,927,328	14,998,700	29,239,804	44,238,504
2029	2,155,000	4,464,578	6,619,578	13,669,373	24,432,441	38,101,814
2030	16,615,000	4,356,828	20,971,828	12,257,418	25,730,372	37,987,790
2031	14,300,000	3,526,078	17,826,078	10,848,806	24,982,354	35,831,160
2032	42,906,025	2,108,364	45,014,389	9,595,833	23,821,011	33,416,844
2033	4,255,000	1,180,900	5,435,900	9,014,570	23,768,296	32,782,866
2034	3,715,375	968,150	4,683,525	7,990,134	23,308,049	31,298,183
2035	3,645,000	750,400	4,395,400	6,302,689	22,337,035	28,639,724
2036	3,690,000	604,600	4,294,600	5,052,194	22,177,878	27,230,072
2037	3,750,000	457,000	4,207,000	3,953,129	21,913,855	25,866,984
2038	1,653,583	307,000	1,960,583	3,953,129	21,098,460	25,051,589
2039	-	-	-	3,810,140	17,701,422	21,511,562
2040	-	-	-	3,663,938	15,643,135	19,307,073
2041	-	-	-	3,663,938	15,538,838	19,202,776
2042	-	-	-	3,663,938	15,259,842	18,923,780
2043	-	-	-	3,663,938	14,988,587	18,652,525
2044	-	-	-	3,663,938	10,338,146	14,002,084
2045	-	-	-	3,663,938	8,909,130	12,573,068
2046	-	-	-	2,053,726	6,493,813	8,547,539
2047	-	-	-	1,514,179	5,678,172	7,192,351
2048	-	-	-	377,843	1,416,909	1,794,752
Total	$ 174,149,243	$ 50,008,177	$ 224,157,420	$ 202,823,025	$ 488,028,136	$ 690,851,161

1. *Represents loan payment obligations of the Rocky Reach and Rock Island Hydroelectric Systems to the Consolidated System with respect to intersystem loans from the Consolidated System.*
2. *Estimated principal retirements are based on the assumption that all bonds mature or are purchased at par. Includes serial and balloon payments reduced by funds held in Reserve Accounts at the time of final maturity or as may be applied to final payments. The District may elect to utilize the Reserve Accounts other than as shown depending on market conditions and limitations contained in the governing resolutions. The District anticipates that most balloon payments will be made as scheduled on or prior to the dates they become due, however the District may elect to refinance balloon payments.*

CONSOLIDATED SYSTEM

Unrestricted and Restricted Fund Balances as of December 31, 2023 ($000) (Unaudited)

Balances (1)	Utility Services (2)	Lake Chelan	Financing Facilities (3)	Internal Services Fund	Total
Unrestricted funds					
Revenue fund (4)	$ 68,809	$ 1,135	$ 3,137	$ 15,815	$ 88,896
Available funds:					
Rate stabilization fund	50,000	-	-	-	50,000
Operating reserve fund	141,984	-	-	-	141,984
Other unrestricted funds (5)	24,403	6,090	23,064	9,124	62,681
Total unrestricted funds	285,196	7,225	26,201	24,939	343,561
Restricted funds (6)	35,659	1	14,525	9,718	59,903
Total fund balances	$ 320,855	$ 7,226	$ 40,726	$ 34,657	$ 403,464

1. *Amounts reflect both cash and book value of investments.*
2. *Includes Distribution Division, Fiber and Telecommunications, Water and Wastewater Systems.*
3. *Financing Facilities is an internal service fund of the District's Consolidated System used to account for various financing related activities, including holding Consolidated System debt service reserve funds.*
4. *Unencumbered funds of the District held in the Revenue Fund.*
5. *Includes all other Unrestricted Funds such as Board Designated Construction Funds and Reserves.*
6. *Includes all Restricted Funds such as Consolidated System Bond Proceeds, Bond Reserves and other Reserves.*

ROCK ISLAND SYSTEM

Average Annual Energy Output and Disposition of Output (000 MWh)

Calendar Year	2019	2020	2021	2022	2023
Original system net generation	334	406	440	585	532
Second powerhouse net generation	1,942	2,112	1,960	2,047	1,518
Total generation	2,276	2,518	2,400	2,632	2,050
Plus:					
Wanapum encroachment (1)	398	450	472	528	479
Net interchange	8	-	-	-	-
System losses by contract	(17)	(18)	(18)	(20)	(16)
Less:					
Canadian Treaty Power (2)	(156)	(155)	(154)	(155)	(154)
Rocky Reach Encroachment (3)	(162)	(146)	(148)	(159)	(141)
Total net power delivered (4)	2,347	2,649	2,552	2,826	2,218
Percentage allocations (5)					
Power Purchasers	51%	51%	51%	51%	51%
District	49%	49%	49%	49%	49%
Sales:					
Power Purchasers	1,194	1,362	1,298	1,434	1,130
District	1,153	1,287	1,254	1,392	1,088
Total sales (4)	2,347	2,649	2,552	2,826	2,218
Net peaking capability	629	629	629	629	629
Availability factor	55%	58%	62%	69%	68%
Plant factor (6)	43%	48%	46%	51%	40%

1. *Energy to be made available from Grant PUD's Wanapum Project in accordance with an encroachment agreement.*
2. *Energy to be made available for the account of Canada in accordance with arrangements made as a result of the Canadian Treaty.*
3. *Energy transferred from Rock Island to Rocky Reach to account for effects of one project on the output of the other.*
4. *Includes coordination exchange and pond transfers.*
5. *As defined by the Power Sales Contracts, the District received a fixed 49% of the combined power produced by the Rock Island and Rocky Reach Systems.*
6. *Net Power Delivered as a percentage of rated capacity for the year.*

ROCK ISLAND SYSTEM

Cost of Power Comparison ($/MWh) (Unaudited)

Calendar Year	2019	2020	2021	2022	2023
Rock Island System	$ 36	$ 33	$ 38	$ 34	$ 50
Bonneville Power (1)	$ 42	$ 41	$ 41	$ 41	$ 41

1. *The Bonneville rate is for preferred, flat undelivered and includes transmission and wheeling charges.*

ROCK ISLAND SYSTEM

Historical and Projected Annual Capital Requirements ($000)

Actual Calendar Year	2019	2020	2021	2022	2023
Rock Island System	$ 28,504	$ 52,982	$ 55,209	$ 43,877	$ 76,711

Projected Calendar Year (1)	2024	2025	2026	2027	2028
Rock Island System	$ 86,067	$ 94,647	$ 96,970	$ 87,935	$ 61,147

1. *Projections are based on materials prepared in connection with the District's normal advance planning process and are revised annually. Projections are in nominal dollars.*

ROCK ISLAND SYSTEM

Cash Available for Debt Service ($000) (Unaudited)

Calendar Year	2019	2020	2021	2022	2023
Operating revenues:					
Power Purchasers	$ 60,152	$ 63,483	$ 68,763	$ 69,989	$ 78,212
District	57,745	60,957	66,029	67,196	75,083
Total revenues from sales	117,897	124,440	134,792	137,185	153,295
Other operating revenues	127	73	148	181	157
Total operating revenues	118,024	124,513	134,940	137,366	153,452
Total operating expenses (1) (2) (3)	62,598	64,969	74,375	75,212	88,109
Net operating revenues	55,426	59,544	60,565	62,154	65,343
Other expense	(22,079)	(22,136)	(22,396)	(22,857)	(23,688)
Net revenues	33,347	37,408	38,169	39,297	41,655
Add back:					
Depreciation (2)	11,292	11,387	12,302	13,837	14,602
Interest expense	23,054	22,809	22,905	22,034	23,832
Amortization of deferred debt costs	263	258	255	255	255
Other (4) (5)	1,265	1,895	1,231	2,230	2,198
Deduct:					
Amortization of deferred power sales revenue	(892)	(765)	(781)	(886)	(1,020)
Cash available for debt service	68,329	72,992	74,081	76,767	81,522
Annual debt service:					
Rock Island Bonds	23,438	23,398	22,685	22,685	22,685
Intersystem loans	18,780	20,278	22,678	23,292	27,567
Total debt service requirement	42,218	43,676	45,363	45,977	50,252
Cash available after payment of all debt service	$ 26,111	$ 29,316	$ 28,718	$ 30,790	$ 31,270
Coverage of total debt service	1.62	1.67	1.63	1.67	1.62

1. *Includes depreciation expense.*
2. *2021 restated due to implementation of GASB Statement No. 87, "Leases."*
3. *2022 restated due to implementation of GASB Statement No. 96, "SBITAs."*
4. *Represents noncash items such as fair value adjustments and amortizations included in operating activities that are not indicative of cash available for debt service.*
5. *In 2021, updated presentment of 2019-2020 to include additional noncash items previously excluded.*

ROCK ISLAND SYSTEM

Debt Service Requirements as of December 31, 2023 (Unaudited)

	Bonds		Intersystem Loans (1)		
Twelve Months Ending Dec. 31	**Estimated Debt Service**	**Estimated Principal Retirements (2)(3)**	**Estimated Debt Service**	**Estimated Principal Retirements**	**Total Estimated Debt Service**
2024	$ 22,685,000	$ 22,685,000	$ 28,499,224	$ 12,384,516	$ 51,184,224
2025	22,685,000	22,685,000	28,047,136	12,620,796	50,732,136
2026	22,685,000	22,685,000	28,084,451	13,362,698	50,769,451
2027	22,685,000	22,685,000	28,619,776	14,645,461	51,304,776
2028	22,685,000	22,685,000	29,239,804	16,082,126	51,924,804
2029	12,535,000	12,535,000 (4)	24,432,441	12,065,506	36,967,441
2030	-	-	25,730,372	14,136,226	25,730,372
2031	-	-	24,982,354	14,158,951	24,982,354
2032	-	-	23,821,011	13,781,132	23,821,011
2033	-	-	23,768,296	14,475,536	23,768,296
2034	-	-	23,308,049	14,806,143	23,308,049
2035	-	-	22,337,035	14,631,685	22,337,035
2036	-	-	22,177,878	15,250,053	22,177,878
2037	-	-	21,913,855	15,798,489	21,913,855
2038	-	-	21,098,460	15,829,186	21,098,460
2039	-	-	17,701,422	13,263,253	17,701,422
2040	-	-	15,643,135	11,869,034	15,643,135
2041	-	-	15,538,838	12,317,472	15,538,838
2042	-	-	15,259,842	12,610,535	15,259,842
2043	-	-	14,988,587	12,920,352	14,988,587
2044	-	-	10,338,146	8,875,693	10,338,146
2045			8,909,130	7,845,745	8,909,130
2046			6,493,813	5,810,430	6,493,813
2047			5,678,172	5,300,338	5,678,172
2048			1,416,909	1,359,221	1,416,909
Total	$ 125,960,000	$ 125,960,000	$ 488,028,136	$ 306,200,577	$ 613,988,136

1. *Represents loan payment obligations of the Rock Island System to the Consolidated System with respect to the intersystem loans from the Consolidated System.*
2. *Estimated principal retirements are based on the assumption that all bonds mature or are purchased at par.*
3. *Represents Capital Appreciation Bonds on which interest is compounded. Thus, the accreted value reported as Estimated Principal Retirements equals Estimated Debt Service.*
4. *The final estimated debt service is reduced by the principal retirements assumed to be retired with the application of the appropriate Reserve Account, principal accounts and sinking funds. It should be recognized the District may elect to utilize the various Reserve Accounts in a manner other than as reflected, depending upon market conditions and the limitations contained in the governing resolution.*

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DESCRIPTION OF MAJOR POWER PURCHASERS

THE INFORMATION SET FORTH BELOW RELATING TO THE POWER PURCHASERS WHICH ARE SUBJECT TO THE INFORMATIONAL REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934 (THE "EXCHANGE ACT") HAS BEEN OBTAINED FROM DOCUMENTS FILED BY SUCH POWER PURCHASERS WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"). NONE OF THE POWER PURCHASERS, THE DISTRICT OR THE UNDERWRITER MAKES REPRESENTATION AS TO, NOR HAVE THEY ATTEMPTED TO VERIFY, THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION OR THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION AS OF THE DATE HEREOF OR AS OF ANY SUBSEQUENT DATE AND ASSUMES NO RESPONSIBILITY THEREFOR.

PUGET SOUND ENERGY, INC.

Puget Energy, Inc. (Puget Energy) is an energy services holding company incorporated in the State of Washington in 1999. Substantially, all of its operations are conducted through its regulated subsidiary, Puget Sound Energy, Inc. (PSE), a utility company. Puget Energy also has a wholly owned non-regulated subsidiary, named Puget LNG, LLC (Puget LNG). Puget LNG was formed in 2016, and has the sole purpose of owning and operating the non-regulated activity of a liquefied natural gas (LNG) facility at the Port of Tacoma, Washington.

Puget Energy is owned through a holding company structure by Puget Holdings, LLC (Puget Holdings). All of Puget Energy's common stock is indirectly owned by Puget Holdings. Puget Holdings is owned by a consortium of long-term infrastructure investors including the British Columbia Investment Management Corporation, the Alberta Investment Management Corporation, Ontario Municipal Employee Retirement System, PGGM Vermogensbeheer B.V., Macquarie Washington Clean Energy Investment, L.P., and Ontario Teachers' Pension Plan Board. All of Puget Energy and PSE are collectively referred to herein as the "Company."

Puget Energy is the direct parent company of PSE, the oldest and the largest electric and natural gas utility headquartered in the State of Washington, primarily engaged in the business of electric transmission, distribution and generation and natural gas distribution. Puget Energy's business strategy is to generate stable earnings and cash flow by offering reliable electric and natural gas services in a cost-effective manner through PSE, and be the clean energy provider of choice for its customers.

PSE is a public utility incorporated in the State of Washington in 1960. PSE furnishes electric and natural gas service in a territory covering approximately 6,000 square miles, principally in the Puget Sound region. As of December 31, 2023, PSE had approximately 1.2 million electric customers, and over 877,000 natural gas customers.

Additional Information

The Company is a publicly traded company and provides periodic reports on its financial and operating condition with the SEC.

DESCRIPTION OF MAJOR POWER PURCHASERS (CONT.)

ALCOA CORPORATION

Alcoa Corporation, a Delaware corporation, became an independent, publicly traded company on November 1, 2016, following its separation from its former parent company Alcoa, Inc., which has been renamed Howmet Aerospace Inc. Alcoa Corporation has its principal office in Pittsburgh, Pennsylvania. In this report, unless the context otherwise requires, "Alcoa" or the "Company," "we," "us," and "our" means Alcoa Corporation and all subsidiaries consolidated for the purposes of its financial statements.

Alcoa is a global industry leader in bauxite, alumina and aluminum products.

Alcoa has direct and indirect ownership of approximately 27 operating locations across nine countries. Alcoa's operations consist of two reportable segments: Alumina, and Aluminum. The Alumina segment primarily consist of a series of affiliated operating entities held in an unincorporated joint venture between Alcoa and Alumina Limited. The Aluminum segment consists of the Company's aluminum smelting and casting, along with the majority of the energy production assets.

Aluminum, as an element, is abundant in Earth's crust, but a multi-step process is required to make finished metal. Aluminum metal is produced by refining alumina oxide from bauxite into alumina, which is then smelted into aluminum and can be cast and rolled into shapes and forms. Aluminum is a commodity traded on the London Metal Exchange (LME) and priced daily. Alumina, an intermediary product, is subject to market pricing through the Alumina Price Index (API). As a result, the price of both aluminum and alumina is subject to significant volatility and, therefore, influences the operating results of Alcoa.

Additional Information

Alcoa is a publicly traded company and is obligated to provide periodic reports on its financial and operating condition with the SEC.

Photo by Chelan County PUD employee Jane Rohman.

Photo by Chelan County PUD employee Darci Dellinger.

P.U.D.
CHELAN COUNTY
www.chelanpud.org