FRANKLIN PUD

THE POWER IS YOURS

2020

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Customer-owned utilities in the public power family like Franklin PUD are owned and governed by the people and communities we serve. We are united behind one goal – to provide affordable, reliable non-profit electricity to our customers.

PUBLIC UTILITY DISTRICT #1 OF FRANKLIN COUNTY
1411 W. Clark St., Pasco, WA 99301
509-547-5591 or 800-638-7701
www.franklinpud.com

Follow us on social media:

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Public Utility District No.1 of Franklin County
PO Box 2407
Pasco, WA 99302-2407

For the fiscal years ended December 31, 2020 and 2019

PREPARED BY DEPARTMENT OF ACCOUNTING AND TREASURY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal years ended December 31, 2020 and 2019

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

This page intentionally left blank

INTRODUCTORY SECTION

Annual Comprehensive Financial Report for years ended December 31, 2020 and 2019

June 22, 2021

To the Board of Commissioners and Customers
Public Utility District No. 1 of Franklin County, Washington

FORMAL TRANSMITTAL OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

The Annual Comprehensive Financial Report (ACFR) of Franklin County Public Utility District (District) for the years ended December 31, 2020 and 2019 is hereby submitted. The report is designed to assess the District's financial condition, educate readers about District services, and examine current challenges facing the District. Additionally, this report is used to fulfill reporting requirements required by Washington State law and the Securities and Exchange Commission. The management of the District is responsible for preparing the information in this annual report. The financial statements were prepared in accordance with generally accepted accounting principles (GAAP) applied on a consistent basis and include amounts that are based on management's best estimates and judgments. To provide a reasonable basis for making these representations, management has established and maintains a comprehensive internal control framework that includes organization, administrative and accounting processes. The internal control system provides reasonable assurance as to the integrity and reliability of the financial statements, the safeguarding of assets from unauthorized use or disposition, and that business transactions are conducted in compliance with State laws and regulations. However, because the cost of internal controls should not outweigh their benefits, the District's system of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Washington State Auditor's office has issued an unmodified ("clean") opinion on the District's financial statements for years ended December 31, 2020 and 2019. The independent auditor's report is presented at the beginning of the financial section of this report.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal years ended December 31, 2020 and 2019 are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The District has included Management's Discussion and Analysis (MD&A) to accompany the basic financial statements. The MD&A is an opportunity for the District's management provide information regarding the District's financial condition and past performance. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE DISTRICT

The District is a municipal corporation of the State of Washington established in 1938 for the purpose of engaging in the purchase, transmission, distribution and sale of electric energy. Additionally, the District is authorized under state law to provide wholesale telecommunication services. The District is governed by an elected three-member board and maintains its administrative offices in the city of Pasco.

The District is a statutory preference customer of the Bonneville Power Administration (Bonneville) and purchases most of its power from Bonneville. The District's remaining power supply requirements are supplied by various contracted resources (see Note 8 – Power Supply).

The District is located in southeastern Washington, encompassing approximately 435 square miles of Franklin County and including the incorporated cities of Pasco (the Franklin County seat), Connell, Kahlotus, and Mesa. The District's largest city, Pasco, as well as the Cities of Kennewick and Richland in adjacent Benton County make up what is known as the Tri-Cities.

The District operates 21 substations as well as 1,119 miles of transmission and distribution lines to serve its customers.

Annual Budget

The District records financial transactions within a single proprietary fund. The District has no governmental funds with legally adopted budgets that carry the force of law. Accordingly, the District's budget is not contained within this report.

The District adopts an annual budget for purposes of planning and management control. The budget process involves preparation of a proposed operating and capital budget by District staff for the ensuing year that is presented to the Board of Commissioners. The preliminary budgets are reviewed and revised during public hearings held at regular meetings of the Board of Commissioners. The budget is approved by the Board and becomes the basis for operations for the next calendar year.

Local Economy

Franklin County's economy is based mainly on the agriculture and food processing industries. Farmland comprises the majority of Franklin County's land area. Crops grown in Franklin County are shipped to both domestic and export markets. With the strength of farm production throughout the county, food processing has become a major factor in the Franklin County economy.

The economic base of agriculture and food manufacturing, along with industrial diversity has consistently placed Franklin County in the top 10 of fastest growing counties in the State of Washington for the past two decades. The county's population growth continues to drive demand for more educational opportunities and healthcare services.

Long-Term Financial Planning

The District's five-year forecast is continually updated to follow projections and changes affecting the utility. The forecast includes both operating and capital activity with a focus on reserve levels, debt service coverage levels, and potential rate action.

The District has adopted financial policies and procedures for purposes of managing the District's finances. The policies cover such issues as debt service coverage, debt financing, retail rates, power supply risk, credit risk, investment policies and practices, insurance, procurement controls, and financial reporting. The financial policies and procedures call for developing financial plans to maintain a "target" amount of cash reserves sufficient to provide funding for 25 percent of non-power expenses and 10 percent of anticipated gross power costs for the planned year's budget and 25 percent of planned capital expenditures. The financial policies also define the District's goals for debt to asset ratio, debt service coverage, and establishment of a Rate Stabilization account.

Major Initiatives

Early in 2020, the District faced unprecedented challenges with the onset of the novel coronavirus (COVID-19) pandemic. Closing the District's public spaces, implementing a partially remote work force, and working through constraints in the nation's supply chain imposed new ways of conducting business. For example, the installation of two self-service kiosks in early 2021 provided customers another way make bill payments. Demand for the District's wholesale Broadband services grew in 2020 as retail providers worked to support families and businesses requiring fast and reliable internet service to engage in online education and business platforms. These requirements are not expected to diminish in 2021, and $2.5 million was included in the 2021 capital budget to ensure the Broadband system can continue to support the District and its customers.

The District's continued development in the residential, commercial, and industrial sectors brings additional demand to the existing electrical infrastructure system. The District's 2021 capital budget includes $5.5 million to improve and renew some of the District's aging infrastructure, including a major overhaul of the Franklin substation. Additionally, the District completed installation of Automated Metering Infrastructure (AMI) in the most remote areas of the District's service territory, and deployment in the urban areas of the District will continue in 2021 with expected completion in 2022.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to the District for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2019. This was the sixteenth consecutive year that the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of the Annual Comprehensive Financial Report was made possible by the dedicated service of the entire staff of the District's Accounting department. We wish to express our appreciation to these staff members for their contributions to the development of this report. Further appreciation is extended to the Board of Commissioners for their leadership and support in planning and conducting the financial operations of the District in a responsible and enterprising manner.

Respectfully Submitted,

Scott Rhees
General Manager

Holly Dohrman
Assistant General Manager

ORGANIZATIONAL CHART

ROGER WRIGHT
DISTRICT 1

BILL GORDON
DISTRICT 2

STU NELSON
DISTRICT 3

SCOTT RHEES
GENERAL MANAGER

Holly Dohrman
Assistant General Manager

Katrina Fulton
Treasurer/Accounting Manager

Travis Scott
Director of Operations

Steve Ferraro
Director of Safety and Labor Relations

Mike Gonzalez
Director of Public Affairs

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Utility District No. 1 of Franklin County Washington

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

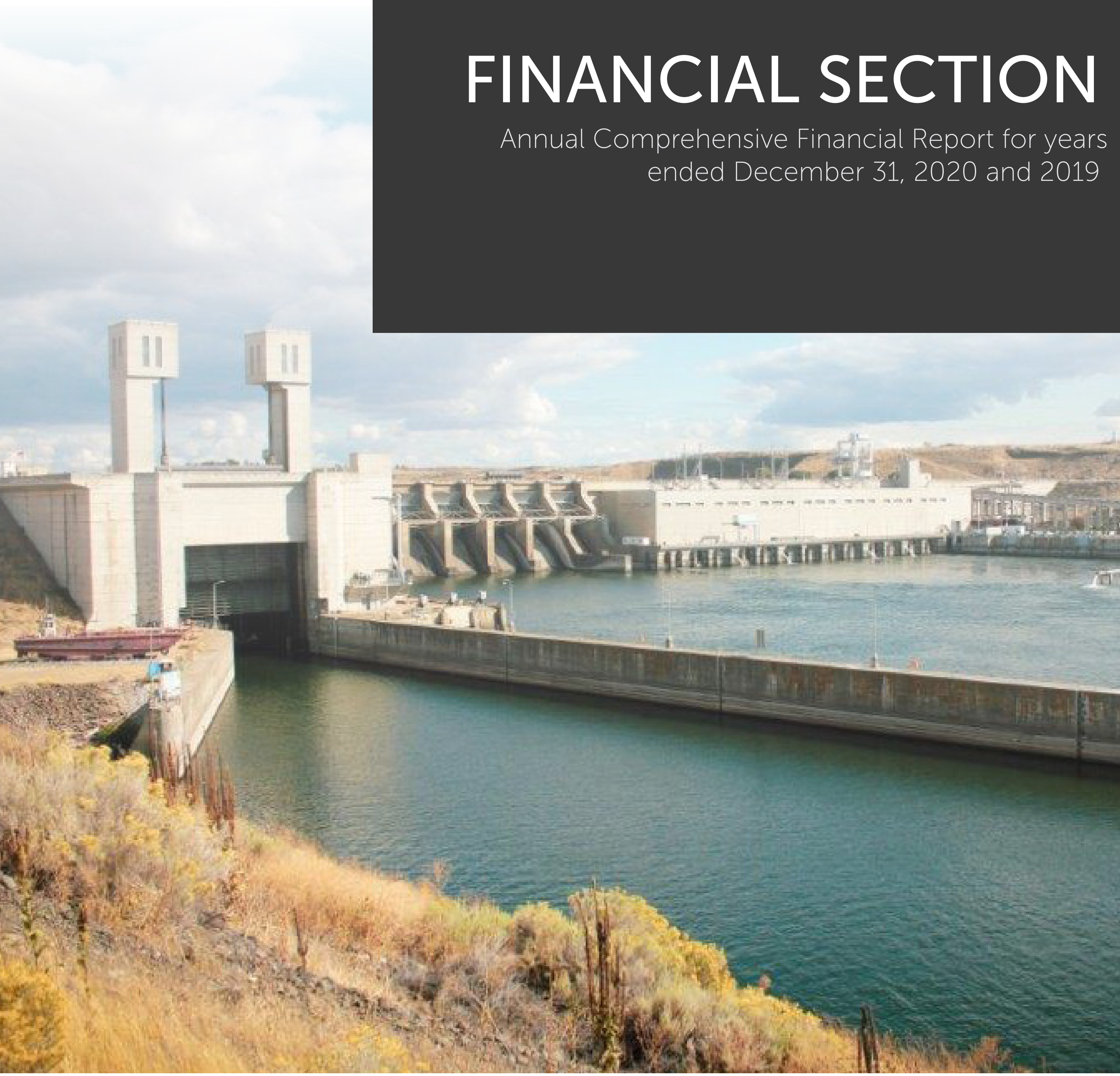
December 31, 2019

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

Annual Comprehensive Financial Report for years ended December 31, 2020 and 2019



This page intentionally left blank

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Commissioners
Public Utility District No. 1 of Franklin County
Pasco, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Public Utility District No. 1 of Franklin County, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Public Utility District No. 1 of Franklin County, as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 13 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 13. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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 supplementary 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 22, 2021, 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.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides an overview and analysis of key data presented in the basic financial statements for the years ended December 31, 2020 and 2019, with additional comparative data for 2018. Information within this section should be used in conjunction with the basic financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

Public Utility District No. 1 of Franklin County (District) accounts for its financial activities within a single proprietary fund. The District's financial activities are comprised of the purchase, generation, transmission, distribution and sale of electric energy, as well as the sale of wholesale telecommunication services.

In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), the District's financial statements employ the accrual basis of accounting in recognizing increases and decreases in economic resources. Accrual accounting recognizes all revenues when earned and expenses when incurred during the year, regardless of when cash is received or paid.

The basic financial statements for the years ended December 31, 2020 and 2019 are comprised of:

Statement of Net Position: The District presents its Statement of Net Position using the balance sheet format. The Statement reflects the assets, deferred outflows, liabilities, deferred inflows and net position (equity) of the District at year-end. The net position section of the statement is separated into three categories: net investment in capital assets, restricted for debt service, and unrestricted net position.

Statement of Revenues, Expenses, and Changes in Net Position: This statement reflects the transactions and events that have increased or decreased the District's total economic resources during the period. Revenues are presented net of allowances and are summarized by major source. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction.

Statement of Cash Flows: The Statement of Cash Flows reflects the sources and uses of cash separated into three categories of activities: operating, capital and related financing, and investing. The District does not include cash equivalents within its definition of cash.

The notes to the financial statements presented at the end of the basic financial statements are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flows.

Statement of Net Position (in thousands)

	2020	2019	2019 to 2020 Change	2018
Current and Other Assets	$75,232	$55,462	35.65%	$56,042
Capital Assets and Work in Progress	259,868	252,439	2.94%	244,990
Accumulated Depreciation	(115,760)	(109,203)	6.00%	(102,856)
Total Assets	**219,340**	**198,698**	**10.39%**	**198,176**
Deferred Outflows of Resources	4,247	3,006	41.28%	3,933
Total Assets and Deferred Outflows	**223,587**	**201,704**	**10.85%**	**202,109**
Current and Other Liabilities	15,717	18,279	-14.02%	19,338
Noncurrent Liabilities	72,794	55,647	30.81%	60,659
Total Liabilities	**88,511**	**73,926**	**19.73%**	**79,997**
Deferred Inflows of Resources	3,694	4,333	-14.75%	3,919
Total Liabilities and Deferred Inflows	**92,205**	**78,259**	**17.82%**	**83,916**
Net Investment in Capital Assets	97,294	96,114	1.23%	88,940
Restricted for Debt Service	2,787	1,671	66.79%	3,915
Unrestricted	31,301	25,660	21.98%	25,338
Total Net Position	**$131,382**	**$123,445**	**6.43%**	**$118,193**

Statement of Revenues, Expenses and Changes in Net Position (in thousands)

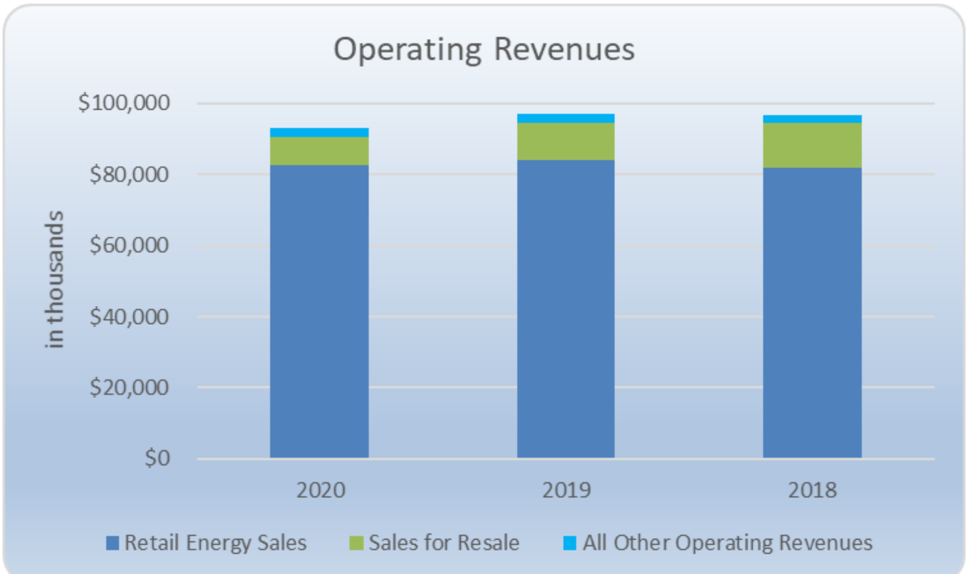
	2020	2019	2019 to 2020 Change	2018
Operating Revenues:				
Retail Energy Sales	$82,663	$84,249	-1.88%	$81,797
Sales for Resale	7,872	10,342	-23.88%	12,756
Other	2,452	2,524	-2.86%	2,313
Total Operating Revenues	92,987	97,115	-4.25%	96,865
Nonoperating Revenues	858	609	40.78%	466
Total Revenues	**93,845**	**97,725**	**-3.97%**	**97,331**
Operating Expenses:				
Power Supply	58,907	66,964	-12.03%	63,035
Operations, Maintenance & Administrative	14,764	14,041	5.15%	14,106
Taxes & Depreciation	12,419	12,197	1.82%	12,114
Total Operating Expenses	86,090	93,202	-7.63%	89,255
Nonoperating Expenses	2,718	2,051	32.50%	2,396
Total Expenses	**88,808**	**95,253**	**-6.77%**	**91,651**
Income (Loss) Before Capital Contributions	5,037	2,471	103.83%	5,680
Capital Contributions	2,900	3,780	-23.28%	2,544
Special Items		(1,000)		
Change in Net Position	**7,937**	**5,251**	**51.15%**	**8,223**
Beginning Net Position	123,445	118,193	4.44%	109,970
Ending Net Position	**$131,382**	**$123,445**	**6.43%**	**$118,193**

FINANCIAL ANALYSIS

The District took additional measures to preserve cash and limit spending in 2020, following the onset of the COVID-19 pandemic. Despite the pandemic's impact on the local economy, the District experienced an increase in net position of 6.4% over 2019. The following financial analysis focuses on the results of the District's operations for all periods presented.

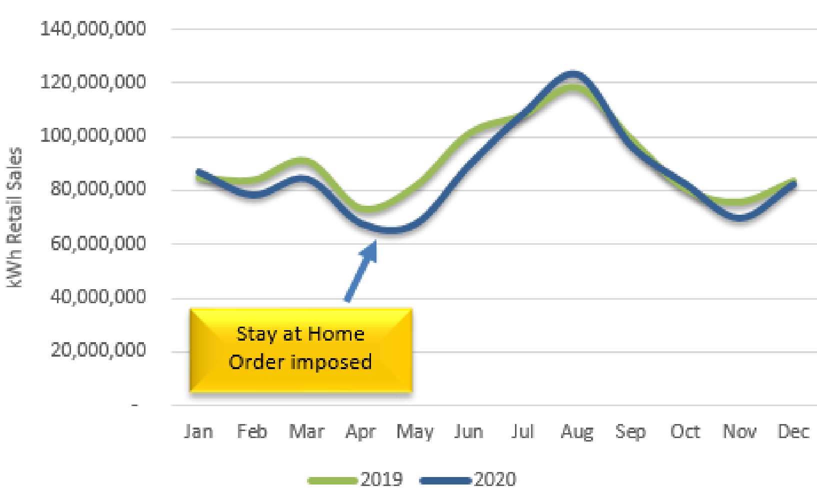
Operating Revenues

The following chart is graphical representation of the District's previous three years Operating Revenues:



2019 to 2020:

Total operating revenues decreased in 2020, down 4.25% from 2019 levels. Retail sales of energy to customers comprised comprises the largest portion of operating revenues, and decreased 1.88% in 2020 as a result of the decreased electric usage by District customers in the Commercial rate classes. The decline in usage was a product of the closure of schools and businesses through the Stay at Home orders imposed by the State of Washington, as well as milder winter weather than what was experienced early in 2019.



Sales for Resale decreased 23.88% from 2019. On an average basis, the District received 37% less per megawatt hour sold on the open market in 2020 than in 2019, resulting in a decrease in Sales for Resale revenue despite abundant excess power available to sell.

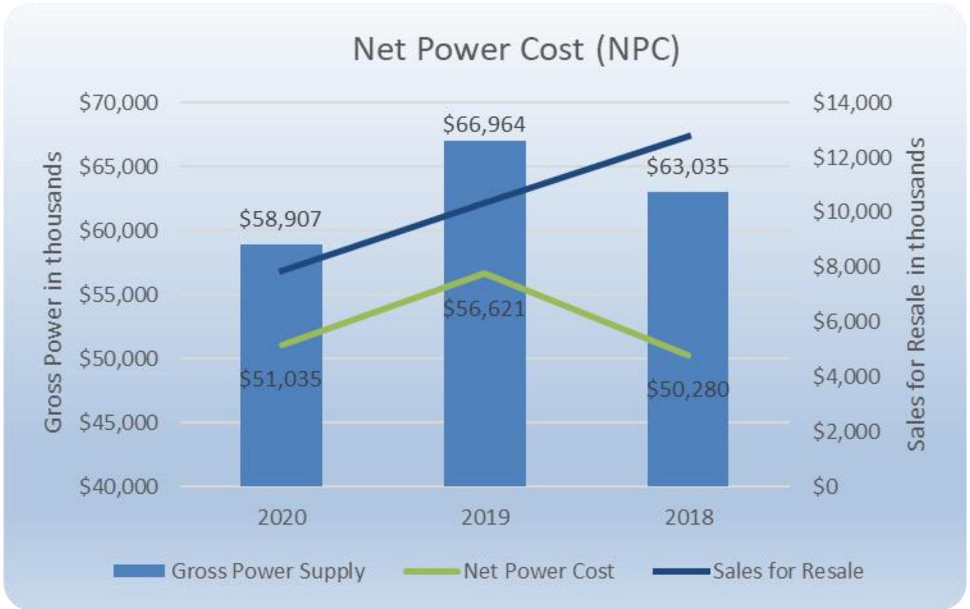
2018 to 2019:
Overall revenue in 2019 was consistent with 2018, increasing less than one percent. Although total Operating Revenues stayed relatively flat, the distribution among revenue classifications changed. The District's largest revenue classification, Retail Energy Sales, saw an increase of 3% as the year began with above average kilowatt hour usage by the District's customers due to extremely cold winter conditions. In addition, 953 new accounts were added within the District's service territory, further demonstrating the sustained long term growth experienced by the District over the last 3 decades.

Sales for Resale decreased 19% from 2018 as a larger percentage of excess power resources served the District's own retail load, leaving fewer megawatt hours available to sell on the open market. In addition, the cold winter weather caused extreme price volatility due to the expectation of large demand with a limited power supply. Power supply was limited due to a reduced number of natural gas plants being able to run because of a natural gas pipeline explosion in October 2018.

Operating Expenses

The following chart is graphical representation of the District's previous three years Operating Expenses:

Power Supply Costs represent the cost of providing electricity to the District's customer base. Gross Power Supply Costs comprised approximately 68% of the District's total operating expenses in 2020. Net Power Supply is Power Supply less revenue received from the sale of electricity on the secondary market (Sales for Resale). The following graph illustrates the components of the District's Power Supply Costs on both a gross and net basis.



2019 to 2020:
The District's Power Supply costs dropped 12.03% in 2020 in response to decreased usage by the District's retail customers during the COVID-19 pandemic and related business and school closures. With decreased retail loads, particularly in the Commercial sector, more of the District's lowest cost power supply was available to serve the District's load, reducing exposure to purchasing energy on the open market. When it was necessary to purchase energy on the open market, it was at lower prices than were experienced in 2019.

2018 to 2019:
The District experienced a 6.23% increase in Power Supply costs in 2019. The most significant increases were related to energy purchased on the open market, as well as costs associated with the District's Frederickson plant resource. Both resources were subject to the effects of an extreme wholesale power pricing event occurring early in the year. Cold winter weather created an expectation of large demand and limited power supply.

Capital Contributions

2019 to 2020:
Capital Contributions decreased by 23.28% in 2020, as a result of the temporary shutdown of residential development and other construction projects in the District's service territory during the first several months of the COVID-19 pandemic. By the close of 2020, many of these developments resumed construction with expected completion in 2021.

2018 to 2019:
The District recognized an increase of 48.6% in revenue from Capital Contributions in 2019. Several large projects were completed, most of which were related to new residential growth in the District's service territory. In addition, line extension projects were completed for the regional airport and a new banking institution building, as well as various school district projects.

Summary of Financial Position

The District's overall financial position improved in 2020, with an increase in Net Position of approximately $7.9 million due to decrease Net Power Supply expense outpacing the decrease in Retail Energy Sales. Unrestricted Cash Reserves remained strong as the District postponed certain capital projects and focused efforts on curtailment of discretionary spending, including deferment of filling employment vacancies. These measures enabled the District to hold rates steady during 2020, with no planned rate increase for 2021. The District last rate increase was 4.1%, effective May 1, 2017.

District management monitors the effectiveness of its financial operations by measuring results against the financial policy adopted by the District's governing body. This policy directs District management to develop financial plans that position the District for current and future years while being fiscally responsible to the District's ratepayers. The financial policy consists of three key financial performance metrics – minimum cash/investment reserve balance (sufficient to fund 10% of gross power supply costs, 25% of other operating costs, and 25% of planned capital spending); minimum debt service coverage ratio of 1.6; maximum debt/asset ratio of 40%; and funding of a Rate Stabilization Fund at a level sufficient to meet the fiscal needs of the District. The District achieved all financial performance metrics for 2020 and 2019.

Capital Asset and Long-Term Debt Activity

Capital Assets (in thousands)

	2020	2019	Increase (Decrease)	% Change	2018
Land	$893	$893			$893
Electric Plant in Service	257,066	250,994	6,072	2.42%	241,880
Construction Work in Progress	1,908	552	1,356	245.65%	2,217
Accumulated Depreciation	(115,760)	(109,203)	(6,557)	6.00%	(102,856)
Total Net Capital Assets	$144,107	$143,236	$871	0.61%	$142,134

The District's Net Capital Assets increased slightly (.61%) in 2020. While the pandemic affected local businesses, residential growth slowed temporarily and increased as the year went on with continued additions to the Distribution system to serve new customers. The District also embarked on a major rehabilitation of the Franklin substation. Preliminary engineering costs and purchase of a large transformer were included in Construction Work in Progress as of December 31, 2020.

In 2019, the District experienced a modest net increase to Capital Assets (.78%), with the largest areas of increase within the Distribution system assets classification. In addition to continued build out of the Distribution system to serve new customers, the District completed several improvements to the electric system. Installation of a mainline feeder increased reliability for several commercial and residential customers, and additional underground cable replacements were completed throughout the District's service territory. The District also added a Broadband Colocation facility.

More detailed information about the District's capital assets is presented in Note 3 to the financial statements – Capital Assets.

Long Term Debt (in thousands)

	2020	2019	Increase (Decrease)	% Change	2018
Revenue Bonds	$69,586	$53,585	$16,001	29.86%	$57,190

In December of 2020, the District issued Series 2020A and 2020B Electric Revenue and Refunding Bonds. The bond issues were undertaken to fund certain capital projects, as well as refund selected series of outstanding revenue bonds at more favorable interest rates.

Debt service payments totaled $5.5 million annually in 2020, 2019, and 2018.

More detailed information regarding the District's long term debt is presented in Note 4 to the financial statements – Long Term Debt.

Bond Ratings

In 2020, the District affirmed its credit rating with Moody's Global Ratings Scale (A1) and Standard & Poor's from (A+).

OTHER SIGNIFICANT MATTERS

In 2020, the District was subject to the economic impacts resulting from the rapid spread of the novel coronavirus (COVID-19) felt worldwide. For further discussion, refer to Note 13 to the financial statements – COVID-19 Pandemic.

In September 2020, the District experienced a wildfire that burned significant portions of the District's service territory. This fire was declared a federal disaster on February 4, 2021 and the District is pursuing reimbursement for system restoration through the Washington State Department of the Military's coordination with the Federal Emergency Management Agency (FEMA). Refer to Note 14 – Subsequent Events for further information.

During 2019, the District adjusted the value of the Pasco Combustion Turbine plant to approximate market value based on Management's estimate of the plant's potential sales price. The plant is reported as an Asset Held for Sale on the Statement of Net Position. The impact of this revaluation is shown as a Special Item on the District's Statement of Changes in Revenues, Expenses and Net Position. Further information regarding the revaluation of the Pasco Combustion Turbine plant is presented in Note 12 to the financial statements – Special Item.

STATEMENT OF NET POSITION

As of December 31, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
ASSETS		
Current Assets		
Cash (Note 2)	$4,540,599	$2,354,893
Investments - Unrestricted (Note 2)	26,005,866	18,875,984
Investments - Restricted (Note 2)	19,465,133	1,853,271
Customer Accounts Receivable	9,201,129	10,130,075
Wholesale Power Receivable	777,015	1,073,157
BPA Prepay Receivable, Current Portion	600,000	600,000
Notes Receivable, Current Portion	179,996	8,526
Inventories	3,759,141	2,966,626
Prepayments	400,550	364,094
Derivative Asset (Note 1)	2,397,452	2,093,529
Asset Held for Sale (Note 12)	1,447,004	1,447,004
Other Current Assets	7,654	3,217
Total Current Assets	***68,781,539***	***41,770,376***
Noncurrent Assets		
Investments - Unrestricted (Note 2)		5,050,526
Investments - Restricted (Note 2)	2,400,496	3,914,649
BPA Prepay Receivable (Note 8)	4,050,000	4,650,000
Notes Receivable		76,731
Utility Plant (Note 3)		
Land	893,104	893,104
Electric Plant in Service	257,066,097	250,993,912
Construction Work in Progress	1,908,455	551,757
Accumulated Depreciation	(115,760,034)	(109,203,169)
Net Utility Plant	144,107,622	143,235,604
Total Noncurrent Assets	***150,558,118***	***156,927,510***
TOTAL ASSETS	***219,339,657***	***198,697,886***
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	855,904	1,959,377
Deferred loss on Refunding	2,381,430	213,584
Deferred Pension Outflows (Note 6)	1,009,849	833,405
TOTAL DEFERRED OUTFLOWS OF RESOURCES	***4,247,183***	***3,006,366***
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	***$223,586,840***	***$201,704,252***

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts Payable	$6,545,935	$6,822,494
Customer Deposits	1,626,366	1,651,681
Accrued Taxes Payable	2,722,639	2,605,992
Accrued Interest Payable	482,822	731,604
Other Credits and Liabilities (Note 5)	1,313,872	1,142,876
Revenue Bonds, Current Portion	2,170,000	3,365,000
Derivative Liability (Note 1)	855,904	1,959,377
Total Current Liabilities	***15,717,538***	***18,279,024***
Noncurrent Liabilities		
Outstanding Revenue Bonds (Note 4)	67,416,068	50,220,147
Net Pension Liability (Note 6)	3,236,916	3,360,682
Other Credits and Liabilities (Note 5)	2,140,816	2,065,957
Total Noncurrent Liabilities	***72,793,800***	***55,646,786***
TOTAL LIABILITIES	***88,511,338***	***73,925,810***
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivatives	2,397,452	2,093,529
Deferred Pension Inflow (Note 6)	1,113,172	2,037,836
Deferred Gain on Refunding (Note 4)	182,901	201,660
TOTAL DEFERRED INFLOWS OF RESOURCES	***3,693,525***	***4,333,025***
NET POSITION		
Net Investment in Capital Assets	97,294,189	96,113,810
Restricted for Debt Service	2,786,732	1,671,315
Unrestricted	31,301,056	25,660,292
TOTAL NET POSITION	***131,381,977***	***123,445,417***
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	***$223,586,840***	***$201,704,252***

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Retail Energy Sales (Note 1)	$82,662,504	$84,248,908
Broadband Revenue	2,016,423	1,880,779
Sales for Resale	7,872,328	10,342,134
Other Electric revenue	92,000	98,000
Other Operating revenue	343,631	545,339
TOTAL OPERATING REVENUES	***92,986,886***	***97,115,160***
OPERATING EXPENSES		
Power Supply (Note 8)	58,906,962	66,963,594
System Operations & Maintenance	4,913,024	5,204,505
Broadband Operations & Maintenance	596,804	546,217
Customer Accounting & Information	2,441,185	2,483,621
Administrative & General Expense	6,812,814	5,806,805
Taxes	4,679,733	4,760,344
Depreciation & Amortization of Intangible Assets	7,739,256	7,437,092
TOTAL OPERATING EXPENSES	***86,089,778***	***93,202,178***
OPERATING INCOME	6,897,108	3,912,982
NONOPERATING REVENUES & EXPENSES		
Interest Income	280,382	609,441
Bond Interest, Debt Premium/Discount Amortization and Issuance Costs	(2,337,195)	(2,018,856)
COVID-19 Non-Grant Revenue (Note 13)	481,028	
COVID-19 Non-Grant Expense (Note 13)	(381,028)	
Other Nonoperating Revenue (Expense)	96,143	(31,436)
TOTAL NONOPERATING REVENUES & EXPENSES	***(1,860,670)***	***(1,440,851)***
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS	5,036,438	2,472,131
CAPITAL CONTRIBUTIONS	2,900,122	3,780,105
SPECIAL ITEMS (Note 12)		(1,000,000)
CHANGE IN NET POSITION	**7,936,560**	**5,252,236**
NET POSITION, BEGINNING OF YEAR	**123,445,417**	**118,193,181**
NET POSITION, END OF YEAR	**$131,381,977**	**$123,445,417**

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$97,296,801	$100,952,577
Cash paid to suppliers and counterparties	(70,585,568)	(75,298,506)
Cash paid to employees	(9,229,213)	(8,859,568)
Taxes Paid	(3,763,275)	(4,700,714)
Other receipts	34,906	32,790
NET CASH PROVIDED BY OPERATING ACTIVITIES	***13,753,651***	***12,126,579***
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
COVID-19 Non-Grant Revenue	481,028	
COVID-19 Non-Grant Expense	(381,028)	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	***100,000***	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(8,619,982)	(8,495,971)
Interest paid on long-term debt	(2,413,879)	(2,254,581)
Principal paid on long-term debt	(3,365,000)	(3,320,000)
Contributions in aid of construction	3,344,419	2,629,753
Bond Proceeds	17,002,578	
Proceeds from disposal of plant	8,708	18,424
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	***5,956,844***	***(11,422,375)***
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(45,502,578)	(25,250,000)
Investment sales and maturities	27,597,407	19,380,000
Interest Income	280,382	609,441
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	***(17,624,789)***	***(5,260,559)***
NET INCREASE IN CASH	***2,185,706***	***(4,556,355)***
CASH BALANCE, BEGINNING OF YEAR	***2,354,893***	***6,911,248***
CASH BALANCE, END OF YEAR	***$4,540,599***	***$2,354,893***
RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$6,897,108	$3,912,982
Adjustments to reconcile operating income to net		
cash provided by operating activities		
Depreciation and amortization	7,739,256	7,437,092
Miscellaneous other revenue and receipts	450,710	883,123
Miscellaneous other disbursements and expenses	(698,811)	(15,380)
Pension Expense (Credit)	(1,037,424)	(945,509)
(Increase) decrease in accounts receivable (Net)	1,130,349	163,022
(Increase) decrease in plant supplies	(792,515)	1,146,094
(Increase) decrease in prepaid expenses	(36,456)	(168,902)
(Increase) decrease in other assets	(4,437)	238
(Decrease) increase in payables	200,432	(12,863)
(Decrease) increase in other credits	(94,561)	(273,318)
NET CASH PROVIDED BY OPERATING ACTIVITIES	***$13,753,651***	***$12,126,579***

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2020 and 2019, the District received $308,167 and $455,291, respectively, in non-cash capital contributions.

Accumulated increases and decreases in the fair value of hedging derivatives had no effect on cash flows for 2020 or 2019. For accumulated increases in fair value, the District records an offsetting asset. For accumulated decreases in fair value, the District records an offsetting liability.

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Public Utility District No. 1 of Franklin County (the District) was established in 1938 and purchases, generates, transmits, distributes and sells electric energy. In addition, the District is authorized under state law to provide wholesale telecommunications services. The District's service area is approximately 435 square miles in Franklin County, and includes approximately 80 percent of the County's population. The District's properties include 21 substations, 1,119 miles of transmission and distribution lines, and other buildings, equipment, and related facilities. The District has 95 employees and serves 32,251 active accounts. The District has revenues in excess of $92 million and total assets of over $223 million. An elected three-member Board of Commissioners administers the District.

As required by generally accepted accounting principles (GAAP), management has considered all potential component units in defining the reporting entity and has identified no component units.

Basis of Accounting and Presentation

The accounting and reporting policies of the District are regulated by the Washington State Auditor's Office under chapter 43.09 RCW and are based on the Uniform System of Accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission (FERC). The District uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Revenues and expenses related to the District's principal operations are considered to be operating revenues and expenses; while revenues and expenses related to capital, financing, and investing activities are considered to be non-operating revenues and expenses.

The District's accounting policies conform to GAAP as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following are a summary of the significant accounting policies used in the preparation of the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash includes unrestricted cash balances. Short-term highly liquid investments are not considered to be cash equivalents. The Rate Stabilization Fund was established in 2009 with a transfer of $5.9 million. No transfers were made to or from the Rate Stabilization Fund in 2020 or 2019.

Restricted Funds

In accordance with bond resolutions, related agreements and laws, separate restricted accounts have been established. The assets held in these funds are restricted for specific uses including debt service, and are classified non-current assets. Refer to Note 2 – Deposits and Investments.

Investments

Investments in the Local Government Investment Pool (LGIP), a qualified, unrated external investment pool, are reported at amortized cost which approximates fair value. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants* for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost.

The District holds a non-negotiable Certificate of Deposit which has been recorded using a cost-based measure as prescribed by GASB Statement No. 31. Refer to Note 2 – Deposits and Investments.

Accounts Receivable

The District uses the percentage-of-sales method to record amounts estimated to be uncollectible based on the prior year's write offs. Uncollected accounts over 60 days, except those with special arrangements, are approved monthly for write off by the Board of Commissioners. As of December 31, 2020, the District used an alternative method of estimation due to the growth in the aging of Accounts Receivable that has resulted from the state-imposed moratorium on utility disconnection for non-payment.

Inventories

Inventories are valued at average cost, which approximates the fair value.

Derivative Instruments

The District has adopted GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*. Subject to certain exceptions, GASB 53 requires that every derivative instrument be recorded on the statement of net position as an asset or liability, measured at its fair value and that changes in the derivatives fair value be recognized currently in earnings unless such derivatives meet specific hedge accounting criteria to be determined as effective. Effective hedges qualify for hedge accounting and such changes in fair values are deferred. It is the District's policy to document and apply as appropriate the normal purchase and normal sales exception under GASB Statement No. 53. The District has reviewed its various contractual arrangements to determine applicability of these standards. Purchases and sales of forward electricity, natural gas and option contracts that require physical delivery and which are expected to be used or sold by the reporting entity in the normal course of business are generally considered "normal purchases and normal sales". These transactions are excluded under GASB Statement No. 53 and therefore are not required to be recorded at fair value in the financial statements. Certain put and call options, and financial swaps for electricity and natural gas, are considered to be derivatives under GASB Statement No. 53, but do not generally meet the "normal purchases and normal sales" criteria.

As of December 31, 2020, the District had the following derivative instruments outstanding:

	Changes in Fair Value		Fair Value at December 31, 2020			
	Classification	Amount	Classification	Amount	Notional	
Cash Flow Hedges:						
Financial Swap Forward	Deferred Inflow	$ 1,686,765	Derivative Asset	$ 1,686,765	21,847	MWh
Financial Swap Forward	Deferred Inflow	$ 710,687	Derivative Asset	$ 710,687	836,400	mmbtu
Financial Swap Forward	Deferred Outflow	$ (781,469)	Derivative Liability	$ (781,469)	6,098	MWh
Financial Swap Forward	Deferred Outflow	$ (74,435)	Derivative Liability	$ (74,435)	3,000	mmbtu

These derivative instruments were entered into between January 2019 and December 2020 with maturities between January 2021 and September 2023.

As of December 31, 2019, the District had the following derivative instruments outstanding:

	Changes in Fair Value		Fair Value at December 31, 2019			
	Classification	Amount	Classification	Amount	Notional	
Cash Flow Hedges:						
Financial Swap Forward	Deferred Inflow	$ 1,071,602	Derivative Asset	$ 1,071,602	140,692	MWh
Financial Swap Forward	Deferred Inflow	$ 1,021,927	Derivative Asset	$ 1,021,927	1,575,600	mmbtu
Financial Swap Forward	Deferred Outflow	$ (1,660,967)	Derivative Liability	$ (1,660,967)	196,864	MWh
Financial Swap Forward	Deferred Outflow	$ (298,409)	Derivative Liability	$ (298,409)	780,000	mmbtu

These derivative instruments were entered into between January 2018 and December 2019 with maturities between January 2020 and March 2022.

The fair values of the commodity swap contracts are based on the futures price curve for the Mid-Columbia Intercontinental Exchange for electricity. There are instances when the variance between prices at the Sumas gas trading hub and the Henry gas trading hub are wide, creating an illiquid market. The District has approved using Henry Hub to hedge Frederickson (refer to Note 8 – Power Supply) when this occurs, but requires the position to be converted to Sumas by six months to delivery. This reduction of basis risk is achieved through the use of financial basis swaps. The fair value of the options was calculated using the Black-76 options pricing model. The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District's fair value measurements are classified as Level 2.

Objective & Strategies:
The District enters into derivative energy transactions to hedge its known or expected positions within its approved risk management policy. Decisions are made to enter into forward transactions to protect its financial position, specifically to deal with expected long and short positions as determined by projected load and resource balance positions. Generally, several strategies are employed to hedge the District's resource portfolio, including:

Combustion Turbines – The District purchases gas for future periods to generate electricity when the plant is economically viable on a marginal basis for that period based on parameters set by the Risk Management Committee. If load projections indicate that the District does not require the electricity to serve its customers, an equivalent quantity of power will concurrently be sold or otherwise hedged for the same period.

Surplus Purchased Power Resources – The District hedges projected surpluses in future periods by selling power or by purchasing put options. Surplus power is generally sold forward at a fixed-price, either physically or financially, when the probability of surplus is very high; surplus power is hedged through the purchase of physical or financial put options when the projected surplus is less certain, but nevertheless expected to be available under expected scenarios.

Deficit Power Resources – The District hedges projected power resource deficits in future periods by purchasing power or by purchasing power call options (or if the Frederickson Project (see Note 8 – Power Supply) is economically viable for the period, by buying gas or gas call options). Power is generally purchased to cover projected deficits at a fixed price, either physically or financially, when the probability of the deficit position is very high; such deficit positions are hedged through the purchase of physical or financial call options when the projected deficits are less certain, but nevertheless expected under the approved planning conditions.

Derivatives authorized under the Risk Management Policy and employed by the District include:

- Physical power and natural gas forward purchases and sales
- Monthly and daily power and gas physical calls and puts
- Power and natural gas fixed for floating swaps
- Currency swaps relating to managing US/Canadian exchange rate risk resulting from transactions denominated in Canadian dollars
- Quarterly and monthly financial power and gas put and call options
- Financial daily power and gas put and call options
- Quarterly and monthly financial power and natural gas swaptions
- Financial natural gas swing and basis swaps

There is no associated debt for these instruments at December 31, 2020 or 2019.

Credit Risk
The District's Risk Management Committee (RMC) partners with The Energy Authority (TEA) to develop credit policies and credit limits for the counterparties with whom the District conducts physical and financial commodity transactions. Services performed by TEA include monitoring of credit exposure on a real time basis on behalf of the District, as well as providing recommendations regarding counterparty credit quality based on various credit evaluation factors.

All physical electricity transactions (for hourly and/or daily) for the District are traded by TEA as principal (on behalf of the District) and rely on TEA's credit limits. All forward physical/financial commodity transactions are entered into only with counterparties approved by the District's Risk Management Committee for creditworthiness; credit limits based on market conditions and available qualified counterparties are established and reviewed annually by the Risk Management Committee.

As of December 31, 2020, the District had 42 counterparties. The maximum credit extended to any single counterparty is $3 million. As of December 31, 2019, the District had 41 counterparties. The maximum credit extended to any single counterparty is $3 million. The District entered into master enabling agreements with various counterparties, which enable hedging transactions. Such agreements include the Western Systems Power Pool (WSPP) form of agreement for physical power transactions, various forms of enabling agreements for physical gas transactions and International Swap Dealers Association Agreements (ISDA) for financial transactions. All of the enabling agreements have provisions addressing credit exposure and provide for various remedies to assure financial performance, including the ability to call on additional collateral as conditions warrant, generally as determined by the exposed party. The District also uses netting provisions in the agreement to diffuse a portion of the risk.

Transactions under the physical enabling agreements are used to deal with long and short physical positions under the direction of the Risk Management Committee and pursuant to the risk management policy. Transactions under the ISDA agreements are used to financially hedge long or short positions so that the agreements also permit the District to hedge the risk of an underlying physical position by using call options, or put options.

The aggregate fair value of hedging derivative instruments in asset positions was $2,397,452 and $2,093,529 as of December 31, 2020 and 2019, respectively. The District transacts with various counterparties throughout the year, and as of December 31, 2020 five counterparties comprised 100% of the net exposure to credit risk, with credit ratings ranging from Not Rated/Baa2 to A. As of December 31, 2019 five counterparties comprised 100% of the net exposure to credit risk, with credit ratings ranging from Not Rated/Baa2 to A.

Basis Risk

The District proactively works to eliminate or minimize basis risk on energy transactions by entering into derivative transactions that settle pursuant to an index derived from market transactions at the point physical delivery is expected to take place. At December 31, 2020 and 2019, there are no derivative transactions outstanding that carry basis risk. As applicable, all power related transactions are to be settled on the relevant Mid-Columbia index and all gas transactions are to be settled on the relevant Sumas/Huntingdon index or be converted to the Sumas/Huntingdon index within six months of delivery. The District has ready access to electric transmission and natural gas transportation capacity at those respective trading points.

Termination Risk

As of December 31, 2020 and 2019, no termination events have occurred and there are no outstanding transactions with material termination risk. None of the outstanding transactions have early termination provisions except in the event of default by either counterparty. Events of default are generally related to (i) failure to make payments when due, (ii) failure to provide and maintain suitable credit assurances as required, (iii) bankruptcy or other evidence of insolvency, or (iv) failure to perform under any material provision of the agreement. Failure to provide or receive energy or natural gas under physical commodity transactions does generally not fall under the events of default provisions, unless the non-performing party fails to pay the resulting liquidated damages as they come due.

There is no rollover, interest rate, foreign currency, or market access risk for these derivative products as of December 31, 2020 and 2019.

Other Receivables

In 2013, a long term receivable was established as a result of participation in the BPA prepay program. The outstanding balance of this receivable was $4,650,000 as of December 31, 2020. Of this amount $600,000 will be collected within one year and is accordingly classified within current accounts receivable, the remaining $4,050,000 is shown under noncurrent assets. For more information regarding the BPA prepay program, refer to Note 8 - Power Supply.

In 2019, a long term receivable was established as a result of participation in a bridge financing agreement with Noanet (see Note 10 - Participation in Northwest Open Access Network, Inc. d.b.a. NOANET). The outstanding balance of this receivable was $179,996 and $85,257 as of December 31, 2020 and 2019, respectively. This receivable was paid in full by Noanet in January 2021. Refer to Note 10 - Participation in Northwest Open Access Network, Inc. d.b.a. NOANET for further information.

Utility Plant and Depreciation

Major expenses for utility plant and major repairs that increase useful lives are capitalized. The District's capitalization threshold is $5,000 for non-infrastructure capital. All costs related to infrastructure are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

Utility plant in service and other capital assets are recorded at cost where the historical cost is known. Where historical cost is not known, assets are recorded at estimated cost. Contributions by developers and customers are recorded at contract price or cost as contributions in aid of construction. The District records depreciation on assets acquired by contributions.

Capital assets are depreciated using the straight-line method over the following estimated useful lives for major asset classes:

Broadband	5-20 years
Transmission	33-50 years
Distribution	15-50 years
General Plant	5-40 years
Production	20 years

Intangible assets are amortized over their estimated useful life at the time of purchase, if the asset meets the criteria for amortization. Initial depreciation on utility plant is generally recorded in the month subsequent to purchase or project completion.

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant. Charges that relate to abandoned projects are expensed.

The estimated original cost of operating property retired (or otherwise disposed of) and the cost of removal, less salvage, is charged to accumulated depreciation. For distribution and certain Broadband assets, the retirement original cost is calculated using the average cost of the asset and is charged to accumulated depreciation, while the cost of removal remains in a separate retirement costs subaccount. In the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income. There were no sales of significant units or systems in 2020. Refer to Note 3 - Capital Assets.

Other Credits and Liabilities:

The District records unpaid leave for compensated absences as an expense and liability when incurred. Personal leave may accumulate to a maximum of 700 hours, and is payable upon separation of service, retirement, or death. Employees hired before April 1, 2011 may accumulate a maximum of 1,200 hours. The District estimates a minimum of $746,416 in compensated absences will be paid within one year. As of December 31, 2020 and 2019, $746,416 and $670,774 respectively, were included in the current portion of other Credits and Liabilities on the statement of net position. An additional amount of $891,066 and $654,950 is included in long term compensated absences as of December 31, 2020 and 2019.

Extended sick leave is sick leave accrued by employees (at 30%) prior to April 1, 1993, adjusted to actual as of December 31, 2020 and 2019. This total is no longer current sick leave; it is used at the employee's option to supplement the District sponsored short-term disability plan. The amount also represents the portion of leave that may be used upon retirement towards health insurance.

The District records revenues collected from Contributions in Aid of Construction at the beginning of a capital project as unearned revenue (Customer Advances for Construction) until the capital project is completed, at which point the revenue is recognized as revenue from Capital Contributions on the Statement of Changes in Revenues, Expenses and Net Position. The unearned amount for the unrecognized portion (Customer Advances for Construction) of Capital Contributions is presented under Current Liabilities as Other Credits and Liabilities on the Statement of Net Position. As of December 31, 2020 and 2019, an amount of $441,230 and $375,040 respectively was included in Other Credits and Liabilities under Current Liabilities on the Statement of Net Position. Refer to Note 5 - Other Credits and Liabilities.

Debt Premium & Discount

Original issue and reacquired bond premiums and discounts relating to revenue bonds are amortized over the lives of the related bonds using the straight-line method. Unamortized premium and discount is included in the amount shown as Outstanding Revenue Bonds within the financial statements. Debt issuance costs are expensed in the period incurred in accordance with GASB Statement No. 65.

Revenue Recognition

Revenues from retail sales of electricity include an estimate for energy delivered to customers between the last billing date and the end of the year. This amount is included within Retail Energy Sales in the accompanying financial statements in the amount of $2.7 million at December 31, 2020 and $2.5 million at December 31, 2019.

Pensions

For purposes of measuring the net pension liability, 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.

Contributed Capital

Capital contributions of $2,900,122 and $3,780,105 are reported for 2020 and 2019, respectively, on the statement of revenues, expenses and changes in net position. There were no capital contributions resulting from federal grant awards for either 2020 or 2019.

Federal Assistance

In 2020 the District qualified and received Federal Assistance through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Funding received for certain qualifying COVID-19 pandemic related operating expenses and customer payment assistance are shown in the Nonoperating Revenue and Expense section of the Statement of Revenues, Expenses and Changes in Net Position. Refer to Note 13 - COVID-19 Pandemic for further information.

Use of Estimates

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Construction Financing

Capital expenditures in 2020 were made using 36.23% from capital contributions, 55.73% from rate revenue and 8.04% from bond funds.

Reclassification

Certain amounts reported within the 2019 financial statements have been reclassified to conform to the 2020 presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

The District's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC and

FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Deposit accounts are reconciled to the District's accounting records at year end, and the book balance of these accounts does not materially differ from the bank balance.

The District has restricted certain funds in accordance with bond resolutions. The following table reconciles the amounts in these funds to the District's financial statements:

	2020	2019
Unrestricted Cash		
Revenue Fund	4,540,599	2,354,893
Unrestricted Investments, Current		
Revenue Fund	18,678,073	11,548,191
Customer Deposits	1,417,793	1,417,793
Rate Stabilization	5,900,000	5,900,000
Special Deposits	10,000	10,000
Subtotal	26,005,866	18,875,984
Restricted Investments, Current		
Bond Principal & Interest	3,039,058	1,853,271
Bond Proceeds - Construction Funds	16,426,075	
Subtotal	19,465,133	1,853,271
Restricted Investments, Noncurrent		
Debt Service Reserve	2,400,496	3,914,649
Unrestricted Investments, Noncurrent		
Revenue Fund		5,050,526
Total	$52,412,094	$32,049,323

Investments

As of December 31, 2020, the District held the following investments:

Investments	Maturities	Measurement	Total
State Treasurers Local Government Investment Pool (LGIP)	49 days average	Amortized Cost	$42,699,628
Nonnegotiable Certificate of Deposit - Umpqua Bank	July 30, 2021	Cost	$5,171,867
Total Investments			$47,871,495

As of December 31, 2019, the District held the following investments:

Investments	Maturities	Measurement	Total
State Treasurers Local Government Investment Pool (LGIP)	51 days average	Amortized Cost	$24,643,904
Nonnegotiable Certificate of Deposit - Umpqua Bank	July 30, 2021	Cost	$5,050,526
Total Investments			$29,694,430

The District is a participant in the LGIP, which is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified, unrated external investment pool, are reported at amortized cost which approximates fair value. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

Credit Risk – The District's investment policy conforms with state law, which restricts investments of public funds to debt securities and obligations of the U.S. Treasury, U.S. Government agencies, and certain other U.S. Government sponsored corporations, certificates of deposit, and other evidences of deposit at financial institutions qualified by the Washington Public Deposit Protection Commission (PDPC), bankers' acceptances, investment-grade general obligation debt of state and local governments and public authorities, and the Washington State Treasurer's Local Government Investment Pool (LGIP). The LGIP portfolio meets the requirements set forth in GASB 79 to report the investment at amortized cost. The LGIP is governed by the State Finance Committee and is administered by the State Treasurer. The District does not have a policy specifically addressing custodial credit risk.

NOTE 3 – CAPITAL ASSETS

Utility Plant Activity for the year ended December 31, 2020 was as follows:

Utility Plant	**Balance, 12/31/2019**	**Increase**	**Decrease**	**Balance, 12/31/2020**
Assets not subject to depreciation:				
Land	$893,104			$893,104
Construction Work in Progress	551,757	10,770,408	(9,413,710)	1,908,455
Assets subject to depreciation or amortization:				
Intangible	900,706			900,706
Broadband	21,938,544	761,235		22,699,779
Transmission	7,707,171	103,392	(10,423)	7,800,140
Distribution	195,770,347	25,168,929	(19,691,289)	201,247,987
General Plant	24,677,144	364,813	(624,472)	24,417,485
Subtotal	252,438,773	37,168,777	(29,739,894)	259,867,656
Less Accumulated Depreciation & Amortization:				
Intangible	(353,351)	(150,757)		(504,108)
Broadband	(13,242,952)	(868,757)		(14,111,709)
Transmission	(3,404,370)	(182,931)	10,423	(3,576,878)
Distribution	(77,066,461)	(15,740,961)	10,548,584	(82,258,838)
General Plant	(15,136,035)	(765,617)	593,151	(15,308,501)
Total Accumulated Depreciation & Amortization	(109,203,169)	(17,709,023)	11,152,158	(115,760,034)
Net Utility Plant	**$143,235,604**	**$19,459,754**	**($18,587,736)**	**$144,107,622**

Utility Plant Activity for the year ended December 31, 2019 was as follows:

Utility Plant	Balance, 12/31/2018	Increase	Decrease	Balance, 12/31/2019
Assets not subject to depreciation:				
Land	$893,104			$893,104
Construction Work in Progress	2,216,822	11,108,764	(12,773,829)	551,757
Assets subject to depreciation or amortization:				
Intangible	665,984	414,391	(179,669)	900,706
Broadband	20,192,614	1,767,004	(21,074)	21,938,544
Transmission	7,658,053	49,118		7,707,171
Distribution	188,985,636	106,725,211	(99,940,500)	195,770,347
General Plant	24,378,162	3,540,625	(3,241,643)	24,677,144
Subtotal	244,990,375	123,605,113	(116,156,715)	252,438,773
Less Accumulated Depreciation & Amortization:				
Intangible	(347,993)	(126,031)	120,673	(353,351)
Broadband	(12,253,017)	(989,935)		(13,242,952)
Transmission	(3,220,350)	(184,021)		(3,404,370)
Distribution	(72,226,480)	(49,842,187)	45,002,206	(77,066,461)
General Plant	(14,808,183)	(1,194,112)	866,260	(15,136,035)
Total Accumulated Depreciation & Amortization	(102,856,022)	(52,336,286)	45,989,139	(109,203,169)
Net Utility Plant	**$142,134,353**	**$71,268,827**	**($70,167,576)**	**$143,235,604**

The District has active construction projects as of December 31, 2020 in the amount of $1,908,455. The District does not require future financing to complete these projects.

NOTE 4 – LONG TERM DEBT

During the year ended December 31, 2020, the following changes occurred in long term debt:

Series	Final Maturity	Original Issue Amount	Balance, 12/31/19	Increases	Decreases	Balance, 12/31/20	Amounts Due Within One Year
2013A - interest rates ranging 2.0% - 5.0%	2038	18,370,000	$17,410,000		($17,410,000)		
2013B - interest rates ranging 1.0% - 4.2%	2038	9,155,000	8,155,000		(180,000)	7,975,000	190,000
2016A - interest rates ranging 3.1% - 5.0%	2041	16,870,000	16,870,000			16,870,000	
2016B - interest rates ranging 1.0% - 2.2%	2022	15,305,000	9,230,000		(5,370,000)	3,860,000	1,980,000
2020A Electric Revenue Bonds - interest rate 4.0%	2045	6,055,000		6,055,000		6,055,000	
2020B - interest rates ranging .6% - 2.9%	2041	32,135,000		32,135,000		32,135,000	
Subtotal			51,665,000	38,190,000	(22,960,000)	66,895,000	2,170,000
Plus: Unamortized premium			2,113,709	902,005	(298,736)	2,716,978	
Less: Unamortized discount			(193,562)		167,652	(25,910)	
Total Long Term Debt			**$53,585,147**	**$39,092,005**	**($23,091,084)**	**$69,586,068**	**$2,170,000**

During the year ended December 31, 2019, the following changes occurred in long term debt:

Series	Final Maturity	Original Issue Amount	Balance, 12/31/18	Increases	Decreases	Balance, 12/31/19	Amounts Due Within One Year
2013A - interest rates ranging 2.0% - 5.0%	2038	18,370,000	$17,590,000		($180,000)	$17,410,000	$185,000
2013B - interest rates ranging 1.0% - 4.2%	2038	9,155,000	8,330,000		(175,000)	8,155,000	180,000
2016A - interest rates ranging 3.1% - 5.0%	2041	16,870,000	16,870,000			16,870,000	
2016B - interest rates ranging 1.0% - 2.2%	2022	15,305,000	12,195,000		(2,965,000)	9,230,000	3,000,000
Subtotal			54,985,000		(3,320,000)	51,665,000	3,365,000
Plus: Unamortized premium			2,413,634		(299,925)	2,113,709	
Less: Unamortized discount			(208,584)		15,022	(193,562)	
Total Long Term Debt			**$57,190,050**		**($3,604,903)**	**$53,585,147**	**$3,365,000**

Future Debt Service on the bonds is as follows:

Year	Principal	Interest	Total
2021	2,170,000	1,927,501	4,097,501
2022	1,935,000	2,163,175	4,098,175
2023	2,750,000	2,119,634	4,869,634
2024	2,825,000	2,041,663	4,866,663
2025	2,915,000	1,954,363	4,869,363
2026-2030	16,105,000	8,230,575	24,335,575
2031-2035	16,995,000	5,327,894	22,322,894
2036-2040	13,860,000	2,583,086	16,443,086
2041-2043	7,340,000	861,737	8,201,737
Total	**$ 66,895,000**	**$ 27,209,628**	**$ 94,104,628**

During 2013 the District issued Series 2013A Electric Revenue and Refunding bonds in the amount of $18,370,000 and Series 2013B (taxable) in the amount of $9,155,000 for the purpose of financing certain capital improvements to the District's electric system and refund the 2001, 2002 and 2003 outstanding bonds, as well as certain maturities of the 2007 bonds. The refunding portion of the bond proceeds was placed in an irrevocable trust for future debt service on the refunded bonds. At December 31, 2013, the 2001, 2002 and 2003 bonds were considered defeased and are no longer reflected in the District's financial statements. The refunding resulted in net present value cash flow savings of ($1,071,453) and an economic loss from refunding of $770,025. Bond proceeds were also used to establish the debt service reserve fund in the amount of $3,142,483 as required by the bond resolutions.

In October 2016, the District issued Electric Revenue and Refunding Bonds Series 2016A and 2016B (taxable) in the amounts of $16,870,000 and $15,305,000, respectively. The bonds were issued for the purpose of refunding the portion of the 2007 series bonds maturing after September 1, 2017 and to fund future improvement to the electric utility system in the amount of $5 million. The refunding proceeds were placed in an irrevocable trust for future debt service on the refunded bonds and as of December 31, 2016 are no longer reported within the District's Financial Statements. The transaction resulted in a net present value cash flow savings to the District of $2.4 million over the life of the refunded bonds and an economic gain of $257,938. The refunding resulted in an increase to the District's Debt Service Reserve Fund of $772,166.

In December 2020 the District issued series 2020A Electric Revenue and Refunding bonds in the amount of $6,055,000 and Series 2020B (taxable) in the amount of $32,135,000. Series 2020B included $10 million new proceeds as well as $22,135,000 to advance refund the outstanding balance of 2013A Tax Exempt bonds as well as portions of the 2021 and 2022 maturities of the Series 2016B Bonds. New bond proceeds were issued for the purpose of financing certain capital improvements. Refunding proceeds were placed in an irrevocable trust for future debt service on the refunded bonds. Accordingly, those bonds are no longer considered outstanding and are not reported within the District's financial statements. The bond resolution did not require a debt service reserve for these bond issues. This resulted in a release of the District's Debt Service Reserve fund of $1,514,153 which was designated for future debt service payments.

There are a number of other limitations and restrictions contained in the various bond resolutions. The District is in compliance with all significant limitations and restrictions, including those regarding federal arbitrage.

Line of Credit

The District maintains a non-revolving line of credit to support standby letters of credit with Umpqua Bank in the amount of $3 million. The District did not utilize this line of credit in 2020 and does not anticipate utilizing it in 2021.

NOTE 5 – OTHER CREDITS AND LIABILITIES

Changes in Other Credits and Liabilities as of December 31, 2020 were as follows:

Other Credits & Liabilities - Current	2019	Increases	Decreases	2020
Compensated Absences – Current	670,774	1,043,737	(968,095)	746,416
Extended Sick Leave	6,378	506		6,884
Customer Advances for Construction	375,040	2,199,486	(2,133,296)	441,230
Other Current Liabilities	90,684	83,238	(54,580)	119,342
Total Other Current Liabilities	**$1,142,876**	**$3,326,967**	**($3,155,971)**	**$1,313,872**

Other Credits & Liabilities – Noncurrent	2019	Increases	Decreases	2020
Compensated Absences – Long Term	654,950	236,117		891,067
BPA Incentive Credit	1,411,007		(161,258)	1,249,749
Total Other Credits & Liabilities	**$2,065,957**	**$236,117**	**($161,258)**	**$2,140,816**

Changes in Other Credits and Liabilities as of December 31, 2019 were as follows:

Other Credits & Liabilities - Current	2018	Increases	Decreases	2019
Compensated Absences – Current	710,089	1,263,063	(1,302,378)	670,774
Extended Sick Leave	6,176	202		6,378
Customer Advances for Construction	487,302	2,034,042	(2,146,304)	375,040
Other Current Liabilities	50,327	116,411	(76,054)	90,684
Total Other Current Liabilities	**$1,253,894**	**$3,413,718**	**($3,524,736)**	**$1,142,876**

Other Credits & Liabilities – Noncurrent	2018	Increases	Decreases	2019
Compensated Absences – Long Term	595,812	59,138		654,950
BPA Incentive Credit	1,572,265		(161,258)	1,411,007
Total Other Credits & Liabilities	**$2,168,077**	**$59,138**	**($161,258)**	**$2,065,957**

NOTE 6 – PENSION PLANS

The following table represents the aggregate pension amounts for all state sponsored pension plans for the years 2020 and 2019:

Aggregate Pension Amounts – All Plans	2020	2019
Pension liabilities	$3,236,916	$3,360,682
Deferred outflows of resources	$1,009,849	$833,405
Deferred inflows of resources	$1,113,172	$2,037,836
Pension expense/expenditures	$3,315	$20,055

State Sponsored 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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

Or the DRS Annual Report may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees Retirement System (PERS)

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 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 percent. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent. 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 2020 were as follows:

PERS Plan 1 Actual Contribution Rates:	Employer	Employee
January - August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	**12.86%**	**6.00%**
September - December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**

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 1 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 percent and escalate to 15 percent 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 OSA 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 Accrued Actuarial Liability (UAAL) and an administrative expense that is currently set at 0.18 percent. 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 2020 were as follows:

PERS Plan 2/3 Actual Contribution Rates:	Employer 2/3	Employee 2
January - August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**12.86%**	**7.90%**
September - December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**12.97%**	**7.90%**

The District's actual PERS plan contributions were $475,287 to PERS Plan 1 and $752,902 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the OSA's 2013-2018 Experience Study and the 2019 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation

- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The 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 Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/OSA.

- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.

- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in the Law Enforcement Officers and Fire Fighters Plan 2 (LEOFF 2).

- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/OSA for more information on this method change.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

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 for current plan members. Based on OSA's assumptions, the pension plans' 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 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's 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, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

2020:

	1% Decrease (6.40%)	Current Rate (7.40%)	1% Increase (8.40%)
PERS 1 (.063394%)	$2,803,411	$2,238,151	$1,745,185
PERS 2/3 (.078093%)	$6,214,583	$998,765	($3,296,464)

2019:

	1% Decrease (6.40%)	Current Rate (7.40%)	1% Increase (8.40%)
PERS 1 (.067011%)	$3,266,988	$2,576,811	$2,012,697
PERS 2/3 (.080700%)	$6,011,982	$783,871	($3,506,139)

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.

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

At June 30, 2020, the District reported a total pension liability of $3,236,916 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$2,238,151
PERS 2/3	$998,765

At June 30, 2019, the District reported a total pension liability of $3,360,682 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$2,576,811
PERS 2/3	$783,871

At June 30, the District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.067011%	0.063394%	-0.003617%
PERS 2/3	0.080700%	0.078093%	-0.002607%

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.071672%	0.067011%	-0.004661%
PERS 2/3	0.083158%	0.080700%	-0.002458%

Employer contribution transmittals received and processed by the 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 the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020 and 2019, the District recognized pension expense as follows:

2020	Pension Expense
PERS 1	($38,906)
PERS 2/3	$42,221
Total	**$3,315**

2019	Pension Expense
PERS 1	($98,636)
PERS 2/3	$118,691
Total	**$20,055**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		$12,461
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$246,073	
Total	**$246,073**	**$12,461**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$357,543	$125,169
Net difference between projected and actual investment earnings on pension plan investments		$50,723
Changes of assumptions	$14,225	$682,241
Changes in proportion and differences between contributions and proportionate share of contributions		$242,578
Contributions subsequent to the measurement date	$392,008	
Total	**$763,776**	**$1,100,711**

At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		$172,153
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$230,232	
Total	**$230,232**	**$172,153**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$224,581	$168,528
Net difference between projected and actual investment earnings on pension plan investments		$1,140,995
Changes of assumptions	$20,072	$328,886
Changes in proportion and differences between contributions and proportionate share of contributions		$227,274
Contributions subsequent to the measurement date	$358,520	
Total	**$603,173**	**$1,865,683**

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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1
2021	56,549
2022	1,779
2023	(17,255)
2024	(28,612)
2025	
Thereafter	
Total	**$ 12,461**

Year ended December 31	PERS 2/3
2021	468,754
2022	153,388
2023	36,574
2024	(47,817)
2025	60,420
Thereafter	57,626
Total	**$ 728,945**

Franklin PUD 401(a) Qualified Plan and 457 Deferred Compensation Plan

The District sponsors and serves as trustee for single-employer defined contribution plans (the Plans) for the purpose of providing retirement income to employees. The Plans were established pursuant to Internal Revenue Code (IRC) sections 457(b) and 401(a) and are administered by ICMA-RC. The District's employer-appointed Deferred Compensation Committee (DCC) operates and oversees the Plans in accordance with the Committee's Operating Guidelines.

Plan Description

The plan assets are held in trust for the exclusive benefit of the plan participants and their beneficiaries. Plan participants include permanent District employees, retirees, and those who have separated but have elected to keep assets in the plan. The District's Commission may alter, amend or terminate the Plans. There are no forfeitures of member assets.

Prior to January 1, 2020, participation in the Plan(s) was optional at the discretion of the employee. Effective January 1, 2020, employees who do not make a plan choice within 30 days of hire are automatically enrolled in the 401(a) Plan. The 401(a) Plan had 132 and 111 participants as of December 31, 2020 and 2019, respectively. The 457(b) Plan had 135 and 121 participants as of December 31, 2020 and 2019, respectively.

Contributions

Employees may contribute to the Plans up to the pretax compensation limit as defined in the plan documents. Employees eligible to participate in the Plans are regular, permanent employees of the District. As of January 1, 2020 the District is required to contribute 3% of regular employee wages to the plan for each eligible employee. Prior to January 1, 2020, the District matched 50% of employee contributions up to a maximum of 2% of the employee's regular wage. The District made contributions of $270,560 and $129,769 in 2020 and 2019, respectively. Employees made contributions of $531,245 and $505,971 to the 457 and 401(a) Plans in 2020 and 2019, respectively.

NOTE 7 - HEALTH BENEFIT PLANS

HRA VEBA

Employees who elect to participate in a District provided wellness program receive a $150 per month contribution into their health reimbursement agreement (HRA). In addition, the District makes annual contributions to employee HRA accounts for those employees who enroll in the District's consumer directed health plan (CDHP). The plan assets are held in trust for the exclusive benefit of plan participants and beneficiaries. The plan is administered by HRA VEBA Trust. As of January 1, 2020, the District makes a monthly $50 contribution on behalf of each regular, full time employee of the District irrespective of the employee's participation in the District provided wellness program.

PAID FAMILY MEDICAL LEAVE ACT SELF-INSURANCE

The District administers a voluntary plan for paid medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington's Paid Family & Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State's program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis. For qualifying Family Leave, District employees participate in the program provided by the State of Washington.

The District paid $74,578 in claims during 2020. District employees pay no premium for this benefit.

NOTE 8- POWER SUPPLY

Bonneville Power Administration (BPA)

The District obtains power from BPA under a long-term power purchase agreement. BPA supplies the District's power under a Block and Slice Power Sale Agreement, which extends from October 1, 2011 through September 30, 2028. The Block product provides power in monthly amounts ranging between 50 average megawatts (aMW) to 81 aMW. Monthly Block purchase amounts are fixed, but are shaped to the District's monthly power requirements. The Slice product provides the District 0.78% of the output of the federal system. The District's share of the Slice product is expected to be 75 aMW, but may vary considerably based on water conditions within the Northwest. Depending upon hydroelectric generating conditions and market prices, the District expects to procure between

90% and 95% of its total energy resources from BPA on an average annual basis.

Beginning October 1, 2011, BPA changed its rate-making methodology to a tiered rate approach. Each preference customer received a High Water Mark (HWM) based on its 2010 load that defined its right to buy power at a Tier 1 rate. The Tier 1 rate is based on the cost of the existing federal system. HWMs are translated into "Tier 1 Cost Allocators" (TOCAs) which, when multiplied by the estimated costs of the federal system, determine their power costs. There is an additional monthly load shaping charge (or credit) for Block and Load Following products, determined by the shape of customers' loads when compared to the shape of the federal system.

If a preference customer wants to buy more BPA power beyond their HWM, it will be sold by BPA at a Tier 2 rate set to fully recover BPA's cost to serve the additional power. Preference customers also have the option of serving some, or all, of their above-HWM load with non-federal resources. At this time the District has no plans to buy Tier 2 power from BPA.

BPA is required by federal law to recover all of its costs through the rates that it charges its customers. The rate provisions for the Block product include a cost recovery adjustment clause (CRAC). The CRAC allows BPA to raise rates to collect sufficient funds to pay costs. A dividend distribution clause (DDC) results in dollars being returned to customers, in the form of future power rate decreases, if excess dollars are collected.

Beginning December 2019, BPA implemented a surcharge to power rates to increase its cash reserves. This surcharge was $41,435 per month . The collection of this surcharge was terminated with the June 2020 billings to minimize cost impacts caused by COVID. Since this point, the reserves balances have increased and it is not anticipated that the charges will resume.

Pursuant to the Slice product rate provisions, the District is subject to additional charges or credits from BPA if BPA's actual costs deviate from budgeted amounts. The Slice product is not subject to the CRAC or DDC; but rather, the District pays its share of cost increases or receives its share of cost decreases through an annual true-up mechanism. The District's share of the true-up was approximately ($666,734) and ($113,203) in 2020 and 2019, respectively.

Beginning in April 2013, the District receives a monthly $50,000 credit on its power bill for participation in the BPA Prepay Program. This program allowed customers to purchase blocks of prepaid credits for the future delivery of power in order to help BPA fund improvements to its infrastructure. The District purchased one block of prepay credits in the amount of $6.8 million for the period April 2013 through September 2028. Total monthly credits received by the District will be $9.3 million, and will result in a net present value savings of approximately $1.1 million.

The District also entered into a contract with BPA for transmission service effective May 31, 1997, which provides adequate transmission capacity to meet the District's annual system peak load. The transmission contract extends through September 30, 2031.

Frederickson Project

The District has an agreement with Frederickson Power, L.P. for the purchase of 30 MW of contract capacity from the Frederickson combined-cycle natural gas-fired combustion turbine project station near Tacoma, Washington. The agreement expires September 1, 2022. The District is able to economically dispatch the plant each day based on spot market power and gas prices. Power costs include a capacity charge and fixed and variable operation and maintenance charges indexed to performance and escalation factors. The District is responsible for supplying natural gas to Frederickson Power, L.P. at Huntingdon, British Columbia on days that the plant is generating power. Natural gas is supplied to the Frederickson Project via the Northwest Pipeline. A proportionate share of the cost of this transportation is passed-through to the District each month.

In 2020, the District entered into an agreement with Powerex to replace the Frederickson resource with 40 megawatt (MW) firm power annually for the months of July, August and September beginning in 2023. The agreement runs through 2028.

Pasco Combustion Turbine Generating Station

The District and Grays Harbor PUD jointly constructed a four-unit, 44 MW, simple-cycle gas-turbine generating station located in the District's service area. Commercial operation commenced in August 2002. The PUDs jointly own certain common facilities and individually own specific facilities (i.e., the turbines and SCR outfitted exhaust systems). In 2013, the District expended funds to repair the Pasco Combustion Turbine Generating Station to make it saleable. It was not intended to be placed back into service and was accordingly reclassified in 2013 as an asset held for sale. Grays Harbor PUD made a similar determination in early 2014. The PUDs are in the process of seeking a buyer for the facility. Refer to Note 12 – Special Item.

Energy Northwest

Energy Northwest is a municipal corporation and a joint operating agency of the State of Washington. It has the authority to acquire, construct and operate works, plants, and facilities for the generation and transmission of electric power and energy. The membership of Energy Northwest consists of twenty-three public utility districts, including the District, and five cities, all located in the State of Washington. The District is a participant in Nuclear Project Nos. 1 and 3, Columbia Generating Station, the Packwood Lake Hydroelectric Project and the Nine Canyon Wind Project. Columbia Generating Station, the Packwood Lake Hydroelectric Project and the Nine Canyon Wind Project are operating; Project Nos. 1 and 3 have been terminated.

The District, Energy Northwest and BPA have entered into separate "net billing agreements" with respect to Energy Northwest's Project No. 1, Columbia Generating Station and 70% ownership share of Project No. 3. Under terms of these agreements, the District has purchased from Energy Northwest and, in turn, assigned to BPA a maximum of capability of each project. BPA is unconditionally obligated to pay the District and the District is unconditionally obligated to pay Energy Northwest, the pro rata share of the total annual costs of each project, whether or not the projects are completed, operable or operating and notwithstanding the suspension, reduction or curtailment of the projects' output. The District's respective shares may be increased by not more than 25% upon default of other public agency participants.

- Packwood Lake Hydroelectric Project
  The District is a 10.5% participant in Energy Northwest's 27 MW Packwood Project (the "Project"), located in the Cascade Mountains south of Mount Rainier. The Project, having satisfied all of the requirements for relicensing with the Federal Energy Regulatory Commission, was issued a new forty-year license on October 1, 2018. Energy Northwest recognizes revenues equal to expenses for each period. No net revenue or loss is recognized, and no equity is accumulated. Accordingly, no investment for the joint venture is reflected on the District's statement of net position. The participants entered into new Power Sales Contracts with Energy Northwest effective October 1, 2011. The participants' Agreements obligate the 12 participants to pay annual costs and receive excess revenues. The District uses their share of the energy, approximately 1 aMW, to serve customer load.

- Nine Canyon Wind Project
  The Nine Canyon Wind Project is another Energy Northwest generation project. It is located in the Horse Heaven Hills area southwest of Kennewick. The District has a contract for 2.01 MW of Phase I capacity and 8 MW of Phase III capacity. Nine Canyon has a capacity factor of 29% and the District receives approximately 2.88 aMW.

White Creek Wind Project

The District entered into a 20-year Purchase Agreement with LL&P Wind Energy, Inc., a wholly-owned subsidiary of Lakeview Light and Power. The District purchases all of the energy and associated environmental attributes produced from 10 MW of the White Creek Wind Project's (White Creek) capacity. White Creek has a capacity factor of 30% and the District receives approximately 3 aMW. During the first contract year (2008) the price of energy delivered to the District was $51.97 per MWH; the price will increase by 2% annually during the term of the contract. The environmental attributes included in that price includes any and all credits, benefits, emissions reductions, offset and allowances attributable to the White Creek as a renewable energy resource.

Esquatzel Hydroelectric Project

The District contracted with Green Energy Today, LLC in 2011 to acquire the output from a small conduit hydroelectric project in Pasco, Washington, known as the Esquatzel Project. The Esquatzel Project generates approximately .7 aMW of electricity annually from return water flowing out of an agricultural canal that drains into the Columbia River. Water is diverted from the canal into a penstock and through a turbine with a generating capacity of 1 MW. The Esquatzel Project generally generates electricity year-round. The District's agreement with Green Energy Today, LLC is for a 20-year term, with a first right of refusal for two additional 10-year periods.

Energy Independence Act (I-937)
The citizens of Washington State passed Initiative 937 in November, 2006, now codified in the Revised Code of Washington Chapter 19.285 as the Energy Independence Act (the "Act"), which mandates renewable energy and conservation targets for the State's utilities with more than 25,000 customers. As of December 31, 2016 the District crossed this customer threshold. The Esquatzel, Nine Canyon and White Creek contracts will provide some of the renewable energy the District will need to comply with the Act's targets in the future.

The Esquatzel Project is a distributed generation resource. The Act defines distributed generation as an eligible renewable resource with a generating capacity of not more than 5 MW. As such, each MWH generated by the Esquatzel Project will count double toward the District's requirements under the Act.

Conservation / Energy Services
Conservation funding is available from BPA under the Energy Efficiency Incentive ("EEI") program in two year blocks. The District also budgets for self-funded conservation projects. Under EEI, utilities request reimbursement from BPA after conservation dollars have been spent on eligible projects. EEI funds rebate incentives for residential energy efficiency upgrades including: weatherization, heat pumps, compact fluorescent lamps, and Energy Star appliances. The EEI Funds also provide incentives for industrial, irrigation and commercial accounts for cost-effective energy savings.

NOTE 9 - RISK MANAGEMENT

The District maintains the following insurance coverage:

Coverage	Limit
Buildings and Personal Property	$108,700,000
General Liability	$2,000,000
Electromagnetic Field Liability	$500,000
Umbrella Liability	$15,000,000
Directors, Officers & Mgrs. Liability	$10,000,000
Employee Theft Liability	$4,000,000
Crime/Faithful Performance	$2,000,000
Forgery or Alteration	$2,000,000
Computer Fraud/Funds Transfer	$4,000,000
E&O Technology	$3,000,000

The District has not paid insurance settlements in excess of coverage in any of the past three years.

NOTE 10 – PARTICIPATION IN NORTHWEST OPEN ACCESS NETWORK, INC. d.b.a. NOANET

The District, along with eight other Washington State Public Utility Districts and Energy Northwest, is a member of NoaNet, a Washington nonprofit mutual corporation. NoaNet was incorporated in February 2000 to provide a broadband communications backbone, over Public Benefit Fibers leased from BPA, throughout Washington. The network began commercial operation in January 2001.

NoaNet recorded a decrease in net position (unaudited) of $2,340,405 and a decrease of $6,568,809 for 2020 and 2019, respectively.

As a member of NoaNet, and in accordance with Interlocal Cooperation Act, RCW 39.34, members are permitted to enter into agreements for joint or cooperative actions and undertakings, including the financing thereof. In March 2019, eight NoaNet members agreed to provide bridge financing in the amount of $1,560,000 for certain capital expenditures of NoaNet. The District's funding commitment under the agreement is 12.82% or $200,000. In October 2019, the first draw was approved in the amount of $665,000 with the District's share equaling $85,257. The District remitted payment to NoaNet on October 18, 2019, and recorded a Note Receivable equal to the District's share. In June 2020, the second draw was approved in the amount of $895,000 with the District's share equaling $114,739. The District remitted payment to NoaNet on June 19, 2020, and recorded a Note Receivable equal to the District's share. The District recorded $7,074 and $888 in 2020 and 2019, respectively, of interest income in accordance with repayment terms of the agreement. This obligation was paid in full by Noanet in January 2021.

NOANET FINANCIAL GUARANTEE

In December 2020, current Members of NoaNet entered into a Repayment Agreement to guarantee the 10-year, $24,775,000 Telecommunications Network Revenue Bonds (2020 Bonds) issued by NoaNet to finance capital improvements and other expenses, repay loans and a line of credit, fund a reserve account, and pay bond issuance costs. The 2020 Bonds will become due beginning in December 2021 through December 2030 with interest due semi-annually at rates ranging from 0.591 percent to 2.120 percent.

The 2020 Bonds were issued and guaranteed pursuant to RCW chapters 24.06 and 39.34 and Title 54. Under the Repayment Agreement, each guarantor acknowledged and agreed that it is a guarantor of the payment of the principal and interest on the 2020 Bonds and was liable by assessment or otherwise to repay NoaNet for amounts due and owing with respect to such principal and interest up to each Member's agreed upon percentage interest. The District's guarantee was 10 percent of the outstanding Bonds.

To the extent NoaNet's gross revenue is insufficient to pay principal and interest amounts when due, NoaNet shall bill each guarantor no less than 65 days in advance of each principal and interest payment date for its percentage share. Each guarantor has 30 days to pay after receipt of the bill. In event of a failure by any guarantor to pay such amounts when due, the guarantor shall be subject to all remedies as contained in NoaNet's bylaws. Each guarantor shall remain obligated to pay its respective share of principal and interest on the 2020 Bonds, when due, whether or not it remains a member of NoaNet. As of December 31, 2020, the District's outstanding guarantee is $2,477,500.

The District reports no investment or liability account balance reflecting NoaNet membership.

NoaNet's Annual Report may be obtained by writing to: Northwest Open Access Network, Chief Financial Officer, 7195 Wagner Way, Suite 104, Gig Harbor, WA 98335.

NOTE 11– TELECOMMUNICATIONS SERVICES

The District installed and continues to build out a fiber optic backbone system in its service area to provide wholesale telecommunication services and for internal use by the electric system. The District has connected its fiber optic system to Noanet's fiber optic communications system. Broadband coverage is also being extended through the development of a wireless network to deliver high-speed Internet service.

The following is a summary of Broadband activities for 2020 and 2019:

Broadband	2020	2019
Operating Revenues:		
Drop Fees	$46,767	$165,380
Fiber Transport charges	990,517	857,709
Dark Fiber	398,270	296,660
WiFi Transport	1,300	9,000
Collocation Rental	236,289	202,698
Miscellaneous Broadband Services	343,280	357,566
BTOP Program Income		(8,234)
Total Operating Revenues	$2,016,423	$1,880,779
Operating Expenses:		
Labor and Benefits	359,746	233,177
Supplies	7,600	8,102
Professional Services	65,399	56,501
Other Charges	102,260	123,308
Hardware and Fiber Maintenance	61,799	125,129
Depreciation	868,757	989,935
Total Operating Expenses	$1,465,561	$1,536,152
Capital Contributions		$250,000
Capital Investment:		
Current	761,235	1,745,930
Cumulative (since 2000)	$22,699,779	$21,938,544

The above are included in summarized amounts within the District's financial statements

NOTE 12 – SPECIAL ITEM

During 2010, the District's Pasco combustion turbines became temporarily inoperable. In 2013, certain repairs were conducted to make the turbines operable and available for sale. As of December 31, 2019, District management determined that the fair value of the turbines was approximately $1.4 million based on markets for similar assets. This resulted in an adjustment to the value of the turbines of $1 million for 2019 that is presented within the Statement of Revenues, Expenses and changes in Net Position as a Special Item. Refer to Note 8 – Power Supply for additional information.

NOTE 13 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The District took measures to limit the spread of the virus including adopting remote-work for certain employees, closure of public spaces, and increased sanitation measures. The length of time these measures will continue to be in place, and the full extent of the impact on the District is unknown at this time.

CARES FUNDING

In November of 2020 the District qualified and received assistance in the amount of $100,000 through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The funds were administered through Washington State Department of Commerce and Franklin County and reimbursed the District for certain operating expenses incurred to facilitate compliance with COVID-19 related public health measures. This amount is presented as COVID-19 Non-Grant Revenue in the Nonoperating section within the District's Statement of Revenues, Expenses and Changes in Net Position.

Additionally, certain District ratepayers qualified for assistance through the CARES Act to apply towards their outstanding electric bills. The District coordinated an application and certification process to comply with funding requirements and assist ratepayers in applying for grant assistance. The District received $381,028 in CARES assistance directly on behalf of qualifying ratepayers to apply towards past due account balances. The amount received is presented as COVID-19 Non-Grant Revenue in the Nonoperating section within the District's Statement of Revenues, Expenses and Changes in Net Position, and the amount applied toward past due account balances is shown as COVID-19 Non-Grant Expense.

NOTE 14 – SUBSEQUENT EVENTS

In February 2021, a federal disaster was declared for a wildfire that took place in September 2020. This fire destroyed certain electric distribution assets owned by the District. The District has applied for and received approval for public assistance through the Washington State Department of Military and Federal Emergency Management Agency (FEMA) to partially reimburse the cost of labor, material, contract labor and other expenses incurred to restore power and rebuild/replace the assets lost. Recovery from the disaster includes the undertaking of projects designed to prevent similar disasters in the future. The nature scope, and timing of these projects is currently under review by District, State, and FEMA personnel. The amount of reimbursed costs is currently unknown.

Schedules of Proportionate Share of the Net Pension Liability
As of June 30, 2020
Last 10 Fiscal Years*

PERS Plan 1	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.063394%	0.067011%	0.071672%	0.073408%	0.076313%	0.075912%	0.079646%
District's proportionate share of the net pension liability	$2,238,151	$2,576,811	$3,200,896	$3,483,267	$4,098,368	$3,970,904	$4,012,205
Covered payroll	$9,297,855	$9,030,505	$8,995,977	$8,782,843	$8,640,630	$8,269,970	$8,110,199
District's proportionate share of the net pension liability as a percentage of covered payroll	24.07%	28.53%	35.58%	39.66%	47.43%	48.02%	49.47%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

PERS Plan 2 & 3	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.078093%	0.080700%	0.083158%	0.085880%	0.088890%	0.075912%	0.079646%
District's proportionate share of the net pension liability	$998,765	$783,871	$1,419,849	$2,983,919	$4,475,541	$3,187,453	$1,795,150
Covered payroll	$9,101,618	$8,773,360	$8,624,717	$8,419,679	$8,279,471	$7,921,255	$7,585,236
District's proportionate share of the net pension liability as a percentage of covered payroll	10.97%	8.93%	16.46%	35.44%	54.06%	40.24%	23.67%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	93.29%	90.97%	85.82%	89.20%	93.29%

Notes:
*These schedules are to be built prospectively until they contain ten years of data.

Schedules of Employer Contributions
As of December 31, 2020
Last 10 Fiscal Years*

PERS Plan 1	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$475,287	$462,217	$493,987	$455,221	$435,891	$392,546
Contributions in relation to the statutorily or contractually required contributions	(475,287)	(462,217)	(493,987)	(455,221)	(435,891)	(392,546)
Contribution deficiency (excess)	0	0	0	0	0	0
Covered payroll	$9,659,765	$9,072,975	$9,203,426	$8,801,724	$8,666,873	$8,516,494
Contributions as a percentage of covered payroll	4.92%	5.09%	5.37%	5.17%	5.03%	4.61%

PERS Plan 2 & 3	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$752,902	$686,799	$661,198	$581,381	$517,463	$457,619
Contributions in relation to the statutorily or contractually required contributions	(752,902)	(686,799)	(661,198)	(581,381)	(517,463)	(457,619)
Contribution deficiency (excess)	0	0	0	0	0	0
Covered payroll	$9,506,322	$8,910,291	$8,822,218	$8,435,389	$8,306,014	$8,156,162
Contributions as a percentage of covered payroll	7.92%	7.71%	7.49%	6.89%	6.23%	5.61%

Notes:
*These schedules are to be built prospectively until they contain ten years of data.

STATISTICAL SECTION

Annual Comprehensive Financial Report for years ended December 31, 2020 and 2019

STATISTICAL SECTION

This part of the District's annual comprehensive financial report is presented as an enhancement to the basic financial statements, notes to the financial statements, and required supplementary information Information in this section is useful in assessing the District's overall financial condition.

FINANCIAL TRENDS

These schedules present trend information to help the reader understand how the District's financial position has changed over time.

REVENUE CAPACITY

These schedules contain information to guide the reader in assessing the District's primary source of revenue, electric sales.

DEBT CAPACITY

These schedules present historical information about the affordability of the District's debt burden.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and economic information contained in these schedules illustrate the setting in which the District conducts business.

OPERATING INFORMATION

These schedules contain historical service and infrastructure data useful in assessing the District's activities and their relationship to the information in the District's financial report.

SCHEDULE OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31

	2020	2019	2018
OPERATING REVENUES			
Retail Energy Sales	$82,662,504	$84,248,908	$81,797,071
Broadband Revenue	2,016,423	1,880,779	1,671,791
Sales for Resale	7,872,328	10,342,134	12,755,537
Other Electric Revenue	92,000	98,000	100,800
Other Operating Revenues	343,631	545,339	539,940
TOTAL OPERATING REVENUES	92,986,886	97,115,160	96,865,139
OPERATING EXPENSES			
Power Supply[1]	58,906,962	66,963,594	63,035,372
System Operations & Maintenance	4,913,024	5,204,505	5,667,060
Broadband Operations & Maintenance	596,804	546,217	485,574
Customer Accounting & Information	2,441,185	2,483,621	2,464,239
Administrative & General Expense	6,812,814	5,806,805	5,489,306
Taxes	4,679,733	4,760,344	4,749,889
Depreciation	7,739,256	7,437,092	7,363,965
TOTAL OPERATING EXPENSES	86,089,778	93,202,178	89,255,405
NET OPERATING (EXPENSE)/REVENUE	6,897,108	3,912,982	7,609,734
NONOPERATING REVENUES (EXPENSES)			
Interest Income	280,382	609,441	465,544
Interest, Amortization and Bond Issuance Costs[2]	(2,337,195)	(2,018,856)	(2,070,025)
COVID-19 Non-Grant Revenue	481,028		
COVID-19 Non-Grant Expense	(381,028)		
Other Nonoperating Revenue (Expense)	96,143	(31,436)	(325,715)
TOTAL	(1,860,670)	(1,440,851)	(1,930,197)
OTHER CHANGES IN NET POSITION			
Capital Contributions	2,900,122	3,780,105	2,543,773
Special Item		(1,000,000)	
TOTAL CHANGE IN NET POSITION	7,936,560	5,252,236	8,223,310
NET POSITION			
Net Investment in Capital Assets	97,294,189	96,113,810	88,939,977
Restricted[1]	2,786,732	1,671,315	3,914,649
Unrestricted[2,3]	31,301,056	25,660,292	25,338,555
TOTAL NET POSITION	$131,381,977	$123,445,417	$118,193,181

1) Certain amounts have been reclassified to conform to the current year presentation.

2) Governmental Accounting Standards Board Statement No. 65 was implemented effective 2013 classifying debt issuance costs as expense when incurred. 2012 was restated for comparative purposes in the financial statements.
2011 was restated for comparative purposes and the cumulative effect of $(1,283,107) has been applied to Net Position.

3) Governmental Accounting Standards Board Statement No. 68 was implemented effective 2015 recording the District's proportionate share of State pension amounts.
2014 was restated for comparative purposes and the cumulative effect of ($7,841,995) has been applied to Net Position.

2017	2016	2015	2014 as restated	2013	2012 as restated	2011 as restated
$80,670,148	$73,894,581	$75,121,236	$74,003,036	$70,510,591	$64,731,883	$64,223,925
1,486,057	1,358,933	1,457,290	1,096,225	1,126,104	773,295	692,344
6,855,980	7,970,459	9,256,768	12,051,753	8,965,265	7,289,135	7,102,867
89,260	132,478	68,229	179,078	47,384	67,075	75,424
432,141	484,693	496,287	358,286	469,021	504,368	362,747
89,533,586	83,841,144	86,399,810	87,688,378	81,118,365	73,365,756	72,457,307
57,804,660	57,475,326	58,299,865	58,573,957	54,427,647	49,332,150	44,376,498
4,840,509	3,819,269	3,680,766	3,732,851	4,002,534	3,920,438	3,617,829
343,799	258,317	283,743	279,119	240,929	240,184	403,627
2,353,652	1,747,416	1,757,472	1,814,313	1,527,148	1,517,748	1,461,454
5,873,726	7,390,042	6,878,866	6,814,262	6,597,487	6,283,650	5,976,327
4,973,711	5,138,588	5,268,784	5,246,807	5,304,774	4,685,698	4,565,185
6,866,123	6,579,684	6,366,029	6,004,302	6,595,192	6,360,582	6,059,197
83,056,180	82,408,642	82,535,525	82,465,611	78,695,711	72,340,450	66,460,117
6,477,406	1,432,502	3,864,285	5,222,767	2,422,654	1,025,306	5,997,190
244,147	123,991	76,330	56,170	58,716	95,128	65,549
(2,133,021)	(2,806,788)	(2,884,549)	(3,023,280)	(2,802,736)	(2,358,967)	(2,501,539)
118,245	121,967	107,782	220,549	229,853	322,082	146,647
(1,770,629)	(2,560,830)	(2,700,437)	(2,746,561)	(2,514,167)	(1,941,757)	(2,289,343)
2,219,725	2,855,788	2,787,707	3,119,480	1,956,989	2,786,887	2,731,640
(3,000,000)		(3,000,000)				
3,926,502	1,727,460	951,555	5,595,686	1,865,476	1,870,436	6,439,487
83,468,127	80,591,206	70,465,479	70,054,868	70,618,709	78,659,916	71,626,137
3,914,649	3,914,649	3,142,483	3,142,483	3,142,483		
22,587,094	21,537,513	30,707,946	30,167,002	31,849,470	25,085,270	30,248,613
$109,969,870	$106,043,368	$104,315,908	$103,364,353	$105,610,662	$103,745,186	$101,874,750

REVENUES AND CONSUMPTION BY CUSTOMER CLASS
FOR THE YEARS ENDED DECEMBER 31

	2020	2019	2018	2017
RETAIL ELECTRIC SALES				
Residential	$35,527,575	$35,970,844	$34,672,340	$35,242,145
General and Industrial	37,888,344	39,852,260	38,250,963	37,242,986
Small Irrigation	4,653,550	4,342,001	4,544,648	4,258,328
Large Irrigation	4,321,284	3,762,041	4,014,032	3,601,798
Street Lighting	182,496	231,809	225,128	234,957
Security Lighting	89,255	89,953	89,960	89,934
TOTAL	$82,662,504	$84,248,908	$81,797,071	$80,670,148
RETAIL ELECTRIC SALES (MWh)				
Residential	367,612	381,010	357,358	380,711
General and Industrial	533,437	575,989	554,369	551,076
Small Irrigation	70,345	63,428	68,285	63,090
Large Irrigation	64,814	57,816	61,776	56,626
Street Lighting	2,147	2,727	1,045	3,129
Security Lighting	582	588	593	599
TOTAL	1,038,937	1,081,558	1,043,426	1,055,231
RETAIL ELECTRIC LOAD PERCENTAGE				
Residential	35.4%	35.2%	34.2%	36.1%
General and Industrial	51.3%	53.3%	53.1%	52.2%
Small Irrigation	6.8%	5.9%	6.5%	6.0%
Large Irrigation	6.2%	5.3%	5.9%	5.4%
Street Lighting	0.2%	0.3%	0.1%	0.3%
Security Lighting	0.1%	0.1%	0.1%	0.1%
TOTAL	100.0%	100.0%	100.0%	100.0%
REVENUE PER KWH (Cents)				
Residential	9.66	9.44	9.70	9.26
General and Industrial	7.10	6.92	6.90	6.76
Small Irrigation	6.61	6.85	6.66	6.75
Large Irrigation	6.67	6.51	6.50	6.36
Street Lighting	8.50	8.50	21.54	7.51
Security Lighting	15.34	15.30	15.17	15.01
TOTAL	7.96	7.79	7.84	7.64
NUMBER OF ACCOUNTS				
Residential	27,599	26,969	26,119	25,517
General and Industrial	3,709	3,620	3,524	3,460
Small Irrigation	828	828	823	821
Large Irrigation	76	73	73	73
Street Lighting	39	56	54	47
TOTAL	32,251	31,546	30,593	29,918

(1) As of 2011 the District has included the Basic energy charge in Retail Energy Sales.

2016	2015	2014	2013	2012	2011[1]
$30,751,621	$30,772,955	$30,573,381	$29,709,164	$27,962,396	$26,124,424
35,011,340	35,701,569	35,038,905	33,006,390	29,759,365	31,298,121
4,208,177	4,311,667	4,125,092	3,797,756	3,493,096	3,312,697
3,596,505	4,004,706	3,869,279	3,618,056	3,121,575	3,067,506
236,036	241,178	316,932	301,098	318,531	346,478
90,902	89,161	79,447	78,127	76,920	74,699
$73,894,581	$75,121,236	$74,003,036	$70,510,591	$64,731,883	$64,223,925
337,391	336,228	349,204	350,167	336,205	335,005
529,445	558,860	543,356	534,717	523,009	519,647
68,740	76,148	74,444	66,976	64,969	64,764
59,864	67,087	66,563	63,176	56,688	57,427
5,328	5,277	4,717	4,638	4,201	4,467
640	634	600	595	592	580
1,001,408	1,044,234	1,038,884	1,020,269	985,664	981,890
33.7%	32.2%	34.1%	33.8%	34.7%	33.3%
52.9%	53.5%	52.9%	53.1%	51.4%	51.7%
6.9%	7.3%	6.6%	6.6%	7.0%	7.6%
6.0%	6.4%	5.8%	6.0%	6.4%	6.9%
0.5%	0.5%	0.5%	0.5%	0.4%	0.4%
0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
9.11	9.15	8.76	8.48	8.32	7.80
6.61	6.39	6.45	6.17	5.69	6.02
6.12	5.66	5.54	5.67	5.38	5.12
6.01	5.97	5.81	5.73	5.51	5.34
4.43	4.57	6.72	6.49	7.58	7.76
14.20	14.06	13.24	13.13	12.99	12.88
7.38	7.19	7.12	6.91	6.57	6.54
25,026	24,569	24,117	23,797	23,435	23,059
3,429	3,381	3,348	3,293	3,272	3,224
820	828	829	830	809	799
72	72	71	69	69	66
44	46	42	38	38	38
29,391	28,896	28,407	28,027	27,623	27,186

RETAIL RATES, ALL CLASSES
FOR THE YEARS ENDED DECEMBER 31

All amounts shown in dollars ($)

	2020	2019	2018	2017 [(4)]
Residential				
Monthly Basic Charge (Single Phase)	34.00	34.00	34.00	34.00
Monthly Basic Charge (Three Phase)	58.72	58.72	58.72	58.72
Energy Charge	0.0673	0.0673	0.0673	0.0673
Small General				
Monthly Basic Charge	39.56	39.56	39.56	39.56
Energy Charge	0.0744	0.0744	0.0744	0.0744
Medium General				
Monthly Basic Charge	51.88	51.88	51.88	51.88
Demand Charge	8.26	8.26	8.26	8.26
Energy Charge, April - August	0.0364	0.0364	0.0364	0.0364
Energy Charge, September - March	0.0461	0.0461	0.0461	0.0461
Large General				
Monthly Basic Charge	69.26	69.26	69.26	69.26
Demand Charge	8.44	8.44	8.44	8.44
Energy Charge, April - August	0.0365	0.0365	0.0365	0.0365
Energy Charge, September - March	0.0455	0.0455	0.0455	0.0455
Industrial				
Monthly Basic Charge	486.70	486.70	486.70	486.70
Demand Charge	8.67	8.67	8.67	8.67
Energy Charge, April - August	0.0363	0.0363	0.0363	0.0363
Energy Charge, September - March	0.0456	0.0456	0.0456	0.0456
Small Irrigation				
Demand charge	5.15	5.15	5.15	5.15
Energy Charge, April - August	0.0321	0.0321	0.0321	0.0321
Energy Charge, September - March	0.0526	0.0526	0.0526	0.0526
Large Irrigation				
Demand charge	9.51	9.51	9.51	9.51
Energy Charge, April - August	0.0320	0.0320	0.0320	0.0320
Energy Charge, September - October	0.0437	0.0437	0.0437	0.0437
Energy Charge, November - March	0.0527	0.0527	0.0527	0.0527

(1) Rates shown were effective May 1, 2013. Rates effective January 1 through April 30 are shown in the 2012 column.

(2) Rates shown were effective May 1, 2014. Rates effective January 1 through April 30 are shown in the 2013 column.

(3) Rates shown were effective September 1, 2015. Rates effective January 1 through August 31 are shown in the 2014 column.

(4) Rates shown were effective May 1, 2017. Rates effective January 1 through April 30 are shown in the 2016 column.

2016	2015 [3]	2014 [2]	2013 [1]	2012	2011
34.00	34.00	22.09	21.45	11.45	11.45
58.72	58.72	38.15	37.04	19.77	19.77
0.0635	0.0635	0.0711	0.0690	0.0731	0.0731
38.00	38.00	29.86	28.99	23.26	23.26
0.0715	0.0715	0.0723	0.0702	0.0686	0.0686
49.84	49.84	48.57	47.16	44.96	44.96
7.93	7.93	7.73	7.5	7.15	7.15
0.0350	0.0350	0.0341	0.0331	0.0316	0.0316
0.0443	0.0443	0.0432	0.0419	0.0399	0.0399
66.53	66.53	64.83	62.94	161.78	161.78
8.11	8.11	7.9	7.67	7.31	7.31
0.0351	0.0351	0.0342	0.0332	0.0307	0.0307
0.0437	0.0437	0.0426	0.0414	0.0383	0.0383
467.53	467.53	455.61	442.34	421.68	421.68
8.33	8.33	8.12	7.88	7.51	7.51
0.0349	0.0349	0.0340	0.0330	0.0315	0.0315
0.0438	0.0438	0.0427	0.0415	0.0396	0.0396
4.95	4.95	4.5	4.37	4.17	4.17
0.0308	0.0308	0.0280	0.0272	0.0259	0.0259
0.0505	0.0505	0.0459	0.0446	0.0425	0.0425
9.14	9.14	8.91	8.65	8.43	8.43
0.0307	0.0307	0.0299	0.0290	0.0271	0.0271
0.0420	0.0420	0.0409	0.0397	0.0371	0.0371
0.0506	0.0506	0.0493	0.0479	0.0448	0.0448

PRINCIPAL RATEPAYERS
FOR THE YEARS ENDED DECEMBER 31

2020

Customer	Industry	kWh	Percentage of Total kWh	Retail Sales	Percentage of Total Retail Electric Sales
Commerical #1	Food Processing	121,332,687	11.7%	$7,602,406	9.2%
Commercial #2	Food Processing	36,924,480	3.6%	2,346,283	2.8%
Commercial #3	Agriculture	28,357,230	2.7%	1,936,369	2.3%
Commerical #4	Education	26,770,492	2.6%	1,958,109	2.4%
Commercial #5	Agriculture	23,285,909	2.2%	1,477,501	1.8%
Commercial #6	Education	23,073,381	2.2%	1,743,920	2.1%
Commerical #7	Food Processing	22,799,652	2.2%	1,406,387	1.7%
Commercial #8	Food Processing	21,901,703	2.1%	1,511,656	1.8%
Commercial #9	Corrections Facility	14,211,440	1.4%	865,864	1.0%
Commerical #10	Agriculture	9,696,860	0.9%	620,972	0.8%
		328,353,834	31.6%	$21,469,467	26.0%
Total All Ratepayers		1,038,937,000		$82,662,504	

Source: District Customer Information System

2011					
Customer	Industry	kWh	Percentage of Total kWh	Retail Sales	Percentage of Total Retail Electric Sales
Commerical #1	Food Processing	172,394,523	17.6%	$9,207,013	14.3%
Commercial #2	Food Processing	42,194,755	4.3%	2,568,204	4.0%
Commerical #3	Education	22,064,160	2.2%	1,678,881	2.6%
Commerical #4	City Government	26,194,205	2.7%	1,619,793	2.5%
Commerical #5	Food Processing	18,658,960	1.9%	1,067,271	1.7%
Commerical #6	Agriculture	18,679,945	1.9%	1,041,263	1.6%
Commerical #7	Food Processing	15,886,800	1.6%	993,889	1.5%
Commerical #8	Agriculture	15,652,380	1.6%	943,918	1.5%
Commerical #9	Corrections Facility	16,719,920	1.7%	891,501	1.4%
Commerical #10	Food Processing	11,198,680	1.1%	695,934	1.1%
		359,644,328	36.6%	$20,707,667	32.2%
Total All Ratepayers		981,890,000		$64,223,925	

DEBT CAPACITY INFORMATION
FOR THE YEARS ENDED DECEMBER 31

RATIOS OF OUTSTANDING DEBT

	2020	2019	2018	2017
Outstanding Revenue Bonds	$66,895,000	$51,277,875	$54,985,000	$58,245,000
Unamortized Premium & Discount	2,691,068	2,307,272	2,205,050	2,493,168
Other Long Term Debt				
Total Outstanding Debt	$69,586,068	$53,585,147	$57,190,050	$60,738,168
Total Debt to Total Assets	32%	27%	29%	31%
Total Debt per Ratepayer	2,158	1,699	1,869	2,030

DEBT SERVICE COVERAGE

Debt Service Calculation:

	2020	2019	2018	2017
Net operating income	$6,897,108	$3,912,982	$7,609,734	$6,477,406
Rate Stabilization Fund				
Depreciation	7,739,256	7,437,092	7,363,965	6,866,123
Other income	3,376,647	4,358,110	2,683,601	2,463,872
Revenue available for debt service	$18,013,011	$15,708,184	$17,657,300	$15,807,401
Annual debt service	$5,559,813	$5,574,581	$5,566,274	$5,555,992
Debt service coverage	3.24	2.82	3.17	2.85

2016	2015	2014 as restated	2013	2012 as restated	2011 as restated
$61,445,000	$59,929,999	$62,670,000	$65,225,000	$50,420,000	$53,855,000
2,800,939	1,590,823	1,684,524	1,778,225	2,175,796	1,854,113
			22,594	45,791	67,656
$64,245,939	$61,520,822	$64,354,524	$67,025,819	$52,641,587	$55,776,769
33%	32%	34%	36%	31%	33%
2,129	2,265	2,391	1,905	2,323	2,517
$1,432,502	$3,864,285	$5,222,767	$2,422,654	$1,025,306	$5,997,190
6,579,684	6,366,029	6,004,302	6,595,192	6,360,582	6,059,197
2,979,779	2,864,037	3,175,650	2,015,705	2,882,015	2,797,189
$10,991,965	$13,094,351	$14,402,719	$11,033,551	$10,267,903	$14,853,576
$5,709,970	$5,712,580	$5,703,945	$5,749,225	$5,962,394	$5,917,006
1.93	2.29	2.53	1.92	1.72	2.51

DEMOGRAPHIC AND ECONOMIC INFORMATION
FOR THE YEARS ENDED DECEMBER 31

	2020	2019	2018	2017
DEMOGRAPHIC STATISTICS				
Population [(1)]				
Franklin County	96,760	94,347	92,125	90,160
City of Pasco	77,100	75,290	73,590	71,680
Connell	5,500	5,500	5,460	5,450
Kahlotus	165	165	165	168
Mesa	495	495	495	495
Total Personal Income (in thousands) - Franklin County [(2)]	N/A	$3,800,000	$3,527,604	$3,278,454
Per Capita Income - Franklin County [(2)]	N/A	$39,526	$37,390	$35,587
Unemployment Rate - Franklin County [(3)]	7.4%	6.2%	7.7%	8.4%

(1) Source: Washington State Office of Financial Management

(2) Source: U.S. Bureau of Economic Analysis

(3) Source: Labor Market and Economic Analysis, Washington Employment Security Department

PRINCIPAL EMPLOYERS - TRI-CITIES METROPOLITAN STATISTICAL AREA [(4)]

For the years ended December 31

2020				
Company	Industry	Employees	Rank	Percentage of Total MSA Employment
Battelle/PNNL	Research/National Laboratory	4,700	1	3.4%
Kadlec Medical Center	Health Services	3,674	2	2.6%
Kennewick School District	Education	3,000	3/4	2.2%
Lamb Weston	Food Processing	3,000	3/4	2.2%
Washington River Protection Solutions	Environmental Remediation	2,971	5	2.1%
Mission Support Alliance	Support Services DOE Site	2,240	6	1.6%
Pasco School District	Education	2,288	7	1.6%
Richland School District	Education	1,900	8	1.4%
CH2M	Environmental Remediation	1,688	9	1.2%
Bechtel National	Engineering & Construction	1,450	10	1.0%

(4) Source: TRIDEC (Tri-City Development Council)

2016	2015	2014	2013	2012	2011
88,670	87,150	86,600	84,800	82,500	80,500
70,560	68,240	67,770	65,600	62,670	61,000
5,365	5,405	5,330	5,350	5,320	5,150
185	185	185	195	195	190
495	495	495	495	495	495
$3,186,131	$3,015,469	$2,742,073	$2,645,389	$2,589,898	$2,479,492
$35,339	$33,955	$31,228	$30,534	$30,169	$29,711
9.6%	9.4%	11.8%	11.0%	11.5%	10.9%

2011			
Company	Industry	Employees	Percentage of Total MSA Employment
Battelle/PNNL	Research/National Laboratory	4,890	3.8%
URS	Government	3,400	2.6%
CH2M Hill	Government	3,096	2.4%
Bechtel National	Government	2,897	2.3%
ConAgra	Food Processing	2,498	1.9%
Kadlec Medical Center	Health Services	2,242	1.7%
Washington River Protection Solutions	Government	1,670	1.3%
Washington Closure Hanford	Government	1,600	1.2%
Mission Support Alliance	Government	1,405	1.1%
Tyson Foods	Food Processing	1,300	1.0%

OPERATING INDICATORS
FOR THE YEARS ENDED DECEMBER 31

	2020	2019	2018	2017
Total Electric Sales (MWh)				
Retail	1,038,937	1,081,558	1,043,426	1,055,231
Sales for Resale	308,235	210,274	270,690	270,322
Total MWh sales	1,347,172	1,291,832	1,314,116	1,325,553
Annual Revenue per Account				
Residential	$1,287	$1,334	$1,328	$1,381
General and Industrial	$10,215	$11,009	$10,854	$10,764
Small Irrigation	$5,620	$5,244	$5,522	$5,187
Large Irrigation	$56,859	$51,535	$54,987	$49,340
Street Lighting	$4,679	$4,139	$4,137	$4,999
Annual kWh per Account				
Residential	13,320	14,128	13,682	14,920
General and Industrial	143,822	159,113	157,309	159,271
Small Irrigation	84,958	76,604	82,971	76,845
Large Irrigation	852,816	792,000	846,247	775,699
Street Lighting	55,051	48,696	19,204	66,574
Number of employees	95	99	99	103
Number of employees by function:				
Distribution	45	48	46	47
Production	0	0	0	0
Customer Relations	20	20	21	24
Administrative	30	31	32	32
Net Utility Plant	$144,107,622	$143,235,604	$142,134,353	$140,141,521
Utility System Reliability	99.99%	99.99%	99.99%	99.99%
Number of Customer Interruptions	278	220	210	189
CDDs [(1)]	1,209	1,112	1,221	1,347
HDDs [(1)]	4,576	5,655	4,668	5,618
Annual Precipitation (inches) [(1)]	4.07	9.31	6.43	8.60

(1) Source: Hanford Meteorological Station

2016	2015	2014	2013	2012	2011
1,001,408	1,044,234	1,038,884	1,020,269	985,664	981,890
281,635	355,794	389,295	289,220	335,643	247,770
1,283,043	1,400,028	1,428,179	1,309,489	1,321,307	1,229,660
$1,229	$1,253	$1,268	$1,248	$1,193	$1,133
$10,210	$10,559	$10,466	$10,023	$9,095	$9,708
$5,132	$5,207	$4,976	$4,576	$4,318	$4,146
$49,951	$55,621	$54,497	$52,436	$45,240	$46,477
$5,364	$5,243	$7,546	$7,924	$8,382	$9,118
13,482	13,685	14,480	14,715	14,346	14,528
154,402	165,294	162,293	162,380	159,844	161,181
83,829	91,966	89,800	80,694	80,308	81,056
831,444	931,764	937,507	915,594	821,565	870,106
121,091	114,717	112,310	122,053	110,553	117,553
102	100	99	94	94	97
48	47	47	44	45	48
0	0	0	0	0	1
20	21	21	18	18	17
34	32	31	32	31	31
$137,426,361	$131,018,797	$127,390,697	$123,210,127	$130,869,088	$127,381,041
99.99%	99.99%	99.99%	99.98%	99.99%	99.99%
242	217	216	260	242	190
1,099	1,534	1,426	1,318	1,057	884
4,396	4,228	4,611	5,297	4,940	5,467
7.65	6.48	6.53	5.38	8.18	4.45