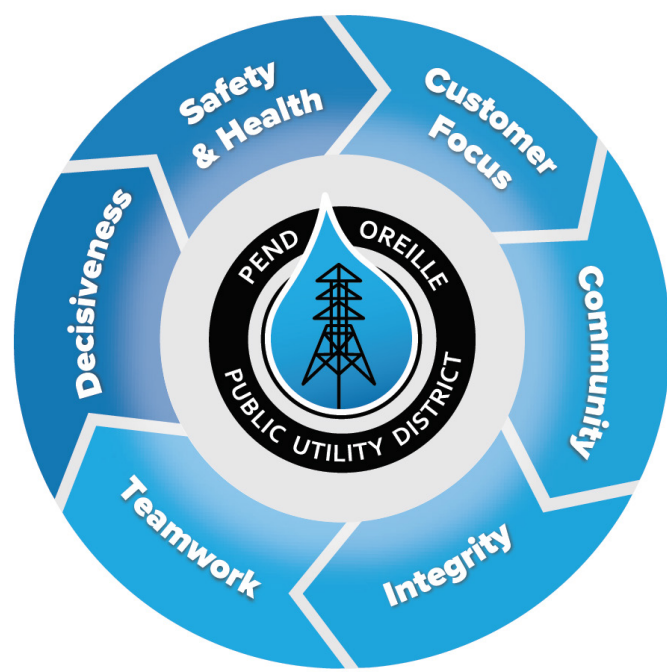


2023 Annual Report



Public Utility District No.1 of Pend Oreille County



Our Mission

Quality Service at Low Cost

Vision

“To be valued as a trusted and respected Public Utility District providing services our rural communities need.”

Core Values

Safety and Health

Share a commitment to protecting the safety and health of our employees, customers, and contractors in order to ensure a reliable workforce.

Customer Focus

Respect our customers, listen to their requests and understand their needs. Strive to exceed expectations with regard to reliable service and affordable cost.

Community

Help and improve the communities where we live and work through collaboration and volunteering.

Teamwork

Value diversity and work together to unite the District and its departments to better serve the community.

Integrity

Be guided by what is ethical and right and fulfill all commitments as a responsible steward of public assets. Foster open and honest communications, listen, and understand other perspectives.

Decisiveness

Make timely choices and necessary changes based on the best interests of the District and its customers.



What's Inside

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A Message From John Janney PUD General Manager

I am pleased to report another year of solid financial and operational results for Pend Oreille Public Utility District (PUD) in 2023. Before getting into those details, I want to take a moment to express my heartfelt gratitude to both the employees of the PUD and the residents of Pend Oreille County for welcoming me to this incredible community with open arms.

With the departure of PUD General Manager Colin Willenbrock in February 2023 and after an exhaustive nationwide search, our PUD Commissioners extended an offer to me, which I was thrilled to accept effective December 20, 2023. As your new General Manager, it is important to me to listen and connect with community leaders, the Kalispel Tribe, our everyday customers and the various agencies we work with during this transformative era. It is a great honor to serve our Pend Oreille County customers as your PUD General Manager.

The quality of the team here at the PUD is reflected both in the high-quality service that we maintain in our daily operations, and in the important accomplishments that were achieved during 2023. Our responsive employees work tirelessly to both avoid outages and to keep our outage times to a minimum in a highly treed territory. We continue to maintain high-speed broadband to several thousand customers, providing remote access for our rural community, and we also provide safe drinking water to several river communities throughout the County.

During 2023, our employees successfully mitigated overspeed events at our Box Canyon Hydroelectric Project, identifying and repairing the root cause, and implementing action plans to safely operate one of our most important assets. Our PUD also replaced approximately 5,100 feet of water piping for the Metaline Falls Water System, partnering with the Town of Metaline Falls through the grant process for this project and improving the reliability

of our water system. We partnered with both the City of Newport to complete a recreation area within the city, and the Town of Metaline Falls to install the town's first electric vehicle charging station. Our employees successfully negotiated a new six-month contract with our largest industrial customer, creating win-win opportunities while safeguarding assets for all customers in the County.

I would like to encourage readers to review the pages that follow, in particular, the Management Discussion and Analysis section which provides valuable insights into important financial and operational aspects of our PUD. These financial statements and accompanying narratives highlight the professionalism and expertise of our finance staff, who also navigated our PUD through another clean independent financial statement audit.

Finally, I want to share an objective observation as the new General Manager about the unique role that our one-of-a-kind PUD

plays here in the local community. In the world of public utility districts, some would consider us to be a relatively "small" PUD. Yet our utility is as complex as most of the largest public utilities in our region. "Small" PUDs in the region traditionally provide primarily electric distribution services while obtaining most or all of their electric supply from the Bonneville Power Administration. In Pend Oreille County, due to the foresight and planning of those visionary founders and leaders who came before us, we have been blessed with the ability to self-supply much of our own electric needs from our Box Canyon and Calispell Creek generating stations, as well as our allocation of power from Boundary Dam. Our customers also benefit from our interconnected electric transmission and distribution lines and fiber optic systems that deliver power and telecommunication services within and outside our county. Nine of our local communities also benefit from water systems offered by the PUD.

These resources continue to allow our PUD to provide a myriad of services to our local customers at relatively affordable rates. While customers of other utilities have experienced double-digit rate increases in recent years, our talented, resourceful, and dedicated employees and PUD Commissioners have thus far managed through an inflationary period not seen since the early 1980's while avoiding large rate increases for our customers. Our electric rates have continued to remain among the lowest rates in Washington State and in the nation, yet we cannot take this strong track record for granted.

We must not lose sight of the rapid change and increasing cost pressures our entire industry is facing. The pace of change is much higher today than I've experienced in my 25+ years serving in the energy and utility industry, with seemingly no end in sight. Turbulent and tightening federal and state regulations, supply-side cost increases, tightening contractor and labor

markets, and mitigation measures for disruptive forces and events (natural, legal, regulatory) are all increasing cost pressures on our PUD. Our PUD Commissioners and staff recognize the financial impact that utility bills have on our customers, and we will continue our efforts to be good stewards of your money.

I am especially thankful for our dedicated and talented employees and our community-minded elected Commissioners. We are well-positioned as a team to face the challenges ahead of us while continuing to provide the reliable and affordable utility services our customers have come to expect from their PUD in the months and years ahead.

Respectfully,



John Janney
General Manager

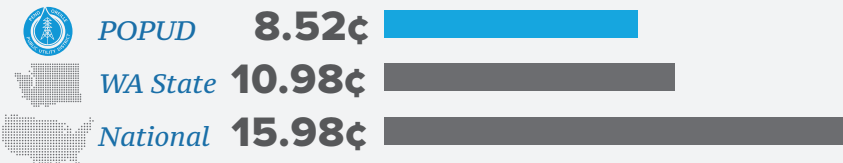


HIGHLIGHTS OF 2023

Electric System

Electric Customers **10,008** Electric Sales MWh **695,193** New Service Requests **160**

Average Residential Rate Comparison in Cents per kWh



CN System

Fiber End-Users **2,741**

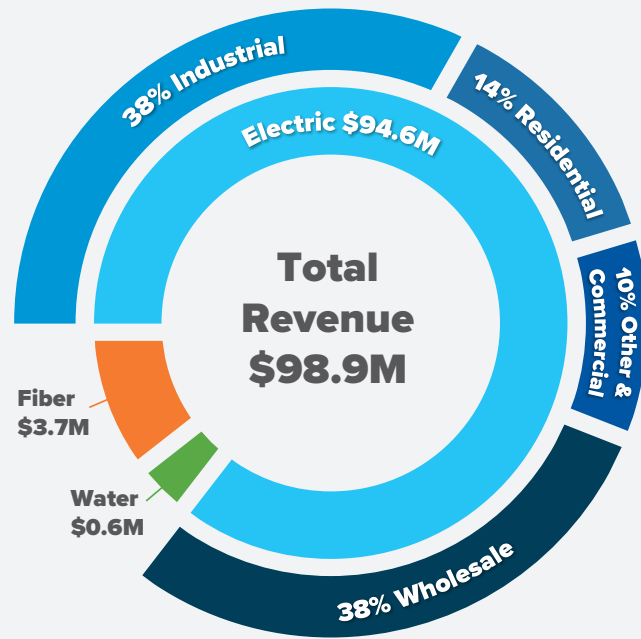
Wireless End-Users **102**

New Service Requests **102**

About the Pend Oreille PUD

Pend Oreille Public Utility District was established in 1936 and began operations in 1948. The PUD is governed by three locally elected Commissioners each serving six-year terms. Commissioners represent their respective districts and are responsible for making policy decisions for the utility. A General Manager and staff operate the utility within policies set by the Board.

The PUD has four operating systems: The electric system distributes electricity to the county, the production system produces power from the Box Canyon Hydroelectric Project, the water system consists of nine individual water distribution subdivisions, and the community network system provides wholesale broadband communication services.



Water System

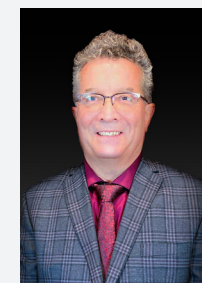
Water Customers **607** Water Divisions **9** Water Usage in Gallons **27,370,275**

Box Canyon Hydroelectric Project

MWh Generated **382,919** Mill Rate **\$51.57**



Board of Commissioners



David W. Rick
Secretary

Represents District No. 3
Served Since 2023



Curtis J. Knapp
President

Represents District No. 2
Served Since 2002



Joseph B. Onley
Vice President

Represents District No. 1
Served Since 2019

General Manager John Janney

On December 19, 2023, the Board of Commissioners appointed John Janney as the PUD's General Manager.



Janney was selected by the Board after an extensive national search that began after Colin Willenbrock left for a new position in February 2023. Janney brings to the position over 30 years of experience in the energy, utility, and banking sectors and has worked in a variety of roles. He has an extensive public utility background as he has served as Chelan County PUD's General Manager as well as both Grant and Klickitat County PUD's Chief Finance Officer. Janney has a master's degree in finance from Boston College and a Bachelor of Science degree in business from the University of Montana.

Customers Enrolled in Programs

SmartHub Accounts 6,474 **Budget Billing** 1,045

Paperless Billing 2,793 **AutoPay** 3,515

Operation Round Up 425

Assistance Funds Awarded

Neighbors in Need \$19,000 These assistance programs help families experiencing financial hardship with their utility bills.

Low-Income Senior Discount \$2,810 The Neighbors in Need campaign funds are raised through donation. The Low-Income Senior Discount is a fund established by the District.

Customers Helped 123 In total, 123 customers were helped through assistance funding.

Report of Independent Auditors

The Board of Commissioners
Public Utility District No. 1 of Pend Oreille County
Newport, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Public Utility District No. 1 of Pend Oreille County, Washington (the District), which comprise the District's combined statements of net position as of December 31, 2023 and 2022, the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years ended December 31, 2023 and 2022, the individual statements of net position of the Electric, Box Canyon Production, Water, and Community Network Systems as of December 31, 2023, and the related individual statements of revenues, expenses, and changes in net position and cash flows for the Electric, Box Canyon Production, Water, and Community Network Systems for the year ended December 31, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the combined financial position of the District as of December 31, 2023 and 2022, and the individual financial positions of the Electric, Box Canyon Production, Water, and Community Network Systems for the year ended December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that accompanying management's discussion and analysis, schedule of proportionate share of net pension liability (asset), and schedule of employer contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules of Electric System – revenue, customer, and energy statistics, Electric System – senior lien parity debt service coverage, Box Canyon Production System – senior lien parity debt service coverage, and Community Network System – senior lien parity debt service coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of 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 solely 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 the effectiveness of District's 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 District's internal control over financial reporting and compliance.



Everett, Washington
March 29, 2024

The financial management of Public Utility District No. 1 of Pend Oreille County, Washington (the District) offers readers of these financial statements this overview and summary analysis of the financial activities of the District for the years ended December 31, 2023, 2022, and 2021. This discussion and analysis is designed to be used in conjunction with the financial statements and notes, which follow this section.

Profile

Pend Oreille County (the County) is located in the northeast corner of Washington State, bordered on the north by Canada and the east by the state of Idaho. The County is traversed by the Pend Oreille River, which is the second largest river in the State. Most of the County's land area consists of private timber holdings, the Kalispel Indian Reservation, and the Colville National Forest. Historically, the region's economy has been primarily based on forest and mineral resources. The major land use activity in the area is agriculture, forestry and recreation. The City of Newport serves as the County seat and is the largest city in the County. Other incorporated areas of the County include the towns of Cusick, Lone, Metaline and Metaline Falls.

Overview of the Financial Statements

The financial section of the annual report includes the report of independent auditors, management's discussion and analysis, basic financial statements with accompanying notes, and required supplementary information (unaudited).

The financial statements of the District report the self-supporting, proprietary activities of the District funded primarily by the sale of power, water, and telecommunication services. The District reports the business-type activities in a manner similar to private-sector business enterprises, using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

The District's proprietary reporting entity consists of four primary component units, or operating systems. The Electric System distributes electricity to residential and other consumers in Pend Oreille County. The Box Canyon Production System produces hydroelectric power from the Box Canyon Hydroelectric Project. The Water System consists of nine individual water distribution subdivisions. The Community Network System supplies wholesale broadband communication services. The financial statements are reported in a combined format, meaning that each of the primary component units is reported in a columnar approach, which are combined into a District-wide total.

The combined statements of net position present information on the District's assets, liabilities, deferred outflows and inflows of resources, and net position (equity) of the District at year end. The net position section is separated into three categories: net investment in capital assets, net position – restricted, and net position – unrestricted.

The combined statements of revenues, expenses, and changes in net position report revenues and expenses, as well as change in net position for the period. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction.

The combined statements of cash flows provide information concerning cash receipts and disbursements during the reporting period resulting from operational, financing, and investing activities.

The notes to the combined financial statements provide additional information that is essential to a full understanding of the financial statements, as described above, and are an integral part thereof.

Financial Analysis

During 2023, the District's overall financial position improved. Total net position for the District increased \$17,292,607 from \$167,530,713 in 2022 to \$184,823,320 in 2023. Primary drivers of the increase include strong retail sales with level operating costs and favorable investment rate conditions in 2023. The District earned \$2.7 million more in interest income in 2023 than it did in 2022, and over \$3.5 million more than 2021. Interest is allocated across Systems based on fund balances.

Combined Statements of Net Position

as of December 31	2023	2022	2021
Assets and Deferred Outflows of Resources			
Current assets	\$ 110,407,559	\$ 96,575,890	\$ 90,995,559
Other assets	44,437,472	44,880,945	45,238,592
Net utility plant	238,860,476	241,708,309	245,343,030
Total assets	393,705,507	383,165,144	381,577,181
Deferred outflows of resources	2,868,344	3,111,089	1,414,949
Total assets and deferred outflows of resources	\$ 396,573,851	\$ 386,276,233	\$ 382,992,130
Liabilities and Deferred Inflows of Resources			
Current liabilities	\$ 25,718,309	\$ 23,540,285	\$ 22,793,778
Other liabilities	49,695,277	52,893,500	50,007,223
Long-term debt	133,962,931	139,871,613	145,684,419
Total liabilities	209,376,517	216,305,398	218,485,420
Deferred inflows of resources	2,374,014	2,440,122	6,892,940
Total liabilities and deferred inflows of resources	\$ 211,750,531	\$ 218,745,520	\$ 225,378,360
Net position			
Net investment in capital assets	\$ 104,311,645	\$ 100,702,789	\$ 99,554,876
Restricted	30,022,616	28,975,849	26,688,842
Unrestricted	50,489,059	37,852,075	31,370,052
Total net position	\$ 184,823,320	\$ 167,530,713	\$ 157,613,770

Combined Statements of Revenues, Expenses, and Changes in Net Position

for the Year Ended December 31	2023	2022	2021
Operating Revenues			
Sales to retail customers	\$ 59,180,158	\$ 44,152,938	\$ 25,414,409
Sales to other utilities	35,880,650	37,006,292	30,177,934
Other	2,701,831	2,451,864	1,860,350
Total operating revenues	\$ 97,762,639	\$ 83,611,094	\$ 57,452,693
Operating Expenses			
Power costs	\$ 44,191,021	\$ 36,088,935	\$ 17,919,969
Operations, maintenance, and administrative	20,952,358	19,267,058	15,714,760
Taxes and depreciation	14,879,131	13,842,316	11,727,772
Total operating expenses	\$ 80,022,510	\$ 69,198,309	\$ 45,362,501
Nonoperating Revenues (Expenses)			
Interest income	\$ 3,596,115	\$ 837,464	\$ 45,180
Interest expense	(5,203,273)	(5,337,459)	(5,464,685)
Other	1,159,636	4,153	622,985
Total nonoperating revenues (expenses)	\$ (447,522)	\$ (4,495,842)	\$ (4,796,520)
Change in Net Position	\$ 17,292,607	\$ 9,916,943	\$ 7,293,672

Electric System

The District's Electric System distributes electricity to approximately 10,000 meters, including 852 commercial customers and 10 industrial customers. The District generates power from District-owned Box Canyon Dam and Calispel Powerhouse, and during 2023 purchased power from Bonneville Power Administration, Seattle City Light, Shell Energy North America (US), L.P. (Shell) and Avista Corporation, in addition to other isolated transactions with market counterparties. Avista Corporation serves as the District's balancing authority.

Electric System Financial Data

as of December 31	2023	2022	2021
Total assets and deferred outflows of resources	\$ 141,336,369	\$ 125,611,243	\$ 116,299,071
Total liabilities and deferred inflows of resources	37,147,258	37,261,600	39,562,318
Net investment in capital assets	55,950,373	52,463,388	49,151,708
Restricted	14,619,472	13,837,732	12,816,969
Unrestricted	33,619,266	22,048,523	14,768,076
Total net position	\$ 104,189,111	\$ 88,349,643	\$ 76,736,753

Capital Assets

	2023	2022	2021
Transmission and distribution	\$ 129,587,492	\$ 126,091,816	\$ 123,773,395
Hydroelectric plant and equipment	1,525,945	1,525,945	1,525,945
General plant	8,983,412	8,983,412	4,420,834
Total utility plant in service	140,096,849	136,601,173	129,720,174
Construction work in progress	4,299,452	1,821,086	1,694,965
Total gross utility plant	\$ 144,396,301	\$ 138,422,259	\$ 131,415,139

Long Term Debt

	2023	2022	2021
Total debt outstanding	\$ 6,961,378	\$ 7,763,357	\$ 8,554,242

Changes in Net Position

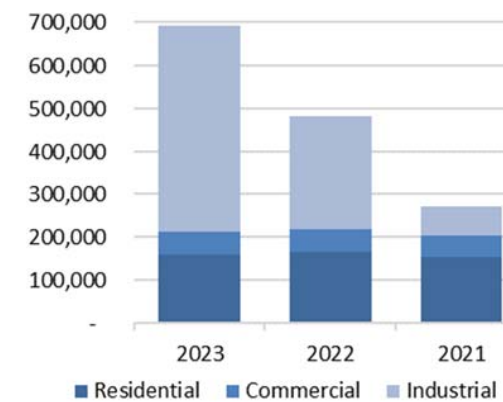
	2023	2022	2021
Operating revenues	\$ 94,565,028	\$ 80,468,585	\$ 54,144,713
Operating expenses	(81,008,202)	(69,066,506)	(45,283,173)
Nonoperating revenues (expenses)	2,282,642	210,811	135,326
Total change in net position	\$ 15,839,468	\$ 11,612,890	\$ 8,996,866

Total energy consumption for residential electric customers was 161,460 megawatt hours (MWh), slightly less than 2022's consumption of 164,534 MWh and up from 153,417 MWh in 2021. The District is a winter-peaking utility and variable winter temperatures impact residential electric load. The weather in 2023 was relatively mild, while December 2022 had a cold weather event that resulted in higher than average electric usage. 2021 was a relatively mild year.

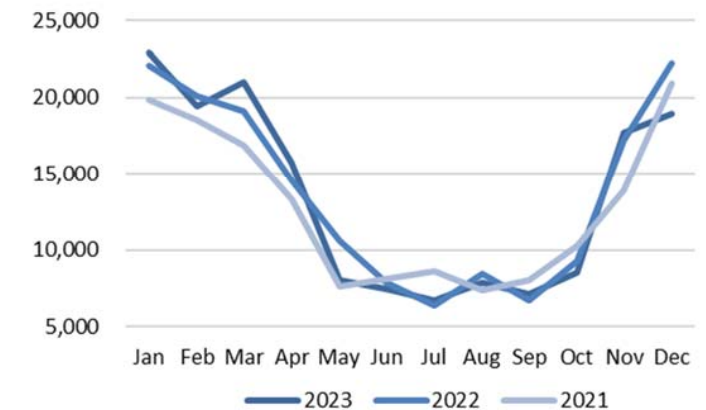
Residential Energy Statistics	2023	2022	2021
Customer growth	1.27%	1.88%	2.33%
Energy rate (cents per kWh)	6.23¢	6.23¢	6.12¢
Monthly system access charge	\$35.50	\$35.50	\$35.50
Average monthly usage (kWh)	1,472	1,557	1,468

The District last implemented an electric revenue increase effective January 1, 2022 for 1.25%. The average blended residential charge per kilowatt hour (kWh), including the monthly access fixed charge, was 8.52 cents per kWh compared to 8.47 cents and 8.46 cents per kWh in 2022 and 2021, respectively. The United States average residential retail price in 2023 per the U.S. Energy Information Administration was 15.98 cents per kilowatt hour.

MWh Usage by Customer Class



Monthly Residential Usage in MWh

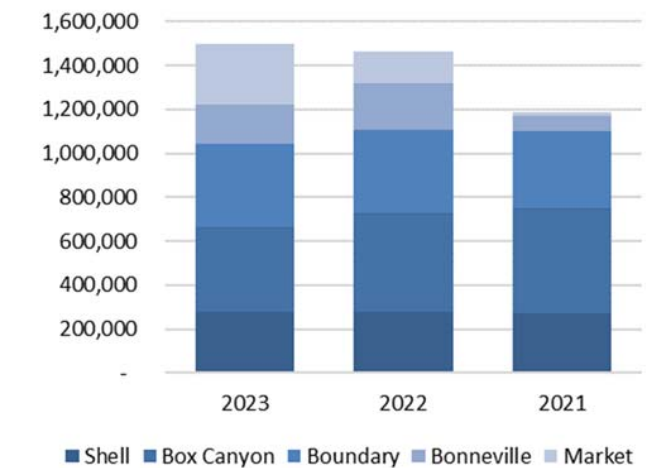


The District's largest industrial customer, Cascade Digital Mining, LLC (Cascade) accounted for 61% of the District's energy retail sales in 2023. Cascade began digital mining operations in Pend Oreille County in 2021 averaging 5 MW of energy consumption in 2021, 23 MW in 2022, and 48 MW in 2023.

Power is provided to Cascade as a combination of District resources and market power and is generally purchased by the District in shaped monthly blocks. Cascade operates under a cost-based contract that expires March 31, 2024. Billings are prepaid and are further collateralized by a \$4.9 million letter of credit. Total energy sales to Cascade were \$31.9 million, \$17.3 million, and \$655 thousand for the years ended December 31, 2023, 2022, and 2021, respectively.

2023 completed the third operating year of the District's five-year contract with Shell. Under the contract, the District sells to Shell specified-source Box Canyon power, and power assigned to the District from Seattle City Light. The District purchases power from Shell to meet its forecasted monthly energy requirements. The net of the transactions result in fixed monthly payments from Shell to the District over the five-year contract period. Net payments under this agreement to the District were \$15.5 million, \$16.2 million and \$15.7 million for the years ended December 31, 2023, 2022 and 2021, respectively.

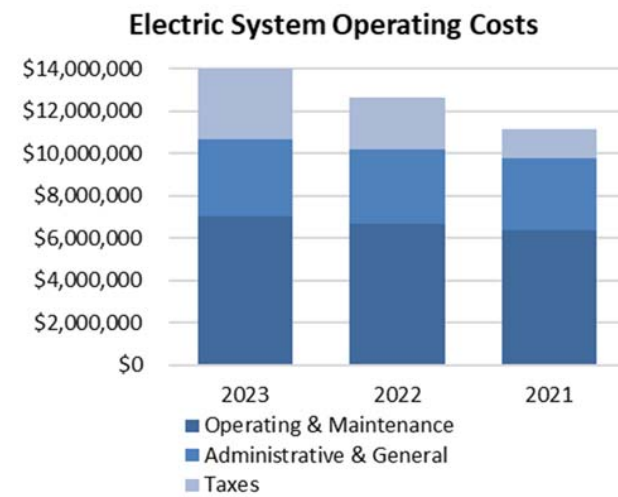
Power Purchases, in MWh



The District purchases power from Seattle City Light's Boundary Hydroelectric Project. Under the current agreement, the District receives power in monthly blocks shaped to the District's seasonal energy load, with

fixed payments that escalate annually through 2029. The cost per MWh was \$8.72 in 2023, \$8.22 in 2022, and \$8.31 in 2021.

The District received an average of 20.40 MW of power per hour from the Bonneville Power Administration (BPA) during 2023. The District receives power deliveries when the District's dedicated resources are determined to be insufficient to meet the District's total retail load for the upcoming October through September fiscal year. Variable industrial load forecasts impact the amount of BPA power that the District



receives from year to year. The District received an average of 23.85 MW of power per hour from BPA in 2022, and received an annual average of 7.36 MW in 2021, which only qualified for power deliveries for part of the year.

Overall Electric System operating costs have remained fairly consistent over the past three years. Utility taxes are based on gross revenue received and have increased in direct relation to the increase in industrial revenue during both 2022 and 2023. Operations, maintenance, administrative, and general expenses increased 4.6% in 2023 and 4.1% in 2022.

Ponderay Newsprint Company (PNC) formerly owned an industrial site within the District's service area and historically consumed approximately 70% of the District's electric load. In June 2020, PNC ceased operations and declared Chapter 7 bankruptcy. Shortly after closure, the District received \$10 million, representing the secured portion of the District's claim and filed a claim for \$22.2 million, representing the unsecured claim amount. In May 2023, the District received a partial interim distribution of \$3.3 million, representing approximately 70% of the total anticipated funds to be received against the District's unsecured claim. The District has deposited all funds received as unrestricted cash and has recorded a corresponding deferred revenue, and is amortizing the balance as revenue through December 2025.

The Electric System currently has one revenue bond outstanding with a final payment due January 1, 2031. The District's bond covenants require a debt service coverage ratio of at least 1.25, and the District has exceeded its bond covenants the last three years with ratios of 20.08, 16.13, and 13.12 for 2023, 2022, and 2021, respectively. The District funds a rate stabilization account, the amount of which may be classified as revenue for debt service coverage purposes in the event that the District's net operating revenues are insufficient to meet that year's debt service coverage bond covenant. The funding for this account moves cash from unrestricted to restricted; there is no deferred revenue associated with this account and it is used only for the calculation of debt service coverage. The balance in this account was \$10 million as of December 31, 2023, 2022, and 2021.

Box Canyon Production System

The Box Canyon Production System produces hydroelectric power from the Box Canyon Project, the output of which is sold to the Electric System. The Box Canyon Project is located on the Pend Oreille River, is licensed by the Federal Energy Regulatory Commission (FERC) and was completed in 1956. As a run-of-the-river project, Box Canyon uses water as it is available and has limited storage capability.

Revenues for the Box Canyon Production System are calculated based on the cash expenditures to operate the Project. This includes labor and materials required to run the facility, expenditures for environmental work related to the reservoir behind the Project, principal and interest on Box Canyon's debt service, and payments for capital expenditures.

Box Canyon Production System Financial Data

as of December 31	2023	2022	2021
Total assets and deferred outflows of resources	\$ 226,477,926	\$ 232,555,017	\$ 237,563,719
Total liabilities and deferred inflows of resources	171,116,636	178,204,071	182,014,944
Net investment in capital assets	25,310,326	24,838,226	25,179,681
Restricted	15,124,935	14,476,459	13,801,458
Unrestricted	14,926,029	15,036,261	16,567,636
Total net position	\$ 55,361,290	\$ 54,350,946	\$ 55,548,775

Capital Assets

	2023	2022	2021
Hydroelectric plant and equipment	\$ 195,698,633	\$ 194,905,222	\$ 194,872,852
General plant	14,040,497	14,040,497	14,040,497
Total utility plant in service	\$ 209,739,130	\$ 208,945,719	\$ 208,913,349
Construction work in progress	59,904	65,423	5,610
Total gross utility plant	\$ 209,799,034	\$ 209,011,142	\$ 208,918,959

Long Term Debt

	2023	2022	2021
Total debt outstanding	\$ 130,566,266	\$ 135,136,804	\$ 139,631,565

Changes in Net Position

	2023	2022	2021
Operating revenues	\$ 19,753,651	\$ 17,272,254	\$ 14,097,885
Operating expenses	(15,169,238)	(13,772,434)	(11,065,965)
Nonoperating revenues (expenses)	(3,574,069)	(4,697,649)	(5,158,183)
Total change in net position	\$ 1,010,344	\$ (1,197,829)	\$ (2,126,263)

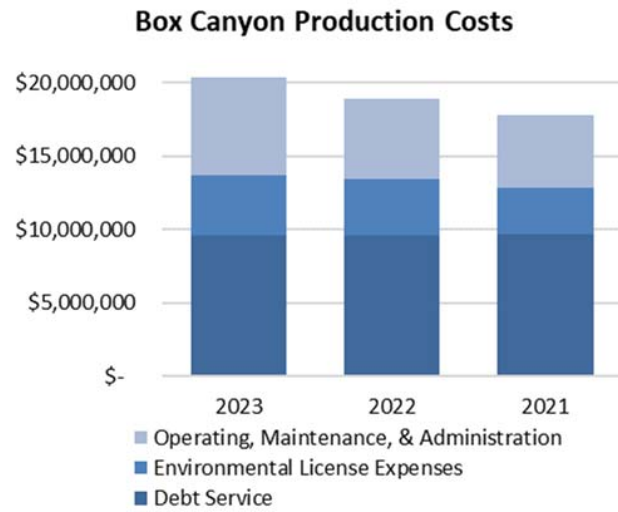
Local and regional snowpack, the length of the spring thaw, and summer heat all affect Pend Oreille River water levels and the amount of power that the Box Canyon Project can produce.

Box Canyon Production Statistics	2023	2022	2021
Annual generation in megawatt hours	382,919	450,197	475,133
Average generation in megawatt hours	43.71	51.39	54.24
Cost per megawatt hour	\$51.57	\$38.35	\$29.66
Peak generation in megawatts	79	81	85

The design and location of the Project necessitates the District to spill in high water conditions, which occurred in 2022. Box Canyon produced an annual average of 43.71 MW per hour in 2023, 51.39 MW per hour in 2022, and 54.24 MW per hour in 2021. Lower than average production at Box Canyon in 2023 was the result of poor water flow in the region during the year.

The Box Canyon Project experienced an unprecedented overspeed event in September 2022 when the Project's Unit 4 turbine accelerated to free-flow speeds. Upon investigation, it was determined that the event was due to a governor valve failure. During 2023, two of the remaining 3 units also experienced

issues with the governor valve, and the District has since replaced the valve on all four units. A number of rotor poles on Unit 4 were removed and repaired in early 2023, and the unit was placed back in service at the end of April. Total cost of the work was \$1.1 million. As these costs were repairs and did not extend the life of the units, they were not capitalized and were recorded as maintenance expense in 2023.



Operating expenses for the Box Canyon Production System include environmental work performed as required by FERC licensing conditions. The type and expense of environmental work will vary from year to year and consists of cultural studies, historical education, fisheries and stream-rehabilitation projects, recreation and wildlife projects, and water quality programs on the Pend Oreille River. Included in these expenses are annual payments to the Kalispel Tribe of Indians in the amount of \$2.3 million in 2023 and 2022 for environmental mitigation work on the Box Canyon Reservoir. Facilitated through a FERC license amendment and an off-license agreement, these payments are made in lieu of constructing

downstream fish passage facilities at Box Canyon Dam and fish passage facilities at the Calispell Creek Pumping Plant, and constitute more than 50% of the District's annual environmental expenditures.

The District began issuing bonds for the Box Canyon System in 2008 to fund construction projects included in the District's FERC license, including upgrade of the Box Canyon turbines, modifications to the Box Canyon spillway, and construction of an upstream fish passage facility which was completed in 2021. At December 31, 2023, the District had \$130.6 million in bond issuances outstanding, with final payment due in 2048. Principal and interest payments on the bonds accounted for 48.51%, 55.51%, and 68.81% of total Box Canyon production cost in 2023, 2022, and 2021, respectively.

The District's bonds are rated by Fitch Ratings and Moody's Investors Service. Fitch Ratings upgraded the District to an A rating with a stable outlook in July 2023, citing the District's risk mitigation through power sale agreements as a primary driver of the upgrade from the previous A- rating. Moody's Investor Service upgraded the District from a Baa2 rating to an A3 rating with a stable outlook in December 2023. Moody's Investor Service also attributed the upgrade to agreements that address wholesale market and hydrologic risk as well as the District's strong liquidity and financial metrics.

Water System

The District operates nine separate water systems throughout Pend Oreille County. The District is contractually obligated to maintain separate and distinct rates for each water system that reflect the individual system's costs.

Water System Financial Data

as of December 31	2023	2022	2021
Total assets and deferred outflows of resources	\$ 5,710,075	\$ 5,140,026	\$ 5,376,892
Total liabilities and deferred inflows of resources	744,586	723,497	838,323
Net investment in capital assets	5,045,691	4,527,279	4,649,277
Restricted	101,167	11,543	25,605
Unrestricted	(181,369)	(122,293)	(136,313)
Total net position	\$ 4,965,489	\$ 4,416,529	\$ 4,538,569

Capital Assets

	2023	2021	2020
Transmission and distribution	\$ 10,123,363	\$ 9,281,798	\$ 9,265,861
General plant	78,047	78,047	78,047
Total utility plant in service	10,201,410	9,359,845	9,343,908
Construction work in progress	45,631	153,865	109,922
Total gross utility plant	\$ 10,247,041	\$ 9,513,710	\$ 9,453,830

Long Term Debt

	2023	2021	2020
Total debt outstanding	\$ 273,785	\$ 292,664	\$ 340,313

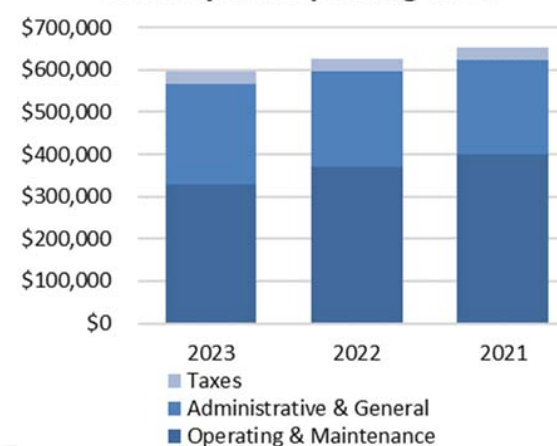
Changes in Net Position

	2023	2022	2021
Operating revenues	\$ 617,237	\$ 659,037	\$ 630,781
Operating expenses	(776,553)	(810,892)	(753,732)
Nonoperating revenues (expenses)	708,276	29,815	308,284
Total change in net position	\$ 548,960	\$ (122,040)	\$ 185,333

The District provides utility water service to approximately 600 customers. Metaline Falls is the only District-owned system that serves an incorporated town. At 197 customers, it is the largest of the water systems that the District serves. The remaining systems serve small communities primarily located on the Pend Oreille River.

Water System Statistics	Number of Meters	Monthly Basic Charge		
		2023	2022	2021
Metaline Falls	197	\$80.00	\$77.00	\$77.00
Sandy Shores	73	50.00	50.00	45.00
Riverbend	82	100.00	92.00	87.00
Greenridge	29	88.00	84.75	83.00
Riverview	59	75.00	65.00	50.00
Sunvale	67	60.00	60.00	52.50
Lazy Acres	36	59.00	56.00	53.00
Holiday Shores	32	60.00	55.00	51.00
Granite/Sacheen	32	89.00	84.50	83.00

Water System Operating Costs



The District replaced approximately 5,100 feet of water piping for the Metaline Falls water system in 2023. The District was awarded funding for this project in 2019 as a sub-recipient through the Town of Metaline Falls from a Washington State Department of Commerce Community Development Block Grant. Total cost of the project was \$838,732.

In 2022 and 2021, the District performed contracted Water Operator services to a water system owned by the town of Cusick. Cusick reimbursed the District for operations and administrative work performed, totaling \$68,926 and \$66,156 in other revenue for 2022 and

2021, respectively. The contract expired by its terms on December 31, 2022 and was not extended for the 2023 year.

The District reviews each Water System’s financial position each year with system representatives. Because each water system has a relatively small number of customers, capital projects, new debt, and even small repairs can necessitate a rate increase for a system.

Community Network System

The District began building a fiber optic based communications system in 1996 to allow high speed communications between the District’s electric equipment. The District subsequently extended use shortly thereafter to Pend Oreille County municipal customers, including schools, libraries, and hospital districts.

After receiving an American Recovery and Reinvestment Act grant in 2010, the District expanded its existing fiber backbone system with construction of fiber to individual homes and businesses in the southern part of Pend Oreille County. The District is currently a wholesale provider of broadband, and serves end users through local retail internet service providers.

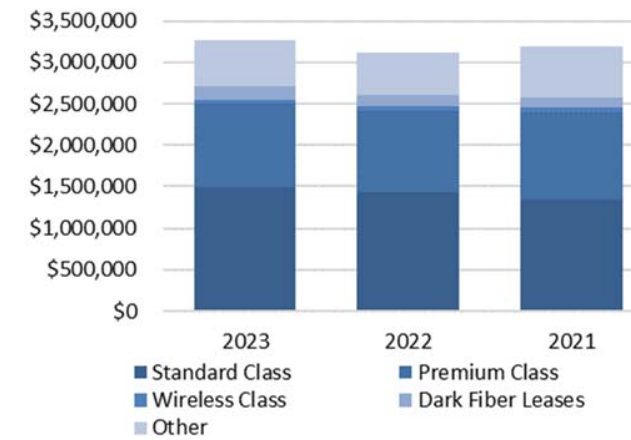
Community Network System Financial Data

as of December 31	2023	2022	2021
Total assets and deferred outflows of resources	\$ 25,269,101	\$ 25,362,364	\$ 26,334,381
Total liabilities and deferred inflows of resources	4,961,671	4,948,769	5,544,708
Net investment in capital assets	18,005,255	18,873,896	20,574,210
Restricted	177,042	332,547	44,810
Unrestricted	2,125,133	1,207,152	170,653
Total net position	\$ 20,307,430	\$ 20,413,595	\$ 20,789,673
Capital Assets	2023	2022	2021
Transmission and distribution	\$ 47,045,696	\$ 46,367,754	\$ 45,887,544
General plant	61,721	61,721	61,721
Total utility plant in service	47,107,417	46,429,475	45,949,265
Construction work in progress	406,712	244,363	128,008
Total gross utility plant	\$ 47,514,129	\$ 46,673,838	\$ 46,077,273
Long Term Debt	2023	2022	2021
Total debt outstanding	\$ 1,205,667	\$ 1,757,000	\$ 1,945,333
Changes in Net Position	2023	2022	2021
Operating revenues	\$ 3,670,957	\$ 3,415,707	\$ 3,688,136
Operating expenses	(3,912,751)	(3,752,966)	(3,368,453)
Nonoperating revenues (expenses)	135,629	(38,819)	(81,947)
Total change in net position	\$ (106,165)	\$ (376,078)	\$ 237,736

Standard class end users are residential and business customers that purchase basic broadband access through a Retail Service Provider. Premium class end users have greater bandwidth and a higher level of reliability and service response. Dark fiber leases allow access to the District’s fiber infrastructure while the customer provides electronics for system communication.

Community Network System Statistics	2023	2022	2021
Average fiber standard class end users	2,741	2,617	2,451
Average wireless class end users	102	123	134
Average premium class connections	57	61	57
Standard class customer growth	4.74%	6.77%	10.41%

Community Network System Revenues



The Community Network System continued to steadily grow during 2023, adding both new construction line extensions and installation of services to existing homes that had previously not received service. Contributions in aid of construction of \$349,611, \$243,272, and \$448,575 in 2023, 2022, and 2021, respectively, have offset costs of expanding fiber infrastructure. Expansion in the number of end users for the System has negated the need for rate increases for standard wholesale services.

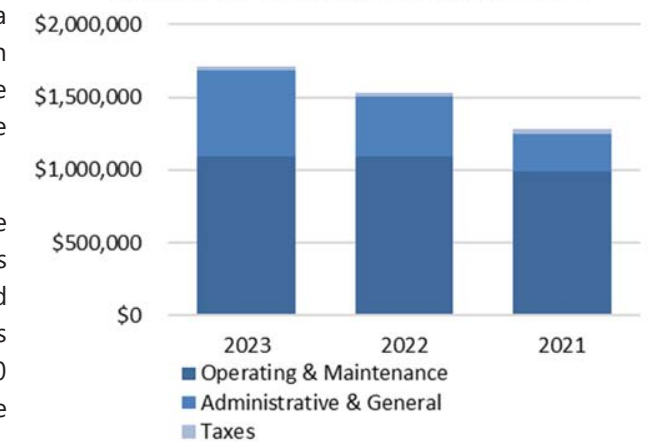
Operating expenses for the Community Network System have remained level over the past three years. As the System grows, so does the allocation

of administrative and general expenses under the District’s cost allocation methodology, which accounts for the increase of those expenses for the System over the last three years. Depreciation remains the largest component of operating expenses at \$2.30 million in 2023, \$2.31 million in 2022, and \$2.28 million in 2021.

In May 2023, the District loaned \$500,000 to Northwest Open Access Network (NoaNet), a Washington nonprofit mutual corporation of which the District is a member. The loan is payable in five annual payments, and interest accrues at the monthly Local Government Investment Pool rate.

The Community Network System holds a revenue bond with a bank. Issued in 2017, the debt was used to partially repay inter-system debt to fund capital improvements for the system. The bond has a balance as of December 31, 2023 of \$1,179,000 and is expected to be fully paid in four years. The Community Network System also carries an inter-system balance with the Electric System. This debt, which has a balance as of December 31, 2023 of \$26,667, was originally issued to the Electric System in 2005 for communication infrastructure. Payment of the debt was transferred to the Community Network System upon the System’s creation in 2010.

Community Network Operating Costs



Contacting the District’s Financial Management

The financial report is designed to provide interested parties with a general overview of the District’s finances and to demonstrate District accountability for the money it receives. For any questions about this report, or for additional or clarifying financial information, contact the District’s financial department as set forth on the last page of this Annual Report under Organizational Information—Corporate Office.

April D. Owen, CPA

Director of Finance/Auditor

Combined Statements of Net Position
Public Utility District No. 1 of Pend Oreille County

Assets and Deferred Outflows of Resources	Electric	Box Canyon	Water	Community	Combined Total	
	System	Production System	System	Network System	as of December 31, 2023	2022
Current Assets						
Cash and cash equivalents						
Unrestricted	\$ 41,289,994	\$ 15,518,568	\$ -	\$ 2,948,942	\$ 59,757,504	\$ 47,051,418
Restricted	23,248,281	7,062,490	-	-	30,310,771	30,049,217
Restricted short-term investments	1,011,411	10,342,058	-	-	11,353,469	10,820,985
Receivables						
Accounts and contracts, net	2,282,287	-	52,660	226,209	2,310,752	2,730,704
Other	2,225,779	222,926	-	143,946	2,592,651	2,383,126
Unbilled revenue	491,169	-	75,849	-	567,018	602,046
Materials and supplies	2,611,028	126	83,621	680,304	3,375,079	2,752,463
Prepaid expenses and other	103,865	36,450	-	-	140,315	185,931
Due from other systems	347,794	-	-	-	-	-
Total current assets	73,611,608	33,182,618	212,130	3,999,401	110,407,559	96,575,890
Noncurrent Assets						
Contracts and notes receivable	1,622,326	-	1,025	410,077	412,006	-
Leases receivable	-	-	-	1,034,708	1,034,708	-
Nonutility plant	4,240,613	-	-	-	4,240,613	4,413,833
Licensing costs - regulatory asset	-	36,220,971	-	-	36,220,971	38,034,968
Net pension asset	1,568,088	682,877	101,167	177,042	2,529,174	2,432,144
Total noncurrent assets	7,431,027	36,903,848	102,192	1,621,827	44,437,472	44,880,945
Utility Plant						
Land and land rights	7,760,021	789,950	77,305	61,721	8,688,997	8,688,997
Hydroelectric plant and equipment	1,525,945	195,698,633	-	-	197,224,578	196,431,167
Structures, buildings and equipment	129,587,492	-	10,123,363	47,045,696	186,756,551	181,741,368
Intangible assets	1,223,391	13,250,547	742	-	14,474,680	14,474,680
Construction work in progress	4,299,452	59,904	45,631	406,712	4,811,699	2,284,737
	144,396,301	209,799,034	10,247,041	47,514,129	411,956,505	403,620,949
Less accumulated depreciation and amortization	85,315,907	54,852,816	4,927,565	27,999,741	173,096,029	161,912,640
Net utility plant	59,080,394	154,946,218	5,319,476	19,514,388	238,860,476	241,708,309
Total assets	140,123,029	225,032,684	5,633,798	25,135,616	393,705,507	383,165,144
Deferred Outflows of Resources						
Deferred amount on refinancing debt	31,048	930,373	-	-	961,421	1,058,809
Deferred pension outflows	1,182,292	514,869	76,277	133,485	1,906,923	2,052,280
Total deferred outflows of resources	1,213,340	1,445,242	76,277	133,485	2,868,344	3,111,089
Total assets and deferred outflows of resources	\$ 141,336,369	\$ 226,477,926	\$ 5,710,075	\$ 25,269,101	\$ 396,573,851	\$ 386,276,233

See accompanying notes

Combined Statements of Net Position
Public Utility District No. 1 of Pend Oreille County

Liabilities, Deferred Inflows of Resources, and Net Position	Electric	Box Canyon	Water	Community	Combined Total	
	System	Production System	System	Network System	as of December 31, 2023	2022
Current Liabilities						
Accounts payable	\$ 3,195,860	\$ 157,237	\$ 28,686	\$ 6,692	\$ 3,388,475	\$ 2,588,895
Accrued compensation and benefits	2,140,864	-	-	-	2,140,864	2,031,966
Accrued taxes	1,390,785	81,935	2,347	1,908	1,476,975	1,268,160
Customer prepayments and deposits	4,229,614	-	7,334	346,240	4,583,188	4,636,502
Accrued bond interest	138,025	2,962,490	852	-	3,101,367	3,241,863
Current portion of long-term debt	713,333	4,100,000	15,165	189,000	5,017,498	5,038,212
Current portion of licensing cost liability and unearned revenue	3,261,290	2,699,064	-	299,992	6,009,942	4,734,687
Due to other systems	-	-	334,461	13,333	-	-
Total current liabilities	15,069,771	10,000,726	388,845	857,165	25,718,309	23,540,285
Other Liabilities						
Unearned revenue	14,324,073	-	-	1,893,221	14,609,206	15,420,262
Licensing costs liability	-	33,994,080	-	-	33,994,080	36,073,230
Net pension liability	677,034	294,838	43,680	76,439	1,091,991	1,400,008
Total other liabilities	15,001,107	34,288,918	43,680	1,969,660	49,695,277	52,893,500
Long-term Debt						
Revenue bonds	6,234,711	126,466,266	-	990,000	133,690,977	139,571,161
Other long-term debt	13,334	-	258,620	-	271,954	300,452
Due to other systems	-	-	-	13,334	-	-
Total long-term debt	6,248,045	126,466,266	258,620	1,003,334	133,962,931	139,871,613
Total liabilities	36,318,923	170,755,910	691,145	3,830,159	209,376,517	216,305,398
Deferred Inflows of Resources						
Deferred pension inflows	828,335	360,726	53,441	93,522	1,336,024	2,440,122
Deferred lease inflows	-	-	-	1,037,990	1,037,990	-
Total deferred inflows of resources	828,335	360,726	53,441	1,131,512	2,374,014	2,440,122
Net Position						
Net investment in capital assets	55,950,373	25,310,326	5,045,691	18,005,255	104,311,645	100,702,789
Restricted for						
Sullivan contract obligation	1,339,973	-	-	-	1,339,973	897,720
Debt service	1,711,411	14,442,058	-	-	16,153,469	15,645,985
Rate stabilization fund	10,000,000	-	-	-	10,000,000	10,000,000
Pensions	1,568,088	682,877	101,167	177,042	2,529,174	2,432,144
Total restricted	14,619,472	15,124,935	101,167	177,042	30,022,616	28,975,849
Unrestricted	33,619,266	14,926,029	(181,369)	2,125,133	50,489,059	37,852,075
Total net position	104,189,111	55,361,290	4,965,489	20,307,430	184,823,320	167,530,713
Total liabilities, deferred inflows of resources, and net position	\$ 141,336,369	\$ 226,477,926	\$ 5,710,075	\$ 25,269,101	\$ 396,573,851	\$ 386,276,233

See accompanying notes

Combined Statements of Revenue, Expenses, and Changes in Net Position
Public Utility District No. 1 of Pend Oreille County

Combined Statements of Revenue, Expenses, and Changes in Net Position	Public Utility District No. 1 of Pend Oreille County				Combined Total	
	Electric System	Box Canyon Production System	Water System	Community Network System	Year ended December 31, 2023 2022	
Operating Revenues						
Sales to retail customers	\$ 55,870,795	\$ -	\$ 599,595	\$ 2,709,768	\$ 59,180,158	\$ 44,152,938
Sales to other utilities	35,880,650	-	-	-	35,880,650	37,006,292
Intersystem sales	221,783	19,746,451	-	554,700	-	-
Contributed capital	1,971,954	-	-	349,611	2,321,565	1,767,509
Other	619,846	7,200	17,642	56,878	380,266	684,355
Total operating revenues	94,565,028	19,753,651	617,237	3,670,957	97,762,639	83,611,094
Operating Expenses						
Power costs	63,790,542	146,930	-	-	44,191,021	36,088,935
Operations and maintenance	7,045,224	8,599,248	328,471	1,089,389	16,103,292	14,666,101
Administrative and general	3,608,535	1,903,867	238,909	600,286	6,212,854	5,801,131
Taxes	3,388,319	87,335	29,926	20,048	3,525,628	2,599,479
Pension expense (credit)	(845,549)	(368,222)	(54,551)	(95,466)	(1,363,788)	(1,200,174)
Depreciation and amortization	4,021,131	4,800,080	233,798	2,298,494	11,353,503	11,242,837
Total operating expenses	81,008,202	15,169,238	776,553	3,912,751	80,022,510	69,198,309
Net operating revenues (expenses)	13,556,826	4,584,413	(159,316)	(241,794)	17,740,129	14,412,785
Nonoperating Revenues (Expenses)						
Interest income	2,032,340	1,407,088	1,468	176,964	3,596,115	837,464
Interest on debt	(162,224)	(5,427,010)	(3,574)	(56,318)	(5,649,126)	(5,844,886)
Subsidies on debt	-	445,853	-	-	445,853	507,427
Sullivan net revenue (expense)	261,533	-	-	-	261,533	(109,129)
Grant revenue	20,844	-	732,127	-	752,971	92,970
Other, net	130,149	-	(21,745)	14,983	145,132	20,312
Total nonoperating revenues (expenses)	2,282,642	(3,574,069)	708,276	135,629	(447,522)	(4,495,842)
Change in net position	15,839,468	1,010,344	548,960	(106,165)	17,292,607	9,916,943
Accumulated Net Position						
Beginning of year	88,349,643	54,350,946	4,416,529	20,413,595	167,530,713	157,613,770
End of year	\$ 104,189,111	\$ 55,361,290	\$ 4,965,489	\$ 20,307,430	\$ 184,823,320	\$ 167,530,713

See accompanying notes

Combined Statements of Cash Flows
Public Utility District No. 1 of Pend Oreille County

Combined Statements of Cash Flows	Public Utility District No. 1 of Pend Oreille County				Combined Total	
	Electric System	Box Canyon Production System	Water System	Community Network System	Year ended December 31, 2023 2022	
Cash Flows from Operating Activities						
Receipts from customers	\$ 59,113,120	\$ -	\$ 601,073	\$ 2,967,326	\$ 62,681,519	\$ 45,992,441
Receipts from other operating revenues	35,975,900	10,800	-	-	35,986,700	37,140,510
Payments to suppliers for goods and services	(48,999,863)	(6,864,990)	(303,348)	(132,379)	(56,300,580)	(47,125,282)
Payments to employees for services	(8,082,963)	(3,662,044)	(233,081)	(1,023,303)	(13,001,391)	(12,416,475)
Payments from (to) other systems	(19,692,252)	19,401,960	45,613	244,679	-	-
Net cash from operating activities	18,313,942	8,885,726	110,257	2,056,323	29,366,248	23,591,194
Cash Flows from Noncapital Financing Activities						
Receipts from nonoperating assets	426,995	-	-	-	426,995	57,952
Receipts from government agencies	135,221	-	-	14,983	150,204	-
Proceeds from grant funding	35,113	-	-	-	35,113	11,611
Intersystem financing	262,234	-	(20,277)	(241,957)	-	-
Net cash from noncapital financing activities	859,563	-	(20,277)	(226,974)	612,312	69,563
Cash Flows From Capital and Related Financing Activities						
Acquisition and construction of capital assets	(6,506,413)	(821,732)	(733,331)	(840,290)	(8,901,766)	(7,960,522)
Proceeds from sale of assets	44,417	19,260	-	-	63,677	13,600
Proceeds from grant funding	-	-	665,860	-	665,860	34,303
Intersystem transfers	22,500	(22,500)	-	-	-	-
Payments on revenue bonds	(665,000)	(3,985,000)	-	(538,000)	(5,188,000)	(4,700,000)
Interest paid on revenue bonds	(292,675)	(6,015,487)	-	(89,628)	(6,397,790)	(6,553,362)
Subsidy received on revenue bonds	-	236,818	-	-	236,818	507,427
Payments on notes payable	(13,333)	-	(18,879)	-	(32,212)	(60,983)
Interest paid on notes payable	-	-	(3,630)	-	(3,630)	(4,183)
Net cash from capital and related financing activities	(7,410,504)	(10,588,641)	(89,980)	(1,467,918)	(19,557,043)	(18,723,720)
Cash Flows from Investing Activities						
Purchases of investments	(47,436)	(485,048)	-	-	(532,484)	(129,971)
Loan receivable	-	-	-	(500,000)	(500,000)	-
Interest on investments, contracts, and notes	2,012,063	1,407,088	-	159,456	3,578,607	837,465
Net cash from investing activities	1,964,627	922,040	-	(340,544)	2,546,123	707,494
Net Change in Cash and Cash Equivalents	13,727,628	(780,875)	-	20,887	12,967,640	5,644,531
Cash and Cash Equivalents						
Beginning of year	50,810,647	23,361,933	-	2,928,055	77,100,635	71,456,104
End of year	\$ 64,538,275	\$ 22,581,058	\$ -	\$ 2,948,942	\$ 90,068,275	\$ 77,100,635

See accompanying notes

Reconciliation of Net Operating Revenues (Expenses) to Cash Flows from Operating Activities	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total	
					Year ended December 31,	
					2023	2022
Net operating revenues (expenses)	\$ 13,556,826	\$ 4,584,413	\$ (159,316)	\$ (241,794)	\$ 17,740,129	\$ 14,412,785
Adjustments to reconcile net operating revenues (expenses) to net cash from operating activities:						
Depreciation and amortization	4,021,131	4,800,080	233,798	2,298,494	11,353,503	11,242,837
Changes in operating assets and liabilities						
Receivables	488,633	26,422	27,491	(35,107)	507,439	695,718
Unbilled revenue	110,877	-	-	-	110,877	(223,133)
Due to (from) other systems	(69,160)	-	69,160	-	-	-
Materials and supplies	(535,888)	36,085	(30,628)	243,169	(287,262)	157,385
Prepaid expenses and other current assets	7,547	38,069	-	-	45,616	(79,062)
Unearned revenue	507,581	-	-	(49,588)	457,993	(2,049,588)
Deferred relicensing costs	-	(251,187)	-	-	(251,187)	(2,340,665)
Pension	(845,549)	(368,222)	(54,551)	(95,466)	(1,363,788)	(1,200,174)
Accounts payable, customer deposits, and prepayments	746,948	35,515	24,283	(63,525)	743,221	2,376,844
Accrued compensation, benefits, and taxes	324,996	(15,449)	20	140	309,707	598,247
Net cash from operating activities	\$ 18,313,942	\$ 8,885,726	\$ 110,257	\$ 2,056,323	\$ 29,366,248	\$ 23,591,194
Supplemental Disclosure of Noncash Activities						
Construction costs included in accounts payable	\$ 632,209	\$ 26,204	\$ 33,427	\$ 10,342	\$ 702,182	\$ 520,268

See accompanying notes

Note 1 - Organization and Significant Accounting Policies

Organization - Public Utility District No. 1 of Pend Oreille County, Washington (the District) is a municipal corporation governed by an elected three-person board of commissioners. The District's reporting entity consists of four primary component units, or operating systems. The Electric System distributes electricity to residential and other consumers in Pend Oreille County. The Box Canyon Production System produces hydroelectric power from the Box Canyon Hydroelectric Project (the Box Canyon Project). The Water System consists of nine individual water distribution subdivisions. The Community Network System supplies wholesale broadband communication services. The District is required by various financing and contractual arrangements to report separately on each system and maintain each system as a separate entity with separate obligations.

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

Basis of accounting and presentation - The accounting policies of the District conform to GAAP as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has applied all applicable GASB pronouncements. Accounting records are maintained in accordance with methods prescribed by the State Auditor under the authority of the Revised Code of Washington, Chapter 43.09; the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for the Electric System, Box Canyon Production System, and Community Network System; and the Uniform System of Accounts for Class C Water Utilities prescribed by the National Association of Regulatory Utility Commissioners for the Water System.

System columns presented in the financial statements do not sum to the combined totals due to the elimination of certain intersystem transactions. These transactions relate to intersystem power and broadband sales and purchases, loan balances and interest on intersystem loans, and intersystem administrative charges.

A summary of other significant accounting policies used in the preparation of the combined financial statements follows.

New accounting standards - In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for fiscal years beginning after June 15, 2022. The District has determined that it does not have arrangements subject to the provisions of GASB 94 for the years ended December 31, 2023 and 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA), which are defined as a contract that conveys control of the right to use another party's information technology software. This statement is effective for fiscal years beginning after June 15, 2022. The District implemented this standard in 2023 without material impact to the financial statements.

Revenue recognition and unbilled revenue - The Electric System, Water System, and Community Network System recognize revenue as earned on a monthly basis based on rates established by the District's board of commissioners. The District estimates unbilled revenues for energy delivered to customers between their last respective meter reading date and December 31, and records that amount as unbilled revenue for the

current year. The Box Canyon Production System recognizes revenue on a cost-of-service basis from sales to the Electric System.

The District recognizes unbilled revenue for reimbursable grant costs that have been expended but not yet submitted for reimbursement as of year end. The unbilled revenue amount for the year ended December 31, 2023 was \$69,192 for the Metaline Falls Water System and \$6,657 for the Sunvale Water System. There was no unbilled revenue for these water systems for the year ended December 31, 2022.

Allowance for uncollectible accounts - Management reviews accounts receivable on a regular basis to determine whether any receivables will potentially be uncollectible. The allowance for uncollectible accounts includes amounts estimated through an evaluation of specific accounts, based on the best available facts and circumstances of customers who may be unable to meet their financial obligations, and a reserve based on historical experience. The reserve amount for the Electric System for the years ended December 31, 2023 and 2022 was \$15,000.

Cash and cash equivalents - For purposes of the combined statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash and investments - Restricted cash and investments are amounts designated by third parties for a specific purpose (Note 2). Examples of these assets include amounts held to pay debt service, bond funds designated for construction, and deposits made by vendors.

Investments - The District records investments at fair value based on quoted market rates, with changes in fair value reported as investment income.

Materials and supplies - Materials and supplies are recorded at average cost.

Utility plant - Utility plant assets are stated at cost. Betterments and major renewals over \$25,000 are capitalized, whereas maintenance and repairs are charged to operations as incurred. Depreciation is determined by the straight-line method over the estimated useful lives of the related assets, which range from 5 to 50 years. Composite rates are used for asset group depreciation, and, accordingly, no gain or loss is recorded on the disposition of an asset unless it represents a large and unusual retirement.

Nonutility plant - Nonutility plant represents capital assets that do not directly relate to the District's primary business purposes (Note 8).

Contributed capital - Contributions in aid of construction are District-mandated customer connection charges used to fund construction of system properties necessary to extend service to a new customer. The payments are initially recorded as liabilities (customer prepayments and deposits), and then reclassified to operating revenue (contributed capital) when the associated facilities are constructed or acquired.

Licensing costs liability - Certain Box Canyon FERC licensing conditions require payments to various outside entities for projects and operating costs that will not be directed by, or controlled by, the District. The District has estimated and present valued these payments over the 50-year license and recorded them as a regulatory asset and licensing costs liability. The present value balance was \$36,220,971 and \$38,034,968 as of December 31, 2023 and 2022, respectively.

The District has not recorded the future costs of the remaining expenses related to license implementation that will be capitalized or expensed, as may be appropriate, when incurred.

Unamortized bond discounts and premiums - Unamortized bond discounts and premiums are amortized to interest expense, using the effective interest method, over the term of the bonds (Note 4). The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized to expense over the shorter of the remaining life of the old bonds or the life of the new issue and recorded as deferred outflows of resources.

Unearned revenue - In August 2000, the District entered into an agreement with Seattle City Light concerning a cost-sharing arrangement for building fiber optic communications capability in Pend Oreille County. Among other terms and conditions, the District retained ownership of all constructed network assets with a commitment to grant Seattle City Light a 30-year right-of-use for 8 to 12 dark fiber strands along the District's network backbone. Seattle City Light made a one-time, lump-sum payment of \$1,487,650 under the agreement. The District recorded this payment as unearned revenue and is amortizing the balance to Community Network System revenue on a straight-line basis over the 30-year life of the agreement. The unamortized balance was \$334,721 and \$384,309 as of December 31, 2023 and 2022, respectively.

The Community Network System unearned revenue includes an Electric System \$4.25 million prepayment for future broadband services. Funds from the Electric System were used by the Community Network System as the matching cash requirement of an American Recovery and Reinvestment Act grant. The unamortized balance associated with this payment was \$1,858,492 and \$2,087,116 as of December 31, 2023 and 2022, respectively.

In June 2013, the District signed a Memorandum of Agreement between the District and the State of Washington Department of Ecology Office of Columbia River that committed the District to release water from Sullivan Lake according to predetermined periods and amounts, allowing for improved water access for communities along the Columbia River. The Office of Columbia River paid the District \$14 million, which was recorded as unearned revenue, and is being recognized as nonoperating revenue in an amount equal to the net cash outflow for Sullivan Project-related activities each year. The unamortized balance as of December 31, 2023 and 2022 was \$11,077,783 and \$11,085,541, respectively.

The Ponderay Newsprint Company previously posted \$10 million with the District as contract security. Upon Ponderay Newsprint Company's closure, the District deposited the \$10 million as unrestricted funds and is amortizing the balance on a straight-line basis through the December 31, 2025 expiration date of the replacement Shell Energy North America agreement (Note 5). During 2023, the District received \$3,343,441 as a partial payment of Ponderay Newsprint Company unsecured creditor bankruptcy funds. The District applied the same methodology to this receipt, depositing the money as unrestricted funds and amortizing the balance over the remaining life of the Shell Energy North America agreement. The unamortized balance as of December 31, 2023 and 2022 was \$6,507,580 and \$6,000,000, respectively.

Leases - For material, noncancelable leases with a term greater than 12 months, the District recognizes a right-to-use asset and lease liability for leases in which the District is a lessee, and a lease receivable and deferred inflow of resources for leases in which the District is a lessor. The District is not currently a lessee for any material, noncancelable leases.

The District is a lessor of land and pole space, primarily leasing to telecom entities which allows them to provide services to networks. The District has lessor agreements with remaining maximum contract terms ranging from 10 to 22 years. The agreements are recorded at their present value of \$1,069,588 as a lease

receivable. For the year ended December 31, 2023, the District recognized \$63,429 of lease revenue and \$42,182 in interest income related to these agreements.

SBITA – For material, noncancelable SBITAs with a term greater than 12 months, the District recognizes a SBITA asset and SBITA liability in accordance with GASB Statement 96. The District did not have any material SBITA arrangements as of December 31, 2023 and 2022.

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation; borrowed monies not yet spent, as held in restricted construction and acquisition funds; and outstanding debt balances related to the purchase or construction of capital assets.

Restricted net position - Amounts presented as restricted net position are constrained by provisions imposed by external parties and cannot be used for normal operations. Balances currently classified as restricted include funds reserved for the operation and maintenance of a non-utility asset, bond principal and interest due for the upcoming year, less unfunded accrued interest; bond reserve funds; net pension assets held with the Department of Retirement Systems; and funds reserved for use in the event that the District loses a major source of revenue.

Unrestricted net position - Amounts included as unrestricted net position do not meet the definition of either net investment in capital assets or restricted net position and are used for normal operations.

Compensated absences - Employees accrue personal leave to be used for vacation, sick, and family leave purposes. Annual leave granted to each employee varies in accordance with years of service and may be carried forward from year to year, capped at a maximum bank of 1,200 hours for employees hired before April 2011 or 700 hours for employees hired after March 2011. The District records the cost of personal leave as earned, not as taken.

Accounting estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant risks and uncertainties - The District is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include weather and natural-disaster-related disruptions; collective bargaining labor disputes; changing local and national economic conditions; fish and other Endangered Species Act issues; Environmental Protection Agency regulations; reliability standards issued by the North American Electric Reliability Corporation; federal government regulations or orders concerning the operation, maintenance, licensing, and license surrender of hydroelectric facilities; the financing and completion of significant capital projects; changing federal and state laws, regulations, and requirements; and market and credit risks inherent in buying and selling of power, a commodity with inelastic demand characteristics and minimal storage capability.

Reclassifications - Certain reclassifications may be made to the prior-year financial statement presentation to conform to the current-year presentation.

Note 2 - Cash and Investments

Cash and investments are recorded in accounts as required by the District's bond indentures. Restricted assets represent accounts that are restricted by bond covenants or third-party contractual agreements.

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

Type	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total as of December 31,	
					2023	2022
Cash deposits	\$ 52,128,019	\$ 1,274,231	\$ -	\$ 2,948,942	\$ 56,351,192	\$ 45,059,049
Local government investment pool	12,410,256	21,306,827	-	-	33,717,083	32,041,586
Money market funds	1,011,411	10,342,058	-	-	11,353,469	10,820,985
Total Cash and Investments	\$ 65,549,686	\$ 32,923,116	\$ -	\$ 2,948,942	\$ 101,421,744	\$ 87,921,620

The table below reconciles the cash, cash equivalents and investments to the combined statements of net position:

	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total as of December 31,	
					2023	2022
Unrestricted cash & cash equivalents						
Revenue funds	\$ 41,289,994	\$ 15,518,568	\$ -	\$ 2,948,942	\$ 59,757,504	\$ 47,051,418
Restricted cash & cash equivalents						
Bond principal and interest	838,025	7,062,490	-	-	7,900,515	8,065,956
Contract obligation	12,410,256	-	-	-	12,410,256	11,983,261
Rate stabilization	10,000,000	-	-	-	10,000,000	10,000,000
Subtotal	\$ 23,248,281	\$ 7,062,490	\$ -	\$ -	\$ 30,310,771	\$ 30,049,217
Restricted short-term investments						
Bond reserve	\$ 1,011,411	\$ 10,342,058	\$ -	\$ -	\$ 11,353,469	\$ 10,820,985
Total Funds	\$ 65,549,686	\$ 32,923,116	\$ -	\$ 2,948,942	\$ 101,421,744	\$ 87,921,620

Interest rate risk - The District's investment policy limits investment maturities to less than five years from the date of purchase unless authorized by the General Manager and Director of Finance for a specific purpose. During 2023 and 2022, investments were held in the State Treasurer's Local Government Investment Pool (LGIP) or money market funds, described more fully in the following paragraph.

Credit risk - In accordance with the Revised Code of Washington, District bond resolutions, and District internal investment policies, all investments are held in money market funds invested in U.S. government debt securities, deposits in the LGIP, or deposits with financial institutions recognized as qualified public depositories of the state of Washington. U.S. government money market funds are held by bank trust departments as the District's agent and in the District's name.

The District's cash deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or protected against loss by deposit with financial institutions recognized as qualified public depositories of the state of Washington under the guidelines of the Washington State Public Deposit Protection Commission (PDPC). The District intends to hold time deposits and securities until maturity.

Concentration of credit risk - District policies allow the entire portfolio to be invested in direct U.S. government guaranteed obligations or in the LGIP. No other investment may exceed half of portfolio

market value. The LGIP, a 2a7-like pool as defined by GASB Statement No. 31 and the Securities and Exchange Commission, invests in high-quality, short-term investments and is administered by the State Treasurer. The LGIP weighted-average maturity must not exceed 60 days and no single investment may exceed 762 days in maturity. The LGIP annual comprehensive financial report is available on the State Treasurer's website at: <https://tre.wa.gov>.

Custodial credit risk - The District's deposits are held by public depositories authorized by the PDPC and are not subject to custodial credit risk because state law requires public depositories to fully collateralize their public entity deposits.

Bond principal and interest accounts - For each debt issue, the District is required by bond resolutions to maintain principal and/or sinking fund and interest accounts within the bond funds to provide for the next semi-annual interest and annual principal/sinking fund payments falling due, which are reported as current assets. All bond funds are restricted by bond resolution to the payment of debt service obligations.

Bond reserve funds - Box Canyon Production System and Electric System revenue bond resolutions require that reserve accounts be maintained within the bond funds. The 2019 Electric System reserve account requires a deposit equal to 10% of the stated principal amount. The reserve requirement for all Box Canyon Bonds is the sum of the reserve requirement for each series, currently equal to the maximum annual debt service. All deposits are currently held in money market funds.

Contract obligation - The District is obligated through a Memorandum of Agreement to release water from Sullivan Lake. In exchange, the District has received funds from the Office of Columbia River (Note 8). Monies received are restricted to construction and operations and maintenance activities related to Sullivan Lake and associated facilities.

Rate stabilization - The District's bond resolutions allow for the creation of a rate stabilization account within the District's revenue funds to affect the calculation of the District's bond debt service coverage covenant requirement. Monies deposited into the account are subtracted from net revenues used in the calculation of debt service coverage in the year deposited, and are added to net revenues in years that money is withdrawn from the account.

Investments - The District holds investments that are measured at fair value as of December 31, 2023 and 2022. The District categorized 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, and level 3 inputs are significant unobservable inputs. Investments in an external government investment pool, such as LGIP, are not subject to reporting within the level hierarchy.

	Total as of December 31, 2023	Total as of December 31, 2022
Investments by fair value level		
Money market funds		
Quoted prices in active markets for identical assets (Level 1)	\$ 11,353,469	\$ 10,820,985
Significant other observable inputs (Level 2)	-	-
Significant unobservable inputs (Level 3)	-	-
Total Investments	\$ 11,353,469	\$ 10,820,985

Note 3 - Utility Plant

The following changes occurred in the District's utility plant for the years ended December 31, 2023 and 2022:

	2022 Balance	Additions	Retirements/ Transfers	2023 Balance
Land and land rights	\$ 8,688,997	\$ -	\$ -	\$ 8,688,997
Hydroelectric plant and equipment	196,431,167	-	793,411	197,224,578
Structures, buildings, and equipment	181,741,368	-	5,015,183	186,756,551
Intangible assets	14,474,680	-	-	14,474,680
Construction work in progress	2,284,737	8,924,266	(6,397,304)	4,811,699
	403,620,949	8,924,266	(588,710)	411,956,505
Less accumulated depreciation and amortization	161,912,640	11,353,503	(170,114)	173,096,029
Net Utility Plant	\$ 241,708,309	\$ (2,429,237)	\$ (418,596)	\$ 238,860,476

	2021 Balance	Additions	Retirements/ Transfers	2022 Balance
Land and land rights	\$ 4,421,497	\$ 4,267,500	\$ -	\$ 8,688,997
Hydroelectric plant and equipment	196,398,797	-	32,370	196,431,167
Structures, buildings, and equipment	178,926,800	-	2,814,568	181,741,368
Intangible assets	14,179,602	-	295,078	14,474,680
Construction work in progress	1,938,505	3,710,282	(3,364,050)	2,284,737
	395,865,201	7,977,782	(222,034)	403,620,949
Less accumulated depreciation and amortization	150,522,171	11,242,837	147,632	161,912,640
Net Utility Plant	\$ 245,343,030	\$ (3,265,055)	\$ (369,666)	\$ 241,708,309

Note 4 - Long-Term Debt

During the year ended December 31, 2023 the following changes occurred in long-term debt:

Electric System	Balance Dec 31, 2022	Additions	Reductions	Balance Dec 31, 2023	Amounts due within one year
2019 Revenue Refunding Bonds	\$ 7,290,000	\$ -	\$ 665,000	\$ 6,625,000	\$ 700,000
Due in annual installments through January 1, 2031; interest at 3.00% - 5.00%.					
Subtotal	\$ 7,290,000	\$ -	\$ 665,000	\$ 6,625,000	\$ 700,000
Unamortized premiums (discounts)	433,357	-	123,646	309,711	-
Other long-term debt	40,000	-	13,333	26,667	13,333
Total Debt:	\$ 7,763,357	\$ -	\$ 801,979	\$ 6,961,378	\$ 713,333

Box Canyon Production System Issue	Balance			Amounts due within	
	Dec 31, 2022	Additions	Reductions	Dec 31, 2023	one year
2012 Clean Renewable Energy Bonds Due in annual installments through January 1, 2030; interest at 0.834% - 4.571% and subject to subsidy payment.	\$ 18,130,000	\$ -	\$ 2,200,000	\$ 15,930,000	\$ 2,225,000
2018 Revenue and Refunding Bonds Due in annual installments through 2048; interest at 5%.	78,510,000	-	1,785,000	76,725,000	1,875,000
2019 Revenue Refunding Bonds Due in annual installments through 2041; interest at 3.0 - 5.0%.	30,640,000	-	-	30,640,000	-
Subtotal	\$ 127,280,000	\$ -	\$ 3,985,000	\$ 123,295,000	\$ 4,100,000
Unamortized bond premiums	7,936,739	-	600,519	7,336,220	-
Unamortized bond discount	(79,935)	-	(14,981)	(64,954)	-
Total Debt:	\$ 135,136,804	\$ -	\$ 4,570,538	\$ 130,566,266	\$ 4,100,000

The District's Electric System and Box Canyon Production System revenue bonds require the District to establish, maintain, and collect Electric System rates adequate to provide net revenues in an amount equal to at least 1.25 times the annual principal and interest due for each revenue bond. Box Canyon Production System revenue bonds are secured by revenues of the Electric System.

Water System Issue	Balance			Amounts due within	
	Dec 31, 2022	Additions	Reductions	Dec 31, 2023	one year
Riverview Water System Department of Health Loan Due in annual installments through October 2043; interest at 1.25%.	\$ 226,892	\$ -	\$ 10,805	\$ 216,087	\$ 10,804
Riverview Water System Department of Health Loan Due in annual installments through October 2044; interest at 1.25%.	54,530	-	2,479	52,051	2,479
Granite Shores Water System Public Works Board Loans Due in annual installments through October 2026; interest at 1%.	11,242	-	5,595	5,647	1,882
Total Debt:	\$ 292,664	\$ -	\$ 18,879	\$ 273,785	\$ 15,165

In April 2022, the District executed a loan agreement with Washington State Department of Health Drinking Water State Revolving Fund to fund upgrades to the Sunvale Water System. The loan amount will be based on the total project cost, but is not to exceed \$585,428, carries an interest rate of 1.25%, and is due in October 2045. The loan has a principal forgiveness of 50%. The District has expended \$13,314 to date, but has not yet submitted a request for reimbursement and therefore no liability has been recorded as of December 31, 2023. To adhere to the matching principle, the District has recorded half of the expenditures as grant revenue, which was \$6,657 for the year ended December 31, 2023.

Community Network System Issue	Balance			Amounts due within	
	Dec 31, 2022	Additions	Reductions	Dec 31, 2023	one year
2017 Revenue Bonds Due in semi-annual installments through January 1, 2027; interest at 3.88%.	\$ 1,717,000	\$ -	\$ 538,000	\$ 1,179,000	\$ 189,000
Subtotal	\$ 1,717,000	\$ -	\$ 538,000	\$ 1,179,000	\$ 189,000
Due to other systems	40,000	-	13,333	26,667	13,333
Total Debt:	\$ 1,757,000	\$ -	\$ 551,333	\$ 1,205,667	\$ 202,333

Scheduled debt service requirements to maturity are as follows:

	Electric System			Box Canyon Production System		
	Interest	Principal	Total	Interest	Principal	Total
2024	258,550	713,333	971,883	5,829,478	4,100,000	9,929,478
2025	222,675	748,334	971,009	5,631,188	4,305,000	9,936,188
2026	185,050	770,000	955,050	5,417,400	4,440,000	9,857,400
2027	145,550	810,000	955,550	5,191,775	4,585,000	9,776,775
2028	104,050	850,000	954,050	4,958,900	4,730,000	9,688,900
2029-2033	125,700	2,760,000	2,885,700	21,368,050	24,690,000	46,058,050
2034-2038	-	-	-	15,279,625	29,105,000	44,384,625
2039-2043	-	-	-	7,783,175	27,255,000	35,038,175
2044-2048	-	-	-	2,608,875	20,085,000	22,693,875
Totals	\$ 1,041,575	\$ 6,651,667	\$ 7,693,242	\$ 74,068,466	\$ 123,295,000	\$ 197,363,466

	Water System			Community Network System		
	Interest	Principal	Total	Interest	Principal	Total
2024	3,408	15,165	18,573	22,873	189,000	211,873
2025	3,224	15,165	18,389	34,745	386,000	420,745
2026	3,039	15,165	18,204	19,633	400,000	419,633
2027	2,854	13,283	16,137	3,958	204,000	207,958
2028	2,688	13,283	15,971	-	-	-
2029-2033	10,947	66,415	77,362	-	-	-
2034-2038	6,796	66,415	73,211	-	-	-
2039-2043	2,645	66,415	69,060	-	-	-
2044	31	2,479	2,510	-	-	-
Totals	\$ 35,632	\$ 273,785	\$ 309,417	\$ 81,209	\$ 1,179,000	\$ 1,260,209

Note 5 - Power Purchase Contractual Agreements

Shell Energy North America - In late 2020, the District entered into a five-year agreement with Shell Energy North America (US), L.P. (Shell) effective January 1, 2021. Under the agreement, the District sells to Shell all power generated by the Box Canyon Project on a specified-source basis, as well as energy received from Seattle City Light under the Boundary Power Assignment Agreement, and the District purchases from Shell firm energy in monthly blocks, the amounts of which are intended to match the District's forecasted monthly energy load. The net transaction results in fixed payments from Shell to the District over the five-year

period. The total fixed payments for the years ended December 31, 2023 and 2022 were \$15,506,873 and \$16,199,171.

Seattle City Light, Boundary Hydroelectric Project – Seattle City Light owns and operates Boundary Hydroelectric Project (Boundary) located in northern Pend Oreille County. In Boundary's previous FERC license, Seattle City Light was required to assign to the District up to 48 megawatts of energy and capacity at cost, based on the District's weekly system load factor. After the Boundary Project was issued a new 42-year FERC license in March 2013, Seattle City Light and the District entered into a contract in 2014 (the Boundary Power Assignment Agreement) that continues to obligate Seattle City Light to deliver up to 48 megawatts of energy and capacity to the District, along with a pro rata share of the Boundary Project's environmental attributes. The agreement term corresponds with Boundary's FERC license and expires in 2055; however, the District's position is that the assignment requirement would continue beyond expiration of the agreement.

In February 2021, Seattle City Light and the District entered into a settlement agreement to resolve several disputes regarding the Boundary Power Assignment Agreement, including disputes over environmental attributes of the Boundary Project. The settlement agreement term runs through December 31, 2029, after which the Boundary Power Assignment Agreement will operate as it existed prior to the settlement agreement, unless otherwise agreed by the parties. In exchange for the District waiving its right to environmental attributes of Boundary Dam for the 9-year term, the settlement agreement removes the load-factor calculus, establishes a fixed schedule of shaped monthly power deliveries, and fixes an annual cost escalator for the District's cost share.

Bonneville Power Administration – Effective October 1, 2011, the District renewed take or pay power purchase contracts with Bonneville Power Administration (BPA) which run through September 30, 2028. The District receives Shaped Block purchases which are predetermined monthly levels of power delivered consistently throughout the month. Average annual power allocations are based on total forecasted retail load less the District's dedicated resources, and are subject to a cap based on regional critical water levels. No deliveries are received for the fiscal year if the District's resources are considered sufficient to meet the District's expected load, which occurred during the 2020-2021 fiscal year after Ponderay Newsprint ceased operations. The average hourly power received for the 2022-2023 fiscal year was 24.58 MW, and is 11.52 MW for the 2023-2024 fiscal year.

Ponderay Newsprint Company – In July 1986, the Electric System entered into power sales contracts with Ponderay Newsprint Company (PNC) to supply power to a fiber mill and paper plant. The District was obligated to provide all power necessary to operate both the fiber mill and paper plant, historically representing 70% of Electric System retail energy deliveries. Power delivery under these contracts was set to expire in 2027.

In June 2020, PNC closed its operations and declared chapter 7 bankruptcy. The District promptly requested and received the full, unrestricted value of PNC's \$10 million cash collateral in satisfaction of the secured portion of the District's claim. The District also filed a claim for \$22,263,471, representing the unsecured amount of the District's claim. In May 2023, the District received a partial interim distribution against the District's unsecured claim of \$3,343,441 from the bankruptcy estate. An additional \$1,395,333 was received in January 2024, and the District anticipates a small final payment in mid-2024 as the estate is closed.

Allrise Capital Inc. – In April 2021, the PNC site was auctioned as part of the bankruptcy proceedings. The successful bidder was Allrise Capital Inc. (Allrise), purchasing the property for \$18.1 million through its wholly owned subsidiary, Ponderay Real Estate, LLC. Allrise began cryptomining operations at the site in December 2021.

In August 2022, the District entered into a contract with Cascade Digital Mining, LLC (Cascade) for continued cryptomining operations at the site. The District understands Cascade to be a joint venture comprised of majority-owner Merkle Standard Infrastructure LLC, which is a wholly-owned subsidiary of Allrise, and Bitmain Delaware Holding Company, Inc., a subsidiary of Bitmain which is a large cryptomining equipment manufacturer. The 13-month contract, effective September 1, 2022, supplied Cascade up to 100 MW of power, comprised of District resources and market purchases. The District and Cascade executed a successor 6-month contract effective October 1, 2023 in substantially the same form as the prior contract and capped power deliveries at 55 MW. The contract is primarily cost-based. Billings are prepaid on a monthly basis and are further secured by a standby letter of credit, currently held at \$4,929,000.

Cascade's operations allow for variable power consumption. Power sales to Cascade are primarily in monthly shaped blocks, although less-than-monthly transactions are allowed under the current contract. Peak consumption for Cascade during 2023 was 83 MW, with an average consumption of 48 MW over the life of the contracts. Total revenues from Allrise and Cascade for the years ended December 31, 2023 and 2022 were \$31,852,571 and \$17,299,344, respectively.

Energy Northwest – The District is a participant in Energy Northwest's (formerly the Washington Public Power Supply System) Nuclear Project Nos. 1 and 3, both of which have terminated. The District purchased from Energy Northwest, and assigned to BPA, 0.087% of the capability of Project No. 1 and 0.078% of Energy Northwest's 70% ownership share of Project No. 3. Under the agreements, the District is unconditionally obligated to pay Energy Northwest its pro rata share of the total costs of the projects, including debt service, even though the projects are terminated. Under the Net Billing Agreements, BPA is responsible for assuming the District's cost obligation, and therefore the District had no direct payments in 2023 and 2022. The District's Electric System revenue requirements are not directly affected by the associated costs; revenue requirements are affected indirectly to the extent that the costs of the projects result in increases in BPA's wholesale power rates.

Note 6 - Pension Plans

The District is a member of the Washington State Public Employees' Retirement System (PERS) cost-sharing plan. For purposes of measuring the net pension liability/asset, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan description - PERS was established in 1947 and its retirement benefit provisions are contained in Revised Code of Washington (RCW) chapters 41.34 and 41.40. PERS is a cost-sharing multiple-employer retirement system composed of three separate pension plans for membership purposes. PERS Plan 1 and Plan 2 are defined benefit plans, and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members include elected officials, state employees, employees of local governments, and higher education employees not participating in higher education retirement plans.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered a single plan for accounting purposes.

Benefits provided - PERS Plan 1 - Provides retirement, disability, and death benefits. Retirement benefits are calculated as 2% times the member's average final compensation (AFC) times the member's years of service. AFC is the average of the member's 24 consecutive highest-paid service credit 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.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status before age 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). Members became vested after the completion of five years of eligible service.

PERS Plan 2/3 - PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits for Plan 2 are calculated as 2% times the member's AFC times the member's years of service. Defined benefits for Plan 3 are calculated using 1% times the member's AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months.

Members are eligible for retirement with a full benefit at age 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 reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2 members are vested after completing five years of eligible service.

PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Plan 2/3 benefits include a COLA based on the Consumer Price Index, capped at 3% annually.

Annuities purchased with Plan 3 defined contributions that are invested within the Washington State Investment Board Total Allocation Portfolio (WSIB TAP) are considered defined benefits. Plan 3 WSIB TAP annuities are actuarially reduced if a survivor benefit is chosen and purchased annuities include a COLA of 3% annually.

PERS Plan 3 - Defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service or after five years of service if 12 months of that service was earned after age 44.

Contributions - PERS Plan 1 contributions - The PERS Plan 1 member contribution rate is established in statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA), adopted by the Pension Funding Council, and is subject to change by the Legislature.

PERS Plan 2/3 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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 unfunded actuarial accrued liability (UAAL).

PERS Plan 3 contributions - As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

Required contribution rates (expressed as a percentage of covered payroll) at the close of fiscal year 2023 were as follows:

Actual Contribution Rates	Employer	Employee
PERS Plan 1	10.39%	6.00%
PERS Plan 2/3	10.39%	6.36%
PERS Plan 3	10.39%	5.00% - 15.00%

Both the District and employees made the required contributions during fiscal years 2023 and 2022. The District's required employer contributions for the years ended December 31 were as follows:

Required Employer Contributions	2023	2022
PERS Plan 1	\$ 296,722	\$ 312,392
PERS Plan 2/3	552,250	529,487
Total	\$ 848,972	\$ 841,879

Actuarial assumptions - The total pension liability for each of the plans was determined by an actuarial valuation as of June 30, 2022, with the results rolled forward to June 30, 2023, using the following actuarial assumptions applied to all prior periods included in the measurement:

Actuarial Assumptions	
Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity
Investment rate of return	7.00%

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2021 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report.

OSA selected a 7.00% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

The CMAs contain the expected annual return, standard deviation of the annual return, and correlations between the annual returns of each asset class. The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various future time horizons. The expected future rates of return (expected returns, net of pension plan investment expense, including inflation) are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%

The inflation component used to create the table above was 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount rate - The discount rate used to measure the total pension liability was 7.00%. To determine the discount rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00% on pension plan investments was applied to determine the total pension liability.

Pension liability sensitivity - The following table presents the District's proportionate share of the net pension liability (asset) for all plans it participates in, calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

District's Proportionate Share of Net Pension Liability (Asset) Sensitivity	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate share of the PERS Plan 1 net pension liability	\$ 1,525,593	\$ 1,091,991	\$ 713,557
Proportionate share of the PERS Plan 2/3 net pension liability (asset)	\$ 2,750,780	\$ (2,529,174)	\$ (6,866,991)

The pension liability (asset) has been allocated to the operating systems based on a percentage of total payroll charged to each system. The total pension liability (asset) for each system is as follows:

Proportionate Share of Plan Net Pension Liability (Asset)	PERS Plan 1	PERS Plan 2/3	Total as of December 31, 2023	Total as of December 31, 2022
Electric System	\$ 677,034	\$ (1,568,088)	\$ (891,054)	\$ (639,924)
Box Canyon Production System	294,838	(682,877)	(388,039)	(278,677)
Water System	43,680	(101,167)	(57,487)	(41,286)
Community Network System	76,439	(177,042)	(100,603)	(72,249)
Total	\$ 1,091,991	\$ (2,529,174)	\$ (1,437,183)	\$ (1,032,136)

Pension costs - The District reports a liability (asset) for its proportionate share of each plan's net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023. Below are the percentage proportionate shares of net pension liability (asset) for each plan.

Proportionate Share of Plan Liability	PERS Plan 1	PERS Plan 2/3
Percent share as of June 30, 2023	0.047837%	0.061707%
Percent share as of June 30, 2022	0.050281%	0.065578%

The District's proportion of the net pension liability (asset) was based on the contributions received by PERS during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERS' participating employers, as well as the statutorily required contributions required to fund the unfunded actuarial accrued liability. The proportionate share of net pension liability (asset) and the pension expense or credit recognized by the District for each plan is as follows:

Proportionate Share of Net Pension Liability (Asset) and Pension Expense (Credit)	PERS Plan 1	PERS Plan 2/3	Total as of December 31, 2023	Total as of December 31, 2022
Net pension liability (asset)	\$ 1,091,991	\$ (2,529,174)	\$ (1,437,183)	\$ (1,032,136)
Pension expense (credit)	\$ (387,604)	\$ (976,184)	\$ (1,363,788)	\$ (1,200,174)

The District reported its proportionate share of deferred outflows of resources and deferred inflows of resources from the following sources:

District's Proportionate Share of Plan Deferred Outflows of Resources	PERS Plan 1	PERS Plan 2	Total as of December 31, 2023	Total as of December 31, 2022
Differences between expected and actual economic experience	\$ -	\$ 515,191	\$ 515,191	\$ 602,628
Changes in actuarial assumptions	-	1,061,835	1,061,835	1,355,585
Changes in proportion	-	(83,551)	(83,551)	(338,923)
Contributions paid to PERS subsequent to the measurement date	132,494	280,954	413,448	432,990
Total	\$ 132,494	\$ 1,774,429	\$ 1,906,923	\$ 2,052,280

District's Proportionate Share of Plan Deferred Inflows of Resources	PERS Plan 1	PERS Plan 2	Total as of December 31, 2023	Total as of December 31, 2022
Differences between expected and actual economic experience	\$ -	\$ 28,259	\$ 28,259	\$ 55,057
Changes in actuarial assumptions	-	231,438	231,438	354,941
Difference between projected and actual investment earnings	123,181	953,146	1,076,327	2,030,124
Total	\$ 123,181	\$ 1,212,843	\$ 1,336,024	\$ 2,440,122

The \$132,494 reported as deferred outflows of resources for PERS Plan 1 and \$280,954 reported as deferred outflows of resources for PERS Plan 2/3 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 for the relevant plan in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to each plan will be recognized in pension expense as follows:

Deferred Outflows and Inflows of Resources Recognized in Pension Expense	PERS Plan 1	PERS Plan 2/3
2024	\$ (83,807)	\$ (530,332)
2025	(105,398)	(591,116)
2026	64,987	776,249
2027	1,037	294,989
2028	-	302,711
2029	-	28,131
Total	\$ (123,181)	\$ 280,632

Pension plan fiduciary net position - Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately issued Washington State Department of Retirement Systems 2023 Annual Comprehensive Financial Report. This report may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Defined contribution pension plans - The District maintains a defined contribution plan in accordance with the Internal Revenue Code Section 401(a). The District serves as trustee for this single-employer defined contribution plan, which is administered by MissionSquare Retirement. All permanent employees working 30 or more hours per week are eligible to participate in the plan.

The plan provides for an employer match of 50% of eligible employee deferral of employee straight-time wages, capped at a 4% employer match on an 8% employee deferral. District contributions and earnings for each employee are immediately fully vested. Employer contributions to this plan for 2023 and 2022 were \$283,860 and \$257,136 respectively, and are reported as expense within the balances on the Statement of Revenues, Expenses, and Changes in Net Position. All plan assets have been placed into trust for the exclusive benefit of plan participants and their beneficiaries.

Participants may draw a loan on their employee benefit account. Only one loan is allowed per employee per plan at a time and is limited to \$50,000 or 50% of the value of the participant's interest in all of their

Plan accounts. Loans incur a fixed interest rate of prime plus 0.5% that is set at the time of approval, and monthly principal and interest payments are made through District payroll deduction.

The 401(a) plan investments are reported at fair value. Investment options consist of mutual funds, bonds, and stocks. The District categorized its fair value measurements within the fair value hierarchy established by GAAP, which is based on the valuation inputs used to measure the fair value of an asset. Investments in the plan are deemed Level 1 inputs, which are quoted prices in active markets for identical assets.

The District also maintains a deferred compensation pension plan in accordance with the Internal Revenue Code Section 457. The plan is administered by MissionSquare Retirement and has the same employee eligibility, contribution, and loan parameters as the 401(a) plan.

Savings plan - The District maintains a Health Reimbursement Arrangement for employees. All plan assets have been placed into a multiple-employer trust for the exclusive benefit of plan participants and their beneficiaries. Non-bargaining-unit employees receive a \$225 monthly contribution paid into individual employer-sponsored medical savings accounts to pay for eligible medical expenses, tax-free, whether incurred while employed or after retirement. Bargaining unit employees are eligible for a \$200 monthly contribution if they participate in District-sponsored wellness programs.

Note 7 - Self-Insurance

Public Utility Risk Management Services - The District is a member of the Public Utility Risk Management Services (PURMS) self-insurance fund. PURMS is a public entity risk pool and its members include 18 public utility districts and one non-profit mutual corporation. The objectives of PURMS are to formulate, develop, and administer a program of self-insurance in order to obtain lower costs for the various coverages provided to its members and to develop a comprehensive loss control program. The risks shared by the members are defined in the Self-Insurance Agreement (SIA). The fund consists of three pools for liability, property, and health and welfare coverage. The pools operate independently of one another. All members do not participate in all pools, and the District does not participate in the health and welfare pool.

The District is a participant in the liability pool, which maintains a base self-insured retention level of \$1 million. In addition, the fund maintains \$35 million of excess general liability insurance over the \$1 million retention. A second layer of excess general liability insurance of \$65 million is also maintained over the first layer of \$35 million. The fund maintains \$35 million in directors and officers liability coverage with a retention level of \$500,000. The fund also maintains \$5 million in cyber security liability coverage with a retention level of \$1 million. The deductible is \$250.

The designated liability pool reserve balance is \$3.5 million. Liability assessments are levied to replenish the reserves to the designated level at any time during the year that the actual reserves drop to \$500,000 less than the designated level.

The District is also a participant in the property pool, which maintains a self-insured retention level of \$250,000. The property pool provides the District with \$200 million shared excess coverage, attaching at the self-insured retention level for all property risks excepting flood and earthquake, which attach at 2% of total insured value. Any gap between the self-insured level and excess insurance is funded half by the property pool and half by the affected member. The deductible varies, but for most classes of property it is \$250.

The designated property pool reserve balance is \$750,000. Property assessments are levied to replenish the reserves to the designated level at any time during the year that the actual reserves drop below \$500,000.

As a member, the District is subject to its share of excess premiums and assessments based on claims submitted by all members. The following premiums and assessments were charged during the years ended December 31:

	Liability		Property	
	2023	2022	2023	2022
Electric System	\$ 368,273	\$ 267,938	\$ 70,767	\$ 58,559
Box Canyon Production System	201,566	139,428	286,439	236,244
Water System	17,543	14,153	5,520	4,549
Community Network System	49,495	33,879	1,505	1,099
Total	\$ 636,877	\$ 455,398	\$ 364,231	\$ 300,451

Central Washington Public Utilities - The District, with six other public utility districts, is a member of the Central Washington Public Utilities Unified Insurance Program and Trust, which is a self-insurance program providing medical, dental, life insurance, disability insurance, and similar benefits to member employees and families. Formed by a Declaration of Trust and an Interlocal Agreement under RCW Chapter 39.34, the trust is administered by a board of trustees consisting of an appointed trustee from each of the seven member districts. Further information may be obtained by contacting the District's financial department as set forth on the last page of this Annual Report under Organizational Information—Corporate Office.

Note 8 - Commitments and Contingencies

Box Canyon Project - The District's Box Canyon Hydroelectric Project (Box Canyon Dam) operates under a 50-year license issued by FERC, which expires on July 1, 2055. The license contains several conditions, including environmental studies and projects initiated by state and federal agencies and the Kalispel Tribe of Indians. All projects and studies are related to Box Canyon Dam and its reservoir and include the protection, mitigation, and enhancement of fish, wildlife, recreation, erosion, water quality, and cultural preservation. Capitalized projects have included upgrade of the Box Canyon Project turbines, spillway gate modification for total dissolved gas abatement, and construction of fish passage facilities. District-directed projects that are noncapital in nature, which are expensed as incurred, include improvement of wildlife and fish habitat, water quality monitoring, erosion mitigation, and environmental studies. The license also requires payments to agencies that are used at the discretion of the receiving party, and are intended for license measures, although the District has no control over the final disposition of the funds. These costs have been estimated over the life of the license and recorded as a regulatory asset and licensing costs liability (Note 1).

Kalispel Tribe of Indians - The Box Canyon license includes language authorizing the District to use lands in the Kalispel Indian Reservation. Under a contract signed in 2007, payment to the Kalispel Tribe for use of their lands is based on costs to produce power at Box Canyon Dam. The Kalispel Tribe receives their payment in electrical energy, the amount of which is based on a formula using Box Canyon Dam production costs. The Kalispel Tribe chooses on an annual basis, in advance of the calendar year, to use the energy, require the District to sell the energy to a third party on the Kalispel Tribe's behalf at market prices, or require the District to purchase the power at cost of production. For 2023 and 2022, the Kalispel Tribe

chose to have the District purchase the power at generation cost. Power sales on the Kalispel Tribe's behalf totaled \$244,945 and \$244,960 in 2023 and 2022, respectively.

In 2019, the District executed an off-license agreement with the Kalispel Tribe to provide payments for alternative mitigation activities in lieu of fish passage construction and license measures regarding water quality. The off-license agreement was referenced as part of an amendment to the Box Canyon FERC license, and became effective upon FERC's approval of the amendment in December 2021. Payments range from \$1.5 million to \$3.1 million over 25 years. The agreement also includes a \$10 million contribution for upstream fish passage facilities at Albeni Falls Dam, which is a federally-owned hydroelectric project directly upstream of Box Canyon Dam. This payment will be made upon the completion of certain construction conditions, or December 2027, whichever occurs earlier. The District has recorded the present value of all payments under the agreement as a regulatory asset and licensing costs liability as of December 31, 2023 and 2022. Payments under this agreement were \$2.3 million for both 2023 and 2022.

Sullivan Creek Project - The Electric System's Sullivan Creek Project consists of Sullivan Creek Dam, which is currently used solely for water storage and Mill Pond Dam, located downstream of Sullivan Dam. The Sullivan Creek Project's 50-year FERC license expired in September 2008, and the District subsequently entered into a negotiated license surrender process outlining continued operation of the Sullivan Dam as a water storage facility and completion of various environmental projects to protect and enhance fish and wildlife habitat. Through a settlement agreement between Seattle City Light, the District, and other related parties, Seattle City Light completed the removal of Mill Pond Dam in 2020 and is currently performing other restoration and environmental work as part of the relicensing conditions for Boundary Dam. Once final approval of the Surrender Order is received from FERC, which is expected in the coming years, the District will become eligible to receive a 30-year United States Forest Service (USFS) special use authorization to continue to operate Sullivan Dam as a water storage facility.

Concurrent with the license surrender process, the District contracted with Washington State Department of Ecology to sell certain Sullivan-related water rights to the State of Washington through the Department of Ecology's Office of Columbia River, Columbia River Water Management Program. In exchange for the release of water from Sullivan Lake at designated times and volumes, the Department of Ecology Office of Columbia River paid the District \$14 million. Proceeds are expected to finance Sullivan Creek Project capital and operating, maintenance, and environmental expenditures for the entirety of the 30-year term of the USFS special use authorization to be issued after decommissioning of the project is fully complete. The proceeds are recorded as unearned revenue and are being amortized annually in an amount equal to the net cash outflow for Sullivan Project-related activities each year. The monies are restricted to use for Sullivan Creek Project-related expenditures and reflected on the statement of net position within the contract security liability category.

Because there is no operating value for the District in owning the Sullivan Project assets, the District reports the net revenues and expenses as nonoperating. Asset values are recorded net of accumulated depreciation as nonutility plant. The District reports no remaining license surrender liability.

Clark Public Utility District - In October 2022, the District executed a long-term agreement with Public Utility District No. 1 of Clark County (Clark) for the output of Box Canyon generation. The 16-year agreement, which begins January 1, 2026, sells the output of Box Canyon as it is generated to Clark. The power is sold at cost that includes both a fixed-price component and a variable-cost component adjusted

by inflation, plus an environmental adder per megawatt generated. Clark assumes risk associated with both annual water levels and market price fluctuations.

Other contingencies - The District is subject to various claims, possible legal actions, and other matters arising out of the normal course of business. When it is possible to make a reasonable estimate of the District's liability with respect to probable claims, an appropriate provision is made. Although the ultimate outcome of litigation against the District cannot be determined, management intends to continually defend all claims against the District and believes the District is adequately reserved for all known events.

Note 9 - Northwest Open Access Network

The District, along with nine other Washington public utility districts and Energy Northwest, is a member of Northwest Open Access Network (NoaNet), a Washington nonprofit mutual corporation. NoaNet uses a high-speed fiber optic transmission system, largely located within Washington State, to provide Ethernet and other advanced telecommunications services on a wholesale basis to its members and retail telecommunications companies. NoaNet has first right-of-refusal to lease four strands, designated as public purpose, from fiber optic lines the BPA owns on transmission lines.

In December 2020, NoaNet issued Telecommunications Network Revenue Bonds in the amount of \$24,775,000. Proceeds from the bonds were used to refund all outstanding debt, including all Member Agreements, leaving \$10 million available for upcoming capital projects. The bonds were structured with level debt service with annual payments from 2021 through 2030. Yields on the bonds ranged from 0.591% in 2021 to 2.120% in 2030. The all-in interest cost was 1.90%. The District's 5.76% guarantee share of the debt outstanding of \$15,295,000 as of December 31, 2023 is \$880,992.

During May 2023, NoaNet entered into separate Member Loan agreements to pay a portion of NoaNet's pension liability. The loans are structured with annual debt service payments from 2023 to 2033. The District loaned NoaNet \$500,000, with a repayment term of 5 years. Interest on the loan accrues at the monthly LGIP rate, which was 5.429% at December 31, 2023. Interest and principal payments are due annually each May.

In 2022, NoaNet reported a net operating loss of \$3,022,510, \$180,269 of nonoperating revenue, and a total decrease in net position of \$2,842,241. The 2023 audited financial statements were not available at the time of issuance of this report.

The District's Electric System reports no investment or liability account balance reflecting NoaNet membership.

A NoaNet annual report may be obtained by writing to Northwest Open Access Network, 11707 E. Sprague Avenue, Suite 201, Spokane Valley, WA 99206. NoaNet's website is www.noanet.net.

Note 10 - Grants

Washington State Community Development Block Grant (CDBG) – In December 2019, Washington State Department of Commerce awarded the Town of Metaline Falls, with the District as sub-recipient, a CDBG grant in the amount of \$735,000 to replace approximately 5,100 feet of water piping for the Metaline Falls water system project. During 2023, the Town of Metaline Falls requested and was awarded an additional \$91,000 in grant funding. The project was completed in 2023. The District expended \$656,278 and \$35,451 for the years ended December 31, 2023 and 2022, respectively.

Federal Emergency Management Agency (FEMA) – In 2021, the District applied for FEMA funds for costs expended for a September 2020 windstorm event and also for COVID-19 emergency response expenditures. Federal expansion of eligibility requirements for both programs resulted in additional receipts of \$12,388 for the 2020 windstorm and \$3,958 for COVID-19 during 2023.

Note 11 – Subsequent Event

In March 2024, the District and Cascade executed a new 6-month contract effective April 1, 2024. The contract is in substantially the same form as the previous contract (Note 5) and is capped at power deliveries of 60 MW. Billings continue to be prepaid on a monthly basis and are further secured by a standby letter of credit of \$1,300,000.

Schedule of Proportionate Share of Net Pension Liability (Asset) as of June 30

	Employer's proportionate share of the net pension liability (asset)		Employer's covered employee payroll		Employer's proportion of the net pension liability (asset)	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3
2023	\$ 1,091,991	\$ (2,529,174)	\$ 8,530,458	\$ 8,530,458	0.047837%	0.061707%
2022	1,400,008	(2,432,144)	8,199,770	8,199,770	0.050281%	0.065578%
2021	641,587	(6,725,481)	8,074,948	8,074,948	0.052536%	0.067514%
2020	1,930,499	910,825	8,300,145	8,300,145	0.054680%	0.071217%
2019	2,291,063	747,291	8,362,937	8,362,937	0.059580%	0.076934%
2018	2,874,473	1,410,782	8,571,106	8,571,106	0.064363%	0.082627%
2017	3,197,754	3,011,819	8,498,422	8,498,422	0.067391%	0.086683%
2016	4,115,660	4,944,091	9,167,431	9,167,431	0.076635%	0.098196%
2015	4,320,539	3,811,237	9,471,100	9,471,100	0.082596%	0.106666%
2014	3,939,563	2,035,268	8,618,199	8,618,199	0.078204%	0.100688%

	Employer's proportionate share of net pension liability (asset) as a percentage of covered employee payroll		Plan fiduciary net position as a percentage of the total pension liability	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
2023	12.80%	29.65%	80.16%	107.02%
2022	17.07%	29.66%	76.56%	106.73%
2021	7.95%	83.29%	88.74%	120.29%
2020	23.26%	10.97%	68.64%	97.22%
2019	27.40%	8.94%	67.12%	97.77%
2018	33.54%	16.46%	63.22%	95.77%
2017	37.63%	35.44%	61.24%	90.97%
2016	44.89%	53.93%	57.03%	85.82%
2015	45.62%	40.24%	59.10%	89.20%
2014	45.71%	23.62%		

Schedule of Employer Contributions as of December 31

	Statutorily or contractually required contributions		Contributions in relation to the statutorily or contractually required contributions		Contribution deficiency (excess)	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3
2023	\$ 296,722	\$ 552,250	\$ (296,722)	\$ (552,250)	\$ -	\$ -
2022	312,392	529,487	(312,392)	(529,487)	-	-
2021	351,024	583,306	(351,024)	(583,306)	-	-
2020	397,440	656,971	(397,440)	(656,971)	-	-
2019	406,800	631,957	(406,800)	(631,957)	-	-
2018	434,106	643,488	(434,106)	(643,488)	-	-
2017	416,156	579,483	(416,156)	(579,483)	-	-
2016	412,225	538,399	(412,225)	(538,399)	-	-
2015	405,744	520,400	(405,744)	(520,400)	-	-
2014	372,964	461,531	(372,964)	(461,531)	-	-

	Covered employer payroll		Contributions as a percentage of covered employee payroll	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
2023	\$ 8,683,167	\$ 8,683,167	3.42%	6.36%
2022	8,325,267	8,325,267	3.75%	6.36%
2021	8,112,952	8,112,952	4.33%	7.19%
2020	8,295,085	8,295,085	4.79%	7.92%
2019	8,202,549	8,202,549	4.96%	7.70%
2018	8,581,426	8,581,426	5.07%	7.52%
2017	8,511,531	8,511,531	4.88%	6.80%
2016	8,642,042	8,642,042	4.83%	6.31%
2015	9,298,258	9,298,258	4.32%	5.54%
2014	9,241,367	9,241,367	4.02%	4.98%

Supplemental Information (Unaudited)
Public Utility District No. 1 of Pend Oreille County

Electric System - Revenue, customer and energy statistics for the years ended December 31

	2023	2022	2021	2020	2019
Average number of customers					
Residential	9,064	8,950	8,785	8,585	8,435
Commercial	852	852	851	849	849
Industrial	10	12	12	14	12
Other	82	82	82	82	81
Total	10,008	9,896	9,730	9,530	9,377
Revenues from sale of energy (000s)					
Residential	\$ 13,647	\$ 14,160	\$ 13,096	\$ 11,119	\$ 10,821
Commercial	3,682	3,748	3,575	2,868	3,057
Industrial	35,676	21,052	3,597	16,685	34,670
Other	2,866	2,030	2,029	30	30
Total District customers	55,871	40,990	22,297	30,702	48,578
Intersystem sales	222	193	164	165	141
Sales for resale	35,881	37,006	30,178	11,645	4,604
Total energy sales	91,974	78,189	52,639	42,512	53,323
Other operating revenues	2,591	2,280	1,506	1,466	1,559
Total	\$ 94,565	\$ 80,469	\$ 54,145	\$ 43,978	\$ 54,882
Energy (MWh)					
Residential	161,460	164,534	153,417	157,656	153,095
Commercial	53,391	53,088	51,264	48,756	51,529
Industrial	478,154	266,432	67,194	305,440	751,930
Other	133	145	145	145	145
Total District customers	693,138	484,199	272,020	511,997	956,699
Intersystem sales	2,055	2,109	1,647	2,117	1,710
Sales for resale	800,049	968,115	932,826	477,790	138,456
Total sales	1,495,242	1,454,423	1,206,493	991,904	1,096,865
Peak demand (MW)					
	135	153	76	142	160
Energy requirements (MWh)					
Retail sales	695,193	486,308	273,667	514,114	958,409
Sales for resale	800,049	968,115	932,826	477,790	138,456
Total sales	1,495,242	1,454,423	1,206,493	991,904	1,096,865
Electric System losses	18,134	26,337	27,653	17,842	26,583
Total energy requirements	1,513,376	1,480,760	1,234,146	1,009,746	1,123,448
Energy resources (MWh)					
Box Canyon Project	382,919	450,197	475,133	444,275	460,575
Boundary Project	382,709	382,741	353,935	340,151	369,066
Bonneville Power Administration	178,727	208,944	64,506	127,458	208,288
Other Sources	569,021	438,878	340,572	97,862	85,519
Total energy resources	1,513,376	1,480,760	1,234,146	1,009,746	1,123,448

Supplemental Information (Unaudited)
Public Utility District No. 1 of Pend Oreille County

Electric System - Senior lien parity debt service coverage for the years ended December 31,

	2023	2022	2021	2020	2019
Operating revenues (000s)					
Energy sales	\$ 91,974	\$ 78,189	\$ 52,639	\$ 42,512	\$ 53,323
Other	2,591	2,280	1,506	1,466	1,559
Total operating revenues	94,565	80,469	54,145	43,978	54,882
Operating expenses (1)					
Power costs	63,791	53,289	31,931	29,101	34,410
Operations and maintenance	7,045	6,633	6,339	6,862	6,231
Administrative and general	3,609	3,554	3,452	3,752	3,825
Taxes	3,388	2,448	1,380	1,787	2,785
Pension Expense	(846)	(744)	(1,739)	(770)	(727)
Total operating expenses	76,987	65,180	41,363	40,732	46,524
Investment income (2)					
	2,032	422	21	83	266
Net revenue available for debt service					
	19,610	15,711	12,803	3,329	8,624
Funds transferred to rate stabilization fund					
	-	-	-	-	(3,200)
Net revenue for debt service coverage					
	19,610	15,711	12,803	3,329	5,424
Senior lien debt service					
	976	974	976	976	1,178
Net revenue available for capital					
	\$ 18,634	\$ 14,737	\$ 11,827	\$ 2,353	\$ 4,246
Debt service coverage ratio (3)					
	20.09x	16.13x	13.12x	3.41x	4.60x

(1) Total operating expenses exclude depreciation for purposes of determining parity debt service coverage ratios.

(2) Investment income varies depending on many factors, including unrealized gains and losses on long-term investments.

(3) Debt service coverage ratio on senior lien debt service.

Box Canyon Production System - Senior lien parity debt service coverage for the years ended December 31,

	2023	2022	2021	2020	2019
Operating revenues (000s)					
Energy sales					
Electric System	\$ 19,501	\$ 17,020	\$ 13,846	\$ 18,096	\$ 19,191
Tribal use of lands	245	245	245	230	230
All other (1)	7	7	7	7	7
Total operating revenues	19,753	17,272	14,098	18,333	19,428
Operating expenses (2)					
Power costs	147	65	80	217	176
Operations and maintenance	8,599	7,357	6,017	5,294	6,683
Administrative and general	1,904	1,756	1,854	2,602	2,458
Taxes	87	103	108	100	103
Pension Expense	(368)	(324)	(757)	(336)	(317)
Total operating expenses	10,369	8,957	7,302	7,877	9,103
Investment income	1,407	387	23	161	570
Other nonoperating (3)	446	507	568	628	687
Net revenue available for debt service (4)	11,237	9,209	7,387	11,245	11,582
Senior lien debt service (5)	10,025	10,091	10,167	10,320	9,398
Net revenue available for capital	\$ 1,212	\$ (882)	\$ (2,780)	\$ 925	\$ 2,184
Debt service coverage ratio (6)	1.12x	0.91x	0.73x	1.09x	1.23x

(1) "All other" includes miscellaneous revenue such as lease of project lands.

(2) Excludes depreciation for purposes of determining senior lien debt service coverage.

(3) Internal Revenue Service interest reimbursement for 2009 Series B, Taxable Build America Bonds, and 2012 Taxable Clean Renewable Energy Bonds, Direct Payment.

(4) The District controls net revenue available by adjusting the power sales transfer price to the Electric System based on Box Canyon Production System cash flow requirements for debt service and capital investment.

(5) Senior lien debt service includes the 2008 CREB bonds, the 2012 CREB bonds, the 2018 bonds, and the 2019 bonds, as applicable.

(6) Debt service coverage ratio on senior lien debt service.

Community Network System - Senior lien parity debt service coverage for the years ended December 31,

	2023	2022	2021	2020	2019
Operating revenues (000s)					
Broadband Sales	\$ 2,710	\$ 2,604	\$ 2,573	\$ 2,431	\$ 2,194
Other	961	812	1,115	1,063	562
Total operating revenues	3,671	3,416	3,688	3,494	2,756
Operating expenses (1)					
Operations and maintenance	1,089	1,094	991	1,016	921
Administrative and general	600	415	261	315	243
Taxes	20	20	28	23	15
Pension Expense	(95)	(84)	(196)	(87)	(82)
Total operating expenses	1,614	1,445	1,084	1,267	1,097
Investment income	177	31	1	3	9
Net revenue available for debt service	2,234	2,002	2,605	2,230	1,668
Senior lien debt service	419	420	420	420	420
Net revenue available for capital	\$ 1,815	\$ 1,582	\$ 2,185	\$ 1,810	\$ 1,248
Debt service coverage ratio (2)	5.33x	4.77x	6.20x	5.31x	3.97x

(1) Total operating expenses exclude depreciation for purposes of determining parity debt service coverage ratios.

(2) Debt service coverage ratio on senior lien debt service.

Organizational Information
Public Utility District No. 1 of Pend Oreille County

Date of organization	November 1936
Nature of business	A municipal corporation supplying public utility services in Pend Oreille County, Washington
Board of Commissioners	
President	Curtis J. Knapp
Vice President	Joseph B. Onley
Secretary	David W. Rick
Key District Management	
General Manager	John Janney
Director of Finance/Auditor	April Owen
Director of Customer Services/Treasurer	Sarah Holderman
Director of Operations	Chris Jones
Director of Power Production	Bryant Kramer
Director of Human Resources	Suzie Wrbelis
Corporate Office	P.O. Box 190 130 N. Washington Ave. Newport, Washington 99156 (509) 447-3137 www.popud.org
Paying Agent and Registrar Information	U.S. Bank National Association 111 Fillmore Avenue East St. Paul, Minnesota 55107-1402





2023 Annual Report

Quality Service at Low Cost