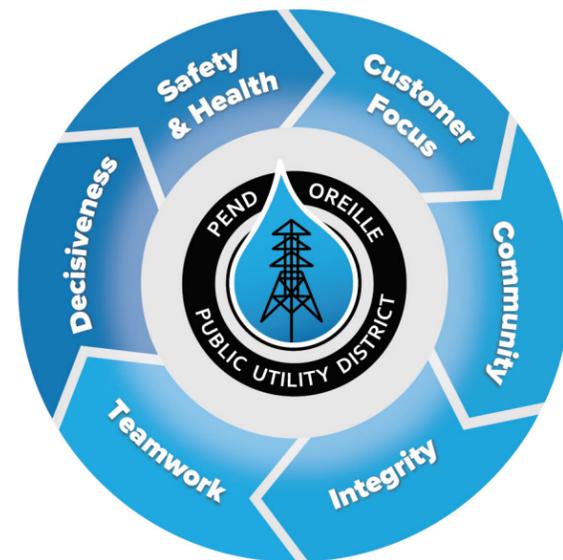




**2021**

**Annual Report  
Public Utility District No.1  
of Pend Oreille County**

# OUR STRATEGIC PLAN GUIDES EVERYTHING WE DO.



## 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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# TURNING THE PAGE

## A Message to our Stakeholders

In 2021, Pend Oreille Public Utility District officially turned the page on its longstanding operating model and reliance on a single large industrial customer, Ponderay Newsprint Company (PNC). The comprehensive transition included the creation of a new strategic plan and financial metrics, implementation of a medium-term sale of the District's hydroelectric resources, and examination of a longer-term sale of Box Canyon Dam output. The swift pivot allowed the District to focus on the significant customer growth in the service territory, including a new customer, Allrise Capital, at the former PNC site. Above all, through these efforts our incredible team of employees accomplished our goal of minimizing the impacts of the PNC closure on our general service customers.

### Strategic Plan

The District spent the first part of the year developing and adopting a new strategic plan to guide the utility over the next five years (2021-2025) as we endeavor to fulfill our vision: To be valued as a trusted and respected Public Utility District providing services our rural communities need. The Board of Commissioners solicited input from staff, as well as the community, as they laid the foundation for the future. The new plan emphasizes financial resiliency and includes financial health metrics that are directly linked to our investment grade bond ratings and annual expenses. The District is proud to have met its new financial goals in 2021 as a result of prior cost cutting measures, conservative budgeting, reasonable rate increases and structured draws on the cash collateral collected from PNC.

### Hydroelectric Resources

This year marked the first year of a five-year agreement with Shell Energy North America for the District's hydroelectric resources. The agreement provides for the sale of 100% of Box Canyon Dam output and contractual assignment energy that is received from Seattle City Light's Boundary Dam. Shell then supplies the power necessary to meet the District's remaining load

shape and makes fixed payments to the District over the term of the agreement. In 2021, Shell made over \$15 million in net contractual payments to the District plus an additional \$5 million in net payments for power sales outside the contract. Consistent with our new strategic planning goals, the

*"In 2021, Shell made over \$15 million in net contractual payments to the District plus an additional \$5 million in net payments for power sales outside the contract."*

District also began negotiations with another creditworthy Washington public utility for a 15-year sale of Box Canyon dam output at the expiration of the Shell contract. The longer-term structured deal would provide cost recovery, water risk mitigation, environmental value and, as a result, rate stability for the utility.

### Allrise Capital

Allrise Capital of Irvine, California, successfully bid \$18.1 million in an auction to acquire the former PNC site as a part of the Chapter 7 bankruptcy proceedings. Allrise publicly expressed its intent to restart the paper mill, in addition to building a large cryptomining and data center operation. The initial forecasted electricity load

exceeded 300MW and has since grown to 600MW. The District executed a cost reimbursement agreement with Allrise and they provided a series of deposits to cover the District's costs associated with processing the request, including interconnection studies required by the Bonneville Power Administration. The forecasted loads at the site resulted in the District receiving a shaped block of roughly 24aMWs of federal system power from BPA beginning in October 2021. Due to delays in the start of the Allrise operations, the District sold excess system power in October, November, and December, which was included in the Electric System's revenue. Allrise is currently consuming 5aMW under an existing energy services agreement. Contract negotiations on the first 100MWs of forecasted load are on-going, but will be structured around short-term market purchases with pass-through cost arrangements in order to mitigate any financial risk to the District.

*"Contract negotiations on the first 100MWs of forecasted load are on-going, but will be structured around short-term market purchases with pass-through cost arrangements in order to mitigate any financial risk to the District."*

### Customer Support and Growth

The District's customers continue to be at the center of everything we do. For the customers experiencing continued hardships from the global COVID-19 pandemic, the District offered grants and repayment plans to help get families back on track with their utility bills following the expiration of Washington's moratorium on utility disconnections. The District also

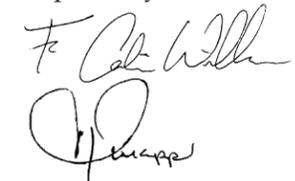
*"The District also received \$100,000 in American Rescue Plan Act (ARPA) funds through Pend Oreille County that was made available to customers in need. These proactive measures substantially reduced total customer account arrearages and minimized the need for disconnections."*

received \$100,000 in American Rescue Plan Act (ARPA) funds through Pend Oreille County that was made available to customers in need. These proactive measures substantially reduced total customer account arrearages and minimized the need for disconnections. During this same time, the District also experienced another year of record customer growth and interconnections. Electric residential customers grew over 2% (or over 200 customers) and

fiber broadband customers grew over 9% (or over 200 customers). This growth can be seen in the increase in contributions in aid of construction. The increased customer revenue helped the Community Network System make its final payment on the intercompany loan with the Box Canyon System—another financial milestone that will allow the Commission to look seriously at future expansion of the network in the north-end of the county.

These highlights mark the beginning of a new chapter in the history of Pend Oreille Public Utility District. Our hardworking team of employees are prepared to lead the utility into the future and provide the services our rural communities need. Thank you for your continued support.

Respectfully,



Curt Knapp  
Board of Commissioners,  
President



F. Colin Willenbrock  
General Manager

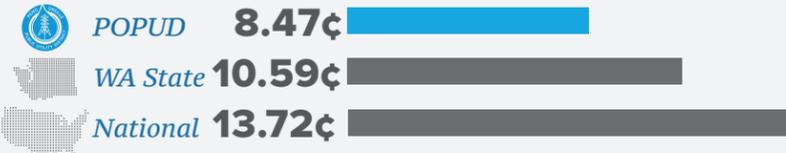


# HIGHLIGHTS OF 2021

## Electric System

*Electric Customers* **9,730**     *Electric Sales MWh* **272,020**     *New Service Requests* **312**

*Average Residential Rate Comparison in Cents per kWh*

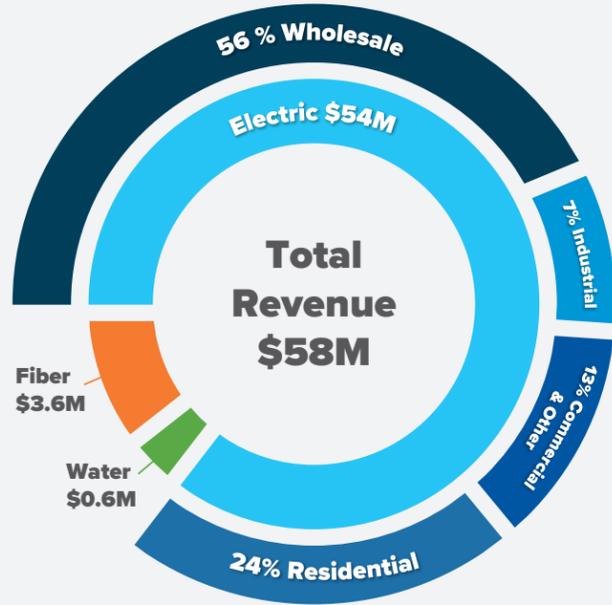


## CN System

*Fiber End-Users* **2,451**  
*Wireless End-Users* **134**  
*New Service Requests* **280**

## Pend Oreille PUD by the Numbers

78 employees operate the utility under the direction of 3 commissioners. The utility maintains 16,218 power poles, 7,292 transformers, 1,150 miles of power line, 6 substations, 6 hydropower generators, 2 hydropower facilities, 25 miles of water pipe, and 609 miles of fiber optic cable. To support our customers & community in 2021, 29,400 free LED lights were direct-mailed to customers and 634,399 kilowatt hours of savings were gained through Energy Efficiency Programs. 19,040 customer calls were answered, and 0 lost-time accidents were reported.



## Water System

*Water Customers* **602**     *Water Divisions* **9**     *Water Usage in Gallons* **37,965,795**

## Box Canyon Hydroelectric Project

*MWh Generated* **475,133**     *Mill Rate* **\$29.66**



## About Us

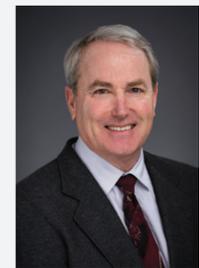
Pend Oreille Public Utility District was established in 1936 and began operations in 1948. The PUD is governed by three locally elected Commissioners each serving six-year terms. Commissioners represent their respective districts and are responsible for making policy decisions for the utility. A General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

## Board of Commissioners



**Richard A. Larson**  
*Vice President*  
 Represents District No. 3  
 Served Since 2011



**Curtis J. Knapp**  
*President*  
 Represents District No. 2  
 Served Since 2002



**Joseph B. Onley**  
*Secretary*  
 Represents District No. 1  
 Served Since 2019

## Customers Enrolled in Programs

*SmartHub Accounts* **5,422**     *Budget Billing* **1,235**  
*Paperless Billing* **2,290**     *AutoPay* **3,018**  
*Operation Round Up* **409**



## Assistance Funds Awarded

*Neighbors in Need* **\$5,164**  
*ARPA Grants* **\$49,276**  
*COVID Emergency Assistance* **\$10,750**

These assistance programs help families experiencing financial hardship with their utility bills. The Neighbors in Need campaign funds are raised through donation, while the COVID-19 Emergency Assistance Fund was established by the District. The ARPA Grant Funds were received from Pend Oreille County and helped customers financially impacted by the pandemic. In total, 152 customers were helped by this 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 accompanying 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, 2021 and 2020, the individual statements of net position of the Electric, Box Canyon Production, Water, and Community Network Systems as of December 31, 2021, the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years ended December 31, 2021 and 2020, and the 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, 2021, 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, 2021 and 2020, and the individual financial positions of the Electric, Box Canyon Production, Water, and Community Network Systems for the year ended December 31, 2021, and the respective changes in financial position and cash flows thereof for the year 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*, 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 twelve 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 taken as a whole 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 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 April 5, 2022, on our consideration of Public Utility District No. 1 of Pend Oreille County'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 the 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 the District's internal control over financial reporting and compliance.



Everett, Washington  
April 5, 2022

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, 2021, 2020 and 2019. 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 2021, the District's overall financial position improved. Total net position for the District increased \$7,293,672 from \$150,320,098 in 2020 to \$157,613,770 in 2021.

<b>Combined Statements of Net Position</b>			
as of December 31	2021	2020	2019
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 90,995,559	\$ 84,371,624	\$ 85,325,606
Other assets	45,238,592	8,865,688	9,454,799
Net utility plant	245,343,030	254,179,828	260,435,099
Total assets	381,577,181	347,417,140	355,215,504
Deferred outflows of resources	1,414,949	1,546,467	1,546,124
Total assets and deferred outflows of resources	\$ 382,992,130	\$ 348,963,607	\$ 356,761,628
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities	\$ 22,793,778	\$ 20,382,311	\$ 18,208,027
Other liabilities	50,007,223	26,392,026	30,504,527
Long-term debt	145,684,419	151,075,847	156,716,168
Total liabilities	218,485,420	197,850,184	205,428,722
Deferred inflows of resources	6,892,940	793,325	1,715,015
Total liabilities and deferred inflows of resources	\$ 225,378,360	\$ 198,643,509	\$ 207,143,737
<b>Net position</b>			
Net investment in capital assets	\$ 99,554,876	\$ 104,118,796	\$ 104,788,034
Restricted	26,688,842	26,224,501	25,842,497
Unrestricted	31,370,052	19,976,801	18,987,360
Total net position	\$ 157,613,770	\$ 150,320,098	\$ 149,617,891
<b>Combined Statements of Revenues, Expenses, and Changes in Net Position</b>			
for the Year Ended December 31	2021	2020	2019
<b>Operating Revenues</b>			
Sales to retail customers	\$ 25,414,409	\$ 33,618,010	\$ 51,236,951
Sales to other utilities	30,177,934	11,645,161	4,603,563
Other	1,860,350	1,607,248	1,692,926
Total operating revenues	\$ 57,452,693	\$ 46,870,419	\$ 57,533,440
<b>Operating Expenses</b>			
Power costs	\$ 17,919,969	\$ 10,992,112	\$ 15,164,787
Operations, maintenance, and administrative	15,714,760	17,954,465	19,035,949
Taxes and depreciation	11,727,772	11,906,491	13,312,534
Total operating expenses	\$ 45,362,501	\$ 40,853,068	\$ 47,513,270
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	\$ 45,180	\$ 244,176	\$ 771,669
Interest expense	(5,464,685)	(5,580,740)	(6,249,829)
Other	622,985	21,420	205,851
Total nonoperating revenues (expenses)	\$ (4,796,520)	\$ (5,315,144)	\$ (5,272,309)
<b>Change in Net Position</b>	\$ 7,293,672	\$ 702,207	\$ 4,747,861

**Electric System**

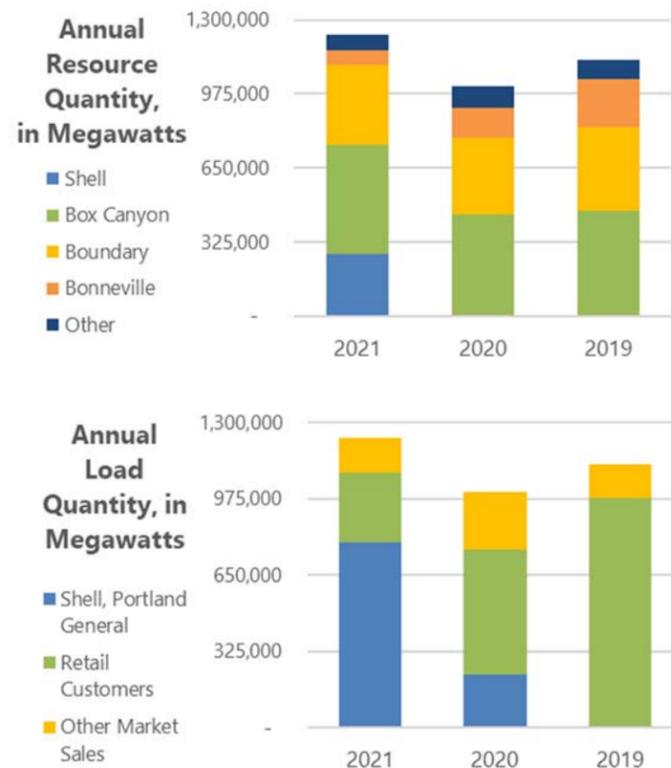
The District’s electric system distributes electricity to approximately 9,700 meters, including 851 commercial customers and 12 industrial customers. The District generates power from District-owned Box Canyon Dam and Calispel Powerhouse, and during 2021 purchased power from Bonneville Power Administration, Seattle City Light’s Boundary Project, Shell Energy North America and Avista Corporation. Avista Corporation serves as the District’s balancing authority.

**Factors influencing 2021 Electric System economic results:**

- On January 1, 2021, the District began transactions under a 5-year contract with Shell Energy North America (US), L.P. Under the contract, the District sells to Shell specified-source Box Canyon power, and power assigned to the District from Seattle City Light’s Boundary project. 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 to the District for the year ended December 31, 2021 were \$15.7 million.

- In February 2021, the District entered into a settlement agreement with Seattle City Light to resolve disputes regarding, among other items, environmental attribute rights on power received from Seattle’s Boundary Hydroelectric Project. The settlement agreement modifies the parties’ 2014 Boundary Power Assignment Agreement through December 31, 2029. In exchange for the District waiving its right to environmental attributes, the settlement agreement removed weekly load factor variability and established fixed power deliveries, shaped monthly to match the District’s seasonal average load. The settlement agreement also fixed the annual cost escalator for the 9-year agreement term to provide additional certainty for the District.

- In April 2021, the industrial site formerly owned by Ponderay Newsprint Company (PNC) was purchased by Allrise Capital, Inc. (Allrise). PNC, which had historically accounted for approximately 70% of the District’s retail energy deliveries, ceased operations and declared Chapter 7 bankruptcy in June 2020. Allrise purchased the property for \$18.1 million through auction as part of the bankruptcy proceedings. Allrise has purportedly kept the newsprint equipment in operational order, but is now primarily focused on data mining operations. As of December 31, 2021, the District was in active negotiations with Allrise and its preferred wholesale energy provider, Brookfield Renewable Trading and Marketing, L.P., for a power contract structure for up to 100 megawatts of hourly power delivery. The contracts, if finalized and executed by the parties, are expected to run through September 30, 2024.



- On October 1 2021, the District began receiving power deliveries from the Bonneville Power Administration (BPA). The District is under a 20-year contract with BPA for power deliveries when the District’s resources are determined to be insufficient to meet the District’s total energy load for the upcoming October through September fiscal year. When PNC closed in June 2020, the District’s resources were considered sufficient to meet the District’s expected load for the 2020-2021 fiscal year, and no power deliveries were made for the 12-month period. During the subsequent calculation period in July 2021, District forecasted loads, including forecasted loads submitted by Allrise, were expected to be more than the District’s forecasted resources, and power deliveries were therefore scheduled for the 2021-2022 fiscal year. The District receives an hourly average of 24 megawatts of power from BPA, shaped in fixed monthly blocks.

<b>Electric System Selected Data</b>	2021	2020	2019
Residential revenues	\$ 13,125,717	\$ 11,118,942	\$ 10,820,873
Commercial revenues	3,574,894	2,897,757	3,087,375
Industrial revenues	5,596,725	16,685,419	34,670,365
Residential customer growth	2.33%	1.78%	1.54%
Residential energy rate (cents per kWh)	6.12¢	5.42¢	5.13¢
Residential monthly system access charge	\$35.50	\$35.50	\$30.50

- Pend Oreille County experienced higher than average residential growth in 2021. The District had a total of 312 paid electric line extensions, more than twice the number of line extensions in 2020. The District’s average residential customer growth rate was 2.33%, compared to 1.78% and 1.54% in 2020 and 2019, respectively.

- The District implemented a 10% electric revenue increase effective January 1, 2021. The blended residential rate, including the monthly access fixed charge, was 8.47 cents per kilowatt hour compared to 7.36 cents and 7.06 cents per kilowatt hour in 2020 and 2019, respectively. The United States average retail price in 2020 per the U.S. Energy Information Administration was 10.59 cents per kilowatt hour.

- The COVID-19 pandemic increased the District’s historically low customer delinquencies. In March 2020, the Governor of the State of Washington imposed a moratorium on utility disconnects for nonpayment for residential customers, which remained in effect until October 2021. The District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funds in the amount of \$38,419 in 2020 and American Rescue Plan Act (ARPA) funds in the amount of \$49,276 in 2021 to assist customers with utility bills. Electric accounts 90 days past due as of December 31, 2021, 2020, and 2019 were \$17,721, \$31,023, and \$946, respectively.



**Electric System Financial Data**

as of December 31	2021	2020	2019
Total assets and deferred outflows of resources	\$ 116,299,071	\$ 105,933,024	\$ 110,087,830
Total liabilities and deferred inflows of resources	39,562,318	38,193,137	41,706,934
Net investment in capital assets	49,151,708	51,289,578	52,360,205
Restricted	12,816,969	12,294,409	11,897,226
Unrestricted	14,768,076	4,155,900	4,123,465
Total net position	\$ 76,736,753	\$ 67,739,887	\$ 68,380,896
<b>Capital Assets</b>	2021	2020	2019
Transmission and distribution	\$ 123,773,395	\$ 122,298,657	\$ 120,032,210
Hydroelectric plant and equipment	1,525,945	1,525,945	1,525,945
General plant	4,420,834	4,420,834	4,357,051
Total utility plant in service	129,720,174	128,245,436	125,915,206
Construction work in progress	1,694,965	1,191,445	2,059,490
Total gross utility plant	\$ 131,415,139	\$ 129,436,881	\$ 127,974,696
<b>Long Term Debt</b>	2021	2020	2019
Total debt outstanding	\$ 8,554,242	\$ 9,333,030	\$ 9,673,632

The Electric System currently has one revenue bond outstanding, with approximately 10 years remaining on the term. 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 13.12, 3.41, and 4.60 for 2021, 2020, and 2019, 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. No transfers of cash were made in 2021 or 2020. The balance in this account was \$10 million as of December 31, 2021, 2020 and 2019.

**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 Selected Data**

	2021	2020	2019
Total cost of production	\$ 14,090,877	\$ 18,326,191	\$ 19,421,174
Operating expenses	11,065,965	11,455,539	12,691,477
Annual generation in megawatt hours	475,133	444,275	460,575
Average hourly generation in megawatt hours	54.24	50.71	52.58
Cost per megawatt hour	\$29.66	\$41.25	\$42.17

**Factors influencing 2021 Box Canyon Production System economic results:**

- 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. The design and location of the Project necessitates the District to spill in high water conditions, which occurred in 2020. River levels were relatively moderate in 2021, and the Project generated through the spring run-off season, producing an annual average of 54 megawatts per hour. Peak generation of 85 megawatts occurred in May.

- 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. During 2019, the District accrued \$2 million in anticipation of an environmental payment that was due upon FERC approval of a license amendment, and accrued an additional \$600,000 in 2020. The amendment was approved by FERC in December 2021, and an initial payment of \$2,300,000 was made in February 2022. Payments will be expensed annually over the next 25 years. In addition, the District increased the licensing costs liability by approximately \$29.8 million, representing the present value of the 25-year payment stream. The District's licensing costs regulatory asset was increased by the same \$29.8 million, and both the licensing costs liability and regulatory asset will decrement each year based on annual payments made to outside agencies.

- The license amendment establishes, among other items, mitigation payments in lieu of construction of downstream fish passage at the Box Canyon Project, and both downstream and upstream fish passage at the District's Calispell Creek pumping plant. As construction will no longer take place for these projects, in 2021 the District expensed approximately \$1.8 million in engineering and study work previously capitalized to construction work in progress.

- The District's upstream fish passage facility at Box Canyon was commissioned in October 2021, fulfilling a FERC license requirement. The \$45 million facility includes a gravity fed fish ladder and sorting facility where target species will be separated, tagged, and transported to an upstream release site. Total payments to the project contractor were \$35.5 million. The final \$1.4 million payment was made to the contractor in November 2021 upon meeting state contracting requirements, closing out most of Box Canyon Production



System's construction work in progress. The District does not have plans for any major construction projects for the Box Canyon Project in the near future.

<b>Box Canyon Production System Financial Data</b>			
as of December 31	2021	2020	2019
Total assets and deferred outflows of resources	\$ 237,563,719	\$ 214,827,519	\$ 217,376,644
Total liabilities and deferred inflows of resources	182,014,944	157,152,481	161,469,123
Net investment in capital assets	25,179,681	25,989,434	24,685,520
Restricted	13,801,458	13,930,092	13,789,271
Unrestricted	16,567,636	17,755,512	17,432,730
Total net position	\$ 55,548,775	\$ 57,675,038	\$ 55,907,521
<b>Capital Assets</b>			
	2021	2020	2019
Hydroelectric plant and equipment	\$ 194,872,852	\$ 149,793,867	\$ 149,833,230
General plant	14,040,497	14,040,497	14,040,497
Total utility plant in service	\$ 208,913,349	\$ 163,834,364	\$ 163,873,727
Construction work in progress	5,610	46,515,619	45,953,474
Total gross utility plant	\$ 208,918,959	\$ 210,349,983	\$ 209,827,201
<b>Long Term Debt</b>			
	2021	2020	2019
Total debt outstanding	\$ 139,631,565	\$ 144,146,646	\$ 148,592,147

The District was re-evaluated by Fitch Ratings and Moody's Investors Service during 2021. Fitch Ratings affirmed the A- rating on the District, improving the outlook from negative to positive. Fitch Ratings noted that the District has reduced revenue volatility through the District's contract with Shell Energy North America. The District's willingness to raise rates was also noted as a strength. Moody's Investor Service completed a periodic review, with no change in their Baa2 rating with a stable outlook.

### 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.

<b>Water System Selected Data</b>			
	2021	2020	2019
Operating revenues	\$ 630,781	\$ 568,300	\$ 550,409
Operating expenses	753,732	711,008	691,072
<b>Annual Water Usage by System, in gallons:</b>			
Metaline Falls	17,817,217	12,580,150	11,479,472
Sandy Shores	5,273,058	3,981,776	3,674,280
Riverbend	2,976,247	2,437,872	2,025,666
Greenridge	1,274,442	834,050	369,960
Riverview	2,401,526	1,638,620	1,175,882
Sunvale	4,367,213	2,785,403	2,619,770
Lazy Acres	1,731,860	1,231,940	1,188,080
Holiday Shores	1,266,000	788,693	639,890
Granite/Sacheen	858,232	878,372	706,510

### Factors influencing 2021 Water System economic results:

- Metaline Falls is the only District-owned system that serves an incorporated town. At 192 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, ranging from 82 to 29 customers.
- The District began performing contracted Water Operator services to a water system owned by the town of Cusick in 2018. Cusick reimburses the District for operations and administrative work performed, as well as additional expenses incurred by the District on Cusick's behalf. \$66,156, \$71,762, and \$69,411 is included as other revenue for the consolidated water systems for 2021, 2020, and 2019 respectively, which offsets approximately the same amount of expenses for each year.



<b>Water System Financial Data</b>			
as of December 31	2021	2020	2019
Total assets and deferred outflows of resources	\$ 5,376,892	\$ 5,104,304	\$ 4,804,328
Total liabilities and deferred inflows of resources	838,323	751,068	347,864
Net investment in capital assets	4,649,277	4,901,130	4,659,050
Restricted	25,605	-	-
Unrestricted	(136,313)	(547,894)	(202,586)
Total net position	\$ 4,538,569	\$ 4,353,236	\$ 4,456,464
<b>Capital Assets</b>			
	2021	2020	2019
Transmission and distribution	\$ 9,265,861	\$ 8,668,704	\$ 8,668,098
General plant	78,047	78,047	78,047
Total utility plant in service	9,343,908	8,746,751	8,746,145
Construction work in progress	109,922	457,215	18,794
Total gross utility plant	\$ 9,453,830	\$ 9,203,966	\$ 8,764,939
<b>Long Term Debt</b>			
	2021	2020	2019
Total debt outstanding	\$ 340,313	\$ 52,390	\$ 60,027

- The Riverview system completed the installation of a water filtration system during the year to treat arsenic, iron and manganese. The three-year project totaled \$592,543 and was funded with \$273,100 in grant funds, \$305,900 in loans through the Washington State Department of Health at an interest rate of 1.25%, and \$13,543 in District funds.

### 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. Per Washington State law, the District is authorized to be a wholesale provider of broadband, and serves residential end users through three local retail internet service providers.

Community Network System Selected Data	2021	2020	2019
Operating revenues	\$ 3,688,136	\$ 3,493,936	\$ 2,756,250
Operating expenses	3,368,453	3,772,341	3,546,889
Average fiber standard class end users	2,451	2,220	2,002
Average wireless class end users	134	134	112

#### Factors influencing 2021 Community Network System economic results:

- The Community Network System continued to see substantial growth during 2021, including both new construction line extensions and installation of services to existing homes that had previously not received service. Contributions in aid of construction of \$448,575, \$319,421, and \$239,153, in 2021, 2020, and 2019, respectively, have offset costs of expanding fiber infrastructure.
- Growth for the System has offset the need for rate increases for standard wholesale services. Expenses for the Community Network System have remained fairly constant over the past 3 years. At \$2.28 million in 2021, \$2.51 million in 2020, and \$2.45 million in 2019, depreciation is the largest component of operating expenses.
- The District has been increasing reserves for the system, adding approximately \$873,500, \$540,500, and \$285,000 to cash reserves in 2021, 2020, and 2019, respectively.



#### Community Network System Financial Data

as of December 31	2021	2020	2019
Total assets and deferred outflows of resources	\$ 26,334,381	\$ 26,556,062	\$ 28,166,386
Total liabilities and deferred inflows of resources	5,544,708	6,004,125	7,293,376
Net investment in capital assets	20,574,210	21,938,654	23,083,259
Restricted	44,810	-	156,000
Unrestricted	170,653	(1,386,717)	(2,366,249)
Total net position	\$ 20,789,673	\$ 20,551,937	\$ 20,873,010

#### Capital Assets

	2021	2020	2019
Transmission and distribution	\$ 45,887,544	\$ 45,251,812	\$ 44,528,896
General plant	61,721	61,721	61,721
Total utility plant in service	45,949,265	45,313,533	44,590,617
Construction work in progress	128,008	18,810	142,442
Total gross utility plant	\$ 46,077,273	\$ 45,332,343	\$ 44,733,059

#### Long Term Debt

	2021	2020	2019
Total debt outstanding	\$ 1,945,333	\$ 2,454,056	\$ 3,234,899

The Community Network System has held an Inter-System loan from the Box Canyon Production System that was initiated in 2013 to help fund the District's match for the American Recovery and Reinvestment Act grant. The Community Network System began accelerating principal payments in 2020 and paid the loan in full during 2021, ahead of the expected final payment date in 2027. The District has approximately 6 years remaining on the revenue bond currently held with a bank, which has a balance as of December 31, 2021 of \$1,892,000.

#### 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, Audit, Finance & Power Supply/Auditor

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

Assets and Deferred Outflows of Resources	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total as of December 31,	
					2021	2020
<b>Current Assets</b>						
Cash and cash equivalents						
Unrestricted	\$ 19,444,615	\$ 20,128,305	\$ -	\$ 2,124,811	\$ 41,697,731	\$ 36,941,539
Restricted	22,729,888	7,028,485	-	-	29,758,373	29,653,926
Short-term investments						
Unrestricted	-	-	-	-	-	450,000
Restricted	952,397	9,738,617	-	-	10,691,014	10,688,145
Receivables						
Accounts and contracts, net	2,129,460	-	43,600	214,634	2,387,694	2,281,505
Other	3,382,952	13,891	20,209	7,179	3,424,231	1,427,188
Unbilled revenue	378,913	-	-	-	378,913	238,004
Materials and supplies	1,774,046	355	44,347	731,985	2,550,733	2,378,112
Prepaid expenses and other	74,343	32,527	-	-	106,870	313,205
Due from other systems	200,173	-	-	-	-	-
<b>Total current assets</b>	<b>51,066,787</b>	<b>36,942,180</b>	<b>108,156</b>	<b>3,078,609</b>	<b>90,995,559</b>	<b>84,371,624</b>
<b>Noncurrent Assets</b>						
Contracts and notes receivable	2,381,760	-	-	-	-	-
Nonutility plant	4,587,053	-	-	-	4,587,053	4,760,273
Licensing costs - regulatory asset	-	33,926,058	-	-	33,926,058	4,105,415
Net pension asset	4,169,798	1,815,880	269,019	470,784	6,725,481	-
<b>Total noncurrent assets</b>	<b>11,138,611</b>	<b>35,741,938</b>	<b>269,019</b>	<b>470,784</b>	<b>45,238,592</b>	<b>8,865,688</b>
<b>Utility Plant</b>						
Land and land rights	3,492,521	789,950	77,305	61,721	4,421,497	4,421,497
Hydroelectric plant and equipment	1,525,945	194,872,852	-	-	196,398,797	151,319,812
Structures, buildings and equipment	123,773,395	-	9,265,861	45,887,544	178,926,800	176,219,173
Intangible assets	928,313	13,250,547	742	-	14,179,602	14,179,602
Construction work in progress	1,694,965	5,610	109,922	128,008	1,938,505	48,183,089
	131,415,139	208,918,959	9,453,830	46,077,273	395,865,201	394,323,173
Less accumulated depreciation and amortization	77,531,150	45,216,774	4,464,240	23,310,007	150,522,171	140,143,345
Net utility plant	53,883,989	163,702,185	4,989,590	22,767,266	245,343,030	254,179,828
<b>Total assets</b>	<b>116,089,387</b>	<b>236,386,303</b>	<b>5,366,765</b>	<b>26,316,659</b>	<b>381,577,181</b>	<b>347,417,140</b>
<b>Deferred Outflows of Resources</b>						
Deferred amount on refinancing debt	52,722	1,109,061	-	-	1,161,783	1,272,614
Deferred pension outflows	156,962	68,355	10,127	17,722	253,166	273,853
<b>Total deferred outflows of resources</b>	<b>209,684</b>	<b>1,177,416</b>	<b>10,127</b>	<b>17,722</b>	<b>1,414,949</b>	<b>1,546,467</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 116,299,071</b>	<b>\$ 237,563,719</b>	<b>\$ 5,376,892</b>	<b>\$ 26,334,381</b>	<b>\$ 382,992,130</b>	<b>\$ 348,963,607</b>

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 System	Box Canyon Production System	Water System	Community Network System	Combined Total as of December 31,	
					2021	2020
<b>Current Liabilities</b>						
Accounts payable	\$ 2,224,856	\$ 117,599	\$ -	\$ 5,893	\$ 2,348,348	\$ 1,743,322
Accrued compensation and benefits	1,988,246	-	-	-	1,988,246	1,922,962
Accrued taxes	603,273	102,889	2,139	5,338	713,639	742,429
Customer prepayments and deposits	2,207,365	-	6,476	285,069	2,498,910	1,196,568
Accrued bond interest	170,525	3,138,485	1,174	-	3,310,184	3,404,259
Contract security liability	-	-	-	-	-	1,443,245
Current portion of long-term debt	648,333	3,890,000	20,368	175,000	4,733,701	4,685,219
Current portion of licensing cost liability and unearned revenue	2,050,724	5,100,438	-	49,588	7,200,750	5,244,307
Due to other systems	-	-	186,840	13,333	-	-
<b>Total current liabilities</b>	<b>9,893,322</b>	<b>12,349,411</b>	<b>216,997</b>	<b>534,221</b>	<b>22,793,778</b>	<b>20,382,311</b>
<b>Other Liabilities</b>						
Unearned revenue	17,091,681	-	-	2,726,070	17,475,991	19,588,167
Licensing costs liability	-	31,889,645	-	-	31,889,645	3,962,535
Net pension liability	397,784	173,229	25,663	44,911	641,587	2,841,324
<b>Total other liabilities</b>	<b>17,489,465</b>	<b>32,062,874</b>	<b>25,663</b>	<b>2,770,981</b>	<b>50,007,223</b>	<b>26,392,026</b>
<b>Long-term Debt</b>						
Revenue bonds	7,865,909	135,741,565	-	1,717,000	145,324,474	150,977,295
Other long-term debt	40,000	-	319,945	-	359,945	98,552
Due to other systems	-	-	-	40,000	-	-
<b>Total long-term debt</b>	<b>7,905,909</b>	<b>135,741,565</b>	<b>319,945</b>	<b>1,757,000</b>	<b>145,684,419</b>	<b>151,075,847</b>
<b>Total liabilities</b>	<b>35,288,696</b>	<b>180,153,850</b>	<b>562,605</b>	<b>5,062,202</b>	<b>218,485,420</b>	<b>197,850,184</b>
<b>Deferred Inflows of Resources</b>						
Deferred pension inflows	4,273,622	1,861,094	275,718	482,506	6,892,940	793,325
<b>Total deferred inflows of resources</b>	<b>4,273,622</b>	<b>1,861,094</b>	<b>275,718</b>	<b>482,506</b>	<b>6,892,940</b>	<b>793,325</b>
<b>Net Position</b>						
Net investment in capital assets	49,151,708	25,179,681	4,649,277	20,574,210	99,554,876	104,118,796
Restricted for						
Sullivan contract obligation	832,682	-	-	-	832,682	737,272
Debt service	1,587,397	13,628,617	-	-	15,216,014	15,487,229
Rate stabilization fund	10,000,000	-	-	-	10,000,000	10,000,000
Pensions	396,890	172,841	25,605	44,810	640,146	-
Total restricted	12,816,969	13,801,458	25,605	44,810	26,688,842	26,224,501
Unrestricted	14,768,076	16,567,636	(136,313)	170,653	31,370,052	19,976,801
<b>Total net position</b>	<b>76,736,753</b>	<b>55,548,775</b>	<b>4,538,569</b>	<b>20,789,673</b>	<b>157,613,770</b>	<b>150,320,098</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 116,299,071</b>	<b>\$ 237,563,719</b>	<b>\$ 5,376,892</b>	<b>\$ 26,334,381</b>	<b>\$ 382,992,130</b>	<b>\$ 348,963,607</b>

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, 2021	Year ended December 31, 2020
<b>Operating Revenues</b>						
Sales to retail customers	\$ 22,297,336	\$ -	\$ 544,393	\$ 2,572,680	\$ 25,414,409	\$ 33,618,010
Sales to other utilities	30,177,934	-	-	-	30,177,934	11,645,161
Intersystem sales	163,988	14,090,877	-	621,981	-	-
Contributed capital	999,808	-	8,357	448,575	1,456,740	1,355,078
Other	505,647	7,008	78,031	44,900	403,610	252,170
<b>Total operating revenues</b>	<b>54,144,713</b>	<b>14,097,885</b>	<b>630,781</b>	<b>3,688,136</b>	<b>57,452,693</b>	<b>46,870,419</b>
<b>Operating Expenses</b>						
Power costs	31,930,822	80,024	-	-	17,919,969	10,992,112
Operations and maintenance	6,338,513	6,017,058	399,599	990,645	12,930,174	12,635,365
Administrative and general	3,452,124	1,853,801	224,805	261,076	5,589,502	6,561,766
Taxes	1,380,473	108,443	27,731	28,296	1,544,943	1,934,036
Pension expense (credit)	(1,739,047)	(757,327)	(112,197)	(196,345)	(2,804,916)	(1,242,666)
Depreciation and amortization	3,920,288	3,763,966	213,794	2,284,781	10,182,829	9,972,455
<b>Total operating expenses</b>	<b>45,283,173</b>	<b>11,065,965</b>	<b>753,732</b>	<b>3,368,453</b>	<b>45,362,501</b>	<b>40,853,068</b>
Net operating revenues (expenses)	8,861,540	3,031,920	(122,951)	319,683	12,090,192	6,017,351
<b>Nonoperating Revenues (Expenses)</b>						
Interest income	20,855	23,376	22	1,313	45,180	244,176
Interest on debt	(195,268)	(5,750,000)	(4,651)	(83,260)	(6,033,126)	(6,209,109)
Subsidies on debt	-	568,441	-	-	568,441	628,369
Sullivan net expense	(77,810)	-	-	-	(77,810)	(171,897)
Grant revenue	345,794	-	313,246	-	659,040	147,972
Other, net	41,755	-	(333)	-	41,755	45,345
<b>Total nonoperating revenues (expenses)</b>	<b>135,326</b>	<b>(5,158,183)</b>	<b>308,284</b>	<b>(81,947)</b>	<b>(4,796,520)</b>	<b>(5,315,144)</b>
Change in net position	8,996,866	(2,126,263)	185,333	237,736	7,293,672	702,207
<b>Accumulated Net Position</b>						
Beginning of year	67,739,887	57,675,038	4,353,236	20,551,937	150,320,098	149,617,891
End of year	\$ 76,736,753	\$ 55,548,775	\$ 4,538,569	\$ 20,789,673	\$ 157,613,770	\$ 150,320,098

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, 2021	Year ended December 31, 2020
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 22,415,128	\$ -	\$ 556,347	\$ 3,179,726	\$ 26,151,201	\$ 33,219,172
Receipts from other operating revenues	30,233,985	7,008	66,156	-	30,307,149	11,782,901
Payments to suppliers for goods and services	(22,192,724)	(3,869,291)	(130,820)	(145,059)	(26,337,894)	(20,553,063)
Payments to employees for services	(7,454,053)	(3,415,855)	(486,111)	(862,005)	(12,218,024)	(12,613,851)
Payments from (to) other systems	(13,798,348)	13,786,928	(382,198)	393,618	-	-
<b>Net cash from operating activities</b>	<b>9,203,988</b>	<b>6,508,790</b>	<b>(376,626)</b>	<b>2,566,280</b>	<b>17,902,432</b>	<b>11,835,159</b>
<b>Cash Flows from Noncapital Financing Activities</b>						
Receipts from (payments on) nonoperating assets	82,657	-	-	-	82,657	(28,488)
Receipts from government agencies	71,528	-	-	-	71,528	45,677
Insurance proceeds	24,229	-	-	-	24,229	-
Proceeds from grant funding	327,597	-	-	-	327,597	156,524
Payments for grant funded projects	(60,545)	-	-	-	(60,545)	-
Intersystem financing	370,795	-	(311)	(370,484)	-	-
<b>Net cash from noncapital financing activities</b>	<b>816,261</b>	<b>-</b>	<b>(311)</b>	<b>(370,484)</b>	<b>445,466</b>	<b>173,713</b>
<b>Cash Flows From Capital and Related Financing Activities</b>						
Acquisition and construction of capital assets	(2,144,090)	(402,524)	(249,864)	(744,930)	(3,541,408)	(4,067,250)
Proceeds from sale of assets	6,837	3,400	-	-	10,237	60,923
Proceeds from grant funding	-	-	342,478	-	342,478	40,953
Proceeds from issuance of note payable	-	-	305,900	-	305,900	29,956
Payments on revenue bonds	(605,000)	(3,890,714)	-	(495,389)	(4,832,714)	(4,430,714)
Interest paid on revenue bonds	(356,175)	(6,358,210)	-	(83,260)	(6,797,592)	(6,605,510)
Subsidy received on revenue bonds	-	568,441	-	-	568,441	628,369
Payments on notes payable	(13,334)	-	(17,977)	-	(31,311)	(50,926)
Interest paid on notes payable	-	-	(3,600)	-	(3,600)	(1,081)
<b>Net cash from capital and related financing activities</b>	<b>(3,111,762)</b>	<b>(10,079,607)</b>	<b>376,937</b>	<b>(1,323,579)</b>	<b>(13,979,569)</b>	<b>(14,395,280)</b>
<b>Cash Flows from Investing Activities</b>						
Purchases of investments	(260)	(2,609)	-	-	(2,869)	(51,509)
Sales and maturities of investments	59,000	549,389	-	-	450,000	10,000,000
Interest on investments, contracts, and notes	20,543	23,376	-	1,313	45,179	244,175
<b>Net cash from investing activities</b>	<b>79,283</b>	<b>570,156</b>	<b>-</b>	<b>1,313</b>	<b>492,310</b>	<b>10,192,666</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>6,987,770</b>	<b>(3,000,661)</b>	<b>-</b>	<b>873,530</b>	<b>4,860,639</b>	<b>7,806,258</b>
Cash and Cash Equivalents						
Beginning of year	35,186,733	30,157,451	-	1,251,281	66,595,465	58,789,207
End of year	\$ 42,174,503	\$ 27,156,790	\$ -	\$ 2,124,811	\$ 71,456,104	\$ 66,595,465

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,	
					2021	2020
Net operating revenues (expenses)	\$ 8,861,540	\$ 3,031,920	\$ (122,951)	\$ 319,683	\$ 12,090,192	\$ 6,017,351
Adjustments to reconcile net operating revenues (expenses) to net cash from operating activities:						
Depreciation and amortization	3,920,288	3,763,966	213,794	2,284,781	10,182,829	9,972,455
Write off of preliminary project costs	-	1,833,549	-	-	1,833,549	-
Changes in operating assets and liabilities						
Receivables	(2,105,337)	(13,891)	4,773	1,077	(2,113,378)	(2,183,831)
Unbilled revenue	(140,909)	-	-	-	(140,909)	588,231
Due to (from) other systems	346,496	-	(346,496)	-	-	-
Materials and supplies	134,118	30,285	(2,331)	23,619	185,691	338,210
Prepaid expenses and other current assets	169,805	36,354	-	-	206,159	111,263
Unearned revenue	(2,000,000)	-	-	(49,588)	(2,049,588)	(49,588)
Deferred relicensing costs	-	12,186	-	-	12,186	529,081
Pension	(1,739,047)	(757,327)	(112,197)	(196,345)	(2,804,916)	(1,242,666)
Accounts payable, customer deposits, and prepayments	1,730,648	(1,436,070)	(11,394)	180,939	464,123	(2,140,705)
Accrued compensation, benefits, and taxes	26,386	7,818	176	2,114	36,494	(104,642)
Net cash from operating activities	\$ 9,203,988	\$ 6,508,790	\$ (376,626)	\$ 2,566,280	\$ 17,902,432	\$ 11,835,159
<b>Supplemental Disclosure of Noncash Activities</b>						
Construction costs included in accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 441,316

### 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.

**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.

**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, 2021 and 2020 was \$33,600 and \$39,600, respectively.

See accompanying notes

**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 \$5,000 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. During 2021, FERC approved an amendment to the license that established scheduled mitigation payments to the Kalispel Tribe of Indians. The 25-year payment stream increased the regulatory asset and licensing costs liability in 2021. The present value balance was \$33,926,058 and \$4,105,415 as of December 31, 2021 and 2020, 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 \$433,898 and \$483,486 as of December 31, 2021 and 2020, 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 \$2,341,760 and \$2,698,910 as of December 31, 2021 and 2020, 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 to allow 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, 2021 and 2020 was \$11,091,681 and \$11,104,434, 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 over the 5-year life of the replacement Shell Energy North America agreement (Note 5). The unamortized balance as of December 31, 2021 and 2020 was \$8,000,000 and \$10,000,000, respectively.

**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 bond principal and interest due for the upcoming year, less unfunded accrued interest; construction and acquisition funds net of the unspent portion of debt proceeds; 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.

**Preliminary project costs write off** – During 2021, FERC approved an amendment to the Box Canyon license, mitigating the requirement to construct downstream fish passage at Box Canyon dam and fish passage at Calispell Creek pumping plant (Note 8). The District had previously capitalized to construction work in progress studies and engineering related to the fish passage projects. As the projects are no longer required to be constructed, the District expensed \$1,833,549 to Box Canyon Production System operations and maintenance expense.

**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, 2021, 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,	
					2021	2020
Cash deposits	\$ 30,250,140	\$ 7,568,319	\$ -	\$ 2,124,811	\$ 39,943,270	\$ 35,115,595
Local government investment pool	11,924,363	19,588,471	-	-	31,512,834	31,479,870
U.S. Treasuries, at market	952,397	9,738,617	-	-	10,691,014	11,138,145
<b>Total Cash and Investments</b>	<b>\$ 43,126,900</b>	<b>\$ 36,895,407</b>	<b>\$ -</b>	<b>\$ 2,124,811</b>	<b>\$ 82,147,118</b>	<b>\$ 77,733,610</b>

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,	
					2021	2020
Unrestricted cash & cash equivalents						
Revenue funds	\$ 19,444,615	\$ 20,128,305	\$ -	\$ 2,124,811	\$ 41,697,731	\$ 36,941,539
Restricted cash & cash equivalents						
Bond principal and interest	805,525	7,028,485	-	-	7,834,010	7,812,220
Contract obligation	11,924,363	-	-	-	11,924,363	11,841,706
Rate stabilization	10,000,000	-	-	-	10,000,000	10,000,000
Subtotal	\$ 22,729,888	\$ 7,028,485	\$ -	\$ -	\$ 29,758,373	\$ 29,653,926
Unrestricted short-term investments						
Revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450,000
Restricted short-term investments						
Bond reserve	\$ 952,397	\$ 9,738,617	\$ -	\$ -	\$ 10,691,014	\$ 10,688,145
Total Funds	\$ 43,126,900	\$ 36,895,407	\$ -	\$ 2,124,811	\$ 82,147,118	\$ 77,733,610

**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 2021 and 2020, investments were held in federal agency securities, federal treasuries, or in the State Treasurer's Local Government Investment Pool (LGIP), 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 direct obligations of the U.S. government, deposits in the LGIP, or deposits with financial institutions recognized as qualified public depositories of the state of Washington. U.S. government securities 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 cash accounts.

**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, 2021 and 2020. 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.

Investments by fair value level	Total as of December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 10,691,014	\$ -	\$ 10,691,014	\$ -

Investments by fair value level	Total as of December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 11,138,145	\$ -	\$ 11,138,145	\$ -

**Note 3 - Utility Plant**

The following changes occurred in the District's utility plant for the years ended December 31, 2021 and 2020:

	2020 Balance	Additions	Retirements/ Transfers	2021 Balance
Land and land rights	\$ 4,421,497	\$ -	\$ -	\$ 4,421,497
Hydroelectric plant and equipment	151,319,812	-	45,078,985	196,398,797
Structures, buildings, and equipment	176,219,173	-	2,707,627	178,926,800
Intangible assets	14,179,602	-	-	14,179,602
Construction work in progress	48,183,089	3,555,451	(49,800,035)	1,938,505
	394,323,173	3,555,451	(2,013,423)	395,865,201
Less accumulated depreciation and amortization	140,143,345	10,182,829	195,997	150,522,171
Net Utility Plant	\$ 254,179,828	\$ (6,627,378)	\$ (2,209,420)	\$ 245,343,030

	2019 Balance	Additions	Retirements/ Transfers	2020 Balance
Land and land rights	\$ 4,421,497	\$ -	\$ -	\$ 4,421,497
Hydroelectric plant and equipment	151,359,175	-	(39,363)	151,319,812
Structures, buildings, and equipment	173,229,204	20,621	2,969,348	176,219,173
Intangible assets	14,115,819	-	63,783	14,179,602
Construction work in progress	48,174,200	4,110,381	(4,101,492)	48,183,089
	391,299,895	4,131,002	(1,107,724)	394,323,173
Less accumulated depreciation and amortization	130,864,796	9,972,455	(693,906)	140,143,345
Net Utility Plant	\$ 260,435,099	\$ (5,841,453)	\$ (413,818)	\$ 254,179,828

The District capitalized to utility plant, as an intangible asset, costs associated with pursuing the current Box Canyon Project FERC license, including legal fees for litigation related to various license conditions. The District is amortizing the balance of the intangible asset over the remaining term of the license, which expires in 2055. Originally capitalized relicensing costs were \$12,472,232, with accumulated amortization of \$4,025,793 and \$3,774,286 as of December 31, 2021 and 2020, respectively.

**Note 4 - Long-Term Debt**

During the year ended December 31, 2021 the following changes occurred in long-term debt:

Electric System Issue	Balance Dec 31, 2020	Additions	Reductions	Balance Dec 31, 2021	Amounts due within one year
<b>2019 Revenue Refunding Bonds</b> Due in annual installments through January 1, 2031; interest at 3.00% - 5.00%.	\$ 8,530,000	\$ -	\$ 605,000	\$ 7,925,000	\$ 635,000
Subtotal	\$ 8,530,000	\$ -	\$ 605,000	\$ 7,925,000	\$ 635,000
Unamortized premiums (discounts)	736,363	-	160,454	575,909	-
Other long-term debt	66,667	-	13,334	53,333	13,333
<b>Total Debt:</b>	\$ 9,333,030	\$ -	\$ 778,788	\$ 8,554,242	\$ 648,333

Notes to Combined Financial Statements  
Public Utility District No. 1 of Pend Oreille County

<b>Box Canyon Production System</b>	Balance			Balance	Amounts due
Issue	Dec 31, 2020	Additions	Reductions	Dec 31, 2021	within one year
<b>2008 Clean Renewable Energy Tax Credit Bond (CREB)</b>	\$ 95,714	\$ -	\$ 95,714	\$ -	\$ -
Due in annual installments through December 2021; interest at 1.35%.					
<b>2012 Clean Renewable Energy Bonds</b>	22,475,000	-	2,165,000	20,310,000	2,180,000
Due in annual installments through January 1, 2030; interest at 0.834% - 4.571% and subject to subsidy payment.					
<b>2018 Revenue and Refunding Bonds</b>	81,850,000	-	1,630,000	80,220,000	1,710,000
Due in annual installments through 2048; interest at 5%.					
<b>2019 Revenue Refunding Bonds</b>	30,640,000	-	-	30,640,000	-
Due in annual installments through 2041; interest at 3.0 - 5.0%.					
<b>Subtotal</b>	<b>\$ 135,060,714</b>	<b>\$ -</b>	<b>\$ 3,890,714</b>	<b>\$ 131,170,000</b>	<b>\$ 3,890,000</b>
Unamortized bond premiums	9,193,608	-	637,880	8,555,728	-
Unamortized bond discount	(107,676)	-	(13,513)	(94,163)	-
<b>Total Debt:</b>	<b>\$ 144,146,646</b>	<b>\$ -</b>	<b>\$ 4,515,081</b>	<b>\$ 139,631,565</b>	<b>\$ 3,890,000</b>

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.

<b>Water System</b>	Balance			Balance	Amounts due
Issue	Dec 31, 2020	Additions	Reductions	Dec 31, 2021	within one year
<b>Sunvale Water System</b>	\$ 29,956	\$ -	\$ 1,577	\$ 28,379	\$ 1,577
<b>Public Works Board Loan</b>					
Due in annual installments through June 2039; interest at 1.27%.					
<b>Riverview Water System</b>	-	305,900	10,805	295,095	13,195
<b>Department of Health Loan</b>					
Due in annual installments through October 2043; interest at 1.25%.					
<b>Granite Shores Water System</b>	22,434	-	5,595	16,839	5,596
<b>Public Works Board Loans</b>					
Due in annual installments through October 2026; interest at 1%.					
<b>Total Debt:</b>	<b>\$ 52,390</b>	<b>\$ 305,900</b>	<b>\$ 17,977</b>	<b>\$ 340,313</b>	<b>\$ 20,368</b>

In October 2019, Washington State Department of Health awarded the District a Drinking Water State Revolving Fund Loan in the amount of \$248,500 to fund the installation of a water filtration system for the Riverview Water System. The principal on the loan was 100% forgiven and recorded as grant revenue. In December 2020, the District requested and received an additional \$248,500 at an interest rate of 1.25%. Principal payments are due on October 1 each year over the 22-year term. In June 2021, the District requested an additional \$82,000 loan from the Washington State Department of Health. 30% of the loan balance was forgiven and \$24,600 has been recorded as grant revenue. Loan payments are due annually on October 1 over the 24-year term and accrue interest at 1.25%.

Notes to Combined Financial Statements  
Public Utility District No. 1 of Pend Oreille County

<b>Community Network System</b>	Balance			Balance	Amounts due
Issue	Dec 31, 2020	Additions	Reductions	Dec 31, 2021	within one year
<b>2017 Revenue Bonds</b>	\$ 2,229,000	\$ -	\$ 337,000	\$ 1,892,000	\$ 175,000
Due in semi-annual installments through January 1, 2027; interest at 3.88%.					
<b>2013 Revenue Bonds</b>	158,389	-	158,389	-	-
Due in monthly installments through January 1, 2027; interest at the LGIP rate.					
<b>Subtotal</b>	<b>\$ 2,387,389</b>	<b>\$ -</b>	<b>\$ 495,389</b>	<b>\$ 1,892,000</b>	<b>\$ 175,000</b>
Due to other systems	66,667	-	13,334	53,333	13,333
<b>Total Debt:</b>	<b>\$ 2,454,056</b>	<b>\$ -</b>	<b>\$ 508,723</b>	<b>\$ 1,945,333</b>	<b>\$ 188,333</b>

The District accelerated payments on the inter-system 2013 Revenue Bonds between the Community Network System and the Box Canyon Production System, paying off the balance before the scheduled final payment date of January 1, 2027.

	<b>Electric System</b>			<b>Box Canyon Production System</b>		
	Interest	Principal	Total	Interest	Principal	Total
2022	\$ 325,175	\$ 648,333	\$ 973,508	\$ 6,191,482	\$ 3,890,000	\$ 10,081,482
2023	292,675	678,333	971,008	6,015,487	3,985,000	10,000,487
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
2026-2030	546,175	4,245,000	4,791,175	24,760,025	23,795,000	48,555,025
2031-2035	14,175	945,000	959,175	19,153,425	25,465,000	44,618,425
2036-2040	-	-	-	12,241,025	32,030,000	44,271,025
2041-2045	-	-	-	5,484,950	20,965,000	26,449,950
2046-2048	-	-	-	968,375	12,635,000	13,603,375

	<b>Water System</b>			<b>Community Network System</b>		
	Interest	Principal	Total	Interest	Principal	Total
2022	\$ 4,217	\$ 20,368	\$ 24,585	\$ 36,705	\$ 175,000	\$ 211,705
2023	3,976	20,368	24,344	63,225	356,000	419,225
2024	3,735	16,655	20,390	49,276	371,000	420,276
2025	3,532	16,655	20,187	34,745	386,000	420,745
2026-2030	14,715	75,746	90,461	23,590	604,000	627,590
2031-2035	10,072	73,863	83,935	-	-	-
2036-2040	5,448	72,287	77,735	-	-	-
2041-2045	1,259	44,371	45,630	-	-	-

**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 payment for the year ended December 31, 2021 was \$15,727,026.

**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 customer load less District owned resources, and are subject to a cap based on regional critical water levels.

Upon the closure of Ponderay Newsprint Company in June 2020, the District's energy needs no longer exceeded District owned resources and as of October 1, 2020, the District's monthly Shaped Block purchases were reduced to zero through September 30, 2021. Forecasted District customer loads for the 2021-2022 fiscal year include forecasted load from Allrise Capital, Inc. and are near historical levels. Power deliveries from BPA resumed beginning October 1, 2021. The average hourly power received for the 2021-2022 fiscal year is 23.47 MW.

**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. Power delivery under these contracts was set to expire in 2027. Historically, approximately 70% of Electric System retail energy deliveries and approximately 58% of retail energy sale revenues were to PNC.

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. The bankruptcy trustee is currently marshalling administrative claims and is expected to make an interim distribution to general creditors around mid-2022.

**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. Allrise has continued to purchase maintenance power for the site and has installed cryptocurrency-mining equipment.

Negotiations on an electric services agreement for up to 100MW of power for data mining operations were ongoing as of December 31, 2021. This transaction will necessarily require the District to procure wholesale power from third parties in order to meet Allrise's load. Allrise has further requested to increase its load to 600 MW by the end of 2025; this request is currently being studied by the Bonneville Power Administration.

**Portland General Electric** – The District entered into a contract in 2019 with Portland General Electric (PGE) for the sale of all power generated from the Box Canyon Project in exchange for PGE's real-time provision of an identical amount of PGE system power to the District and payment to the District of a per-megawatt premium for delivered Box Canyon Project power based on the carbon-free attributes of such power. The premium was \$3.00 per megawatt hour (MWh) for the first 50 MWh of energy delivered and \$2.25 per MWh in excess of 50 MW. Due to Ponderay Newsprint Company's closure, PGE no longer returned PGE system power to the District and rather purchased the Box Canyon power at a day-ahead market price, plus the zero-carbon adder, effective July 9, 2020. The contract expired by its terms on December 31, 2020.

**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 2021 and 2020. 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 consisting of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS 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 programs.

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 2/3 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) by Plan 3 members 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. 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, and are immediately vested in the defined contribution portion of their plan.

**Contributions - PERS Plan 1 contributions** - The PERS Plan 1 member contribution rate is established by 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 2021 were as follows:

Actual Contribution Rates	Employer	Employee
PERS Plan 1	12.97%	6.00%
PERS Plan 2/3	12.97%	7.90%
PERS Plan 3	12.97%	5.00% - 15.00%

Both the District and the employees made the required contributions during fiscal years 2021 and 2020. The District's required employer contributions for the years ended December 31 were as follows:

Required Employer Contributions	2021	2020
PERS Plan 1	\$ 351,024	\$ 397,440
PERS Plan 2/3	583,306	656,971
Total	\$ 934,330	\$ 1,054,411

**Actuarial assumptions** - The total pension liability for each of the plans was determined by an actuarial valuation as of June 30, 2020, with the results rolled forward to June 30, 2021, using the following actuarial assumptions applied to all prior periods included in the measurement:

Actuarial Assumptions	
Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increases	In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity
Investment rate of return	7.40%

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, 2020 valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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 7.40%. 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 Actuarial 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 7.40% 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 7.40%, 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 (6.40%) or one percentage point higher (8.40%) than the current discount rate:

<u>District's Proportionate Share of Net Pension Liability (Asset) Sensitivity</u>	<u>1% Decrease in Discount Rate (6.40%)</u>	<u>Discount Rate (7.40%)</u>	<u>1% Increase in Discount Rate (8.40%)</u>
Proportionate share of the PERS Plan 1 net pension liability	\$ 1,092,980	\$ 641,587	\$ 247,926
Proportionate share of the PERS Plan 2/3 net pension liability (asset)	\$ (1,915,959)	\$ (6,725,481)	\$ (10,686,124)

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 as of December 31, 2021, is as follows:

<u>Proportionate Share of Plan Net Pension Liability (Asset)</u>	<u>PERS Plan 1</u>	<u>PERS Plan 2/3</u>	<u>Total</u>
Electric System	\$ 397,784	\$ (4,169,798)	\$ (3,772,014)
Box Canyon Production System	173,229	(1,815,880)	(1,642,651)
Water System	25,663	(269,019)	(243,356)
Community Network System	44,911	(470,784)	(425,873)
Total	\$ 641,587	\$ (6,725,481)	\$ (6,083,894)

**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, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021. 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, 2020, through June 30, 2021, 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. Below are the percentage proportionate shares of net pension liability (asset), dollar value of each proportionate share of net pension liability (asset), and the pension expense or credit recognized by the District for each respective plan.

<u>Proportionate Share of Plan Liability</u>	<u>PERS Plan 1</u>	<u>PERS Plan 2/3</u>
Percent share as of June 30, 2021	0.052536%	0.067514%
Percent share as of June 30, 2020	0.054680%	0.071217%
Net pension liability (asset) as of December 31, 2021	\$641,587	(\$6,725,481)
Pension expense (credit) recognized as of December 31, 2021	(\$547,405)	(\$2,257,511)

At December 31, 2021, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources from the following sources:

<u>District's Proportionate Share of Plan Deferred Outflows and Inflows of Resources</u>	<u>PERS Plan 1</u>		<u>PERS Plan 2/3</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ -	\$ 326,647	\$ (82,449)
Changes in actuarial assumptions	-	-	9,828	(477,620)
Difference between projected and actual investment earnings	-	(711,947)	-	(5,620,924)
Changes in proportion	-	-	(509,409)	-
Contributions paid to PERS subsequent to the measurement date	157,508	-	268,592	-
Total	\$ 157,508	\$ (711,947)	\$ 95,658	\$ (6,180,993)

The \$157,508 reported as deferred outflows of resources for PERS Plan 1 and \$268,592 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, 2022. 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
2022	\$ (188,595)	\$ (1,686,169)
2023	(172,822)	(1,585,180)
2024	(163,410)	(1,475,780)
2025	(187,120)	(1,545,934)
2026	-	(52,577)
2027 and Thereafter	-	(8,287)
Total	\$ (711,947)	\$ (6,353,927)

**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 2021 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](http://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 ICMA-RC. All District employees with 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 3.5% employer match on a 7% employee deferral. District contributions and earnings for each employee are immediately fully vested. Employer contributions to this plan for 2021 and 2020 were \$210,476 and \$171,872 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. 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 ICMA-RC, and has the same employee eligibility and contribution parameters as the 401(a) plan. Participants may draw a loan on their employee benefit account. 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.

**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 \$185 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 \$165 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 \$25 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 \$10 million in cyber security liability coverage with a retention level of \$500,000. The deductible is \$250.

The liability pool reserve balance is \$3.45 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	
	2021	2020	2021	2020
Electric System	\$ 209,025	\$ 223,516	\$ 53,025	\$ 42,988
Box Canyon Production System	106,683	120,525	213,949	176,807
Water System	10,635	10,900	4,121	3,395
Community Network System	27,011	28,043	1,006	754
Total	\$ 353,354	\$ 382,984	\$ 272,101	\$ 223,944

**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 Federal Energy Regulatory Commission issued a 50-year license for the District's Box Canyon Hydroelectric Project (Box Canyon Dam), 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).

The District completed an upstream fish passage facility at Box Canyon Dam, with final commissioning and startup of the project in October 2021. The \$45 million facility is a trap and haul system, including a fish ladder and sorting facility where target species are separated, tagged, and then transported upstream and released. Disputes between the District and the project's general contractor were settled through a negotiated agreement in 2020, and the District made final payment to the contractor in 2021 upon satisfaction of Washington State contract requirements.

In December 2021, FERC approved an amendment to the license allowing alternative mitigation activities in lieu of construction of downstream fish passage at Box Canyon Dam and upstream and downstream fish passage at the District's Calispell Creek Pumping Plant, which is within the Project boundary. The amendment was made in conjunction with an off-license agreement with the Kalispel Tribe of Indians, which provides for the mitigation activities and is described further below. As the amendment no longer requires the District to construct the fish passage facilities, the District expensed \$1,833,549 in costs previously capitalized to construction work in progress for engineering and studies related to the fish passage projects.

**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 2021 and 2020, the Kalispel Tribe chose to have the District purchase the power at generation cost. Power sales on the Kalispel Tribe's behalf totaled \$244,999 and \$230,050 in 2021 and 2020, respectively.

In 2019, the District executed an off-license agreement with the Kalispel Tribe of Indians 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. The District accrued the first payment of \$2,000,000 due to the Kalispel Tribe of Indians during 2019 and accrued an additional \$600,000 during 2020 for additional water-quality measures under the off-license agreement. The District released \$2.3 million to the Kalispel Tribe of Indians in February 2022 and will make scheduled annual payments ranging from \$3.1 million to \$1.5 million over the next 25 years. As these payments are made to an outside entity for projects that are not directly controlled by the District, the District has present valued the payments over the 25-year agreement as a regulatory asset and licensing costs liability, the balance of which was \$33,926,058 and \$4,105,415 as of December 31, 2021 and 2020, respectively.

**Sullivan Creek Project** - The Electric System's Sullivan Creek Project consists of Sullivan Creek Dam and Mill Pond Dam, an abandoned conduit, a forebay, and an empty powerhouse, and is currently used solely for water storage. 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 further monitoring and procedures per the terms and conditions of the negotiated agreement and FERC Surrender Order are met and approved by FERC, which is expected in the coming years, the District will become eligible to receive a 30-year USFS permit 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 amounts over the expected USFS permit 30-year life, 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 a USFS 30-year license term 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.

**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 \$22,530,000 as of December 31, 2021 is \$1,297,728.

In 2020, NoaNet reported a net operating loss of \$3,384,529, \$740,621 of nonoperating expense, and a total decrease in net position of \$4,125,150. The 2021 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, 7195 Wagner Way, Suite 104, Gig Harbor, WA 98335. NoaNet's website is available at [www.noanet.net](http://www.noanet.net).

### Note 10 - Grants

**Washington State Community Economic Revitalization Board (CERB)** – In September 2019, Washington State awarded the District a CERB grant in the amount of \$50,000 to perform a North Pend Oreille County Feasibility Study. The study was to assist the District in determining the cost to expand broadband facilities to homes in north Pend Oreille County. The CERB grant had a local match requirement of \$17,000, which was funded using the Public Works Board grant funds discussed below. The project was completed in 2020 and the District incurred \$52,395 in costs and associated grant revenue during 2020.

**Washington State Public Works Board** – In December 2019, Washington State Public Works Board awarded the District a feasibility study grant in the amount of \$50,000. The funds from this grant were used

in conjunction with the CERB grant funds for the North Pend Oreille County Feasibility Study discussed above.

**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 to replace approximately 5,100 feet of water piping for the Metaline Falls water system project. The District expended \$40,146 and \$37,665 for this project for the years ended December 31, 2021 and 2020, respectively.

**Washington State Department of Commerce** – In September 2020, Washington State awarded the District a grant in the amount of \$50,000 to perform a Child Care Feasibility Study. The Seattle Foundation awarded an additional \$50,000 to the District as a private matching award for the project. The study investigated the potential for increasing the capacity of early childhood programs to serve the needs of the City of Newport and the outlying Pend Oreille County communities and was completed in 2021. \$60,970 and \$330 was expended on this project for the years ended December 31, 2021 and 2020, respectively.

**Washington State Department of Health, Office of Drinking Water** – In January 2020, Washington State awarded the District a grant in the amount of \$30,000 to fund a preliminary engineering and feasibility study for potential Cusick water treatment plant upgrades. The District completed its involvement in the project in 2020, and the District realized \$3,288 in costs and associated revenue in 2020.

**Washington State Department of Health, Drinking Water State Revolving Fund** – In October 2019, Washington State Department of Health issued a loan to the District in the amount of \$248,500 for a water filtration system for the Riverview water system. The equipment was purchased, installed and the project was completed during 2021. 100% of this loan was forgiven and is recorded as grant revenue in 2021. An additional loan of \$82,000 was extended in 2021, with 30% of the loan forgiven. Total spending on the project was \$592,544, with a total of \$273,100 in grant revenue recognized for the year ended December 31, 2021.

**Washington State Department of Commerce - CARES Funds** – In September 2020, Washington State Department of Commerce awarded Coronavirus Relief Funds to Pend Oreille County. In November 2020, Pend Oreille County entered into an agreement with the District to allocate portions of the funding to Pend Oreille County residents experiencing severe financial hardship resulting from the COVID-19 emergency. The District allocated funds to customers who needed utility payment assistance and the District realized \$38,419 in costs and associated revenue in 2020.

**American Rescue Plan Act** – During 2021, Pend Oreille County was awarded Coronavirus Local Fiscal Recovery funds under the American Rescue Plan Act to aid in COVID-19 related hardships. In October 2021, Pend Oreille County awarded the District as a subrecipient \$100,000 to aid qualifying customers in utility payment assistance. The District recognized \$49,276 in customer payments and associated grant revenue in 2021.

**Federal Emergency Management Agency (FEMA)** – In May 2020, the District was awarded FEMA funding through the Washington State Military Department's FEMA Public Assistance program, to support the District's emergency response to the COVID-19 outbreak. Eligible spending under the award included 75% of costs incurred for personal protective gear, cleaning and sanitation supplies, educational signage, and other health and safety items. Under the program, the District received reimbursements of \$3,965 and \$11,894 for the years ended December 31, 2021 and 2020, respectively.

In September 2020, a severe windstorm affected the region, causing damage to District infrastructure facilities. The storm was declared a FEMA event in February 2021. FEMA declared an additional FEMA event related to a winter snow and wind storm occurring in January 2021. FEMA funds 75% of the cost to repair of damaged facilities, and the Washington State Military Department funds 12.5%. In 2021, the District recognized \$145,665 in grant revenue for the September 2020 storm and \$85,920 for the January 2021 storm.

**Note 11 - Subsequent Events**

**Transmission Line Right-of-Way Agreement** - In 1997, the District entered into a rental agreement with the Port of Pend Oreille County for use of its railroad right-of-way related to a 115-kilovolt transmission line project. Under this agreement, the District paid a consumer price index-adjusted \$125,000 per year through the 20-year term. Beginning in January 2017, the District paid a flat \$200,000 annually during a three-year agreement extension, and \$185,000 in 2020 while the District negotiated a new agreement with the Port of Pend Oreille. In December 2020, the Port entered into a transaction with TerraPact Assets, LLC, under which (among other things) TerraPact will manage the Port's right-of-way. The District paid TerraPact \$92,500 during 2021 to extend the District's easement under the Port's previous agreement.

The District and TerraPact entered into an agreement in December 2021 to purchase a perpetual easement along the railroad corridor for a one-time payment of \$4,267,500. Payment for the easement was made in February 2022 and the related easement was capitalized by the District at that time.

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

	<b>Employer's proportionate share of the net pension liability (asset)</b>		<b>Employer's covered employee payroll</b>		<b>Employer's proportion of the net pension liability (asset)</b>	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3
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%

	<b>Employer's proportionate share of net pension liability (asset) as a percentage of covered employee payroll</b>		<b>Plan fiduciary net position as a percentage of the total pension liability</b>	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
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
	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
	2021	\$ 8,112,952	\$ 8,112,952	4.33%
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%

\*As this is a newly adopted standard, information is only available for the last eight years.

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

	2021	2020	2019	2018	2017
Average number of customers					
Residential	8,785	8,585	8,435	8,307	8,205
Commercial	851	849	849	842	842
Industrial	12	14	12	9	8
Other	82	82	81	80	80
Total	9,730	9,530	9,377	9,238	9,135
Revenues from sale of energy (000s)					
Residential	\$ 13,096	\$ 11,119	\$ 10,821	\$ 10,283	\$ 10,577
Commercial	3,575	2,868	3,057	2,935	2,835
Industrial	3,597	16,685	34,670	33,767	32,081
Other	2,029	30	30	30	33
Total District customers	22,297	30,702	48,578	47,015	45,526
Intersystem sales	164	165	141	198	185
Sales for resale	30,178	11,645	4,604	4,574	1,937
Total energy sales	52,639	42,512	53,323	51,787	47,648
Other operating revenues	1,506	1,466	1,559	1,099	1,181
Total	\$ 54,145	\$ 43,978	\$ 54,882	\$ 52,886	\$ 48,829
Energy (MWh)					
Residential	153,417	157,656	153,095	145,100	153,606
Commercial	51,264	48,756	51,529	49,370	51,337
Industrial	67,194	305,440	751,930	802,274	795,231
Other	145	145	145	145	267
Total District customers	272,020	511,997	956,699	996,889	1,000,441
Intersystem sales	1,647	2,117	1,710	3,062	3,319
Sales for resale	932,826	477,790	138,456	160,056	85,580
Total sales	1,206,493	991,904	1,096,865	1,160,007	1,089,340
Peak demand (MW)	76	142	160	162	166
Energy requirements (MWh)					
Retail sales	273,667	514,114	958,409	999,951	1,003,760
Sales for resale	932,826	477,790	138,456	160,056	85,580
Total sales	1,206,493	991,904	1,096,865	1,160,007	1,089,340
Electric System losses	27,653	17,842	26,583	23,710	16,708
Total energy requirements	1,234,146	1,009,746	1,123,448	1,183,717	1,106,048
Energy resources (MWh)					
Box Canyon Project	475,133	444,275	460,575	451,656	359,364
Boundary Project	353,935	340,151	369,066	368,974	366,350
Bonneville and other sources	405,078	225,320	293,807	363,087	380,334
Total energy resources	1,234,146	1,009,746	1,123,448	1,183,717	1,106,048

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,

	2021	2020	2019	2018	2017
Operating revenues (000s)					
Energy sales	\$ 52,639	\$ 42,512	\$ 53,323	\$ 51,787	\$ 47,648
Other	1,506	1,466	1,559	1,099	1,181
Total operating revenues	54,145	43,978	54,882	52,886	48,829
Operating expenses (1)					
Power costs	31,931	29,101	34,410	33,313	29,704
Operations and maintenance	6,339	6,862	6,231	6,511	6,701
Administrative and general	3,452	3,753	3,825	4,558	5,981
Taxes	1,380	1,787	2,785	2,721	2,482
Pension Expense	(1,739)	(770)	(727)	(975)	(603)
Total operating expenses	41,363	40,733	46,524	46,128	44,265
Investment income (2)	21	83	266	229	79
Net revenue available for debt service	12,803	3,329	8,624	6,987	4,643
Funds transferred to rate stabilization fund	-	-	(3,200)	(2,200)	(300)
Net revenue for debt service coverage	12,803	3,329	5,424	4,787	4,343
Senior lien debt service	976	976	1,178	2,053	2,062
Net revenue available for capital	\$ 11,827	\$ 2,353	\$ 4,246	\$ 2,734	\$ 2,281
Debt service coverage ratio (3)	13.12x	3.41x	4.60x	2.33x	2.11x

(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.

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

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

	2021	2020	2019	2018	2017
Operating revenues (000s)					
Energy sales					
Electric System	\$ 13,846	\$ 18,096	\$ 19,191	\$ 18,304	\$ 18,414
Tribal use of lands	245	230	230	230	230
All other (1)	7	7	7	6	5
Total operating revenues	14,098	18,333	19,428	18,540	18,649
Operating expenses (2)					
Power costs	80	217	176	114	231
Operations and maintenance	6,017	5,294	6,683	5,105	5,099
Administrative and general	1,854	2,602	2,458	2,937	2,364
Taxes	108	100	103	103	83
Pension Expense	(757)	(336)	(317)	(318)	(294)
Total operating expenses	7,302	7,877	9,103	7,941	7,483
Investment income	23	161	570	552	258
Other nonoperating (3)	568	628	687	1,610	1,939
Net revenue available for debt service (4)	7,387	11,245	11,582	12,761	13,363
Senior lien debt service (5)	10,167	10,320	9,398	9,916	10,942
Net revenue available for capital	\$ (2,780)	\$ 925	\$ 2,184	\$ 2,845	\$ 2,421
Debt service coverage ratio (6)	0.73x	1.09x	1.23x	1.29x	1.22x

(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 2009 bonds, the 2010 bonds, the 2012 CREB bonds, the 2018 bonds, and the 2019 bonds, as applicable.

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

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

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

	2021	2020	2019	2018	2017
Operating revenues (000s)					
Broadband Sales	\$ 2,573	\$ 2,431	\$ 2,194	\$ 2,059	\$ 1,957
Other	1,115	1,063	562	755	492
Total operating revenues	3,688	3,494	2,756	2,814	2,449
Operating expenses (1)					
Operations and maintenance	991	1,016	921	877	847
Administrative and general	261	315	243	186	189
Taxes	28	23	15	18	32
Pension Expense	(196)	(87)	(82)	11	(53)
Total operating expenses	1,084	1,267	1,097	1,092	1,015
Investment income (2)	1	3	9	5	-
Net revenue available for debt service	2,605	2,230	1,668	1,727	1,434
Senior lien debt service (3)	420	420	420	420	419
Net revenue available for capital	\$ 2,185	\$ 1,810	\$ 1,248	1,307	\$ 1,015
Debt service coverage ratio (4)	6.20x	5.31x	3.97x	4.11x	3.42x

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

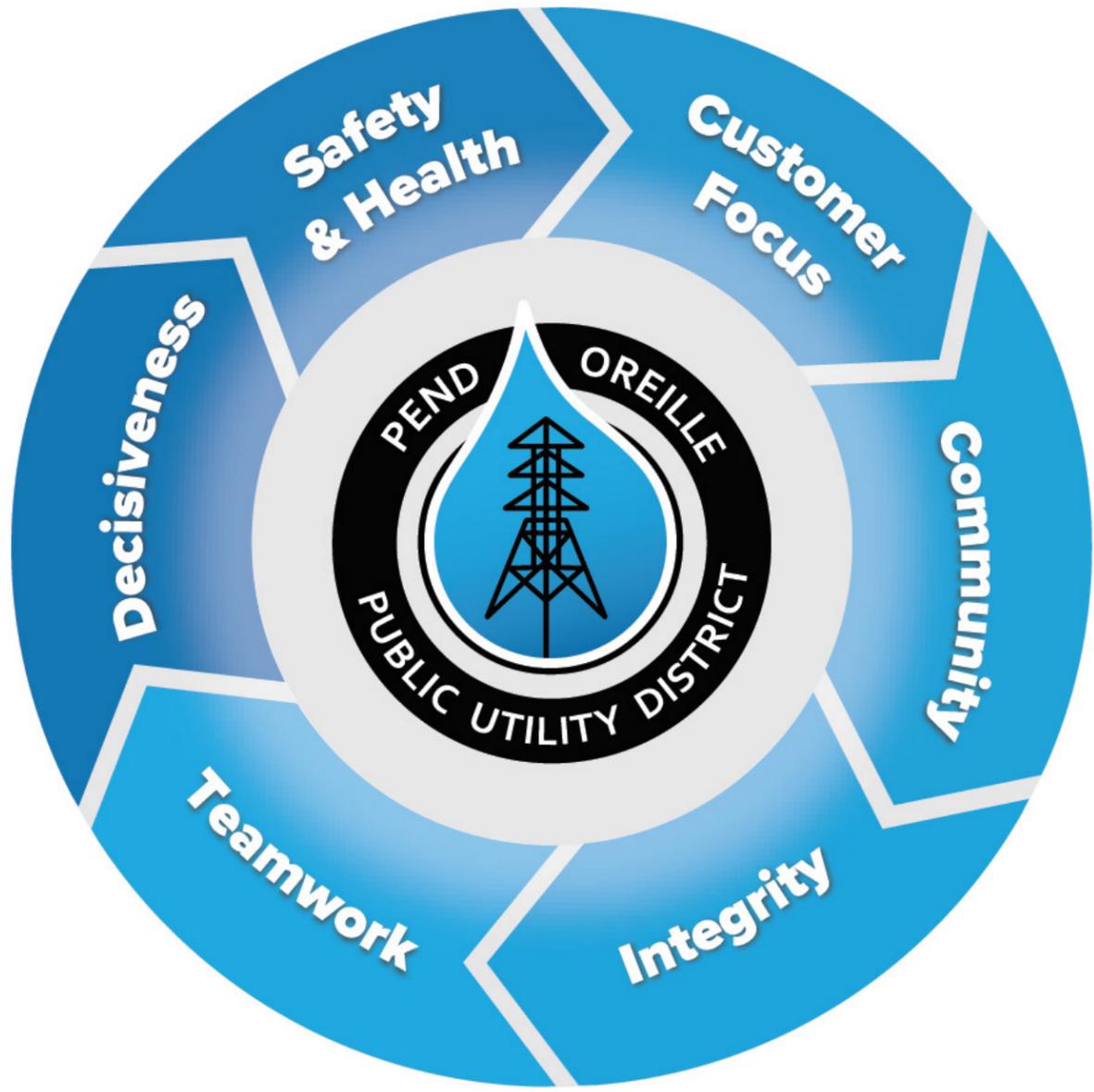
(2) Investment income varies depending on many factors, including unrealized gains and losses on long-term investments.

(3) Senior lien debt service includes the 2017 bonds.

(4) 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	Richard A. Larson
Secretary	Joseph B. Onley
Key District Management	
General Manager	F. Colin Willenbrock
General Counsel	Tyler Whitney
Director of Finance/Auditor	April Owen
Director of Customer Services/Treasurer	Sarah Holderman
Director of Utility Services	Kevin Conway
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 <a href="http://www.popud.org">www.popud.org</a>
Paying Agent and Registrar Information	U.S. Bank National Association 111 Fillmore Avenue East St. Paul, Minnesota 55107-1402





**2021**  
**ANNUAL REPORT**  
**Quality Service at Low Cost**