Long legacy, bright future

Clark Public Utilities

We're always here

75 YEARS
1938-2013








2013 ANNUAL REPORT

About Us

Clark Public Utilities is a customer-owned public utility district that provides electric and water service in Clark County, Washington. The utility is a municipal corporation organized under laws of the state of Washington. It was formed by a vote of the people in 1938. The utility consists of three separate operating systems: electric, generation, and water.

The utility is governed by a three-member elected board of commissioners. Each member serves a six-year term with one of the positions open every two years.

General Manager

Wayne W. Nelson
CEO/General Manager

Directors

Richard A. Dyer, Jr., CPA
Finance/Treasurer

Lisa M. Fix
Customer Service

Michael K. Harris
Information Services

F. Andrew Huck
Operations

Patrick R. McGary
Energy Resources

Cal R. Morris
Engineering

Douglas A. Quinn, PE
Water Services

Ranked "Highest in Customer Satisfaction among midsize Utilities in the West" by J.D. Power six years in a row.

Board of Commissioners

Byron H. Hanke
First elected 2002, term ends 2014

Nancy E. Barnes
First elected 1992, term ends 2016

Jim Malinowski
First elected 2012, term ends 2018

2013 Highlights

Electric System	2013	2012
Customers (year end)	189,674	186,577
Total operating revenue	$ 373,657,000	$ 360,729,000
Electricity sales (megawatt hours)	5,292,000	5,376,000
Peak demand (megawatts)	1,082	878
Net income (loss)	$ 18,586,000	$ 6,643,000
Employees (year end)	340	343

Generating System		
Total operating revenue	$ 108,598,000	$ 89,850,000
Electricity generation (megawatt hours)	1,729,846	847,992
Displacement (megawatt hours)	108,000	923,926
Employees (year end)	1	1

Water System		
Customers (year end)	31,588	31,134
Total operating revenue	$ 14,920,000	$ 14,144,000
Water sales (cubic feet)	445,681,000	452,994,000
Peak 24-hour demand (gallons)	21,817,000	24,137,000
Net income	$ 2,746,000	$ 1,343,000
Employees (year end)	29	28

A message from CEO/ General Manager Wayne W. Nelson

UTILITY CELEBRATES 75 YEARS OF PUBLIC POWER

This year marked the 75th anniversary of Clark Public Utilities. Formed by voters in 1938, we have provided electric and water service over the years at the lowest cost possible, while always making the customer a priority. To celebrate this milestone, we hosted a reception for customers and employees, and created a utility display at the Home & Garden Idea Fair. At these events, we featured a timeline highlighting important events in our history, vintage electrical equipment, and a display of antique electric meters. Additionally, a commemorative video was created depicting important milestones in the utility's history, from the grassroots effort the local grange played in bringing public power to Clark County, to the development of the River Road Generating Plant. The video features historical photographs and interviews with past and present commissioners as well as local citizens who helped shape the local public power movement. Since its formation, the utility has had a key focus on providing customers with outstanding service and innovative programs.

The utility has a key focus on providing customers with outstanding service and innovative programs.

POWER SUPPLY IMPORTANT FOR OUR FUTURE

A big part of what we do relates to the production and purchase of the electricity we sell to our customer-owners. In 2013, about 55 percent our power supply was purchased from the Bonneville Power Administration, a federal agency that sells power produced at federal dams in the Pacific Northwest. The remainder was generated at the River Road Generating Plant, with a small portion provided by market purchases.

Recent years have brought a significant increase in state and federal regulations that affect individual electric utilities and the entire industry. We're spending more time monitoring the development of these new regulations, and participate in many local, regional and federal organizations that deal with these issues. As one of America's largest public power utilities, it's important to be involved as these rules are developed and implemented to ensure they are appropriate for our segment of the industry and that we have a full understanding of them so that we're able to comply.

Our aggressive conservation programs exceeded targets in 2013. More than 30 percent of the total savings came from

Columbia Machine's conservation investments featured in utility campaign.

commercial customers, where there remains significant potential for cost-effective conservation. A little over half of the savings came from residential users, by far our largest customer group.

HOME ENERGY REPORTS HIT MAILBOXES OF 20,000 CUSTOMERS

We continue to help residential customers learn more about energy use and find ways to lower monthly bills. A new addition to this effort was a program providing home energy reports to about 20,000 residential customers. These reports give customers a look at how their energy usage compares to other homes of similar size, heating type and features. The data can be easily updated online so future reports and comparisons are more accurate and useful. Ultimately, the goal of these reports is to help customers find new ways to cut energy waste without sacrificing comfort. These reports are part of a larger effort to pursue all cost-effective energy conservation measures, as required by the voter-enacted Washington State Energy Independence Act.

The home energy report program is providing conservation information to 20,000 residential customers.

LOCAL BUSINESSES SHOWCASED IN GOOD PLACE TO BE CAMPAIGN

In its second year, the utility's conservation campaign called "Good Place To Be" highlighted energy efficiency accomplishments of local businesses. Columbia Machine and Dick Hannah Dealerships, both long-standing Clark County companies, partnered with us to reduce wasted energy with upgraded equipment and more efficient lighting. Columbia Machine has achieved a reduction of nearly 10 percent in energy usage per unit output. Dick Hannah reduced electric bills by 20 percent at its dealerships and corporate office, following its efficiency upgrades. Efforts by these businesses to outsmart energy waste were showcased in outdoor, print and broadcast advertising as part of the utility's ongoing efforts encouragement of customers to use energy more efficiently.

IMPROVEMENTS CONTINUE FOR WATER SYSTEM

The utility's Water System completed two major projects during the year. A new reservoir is now serving customers in a growing part of our service area. The new facility, built adjacent to the

continues on page 6

Solar panels on the new HeLa high school provide shade and generate power.

existing Tittle Reservoir, provides storage for an additional 500,000 gallons of water. Work was also completed on a water transmission line that will play a key role in serving the northern region of the system. Initially the line will provide additional capacity to customers in the City of La Center; however, in the years ahead, it will bring water into the system from the planned Paradise Point Well Field.

The Paradise Point facility will have the capability of supplying the growing water needs of North Clark County for the next 20 years. We've been working with the cities of Battle Ground and Ridgefield, which also operate water systems in the area, on development of this regional resource.

STUDENTS GET A TASTE OF UTILITY ON TOUR

During the 2012-2013 school year, our Student Education Program hosted 4,094 students from 46 schools, nine districts and one private school. This hands-on educational field trip is a valuable learning experience for students. After a brief introduction video, students embark on a tour of the warehouse, and listen to an environmental presentation that details the way the water cycle works. Then, the students learn basic electricity concepts and see "Electri-City," a live safety demo.

Power is provided by converting solar energy into electricity that can be used for lighting, electronics and heating.

NEW HIGH SCHOOL HARNESSES THE POWER OF THE SUN

The Evergreen School District received a grant from Clark Public Utilities via the Solar 4R Schools program this year supported by our Green Lights program and administered by the Bonneville Environmental Foundation. The grant funded the installation of an 11-kilowatt photovoltaic array at the new Henrietta Lacks Health and Bioscience High School, that provides power by converting solar energy into electricity used for lighting, electronics, and even heating and cooling.

As an added benefit, the system provides Renewable Energy Credits to the school district that will be used to offset the environmental impact of the building's energy use. The school is able to use the equipment to teach students about photovoltaic technology and solar resource concepts. We provided teachers with training, as well as hands-on photovoltaic energy educational materials for the classroom.

High voltage "extension cord" helps get lights on during repairs.

UNDERGROUND OUTAGE QUICK FIX INCREASES RELIABILITY

Throughout our history, we have pioneered innovative ways to serve our customers. A recent example to prevent or minimize the impacts of power outages is the development of what we call the "temporary high voltage extension cord." Our underground system is resistant to weather-related outages and generally quite reliable, but older cable in some areas is beginning to fail and cause outages that are difficult to locate and slow to repair.

After exploring alternatives, we discovered some very flexible yet sturdy high voltage cable that was first designed to provide power to excavating equipment in open pit mines. We now use this cable as a high voltage extension cord to "jump" a failed section of underground wire. A custom-made trailer was built to easily transport and set up the cable. This innovative process has improved reliability, and crews are able to locate and repair underground cables safely and efficiently.

EMPLOYEES GIVE BACK

Each year, our employees donate time to give back to our community. This year, volunteers spent a total of 6,000 hours at events including our Earth Day EcoFair celebration, our Home & Garden Idea Fair, community safety fairs, food drives, neighborhood association events and many others, sharing information on conservation and electrical safety. Our Environmental Services team engaged hundreds of volunteers and landowners as well as other nonprofit organizations dedicated to bringing salmon back to Salmon Creek.

NEW COMMISSIONER ELECTED TO BOARD

The Paradise Point Well Field will be capable of meeting the growing water needs of North Clark County for the next 20 years.

Jim Malinowski was sworn in January 2, 2013, as the newest elected member of the Clark Public Utilities Board of Commissioners. A familiar face at utility commission meetings, Malinowski joined the board with a deep understanding of Clark Public Utilities and the utility industry. An electrical engineer, he worked for Pacific Gas & Electric Company in California prior to retirement and then helped create a course on electric utility systems at Clark College. He filled the seat previously held by Carol Curtis, who opted not to seek re-election after 30 years on the commission.

Wayne W. Nelson
CEO/General Manager

Independent Auditor's Report

The Board of Commissioners
Public Utility District No. 1 of Clark County
Vancouver, Washington

Report on Financial Statements
We have audited the accompanying combined and separate financial statements of Public Utility District No. 1 of Clark County's Electric System, Generating System, and Water System (the District), which comprise the combined and separate statement of net position as of December 31, 2013, and the related combined and separate statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the combined and separate statement of net position as of December 31, 2012, and the related combined and separate statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the combined and separate financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these combined and separate financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these combined and separate financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined and separate financial statements in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined and separate financial statements.

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

Opinions

In our opinion, the combined and separate financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Clark County's Electric System, Generating System, and Water System as of December 31, 2013 and 2012, and the results of operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined and separate financial statements taken as a whole. The statistical data and additional supplemental information are also not a required part of the basic financial statements, but are supplemental information presented for the purposes of additional analysis. 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.

Moss Adams LLP

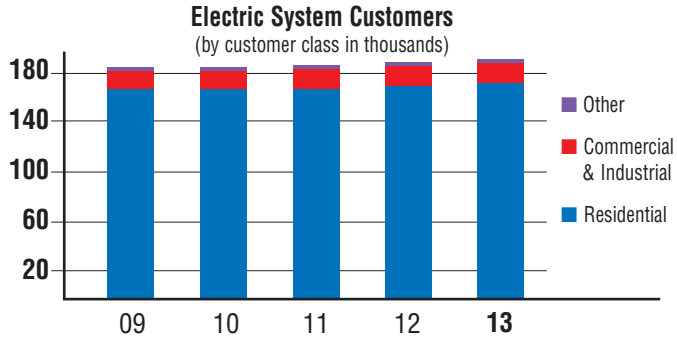
Portland, Oregon
April 22, 2014

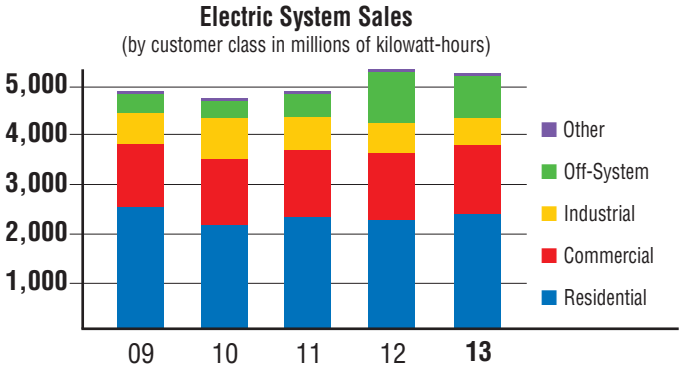
Management Discussion and Analysis

This discussion and analysis is designed to provide an overview of Clark Public Utilities' financial activities for the year ended December 31, 2013, with comparable information for 2012 and 2011. This supplementary information should be read in conjunction with the enclosed financial statements.

Clark Public Utilities (the District) is a municipal corporation incorporated in 1938 to serve the citizens of Clark County, Washington. The District is governed by an elected independent three-member board of commissioners. The District manages and operates three separate utility systems; Electric, Generating, and Water.

Beginning in 2008 and continuing through the second quarter of 2013, Clark County was impacted by the downturn in the economy, with fewer connections of new residential and commercial customers. The District was also affected by other economic conditions, including business shutdowns and unemployment. Although we can't accurately predict future conditions, recent economic developments have been included in management forecasts and planning.





Electric System

The Electric System serves all of Clark County, an area of approximately 667 square miles. Power supplies are provided through a combination of power supply contracts and purchases from the Generating System. Weather, customer growth and economic conditions are the primary influences on electricity sales. Generally, extreme temperatures result in higher sales to residential customers, who use electricity for heating and cooling, while moderate temperatures cause reduced sales.

Financial Summary and Analysis

During 2013, the Electric System's operating revenues increased by $12.9 million or 3.6%. The Electric System realized a net income before contributions of $18.6 million for 2013. Factors influencing these results in 2013 include:

- Electric energy sales revenues net of off-system sales increased from $336.7 million in 2012 to $345.8 million in 2013 or 2.6%.
- Off-system sales revenues increased from $18.2 million in 2012 to $21.1 million in 2013 or 15.9%.
- Megawatt-hour sales decreased from 5,376,000 mwh in 2012 to 5,292,000 mwh in 2013 or 1.6%.
- Other operating revenues increased from $5.8 million in 2012 to $6.8 million in 2013 or 16.2%.
- Power supply expenses increased from $251 million in 2012 to $255 million in 2013 or 1.6%.
- The River Road Generating Plant was shut down for 5,262 hours in 2012 compared to 1,850 hours in 2013 for displacement and annual maintenance.
- The board of commissioners deposited $12.7 million in the rate stabilization fund in 2013 versus $15 million in 2012.

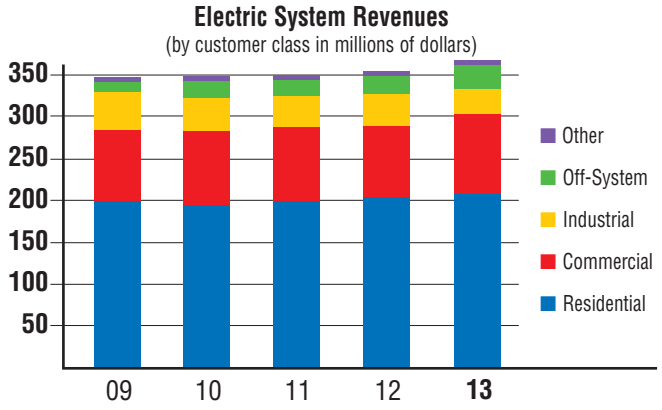
Electric System (contined)

Power Supply

For 2013, the Electric System had contracts with Bonneville Power Administration (BPA), the Generating System, Eurus Combine Hills II LLC and other power suppliers to provide the District's power resources. The District purchases about 55% of the energy requirements from BPA. Beginning October 1, 2011, the District began taking deliveries under a Slice/Block product from BPA's federal power system. This contract expires September 2028. The BPA energy is a renewable hydropower resource. The contract provides for capacity and energy for the District's load needs and requires hourly management of loads and resources. The rates charged by BPA under the contract are subject to periodic adjustments based on BPA's sales, revenue, and financial requirements.

Selected Financial Data

(in thousands)	2013	2012	2011
Operating revenues	$ 373,657	$ 360,729	$ 355,779
Operating expenses	339,662	338,230	333,692
Operating income	33,995	22,499	22,087
Net income before contributions	18,586	6,643	9,216
Contributions in aid of construction	2,103	1,176	914
Total assets	$ 552,870	$ 534,570	$ 505,772
Total deferred outflows of resources	3,389	3,878	2,318
Total assets and deferred outflows of resources	$ 556,259	$ 538,448	$ 508,090
Total liabilities	$ 283,822	$ 337,100	$ 314,561
Deferred inflows of resources	50,400	37,300	22,700
Net investment in capital assets	148,271	152,924	$\ 136,697
Restricted	13,941	13,941	7,279
Unrestricted	59,825	34,483	49,553
Total net position	222,037	201,348	193,529
Total liabilities and net position	$ 556,259	$ 538,448	$ 508,090
Change in net position	$ 20,689	$ 7,819	$ 10,130



Capital Asset and Long-term Debt Activity

Total gross utility plant in service as of December 31, 2013, 2012 and 2011 consisted of the following:

(in thousands)	2013	2012	2011
Intangible plant	$ 21,721	$ 21,004	$ 17,369
Transmission and distribution	634,928	616,883	598,130
General plant	65,916	64,993	62,423
Total utility plant in service	722,565	702,880	677,922
Construction work in progress	14,088	5,917	9,683
Total gross utility plant	$ 736,653	$ 708,797	$ 687,605

In 2013, the Electric System investment in gross utility plant increased by $27.9 million, which included $25.8 million in capital construction and $2.1 million in contributions in aid of construction. As of year-end, the Electric System had $736.7 million invested in gross utility plant. Utility plant net of depreciation was $354.8 million, which represented an increase of $8.1 million over 2012. Funds for capital construction are provided for through a combination of construction fees, cash flow from revenues and long-term revenue bonds.

Total liabilities as of December 31, 2013, 2012 and 2011 consisted of the following:

(in thousands)	2013	2012	2011
Total current liabilities	$ 74,419	$ 68,220	$ 81,732
Total non-current liabilities	208,467	227,435	206,636
Total other liabilities	936	3,745	3,493
Total liabilities	$ 283,822	$ 299,400	$ 291,861

At year-end, the Electric System had $212.3 million in revenue bonds outstanding, versus $228.4 million last year.

Generating System

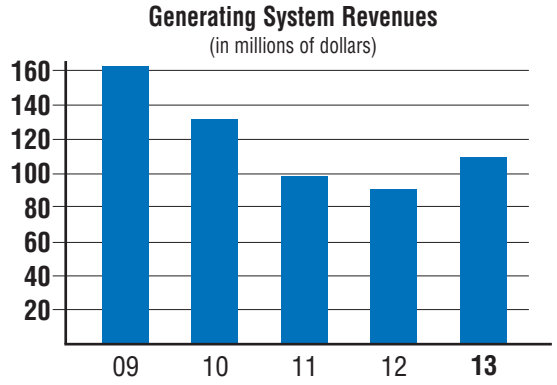
The Generating System operates the River Road Generating Plant, a natural gas-fired combined-cycle combustion turbine. The plant is a key element of the Electric System's integrated resource plan, and has operated smoothly and efficiently since beginning commercial operation in 1997. Since March 1, 2000, the plant has been operated under contract by General Electric. Our goal is to operate the plant in an efficient and environmentally friendly manner for the benefit of the utility's customer-owners. The Generating System is a contract resource obligation of the Electric System. Operating income was $15.1 million and $10.3 million in 2013 and 2012, respectively.

Fuel Supply

The District's 2013 fuel requirements for the River Road Generating Plant were provided through a combination of short-term fuel purchases and financial commitments with counterparties. The River Road Generating Plant operations are balanced with other power purchase contracts of the District.

Fuel Transportation

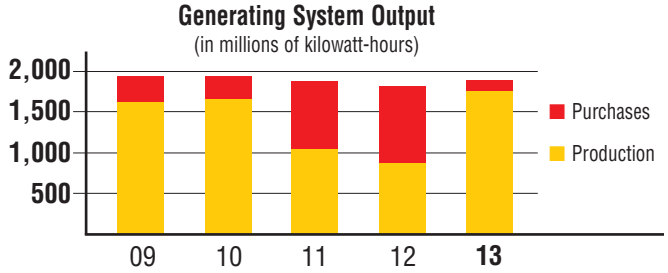
The District has agreements for natural gas transportation provided through a series of capacity releases on the Northwest Pipeline. The agreements guarantee firm capacity of 38,000 mmBtu per day for the River Road Generating Plant through 2016 and another 10,000 mmBtu per day through 2020.



Operating Statistics

(in thousands, except hours and percentages)

	2013	2012	2011
Energy production (megawatt hours)	1,730	848	1,016
Power purchased for displacement (mwh)	108	924	824
Total energy output (megawatt hours)	1,838	1,772	1,840
Percent of Electric System energy purchases	33%	32%	20%
Fuel expense (less re-marketed fuel)	$ 73,214	$ 63,958	$ 66,825
Production hours	6,910	3,522	4,282
Displacement hours	840	5,259	3,724
Unavailable hours	1,010	3	754
Total hours	8,760	8,784	8,760



Selected Financial Data

(in thousands)	2013	2012	2011
Operating revenues	$ 108,598	$ 89,850	$ 97,843
Operating expenses	93,482	79,558	87,276
Operating income	15,116	10,292	10,567
Net income before contributions	7,778	2,709	2,633
Contributions in aid of construction	-	-	-
Total assets	$ 193,520	$ 197,701	$ 163,385
Total deferred outflows of resources	29,106	29,411	29,706
Total assets and deferred outflows of resources	$ 222,626	$ 227,112	$ 193,091
Total liabilities	$ 215,262	$ 227,526	$ 196,214
Net investment in capital assets	(18,054)	(19,472)	(7,814)
Restricted	23,886	23,886	4,200
Unrestricted	1,532	(4,828)	491
Total net position	7,364	(414)	(3,123)
Total liabilities and net position	$ 226,626	$ 227,112	$ 193,091
Change in net position	$ 7,778	$ 2,709	$ 2,633

Capital Asset and Long-term Debt Activity

In 2013, the Generating System investment in gross utility plant increased by $4 million in capital construction. As of year-end, the Generating System had $250.3 million invested in gross utility plant. Utility plant net of depreciation was $128.8 million, which represented an increase of $4.2 million over 2012. Funds for capital construction are provided for through long-term revenue bonds.

Total gross utility plant in service as of December 31, 2013, 2012 and 2011 consisted of the following:

(in thousands)	2013	2012	2011
Production plant	$ 215,610	$ 212,890	$ 207,885
Source of supply	20	20	20
Pumping plant	170	170	170
Water treatment	697	697	697
Transmission and distribution	18,261	18,261	18,263
General plant	6,009	5,922	5,516
Allowance for funds used	8,316	8,316	8,316
Total utility plant in service	249,083	246,276	240,867
Construction work in progress	1,254	-	49
Total gross utility plant	$ 250,337	$ 246,276	$ 240,916

Total liabilities as of December 31, 2013, 2012, and 2011 consisted of the following:

(in thousands)	2013	2012	2011
Total current liabilities	$ 20,299	$ 15,604	$ 15,567
Total non-current liabilities	194,963	211,922	180,647
Total liabilities	$ 215,262	$ 227,526	$ 196,214

At year-end, the Generating System had $196 million in revenue bonds outstanding as compared to $207 million last year.

Water System

The Water System serves suburban and rural sections of Clark County, using groundwater to meet customer needs. The Water System owns and operates 40 wells and 31 reservoirs. Weather and economic conditions are the primary influences on water sales. Generally, warm, dry weather results in higher sales to residential customers, while wet weather results in lower sales.

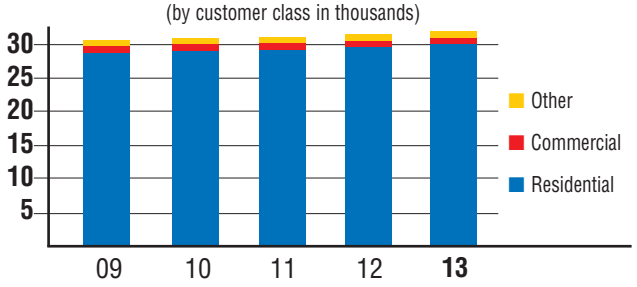
Financial Summary and Analysis
During 2013, the Water System's operating revenues increased by $0.8 million or 5.5%. The Water System realized a net income before contributions of $2.7 million for 2013.

System Rates
Water System rates remained unchanged for 2013.

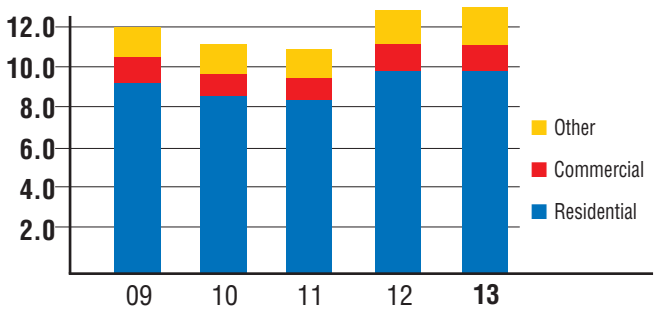
Selected Financial Data

(in thousands)	2013	2012	2011
Operating revenues	$ 14,920	$ 14,144	$ 12,471
Operating expenses	11,008	10,586	10,259
Operating income	3,912	3,558	2,212
Net income (loss) before contributions	2,746	1,343	(29)
Contributions in aid of construction	617	135	444
Total assets	$ 131,591	$ 128,632	$ 130,215
Total deferred outflows of resources	319	498	677
Total assets and deferred outflows of resources	$ 131,910	$ 129,130	$ 130,892
Total liabilities	$ 64,219	$ 64,802	$ 68,042
Net investment in capital assets	58,766	55,806	56,014
Restricted	4,178	4,178	4,034
Unrestricted	4,747	4,344	2,802
Total net assets	67,691	64,328	62,850
Total liabilities and net position	$ 131,910	$ 129,130	$ 130,892
Change in net position	$ 3,363	$ 1,478	$ 415

Water System Customers
(by customer class in thousands)



Water System Revenues
(by customer class in millions of dollars)



Capital Asset and Long-term Debt Activity
Total gross utility plant in service as of December 31, 2013, 2012 and 2011 consisted of the following:

(in thousands)	2013	2012	2011
Intangible plant	$ 137	$ 137	$ 130
Source of supply	16,170	16,144	16,067
Pumping plant	11,763	11,651	11,115
Water treatment	2,119	2,119	2,171
Transmission and distribution	138,340	134,535	134,093
General plant	2,891	2,578	2,551
Total utility plant in service	171,420	167,164	166,127
Construction work in progress	9,285	5,540	1,682
Total gross utility plant	$ 180,705	$ 172,704	$ 167,809

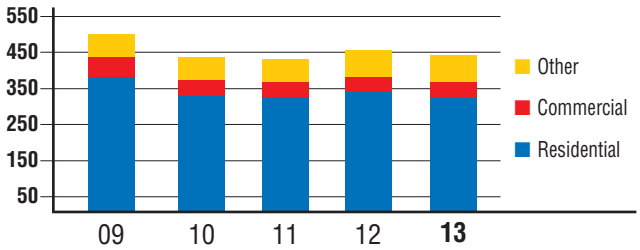
In 2013, the Water System investment in gross utility plant increased by $8 million, which included $7.4 million in capital construction and $0.6 million in contributions in aid of construction. As of year-end, the Water System had $180.7 million invested in gross utility plant. Utility plant net of depreciation was $118.8 million, which represented an increase of $3.3 million over 2012. Funds for capital construction are provided for through a combination of construction fees, cash flow from revenues, long-term revenue bonds, and long-term loans from the State of Washington.

Total liabilities as of December 31, 2013, 2012 and 2011 consisted of the following:

(in thousands)	2013	2012	2011
Total current liabilities	$ 7,288	$ 6,230	$ 5,975
Total non-current liabilities	56,658	58,192	61,635
Total regulatory and other liabilities	273	380	432
Total liabilities	$ 64,219	$ 64,802	$ 68,042

At year-end, the Water System had $40.3 million in revenue bonds outstanding, versus $43.5 million last year.

Water System Sales
(by customer class in thousands of cubic feet)



Combined Statements of Revenues, Expenses and Changes in Net Position

Public Utility District No. 1 of Clark County

For the years ended December 31, 2013 and 2012 (in thousands)

	Electric System	Generating System	Water System	Total 2013	Total 2012
Operating revenues					
Sales	$ 366,902	$ 105,851	$ 12,795	$ 485,548	$ 457,412
Other operating revenues	6,755	2,747	2,125	11,627	7,311
Total operating revenues	373,657	108,598	14,920	497,175	464,723
Operating expenses					
Power supply	255,305	-	-	255,305	250,647
Operation and maintenance expense	42,473	81,327	5,524	129,324	118,268
Depreciation and amortization expense	21,106	8,254	4,808	34,168	36,058
Taxes	20,778	3,901	676	25,355	23,401
Total operating expenses	339,662	93,482	11,008	444,152	428,374
Operating income	33,995	15,116	3,912	53,023	36,349
Non-operating revenues (expenses)					
Interest and investment revenue	187	75	25	287	231
Miscellaneous revenue	5,735	1,864	942	8,541	5,597
Interest expense	(10,187)	(9,277)	(1,975)	(21,439)	(20,588)
Miscellaneous expenses	(11,144)	-	(158)	(11,302)	(10,894)
Total non-operating revenues (expenses)	(15,409)	(7,338)	(1,166)	(23,913)	(25,654)
Net income (loss) before contributions	18,586	7,778	2,746	29,110	10,695
Contributions in aid of construction	2,103	-	617	2,720	1,311
Net increase (decrease) in net position	20,689	7,778	3,363	31,830	12,006
Total net position - beginning	201,348	(414)	64,328	265,262	253,256
Total net position - ending	$ 222,037	$ 7,364	$ 67,691	$ 297,092	$ 265,262

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

Combined Statements of Net Position

Public Utility District No. 1 of Clark County

As of December 31, 2013 and 2012 (in thousands)

	Electric System	Generating System	Water System	Total 2013	Total 2012
Assets					
Current assets:					
Cash and cash equivalents	$ 132,810	$ 57,775	$ 11,806	$ 202,391	$ 192,832
Accounts receivable (net)	29,190	1,134	-	30,324	28,151
Accrued unbilled revenues	24,705	-	314	25,019	26,086
Materials and supplies	2,914	-	-	2,914	2,542
Prepayments and other assets	3,817	-	-	3,817	3,700
Total current assets	193,436	58,909	12,120	264,465	253,311
Utility plant:					
Plant in service	722,565	249,083	171,420	1,143,068	1,116,320
Construction work in progress	14,088	1,254	9,285	24,627	11,457
Total gross utility plant	736,653	250,337	180,705	1,167,695	1,127,777
Accumulated depreciation and amortization	(381,843)	(121,547)	(61,890)	(565,280)	(532,546)
Net utility plant	354,810	128,790	118,815	602,415	595,231
Regulatory and other assets	4,624	5,821	656	11,101	12,360
Total assets	552,870	193,520	131,591	877,981	860,902
Deferred outflows of resources	3,389	29,106	319	32,814	33,788
Total assets and deferred outflows	$ 556,259	$ 222,626	$ 131,910	$ 910,795	$ 894,690

	Electric System	Generating System	Water System	Total 2013	Total 2012
Liabilities					
Current liabilities:					
Accounts payable	$ 32,255	$ 381	$ 1,018	$ 33,654	$ 27,601
Accrued taxes and interest	15,352	5,363	1,017	21,732	20,185
Other accrued liabilities	9,697	-	-	9,697	10,619
Current maturities long-term debt	17,115	14,555	5,253	36,923	31,649
Total current liabilities	74,419	20,299	7,288	102,006	90,054
Long-term debt:					
Revenue bonds	195,210	181,805	36,893	413,908	448,960
Unamortized premium and discount	12,975	13,158	887	27,020	31,401
Other long-term debt	282	-	18,878	19,160	17,188
Total long-tem debt	208,467	194,963	56,658	460,088	497,549
Other liabilities	936	-	273	1,209	4,125
Total liabilities	283,822	215,262	64,219	563,303	591,728
Deferred inflows of resources	50,400	-	-	50,400	37,700
Net position					
Net investment in capital assets	148,271	(18,054)	58,766	188,983	189,258
Restricted for:					
Debt reserve	13,941	23,886	4,178	42,005	42,005
Unrestricted	59,825	1,532	4,747	66,104	33,999
Total net position	222,037	7,364	67,691	297,092	265,262
Total liabilities, deferred inflows and net position	$ 556,259	$ 222,626	$ 131,910	$ 910,795	$ 894,690

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

Combined Statements of Cash Flows

Public Utility District No. 1 of Clark County

For the years ended December 31, 2013 and 2012 (in thousands)

	Electric System	Generating System	Water System	Total 2013	Total 2012
Cash flows from operating activities:					
Receipts from customers	$ 369,743	$ 108,598	$ 14,920	$ 493,261	$ 469,024
Payments to employees for services	(21,839)	-	-	(21,839)	(21,138)
Payments to suppliers for goods and services	(280,175)	(84,861)	(5,400)	(370,436)	(357,699)
Net cash from operating activities	67,729	23,737	9,520	100,986	90,187
Cash flows from investing activities:					
Utility plant additions, net of cost of removal, salvage and allowance for funds used during construction	(27,077)	(4,061)	(7,494)	(38,632)	(30,736)
Interest received and other income (expense)	(5,886)	75	966	(4,845)	(5,755)
Net cash from investing activities	(32,963)	(3,986)	(6,528)	(43,477)	(36,491)
Cash flows from capital financing activities:					
Borrowings from revenue bonds	-	-	-	-	109,785
Principal payments of revenue bonds	(16,080)	(10,600)	(3,242)	(29,922)	(83,142)
Other long-term debt	-	-	2,116	2,116	(929)
Acquisition of debt	-	-	-	-	12,771
Interest paid	(9,450)	(8,653)	(2,041)	(20,144)	(22,429)
Net cash from capital financing activities	(25,530)	(19,253)	(3,167)	(47,950)	16,056
Net increase (decrease) in cash and cash equivalents	9,236	498	(175)	9,559	69,752
Cash and cash equivalents at beginning of year	123,574	57,277	11,981	192,832	123,080
Cash and cash equivalents at end of year	$ 132,810	$ 57,775	$ 11,806	$ 202,391	$ 192,832
Reconciliation of operating income to net cash from operating activities:					
Operating income	$ 33,995	$ 15,116	$ 3,912	$ 53,023	$ 36,349
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation and amortization	21,106	8,254	4,808	34,168	36,058
Change in assets and liabilities:					
Accounts receivable, net	(2,129)	(139)	-	(2,268)	3,092
Other assets	437	388	65	890	836
Accounts payable and other accrued liabilities	4,428	118	842	5,388	(1,349)
Regulatory and other liabilities	9,892	-	(107)	9,785	15,201
Net cash from operating activities	$ 67,729	$ 23,737	$ 9,520	$ 100,986	$ 90,187

Supplemental disclosure of cash flow information

Non-cash capital and related financing and investing activities:

Contributions in aid of construction of $2,720 and $1,311 in 2013 and 2012, respectively.

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

Notes to Combined Financial Statements

The following notes are an integral part of the accompanying combined financial statements.

Note 1:

Summary of Operations and Significant Accounting Policies

Public Utility District No. 1 of Clark County, Washington (the District) is a municipal corporation owned by the people it serves and is operated for their benefit. The District is comprised of three operating utilities: the Electric, Generating and Water systems. Each operating utility system is physically and financially independent of the others. Electric and water rates are set by the District's elected commissioners.

The District has adopted accounting policies and practices that are in accordance with generally accepted accounting principles for regulated public utilities in the United States. A summary of the significant accounting policies follows:

a) Combined Financial Statements: The financial statements reflect the separate and combined utility operations of the District. The statements do not reflect elimination of transactions among the utilities.

b) Accounting Basis: The financial statements are prepared using the accrual basis of accounting for enterprise funds in conformity with Generally Accepted Accounting Principles (GAAP). The District uses as guidance Governmental Accounting Standards Board (GASB) pronouncements. In addition, the District's accounts are maintained in accordance with the Federal Energy Regulatory Commission's Uniform System of Accounts.

c) Revenue Recognition and Allowance for Doubtful Accounts: The District recognizes revenues as earned. Electric System customers are billed monthly and Water System customers are billed bimonthly. The District offers a program that averages customers' annual utility bills into equal monthly payments. The payments received in advance are offset as a credit against accounts receivable. It is the policy of the Electric System to purchase the receivables from the Water System. The allowance for doubtful accounts is provided entirely by the Electric System. The balance was $2.7 million and $2.9 million as of December 31, 2013 and 2012, respectively.

d) Utility Plant: Utility plant assets are stated at cost. Capital assets are tangible and intangible assets owned by the District and have initial useful lives extending beyond a single reporting period. Assets are classified by asset groups and useful lives are valued at industry norms. Management periodically reviews the carrying amounts of its long-lived assets for impairment. Depreciation is calculated on the straight-line method over the estimated useful life of the asset class. Depreciation rates are used for asset groups, and accordingly, no gain or loss is recorded on the disposition of an asset unless it represents a major retirement. The costs of maintenance and repairs are charged to operations as incurred.

e) Deferred Outflows and Inflows of Resources: For the Combined Statements of Net Position, the District adopted GASB Statement No. 63 that standardizes the presentation of Deferred Outflows and Inflows of Resources. Accordingly, other than changes in presentation there was no impact to the financial statements.

f) Regulated Operations: The board of commissioners establishes rates to be charged for services delivered by the District. The established rates are designed to recover the costs of providing services to the customers of the District. The District follows industry accounting and capitalization principles for regulated operations. Regulatory assets and deferred inflows of resources are recorded when it is probable that future rates or rate reductions will permit recovery.

g) Sinking Funds: Certain bond issues and related agreements require the District to establish separate sinking fund accounts. The assets in these funds are restricted for specific uses, including debt service and other reserve requirements. (See Notes 7 and 10.)

h) Materials and Supplies: Materials and supplies inventories are stated at the lower of cost or market determined on the average cost basis.

i) Compensated Absences: The District records earned vacation leave as a liability and accrues certain salary-related expenses associated with payment of compensated absences. The compensated absences balance was $9.6 million and $10.5 million as of December 31, 2013 and 2012, respectively.

j) Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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. Specific estimates include allowance for doubtful accounts, unbilled revenue, depreciation and post-employment benefit obligation. Actual results could differ from those estimates.

k) Reclassifications: Certain account balances have been classified in a manner different from the preceding year to provide comparability of the combined financial statements.

Note 2:

Purchased Power Contracts

The District acquires power supply from the River Road Generating Plant and a combination of power purchase contracts. The District is a preference customer of the Bonneville Power Administration (BPA), an agency of the United States Department of Energy. BPA provided 55% of our power supply in 2013, with the remainder produced by the River Road Generating Plant and a small portion supplied from smaller market power purchases.

The District executes various physical and financial transactions for the procurement of natural gas and power. The District uses forward contracts to lock in price and firm the physical supply of energy products to match and cover energy loads. Purchased power and natural gas procurement are guided by the principles established in a formal power supply risk management policy.

Notes to Combined Financial Statements

a) BPA Contracts:
Effective October 2011, the District began taking deliveries under the Slice/Block power sales contract with BPA. The BPA contract incorporates details of the District's purchase of the Slice/Block product from the federal power system and expires September 2028. This contract provides for capacity and energy for the District's load needs and requires hourly management of loads and resources.

The District also has an executed contract for Network Transmission (NT) with BPA from October 2001 through September 2031. The NT agreement is used to deliver resources, power sales contracts and market purchases to serve the District's energy load.

Residential Exchange Program: During 1980, Congress enacted the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). The Northwest Power Act authorizes Northwest Utilities to exchange their generally higher-cost power serving residential and small farm customers for an equivalent amount of energy from BPA. During 2011, the District signed a Revised Residential Exchange Settlement Agreement with BPA settling the methodology for the calculation of future benefits. The revised agreement took effect October 1, 2011. The District received Residential Exchange Program (REP) credits from BPA in the amount of $11 million in 2013 and $14.1 million in 2012. The REP credits are distributed to residential and small farm customers in the form of credits against their individual monthly bills. As of December 31, 2013, all credits received from BPA were distributed to customers.

b) River Road Generating Plant:
The natural gas-fired generating plant produces electric energy to serve the Electric System, which purchases 100% of the output at cost. The plant was shut down for 1,850 hours in 2013 and 5,262 hours in 2012 for maintenance or economic displacement.

c) Combine Hills II LLC Wind Power Agreement:
To meet the requirements of Initiative 937, the District entered into a power purchase arrangement in 2009 with Eurus Combine Hills II LLC. Under the agreement, the District purchases the entire output of a 63-megawatt nameplate capacity wind project for a 20-year term beginning in January 2010. The project began commercial operation January 2010. Beginning in 2012, the District executed annual agreements to sell 100% of the output from the project, while retaining the accompanying renewable energy credits.

d) Services:
Beginning October 1, 2011, the District entered into an agreement with The Energy Authority to provide scheduling and forecasting services for all loads and resources for the District's power supply requirements except for Combine Hills II. The District has an agreement with Shell Energy (US) LP for scheduling services for Combine Hills II.

e) Energy Northwest:
Packwood Hydroelectric Project: Under the terms of a long-term contract with Energy Northwest, the District received 18% of the capability of the Packwood project to serve its energy load needs. Packwood is a 27.5 megawatt hydroelectric project, and the District is obligated to pay 18% of the project's annual costs.

Washington Nuclear Projects (WNP) 1, 2 and 3: The District signed "net-billing agreements" with Energy Northwest and BPA. Under terms of these agreements, the District agreed to purchase a maximum of 14.233% and 6.151% of the capability of WNP-1 and WNP-2 and 14.576% of Energy Northwest's 70% ownership share of WNP-3, respectively. The District contractually transferred this capability to BPA. Through the transfer, BPA is obligated to pay the District and the District is obligated to pay Energy Northwest a pro rata share of the total annual costs of each project, including debt service on revenue bonds issued to finance the projects, whether or not the projects are completed, operable, or operating and notwithstanding the suspension, reduction, or curtailment of the projects' output.

Natural Gas Procurement
Natural gas to supply the River Road Generating Plant is provided by a combination of short-term purchase and financial commitments with counterparties. The agreements secure financial commitments and contracts to procure physical natural gas deliveries and mitigate delivery risk.

a) Natural Gas Management: The District has a fuel, power and heat rate services agreement with Shell Energy (US) LP. Services provided by this contract include re-marketing of surplus natural gas and purchasing natural gas as directed by the District. This contract terminates September 20, 2016.

b) Natural Gas Transportation: The District has natural gas transportation agreements with a series of capacity releases on the Northwest Pipeline. The agreements guarantee firm capacity of 38,000 mmBtu per day for the River Road Generating Plant through 2016 and another 10,000 mmBtu per day through 2020. The transportation capacity releases are invoiced through Northwest Pipeline Corporation.

Power Supply Costs

For the years ended December 31 (in thousands)	2013	2012
Bonneville Power Administration	$ 90,068	$ 92,705
From Generating System	105,851	89,780
Packwood	387	410
Market purchases	24,000	33,234
Wind	12,880	13,184
Transmission	22,350	21,390
Power credits	(4,046)	(4,055)
Other production expense	3,815	3,999
Total power supply costs	$ 255,305	$ 250,647
Average power cost in mills/kwh	46.47	44.85

Note 3:
Litigation

As a result of operations, the District is involved in litigation from time to time. It is the District's policy to vigorously defend itself or pursue claims determined to be in the best interests of the District's customers. The District believes that its various litigation positions in the cases have merit; however, is unable to predict the outcome of any of the unresolved litigation and the effect, if any. The District does not believe that any of the current litigation will have a material effect on its financial position.

Notes to Combined Financial Statements

Note 4:
Utility Plant

Utility plant in service as of December 31, 2013 and 2012 consisted of the following:

Electric System

(in thousands)	Balance Dec. 31, 2012	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2013
Intangible plant	$ 21,004	$ 717	$ -	$ 21,721
Trans and distribution	616,883	19,131	1,086	634,928
General plant	64,993	2,008	1,085	65,916
Total plant in service	$ 702,880	$ 21,856	$ 2,171	$ 722,565

Generating System

(in thousands)	Balance Dec. 31, 2012	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2013
Source of supply	$ 20	$ -	$ -	$ 20
Pumping plant	170	-	-	170
Water treatment	697	-	-	697
Production plant	212,890	2,720	-	215,610
Trans and distribution	18,261	-	-	18,261
General plant	5,922	87	-	6,009
Allowance for funds used	8,316	-	-	8,316
Total plant in service	$ 246,276	$ 2,807	$ -	$ 249,083

Water System

(in thousands)	Balance Dec. 31, 2012	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2013
Intangible plant	$ 137	$ -	$ -	$ 137
Source of supply	16,144	26	-	16,170
Pumping plant	11,651	112	-	11,763
Water treatment	2,119	-	-	2,119
Trans and distribution	134,535	3,805	-	138,340
General plant	2,578	431	118	2,891
Total plant in service	$ 167,164	$ 4,374	$ 118	$ 171,420

Note 5:
Regulatory and Other Assets and Deferred Outflows of Resources

Regulatory and Other Assets

Regulatory and other assets as of December 31, 2013 and 2012 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2013	2012
Reg power exp	$ -	$ 4,649	$ -	$ 4,649	$ 5,036
Reg unamort debt exp	2,100	1,172	656	3,928	4,665
Non-current conservation loans (Note 11)	2,391	-	-	2,391	2,499
Other	133	-	-	133	160
Total	$ 4,624	$ 5,821	$ 656	$ 11,101	$ 12,360

Regulatory power expense represents power supply costs paid for in previous years and recognized as expenses in future rate periods.

Regulatory unamortized debt expense represents fees and expenses associated with the issuance of revenue bonds. These costs are amortized over the life of the remaining bonds and recognized as expenses in future rate periods.

Deferred Outflows of Resources

Deferred outflows of resources as of December 31, 2013 and 2012 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2013	2012
Unamortized loss on reaq debt	$ 3,389	$ 29,106	$ 319	$ 32,814	$ 33,788

The loss on reacquired debt represents unamortized components associated with revenue bonds. These costs are amortized over the shorter of the remaining term of the refunded bonds or the term of the refunding bonds.

Note 6:
Other Liabilities and Deferred Inflows of Resources

Other Liabilities

Other liabilities as of December 31, 2013 and 2012 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2013	2012
Power credit	$ -	$ -	$ -	$ -	$ 2,700
Operation Warm Heart	778	-	-	778	807
Other	158	-	273	431	618
Total	$ 936	$ -	$ 273	$ 1,209	$ 4,125

The District has authority to maintain and distribute its Operation Warm Heart program. This program provides payment assistance for qualified customers.

Deferred Inflows of Resources

Deferred inflows of resources as of December 31, 2013 and 2012 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2013	2012
Regulatory revenue rate stabilization	$ 50,400	$ -	$ -	$ 50,400	$ 37,700

The board of commissioners authorized the funding from operating revenues to the rate stabilization fund of $12.7 million in 2013 and $15 million in 2012. Future withdrawals from the rate stabilization fund will be used to offset potential rate increases or provide for unplanned expenses. (See Note 10.)

Notes to Combined Financial Statements

Note 7:

Current and Long-term Debt

Electric System

During the year ended December 31, 2013, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2012	Additions	Reductions	Balance Dec 31, 2013	Amounts due within one year
1999 Revenue Bonds Due in an installment of $1,530 on January 1, 2014; interest at 4.85%.	$ 1,530	$ -	$ -	$ 1,530	$ 1,530
2000 Revenue Bonds	1,605	-	1,605	-	-
2002A Revenue Bonds, Due in an installment of $2,110 on January 1, 2023; interest at 5.00%.	3,410	-	1,300	2,110	-
2002B Revenue Refunding Bonds Due in an installment of $2,040 on January 1, 2014; interest at 5.50%.	3,970	-	1,930	2,040	2,040
2003 Revenue and Refunding Bonds Due in annual installments of $2,405 - $3,340 through January 1, 2015; interest at 4.00% - 5.25%.	9,255	-	3,510	5,745	3,340
2005 Revenue and Refunding Bonds Due in annual installments of $1,605 - $2,690 through January 1, 2026; interest at 4.25% - 5.00%.	15,205	-	2,330	12,875	2,445
2007 Revenue and Refunding Bonds Due in annual installments of $2,220 - $6,955 through January 1, 2027; interest at 4.00% - 5.00%.	58,650	-	1,500	57,150	3,135
2009 Revenue and Refunding Bonds Due in annual installments of $1,470 - $2,990 through January 1, 2029; interest at 4.00% - 5.25%.	37,120	-	2,790	34,330	1,470
2011 Revenue and Refunding Bonds Due in annual installments of $1,150 - $3,450 through January 1, 2031; interest at 3.25% - 5.25%.	39,755	-	1,115	38,640	1,150
2012 Revenue and Refunding Bonds Due in annual installments of $1,660 - $6,255 through January 1, 2033; interest at 3.00% - 5.00%.	57,905	-	-	57,905	2,005
Total Electric System Revenue Bonds	$ 228,405	$ -	$ 16,080	$ 212,325	$ 17,115

Generating System
During the year ended December 31, 2013, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2012	Additions	Reductions	Balance Dec 31, 2013	Amounts due within one year
2007 Revenue Bonds Due in an installment of $2,170 on January 1, 2014; interest at 5.00%.	4,240	-	2,070	2,170	2,170
2009 Revenue Bonds Due in annual installments of $1,245 - $1,460 through January 1, 2017; interest at 3.00% - 5.00%.	6,705	-	1,220	5,485	1,285
2010 Revenue Bonds Due in annual installments of $1,600 - $14,915 through January 1, 2025; interest at 3.00% - 5.00%.	144,135	-	7,310	136,825	7,675
2012A Revenue Bonds Due in annual installments of $2,260 - $11,265 through January 1, 2025; interest at 3.00% - 5.00%.	36,400	-	-	36,400	2,260
2012B Revenue Bonds Due in annual installments of $1,165 - $1,470 through January 1, 2025; interest at 0.60% - 3.293%.	15,480	-	-	15,480	1,165
Total Generating System Revenue Bonds	$ 206,960	$ -	$ 10,600	$ 196,360	$ 14,555

Notes to Combined Financial Statements

Water System
During the year ended December 31, 2013, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2012	Additions	Reductions	Balance Dec 31, 2013	Amounts due within one year
1976 Revenue Bonds Due in annual installments of $12 - $14 through July 1, 2016; interest at 5.00%.	$ 52	$ -	$ 12	$ 40	$ 12
2003 Revenue and Refunding Bonds Due in annual installments of $245 - $555 through January 1, 2015; interest at 4.00%.	1,400	-	600	800	555
2006 Revenue and Refunding Bonds Due in annual installments of $425 - $895 through January 1, 2027; interest at 4.375% - 5.00%.	9,915	-	935	8,980	745
2008 Revenue and Refunding Bonds Due in annual installments of $475 - $995 through January 1, 2029; interest at 4.25% - 5.50%.	11,825	-	460	11,365	475
2010 Revenue and Refunding Bonds Due in annual installments of $425 - $1,420 through January 1, 2030; interest at 3.00% - 5.00%.	12,490	-	885	11,605	1,235
2011 Revenue and Refunding Bonds Due in annual installments of $360 - $840 through January 1, 2024; interest at 3.00% - 4.00%.	7,835	-	350	7,485	360
Total Water System Revenue Bonds	$ 43,517	$ -	$ 3,242	$ 40,275	$ 3,382

Debt Service
The District's revenue bond sinking fund requirements are as follows:

(in thousands)

	Electric System			Generating System			Water System		
	Interest	Principal	Total	Interest	Principal	Total	Interest	Principal	Total
2014	$ 9,200	$ 16,010	$ 25,210	$ 8,584	$ 15,200	$ 23,784	$ 1,681	$ 3,393	$ 5,074
2015	8,424	14,290	22,714	7,891	15,895	23,786	1,520	2,379	3,899
2016	7,760	14,955	22,715	7,156	16,625	23,781	1,411	2,482	3,893
2017	7,012	14,020	21,032	6,382	17,400	23,782	1,295	2,595	3,890
2018	6,312	14,730	21,042	5,581	18,205	23,786	1,175	2,715	3,890
2019-23	21,959	63,475	85,434	15,401	84,145	99,546	4,221	12,910	17,131
2024-28	8,522	44,400	52,922	680	14,335	15,015	1,593	9,615	11,208
2029-32	1,195	13,330	14,525	-	-	-	41	810	851

Notes to Combined Financial Statements

Fair Value
The carrying amounts and estimated fair values of the District's current and long-term revenue bonds as of December 31, 2013 and 2012 were as follows:

(in thousands)	2013 Carrying Amt	2013 Fair Value	2012 Carrying Amt	2012 Fair Value
Revenue bonds	$ 448,960	$ 479,726	$ 478,882	$ 532,577

Debt Service Reserve Accounts
The resolutions for outstanding bonds of the District require setting aside amounts in debt service reserve accounts equal to the lesser of maximum annual debt service for each bond series in any fiscal year or 125 percent of average annual debt service for each bond. The bond resolutions allow the District to substitute a reserve account instrument for the cash and securities held in the reserve account. Pursuant to the bond resolutions and when economically advantageous and available, the District has historically elected to purchase municipal bond insurance in lieu of maintaining bond reserve funds to guarantee the principal and interest payments to the bondholders. The District is taking steps to ratably fund the reserve and replace at risk bond insurance reserve policies for the Electric System. The District has a fully cash funded debt reserve for the Water and Generating systems.

Debt service reserve accounts as of December 31, 2013 and 2012 were as follows:

(in thousands)	Electric System	Generating System	Water System	December 31 2013	2012
Cash deposits	$ 13,941	$ 23,886	$ 4,178	$ 42,005	$ 42,005

Municipal Bond Insurance
Beginning in 2008 through 2013, several companies providing bond insurance to the District received unfavorable credit rating changes. Credit ratings for these companies are performed by independent credit rating agencies and reflect the view of the firm at a single point in time. The District makes no representation about the appropriateness of the bond insurance ratings. An explanation of the significance of the current rating may be obtained only from the rating agencies. There is no assurance that the current rating assigned to the bonds will continue for any given time or that such rating will not be revised or withdrawn entirely by the rating agencies. As a result of the downgrades to bond insurance companies, the Water and Generating systems replaced the debt service reserve insurance policies for certain bond series with cash deposits meeting the debt service reserve commitments.

During 2011, the Electric System renewed a stand-by line of credit for $7 million to provide additional security for the debt service reserve account with US Bank National Association. The line of credit provides the Electric System funds in the event of a failure to pay by bond insurance providers for contracts held for the debt service reserve.

Other Debt

Lines of Credit
The District has authorized and issued the following subordinate lien revenue lines of credit for each of the systems to meet temporary cash requirements:

System	Purpose	Authorized Amount	Amount Outstanding December 31, 2013
Electric	Interim capital requirements and operating expenses	$20 million	-
Electric	Standby letter of credit for debt service reserve	$7 million	-
Generating	Interim capital requirements	$20 million	-
Water	Interim capital requirements and operating expenses	$2 million	-

The subordinate lien revenue lines of credit for each of the systems are with US Bank National Association and mature December 14, 2014.

Water System Other Debt
The District has participated with the state of Washington in financing various long-term capital improvements for the Water System. These funds have been provided from four sources – Public Works Trust Fund, Drinking Water State Revolving Fund, the Department of Ecology and the Community Development Block Grant Program. In order to participate in these financing vehicles the District matches funds with the loan awards. Loans are repaid over terms of three to 22 years, with no interest or annual interest rates of up to 4.35%. The current outstanding long-term obligations for the Water System reflect the total draw on the loan awards. The carrying amounts approximate the fair value since such loans are exclusive and have no market. Principal and interest payments on these outstanding obligations are as follows:

(in thousands)	Interest	Principal	Total	Outstanding Principal Balance
Balance on Dec. 31, 2013				$ 20,749
2014	$ 143	$ 1,871	$ 2,014	18,878
2015	129	1,871	2,000	17,007
2016	172	1,939	2,111	15,068
2017	114	1,740	1,854	13,328
2018	99	1,741	1,840	11,587
2019-23	287	7,272	7,559	4,315
2024-28	102	3,085	3,187	1,230
2029-33	33	1,095	1,128	135
2034-35	3	135	138	-

Notes to Combined Financial Statements

Note 8:

Pension Plans, Post-employment Benefits, and Deferred Compensation Plans

Pension Plans

District employees participate in a statewide local government retirement system administered by the Washington Department of Retirement Systems. The Public Employee Retirement System (PERS) is a cost sharing multiple employer system that provides for retirement and disability benefits based upon compensation and length of service. PERS consists of three separate plans: Plan 1, Plan 2 and Plan 3. Plan 1 is a defined-benefit plan that covers employees hired prior to October 1, 1977. Plan 2 is a defined-benefit plan for employees hired into the PERS system on or after October 1, 1977. Beginning September 1, 2002, PERS statutes made available an optional Plan 3 for new employees and Plan 2 members. Plan 3 is a two-part system, consisting of an employer-funded defined-benefit component and an employee-funded defined-contribution component.

PERS Plan 1 members are eligible for retirement at any age after 30 years of service, at age 60 with five years of service or at age 55 with 25 years of service. The annual pension benefit is two percent of the average final compensation per year of service, capped at 60 percent. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members may retire at age 65 with five years of service, or at age 55 with 20 years of service. Pension benefits for Plan 2 members who retire prior to age 65 and before reaching normal retirement are actuarially reduced. The annual pension benefit is two percent of the average final compensation per year of service. There is no cap on the years of service credit and a cost-of-living allowance (based on the Consumer Price Index) is granted, capped at three percent annually.

PERS Plan 3 members may retire at age 65 if vested, or at age 55 with 10 years of service. Benefits for Plan 3 members who retire prior to age 65 are actuarially reduced. The annual pension benefit is one percent of the average final compensation per year of service. There is no cap on the years of service credit and a cost-of-living allowance (based on the Consumer Price Index) is granted, capped at three percent annually.

PERS Funding Policy - The District and all participating agencies are required to contribute to each plan at rates established by the state Pension Funding Council, using recommendations from the Office of the State Actuary. Each biennium the council sets employer contribution rates for Plan 1, Plan 2 and Plan 3, as well as Plan 2 employee contribution rates. Employee contribution rates for Plan 1 are established by state statute and do not vary from year to year. Employee contribution rates for Plan 3 are set by the Employee Retirement Benefits Board. The employee contribution rate can be selected from six different options, ranging from 5-15%. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 of the Revised Code of Washington.

Plan 2 is fully funded by the employer and employee contributions and associated investment earnings. The Plan 3 defined-benefit component is fully funded by the employer contributions and the associated investment earnings. The Plan 3 defined-contribution component is funded by the employee contributions and associated investment earnings.

The required contribution rates to the PERS retirement system as of December 31, 2013, were as follows:

	PERS 1	PERS 2	PERS 3
Employer	9.21%	9.21%	9.21%
Employee	6.00%	4.92%	5-15%

The District's contributions to the PERS retirement system were as follows:

(in thousands)	2013	2012	2011
District contributions	$ 2,582	$ 2,120	$ 1,841
Covered payroll	$ 31,396	$ 29,912	$ 29,249

While the District's contributions to PERS represent its full liability under the system, any unfunded future pension benefit obligation could be reflected in future years as higher contribution rates. Historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due, is presented in the state of Washington's June 30, 2013 Comprehensive Annual Financial Report (CAFR). Detailed trend information, including the pension benefit obligation, net assets available for benefits, and any unfunded pension benefit obligation, is available in the state's CAFR report.

Post-employment Benefits Other Than Pensions (OPEB)

Plan Description - By resolution the District provides 100% employer paid post-retirement medical, vision and prescription benefits for qualified retired employees and their eligible dependents until age 65. As of December 31, 2013, there were 67 retirees and their eligible dependents under the plan.

Funding Policy - The District funds its post employment health care benefits when the actual health care costs are incurred for retirees and their eligible dependents.

Annual OPEB Cost - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer. The ARC is an amount actuarially determined based on the entry age normal method, determined in accordance with the guidance of GASB Statement 45. The ARC represents level funding, that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years. The District's annual required 2013 OPEB cost (expense) was $1 million and is equal to the annual required contribution including interest.

Funding Status and Funding Progress - In 2013, the payment of employment health care benefits for retirees and qualified dependents totaled $1.1 million. The current year funding of future OPEB costs resulted in an increase in the net OPEB asset of $.2 million.

The schedule of funding progress for the unfunded actuarial accrued liability (UAAL) is as follows:

(in thousands, except percent)	Dec 31, 2013	Dec 31, 2012
Net OPEB asset	$ 2,449	$ 2,237
Entry age normal actuarial accrued liability	$ 10,190	$ 10,660
UAAL	$ 7,741	$ 8,423
Funded ratio	32%	27%
Covered payroll	$ 31,396	$ 29,912
UAAL as percent of covered payroll	25%	28%

Notes to Combined Financial Statements

Actuarial Assumptions - The actuarial valuation includes estimates of the value reported and assumptions about the probability of the events in the future. The actuarial assumptions included in the valuation included a rate of return on investments of 3.10% and an annual increase of 5%-8% of health care benefits depending on the plan. Other actuarial assumptions include estimates of future employment levels, retirement ages of active employees, and morbidity/termination rates. These assumptions are reviewed and compared every two years. As these assumptions and costs are reviewed in future periods, new estimates of OPEB costs and liabilities may result.

Deferred Compensation
The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 457 and 401(k), permitting employees to contribute and defer a portion of their current salaries up to defined limits. Section 457 of the IRS Code enables the District to place the plan assets into trust for the exclusive benefit of plan participants and beneficiaries.

Note 9:
Refunded Bond Issues

As of December 31, 2013, the following revenue bond series have been extinguished through in-substance defeasance:

(in thousands)	Electric System	Generating System	Water System	Sewer System
Total	$ 25,655	$ -	$ 3,904	$ 835

Debt service on these bonds is met by cash and investments held by the refunding trustees. The amounts held in trust are expected to fund debt service fully from principal and investment earnings. These refunded bonds constitute a contingent liability of the District only to the extent that cash and investments presently in the control of the refunding trustees are not sufficient to meet debt service requirements, and are therefore excluded from the financial statements because the likelihood of additional funding requirements is considered remote.

Note 10:
Cash, Cash Equivalents and Sinking Funds

As of December 31, 2013, the District had the following cash, cash equivalents and investments:

(in thousands)	Fair Value 2013	2012
Washington state investment pool (LGIP)	$ 148,250	$ 149,482
Cash	54,141	43,350
Total cash, cash equivalents and sinking funds	$ 202,391	$ 192,832

Investments are measured at fair value in the statement of net position. The District considers all liquid investment securities to be cash equivalents, including sinking fund investments. Management generally intends to hold time deposits and securities until maturity. Gains or losses on investments sold or exchanged are recognized at the time the transactions are completed. Unrealized gains or losses on investments are reflected in the statement of revenues, expenses and changes in net position.

The Board of Commissioners approved the transfer to the Electric System rate stabilization fund of $12.7 million for 2013 and $15 million for 2012. As of December 31, 2013, the cash and investments balance included a rate stabilization fund of $50.4 million. (See Note 6.)

As of December 31, 2013, the state investment pool balance included the District bond reserve amount of $42 million. (See Note 7.)

Interest Rate Risk
All District investments are in the Washington state investment pool (LGIP). The LGIP is an unrated 2a-7-like pool, as defined by GASB 31. Accordingly, the District's balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days.

Credit Risk
As required by state law, all cash and investments of the District are invested in obligations of the U.S. Government and its agencies, the LGIP, or deposits with Washington state banks. The District's deposits in Washington state banks are entirely covered by federal depository insurance (FDIC) or collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. The District has no investment policy to limit its investment choices. The District's investments or deposits held by the LGIP are all at stated cash values. The LGIP investment portfolio is presented in the state of Washington's June 30, 2013 Comprehensive Annual Financial Report (CAFR).

Note 11:
Conservation Funds

The District promotes energy conservation by providing loans and grants for weatherization, heat pump and market transformation programs. During 1999, a new loan program began whereby the District provides conservation loans for up seven years at 5% to 5.25% interest. Under this program, the total loan amount provided was $1.3 million during 2013 and $1.1 million in 2012.

Note 12:
Subsequent Events

The District has evaluated subsequent events through the report date, which is the date the financial statements were issued.

Water System Other Debt
During the first quarter of 2014, the Water System received $1.7 million in Public Works Trust Fund and Drinking Water State Revolving Fund loan proceeds to fund capital construction requirements. (See Note 7-Water System Other Debt.)

Subordinate Lien Revenue Line of Credit
In March 2014, the District replaced the existing US Bank subordinate lien revenue line of credit notes with the Wells Fargo Bank subordinate lien revenue line of credit notes in the amount of $27 million for the Electric System, $20 million for the Generating System and $2 million for the Water System which mature March 24, 2017. (See Note 7-Lines of Credit.)

Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

In thousands, except for interest rates

Electric System

Maturity Date	Series 1999 Principal Jan. 1	Series 1999 Interest Rate	Series 2002A Principal Jan. 1	Series 2002A Interest Rate	Series 2002B Principal Jan. 1	Series 2002B Interest Rate	Series 2003 Principal Jan. 1	Series 2003 Interest Rate	Series 2005 Principal Jan. 1	Series 2005 Interest Rate	Series 2007 Principal Jan. 1	Series 2007 Interest Rate	Series 2009 Principal Jan. 1	Series 2009 Interest Rate
2014	$ 1,530	4.850	-	-	$ 2,040	5.500	$ 3,340	5.250	$ 2,445	5.000	$ 3,135	5.000	$ 1,470	5.000
2015			-	-			2,405	4.000	2,560	5.000	4,895	5.000	1,540	5.000
2016			-	-					2,690	5.000	6,625	5.000	1,620	5.250
2017			-	-					1,605	5.000	6,955	5.000	1,705	5.000
2018			-	-							5,650	5.000	1,790	5.000
2019			-	-							5,930	5.000	1,880	4.000
2019			-	-							-	-	-	-
2020			-	-							6,225	5.000	1,955	4.000
2020			-	-							-	-	-	-
2021			-	-							2,220	4.750	2,030	5.000
2022			-	-							2,325	4.750	2,135	5.000
2023			$ 2,110	5.000							2,435	4.000	2,240	5.000
2024											2,530	4.000	670	4.625
2024											-	-	1,685	5.000
2025									1,750	4.250	2,630	4.125	2,470	4.750
2026									1,825	4.250	2,740	4.125	2,585	5.000
2027											-	-	-	-
2027											2,855	4.125	2,715	5.000
2028													-	-
2028													2,850	5.000
2029													-	-
2029													2,990	5.125
2030														
2030														
2031														
2031														
2032														
2032														
2033														
Total	$ 1,530		$ 2,110		$ 2,040		$ 5,745		$ 12,875		$ 57,150		$ 34,330	

Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

Series 2011 Principal Jan. 1	Series 2011 Interest Rate	Series 2012 Principal Jan. 1	Series 2012 Interest Rate	Total	Remaining Bonds Outstanding
$ 1,150	4.000	$ 2,005	4.000	$ 17,115	$ 195,210
2,605	5.000	2,005	5.000	16,010	179,200
1,250	4.000	2,105	3.000	14,290	164,910
1,300	5.000	3,390	5.000	14,955	149,955
3,020	5.000	3,560	5.000	14,020	135,935
2,050	3.250	650	3.000	10,510	125,425
1,125	5.000	3,095	4.000	4,220	121,205
125	3.500	3,885	4.000	12,190	109,015
3,170	5.000	-	-	3,170	105,845
3,450	5.000	4,045	5.000	11,745	94,100
1,540	5.000	6,255	5.000	12,255	81,845
1,615	5.000	4,460	5.000	12,860	68,985
1,695	5.000	4,675	5.000	9,570	59,415
-	-	-	-	1,685	57,730
1,780	5.000	1,660	5.000	10,290	47,440
1,870	5.000	1,740	5.000	10,760	36,680
555	5.000	1,830	5.000	2,385	34,295
1,410	5.250	-	-	6,980	27,315
580	5.000	1,920	3.250	2,500	24,815
1,485	5.250	-	-	4,335	20,480
615	5.000	1,985	3.350	2,600	17,880
1,560	5.250	-	-	4,550	13,330
645	5.000	2,050	3.400	2,695	10,635
1,640	5.250	-	-	1,640	8,995
680	5.000	2,120	3.500	2,800	6,195
1,725	5.250	-	-	1,725	4,470
		1,845	3.500	1,845	2,625
		350	5.000	350	2,275
		2,275	4.000	2,275	-
$ 38,640		$ 57,905		$ 212,325	

Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

In thousands, except for interest rates

Generating System

Maturity Date	Series 2007 Principal Jan. 1	Series 2007 Interest Rate	Series 2009 Principal Jan. 1	Series 2009 Interest Rate	Series 2010 Principal Jan. 1	Series 2010 Interest Rate	Series 2012A Principal Jan. 1	Series 2012A Interest Rate	Series 2012B Principal Jan. 1	Series 2012B Interest Rate	Total	Remaining Bonds Outstanding
2014	$ 2,170	5.000	$ 250	3.000	$ 1,450	3.000	$ 2,260	3.000	$ 1,165	0.600	$ 7,295	$ 189,065
2014	-	-	1,035	5.000	6,225	5.000	-	-	-	-	7,260	181,805
2015			50	3.250	350	4.000	2,410	5.000	1,195	0.833	4,005	177,800
2015			1,295	4.000	9,900	5.000	-	-	-	-	11,195	166,605
2016			250	3.250	895	4.000	2,530	5.000	1,205	1.123	4,880	161,725
2016			1,145	5.000	9,870	5.000	-	-	-	-	11,015	150,710
2017			100	3.500	2,000	4.500	75	3.000	1,215	1.423	3,390	147,320
2017			1,360	5.000	9,295	5.000	2,580	5.000	-	-	13,235	134,085
2018					100	4.000	2,785	4.000	1,235	1.667	4,120	129,965
2018					13,280	5.000	-	-	-	-	13,280	116,685
2019					125	4.000	2,900	5.000	1,255	1.967	4,280	112,405
2019					13,925	5.000	-	-	-	-	13,925	98,480
2020					575	4.000	3,045	5.000	1,280	2.443	4,900	93,580
2020					11,700	5.000	-	-	-	-	11,700	81,880
2021					12,885	5.000	3,195	5.000	1,310	2.673	17,390	64,490
2022					13,530	5.000	2,300	4.000	1,345	2.773	17,175	47,315
2022					-	-	1,055	5.000	-	-	1,055	46,260
2023					14,205	5.000	-	-	1,380	2.973	15,585	30,675
2024					14,915	5.000	-	-	1,425	3.143	16,340	14,335
2025					1,600	4.250	11,265	5.000	1,470	3.293	14,335	-
Total	$ 2,170		$ 5,485		$ 136,825		$ 36,400		$ 15,480		$ 196,360	

Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

In thousands, except for interest rates

Water System

Maturity Date	Series 1976 Principal Jan. 1/July 28	Series 1976 Interest Rate	Series 2003 Principal Jan. 1	Series 2003 Interest Rate	Series 2006 Principal Jan. 1	Series 2006 Interest Rate	Series 2008 Principal Jan. 1	Series 2008 Interest Rate	Series 2010 Principal Jan. 1	Series 2010 Interest Rate	Series 2011 Principal Jan. 1	Series 2011 Interest Rate	Total	Remaining Bonds Outstanding
2014	$ 12	5.000	$ 555	4.000	$ 745	5.000	$ 475	5.500	$ 1,235	3.000	$ 360	3.000	$ 3,382	$ 36,893
2015	14	5.000	245	4.000	715	5.000	505	5.500	1,420	5.000	495	3.250	3,394	33,499
2016	14	5.000			745	5.000	530	5.500	425	5.000	540	3.000	2,254	31,245
2016					-	-	-	-	-	-	125	4.000	125	31,120
2017					510	4.375	560	5.500	445	5.000	685	4.000	2,200	28,920
2017					275	4.500	-	-	-	-	-	-	275	28,645
2018					540	4.375	590	5.500	465	5.000	715	4.000	2,310	26,335
2018					285	4.500	-	-	-	-	-	-	285	26,050
2019					555	4.375	625	4.250	490	5.000	745	3.000	2,415	23,635
2019					300	4.500	-	-	-	-	-	-	300	23,335
2020					580	4.375	650	4.375	515	5.000	765	3.250	2,510	20,825
2020					315	4.500	-	-	-	-	-	-	315	20,510
2021					100	4.375	680	4.500	540	4.000	795	3.125	2,115	18,395
2021					325	4.500	-	-	-	-	-	-	325	18,070
2022					445	4.500	710	4.750	560	4.000	815	4.000	2,530	15,540
2023					465	4.500	745	4.750	585	4.500	840	4.000	2,635	12,905
2024					485	4.500	780	5.000	610	4.500	605	4.000	2,480	10,425
2025					510	4.500	815	5.000	635	4.500			1,960	8,465
2026					530	4.500	860	5.000	665	5.000			2,055	6,410
2027					555	4.500	900	5.000	700	5.000			2,155	4,255
2028							945	5.000	735	5.000			1,680	2,575
2029							995	5.125	770	5.000			1,765	810
2030									810	5.000			810	-
	$ 40		$ 800		$ 8,980		$ 11,365		$ 11,605		$ 7,485		$ 40,275	

Selected Financial Data and Statistics - Unaudited

Public Utility District No. 1 of Clark County

Comparative Statements of Income from Electric System Operations (in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating revenues	$ 373,657	$ 360,729	$ 355,779	$ 354,142	$ 354,237	$ 369,580	$ 352,893	$ 340,769	$ 318,267	$ 306,928
Operating expenses	339,662	338,230	333,692	334,324	341,595	360,615	339,600	331,966	306,871	289,004
Operating income	33,995	22,499	22,087	19,818	12,642	8,965	13,293	8,803	11,396	17,924
Non-operating revenues (expenses)	(15,409)	(15,856)	(12,871)	(10,205)	(13,197)	(8,988)	(7,174)	(8,880)	(9,430)	(11,457)
Net income (loss)	$ 18,586	$ 6,643	$ 9,216	$ 9,613	$ (555)	$ (23)	$ 6,119	$ (77)	$ 1,966	$ 6,467

Electric System Statistics

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Electric energy delivered megawatt hours (in thousands)										
Residential	2,387	2,317	2,389	2,257	2,423	2,426	2,341	2,310	2,231	2,167
Commercial	1,293	1,270	1,287	1,273	1,334	1,388	1,356	1,346	1,317	1,321
Industrial	735	741	762	789	741	814	812	740	711	685
Off-system sales	851	1,022	405	424	383	470	539	389	161	278
Miscellaneous	26	26	29	32	35	34	33	34	31	29
Total	5,292	5,376	4,872	4,775	4,916	5,132	5,081	4,819	4,451	4,480
Average revenue per kwh (in cents)										
Residential	9.16	9.18	8.86	8.50	8.28	7.85	7.87	7.85	7.86	7.64
Commercial	7.37	7.41	7.30	7.12	6.99	6.63	6.59	6.56	6.45	6.40
Industrial	5.58	5.57	5.51	5.37	5.34	5.13	5.12	5.13	5.05	4.99
Miscellaneous	13.62	13.52	12.20	11.19	10.58	10.36	10.23	10.09	10.29	10.57
Average - all classes	7.79	7.73	7.41	7.55	7.44	7.03	6.88	7.02	6.98	6.84
Average number of customers										
Residential	171,449	169,569	168,449	167,634	166,823	166,157	164,155	161,911	158,080	153,670
Commercial	15,021	14,776	14,594	14,441	14,292	13,713	13,065	12,251	11,822	11,522
Industrial	28	25	26	26	25	26	27	26	25	20
Miscellaneous	1,441	1,433	1,419	1,413	1,407	1,387	1,344	1,297	1,230	1,186
Total - all classes	187,939	185,803	184,488	183,514	182,547	181,283	178,591	175,485	171,157	166,398
Average annual kwh used per customer										
Residential	13,923	13,667	14,182	13,463	14,521	14,601	14,237	13,884	13,720	13,718
Commercial	86,087	85,936	88,168	88,136	93,370	101,203	103,376	99,495	100,480	100,455
Industrial	26,248,173	29,636,712	29,293,402	30,337,381	29,656,732	31,288,395	30,093,795	28,539,284	29,507,427	34,785,780
Miscellaneous	18,051	18,531	20,588	22,748	24,673	24,672	24,964	26,112	25,364	24,886

Selected Financial Data and Statistics - Unaudited

Public Utility District No. 1 of Clark County

Comparative Statements of Income from Water System Operations (in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating revenues	$ 14,920	$ 14,144	$ 12,471	$ 12,227	$ 13,047	$ 11,308	$ 11,648	$ 10,788	$ 10,477	$ 9,576
Operating expenses	11,008	10,586	10,259	10,106	10,594	9,551	9,148	8,571	8,424	7,924
Operating income	3,912	3,558	2,212	2,121	2,453	1,757	2,500	2,217	2,053	1,652
Non-operating revenues (expenses)	(1,166)	(2,215)	(2,241)	(1,800)	(2,012)	(1,403)	(1,086)	(1,165)	(1,291)	(1,428)
Net income (loss)	$ 2,746	$ 1,343	$ (29)	$ 321	$ 441	$ 354	$ 1,414	$ 1,052	$ 762	$ 224

Water System Statistics

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cubic feet delivered (in thousands)										
Residential	335,558	343,113	329,858	333,002	381,989	370,877	386,134	408,854	360,064	372,420
Commercial	48,708	47,828	44,982	44,302	50,452	54,309	57,569	59,508	51,475	49,932
Miscellaneous	61,415	62,053	60,092	62,278	66,329	65,911	61,772	63,405	59,812	62,108
Total	445,681	452,994	434,932	439,582	498,770	491,097	505,475	531,767	471,351	484,460
Average revenue per cubic foot (in cents)										
Residential	2.92	2.85	2.55	2.54	2.44	2.10	1.99	1.75	1.76	1.56
Commercial	2.77	2.75	2.44	2.45	2.41	2.01	1.85	1.63	1.67	1.48
Miscellaneous	2.70	2.64	2.34	2.33	2.27	1.89	1.71	1.51	1.51	1.37
Average - all classes	2.87	2.81	2.51	2.50	2.41	2.06	1.94	1.71	1.72	1.52
Average number of customers										
Residential	29,599	29,248	29,025	28,870	28,638	28,490	28,275	27,814	27,044	25,963
Commercial	1,072	1,069	1,042	1,034	1,032	1,027	1,016	945	889	859
Miscellaneous	711	696	673	667	661	644	513	480	467	467
Total - all classes	31,382	31,013	30,740	30,571	30,331	30,161	29,804	29,239	28,400	27,289
Average annual cubic feet used per customer										
Residential	11,337	11,731	11,365	11,535	13,339	13,018	13,656	14,714	13,337	14,369
Commercial	45,437	44,741	43,169	42,846	48,888	52,881	56,662	63,141	57,952	58,243
Miscellaneous	86,378	89,157	89,290	93,370	100,346	102,347	120,413	132,094	128,077	132,994

1930-1980

Clark Public Utilities

Long legacy, **bright future**

1930
Local Granges and labor organizations spearheaded campaigns to create PUDs in the state of Washington.

1938
Clark Public Utilities was formed

1942
Clark Public Utilities served their first customer, Airco.

"Public power...reflected a desire to give the common man a better life through cheap power and a desire to develop the resources of the nation for the benefit of many."
–Dan Ogden

A long range plan to modernize the system started to catch up on maintenance and construction deferred during the war.

A crew sets a new pole during the 1950s.

1948
Clark Public Utilities became the only electric utility in the county on February 28.

Employees at the original Operations Center on Fourth Plain Blvd.

1951
Clark Public Utilities' new Water system delivered water to its first 347 customers.

Line truck sets up for street light work.

Promoting the use of electricity for home heating.

Clark Public Utilities' Electric Center located near downtown Vancouver, prior to the third floor addition.

1962
Columbus Day windstorm

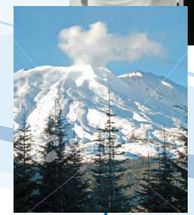
Customer billing records.

1969
PUD began billing in envelopes rather than postcards.

1977
The new Ed Fischer Operations Center was completed near Orchards.

Clark Public Utilities employee in the Dispatch center.

Clark Public Utilities employee on the job.



1980
The Mount St. Helens eruption spewed ash all over Clark County. Ash is an excellent conductor of electricity when wet and caused outages for 15,000 customers.

1981-1989

1982
Clark County voters elected the first female PUD commissioner, Carol Curtis.

1988
An energy counselor program was launched to provide conservation information.

1989
The 100,000th electric customer signed up for service and the "We Can Help" culture of customer service was born.

"Affordable, reliable electricity is the foundation of business and local life in Clark County."
– Nancy Barnes

Clark Public Utilities
OPERATION WARM HEART
Heat a Home, Warm a Heart!

1985
Operation Warm Heart, funded through customer donations, was created to help families in financial crisis pay their electric bills.

STREAM TEAM
CLARK PUBLIC UTILITIES

1992
StreamTeam was formed. This group coordinates volunteers to restore native habitat, protect the local environment and improve the health of the Salmon Creek watershed.

A downed power pole, the result of a storm in Clark County in 1995.

1995
A storm in Clark County occurred on Dec. 12. It was the most damaging windstorm in 30 years. Winds topped 65 mph and more than half of Clark Public Utilities' customers lost power.

1990 to Present

"As a public utility, our customers always come first. It's the way we do business, every day."
–Wayne Nelson

1997
River Road Generating Plant began commercial operation.

Crews working to repair damage from the storm in 1995.

2008
Clark Public Utilities was ranked first in J.D. Power and Associates' study of customer satisfaction among midsize utilities in the west and has continued to lead its industry for five years.

Nancy Barnes
Commissioner

Byron Hanke
Commissioner

Jim Malinowski
Commissioner

2010
Construction on South Lake Well Field was completed, now named the Carol J. Curtis Well Field.

Clark Public Utilities
We're always here
75 YEARS
1938-2013

2013
Clark Public Utilities celebrates 75 years of serving Clark County with reliable, affordable power.

Clark Public Utilities

Customer-owned, customer-focused

P.O. Box 8900

Vancouver, WA 98668

360-992-3000

mailbox@clarkpud.com

www.clarkpublicutilities.com

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