



A N N U A L R E P O R T

# Serving our Community





# Highlights

	2016	2015
<b>ELECTRIC SYSTEM</b>		
Customers (year end)	199,623	195,142
Total operating revenue	\$374,647,000	\$379,227,000
Electricity sales (megawatt hours)	5,235,682	5,342,650
Peak demand (megawatts)	954	933
Net income (loss)	\$19,329,000	\$22,373,000
Employees (year end)	353	360

<b>GENERATING SYSTEM</b>		
Total operating revenue	\$94,893,000	\$104,909,000
Electricity generation (megawatt hours)	1,441,105	1,812,759
Displacement (megawatt hours)	166,967	131,238
Employees (year end)	1	1

<b>WATER SYSTEM</b>		
Customers (year end)	33,635	32,808
Total operating revenue	\$17,389,000	\$17,471,000
Water sales (cubic feet)	487,273,000	512,475,000
Peak 24-hour demand (gallons)	23,200,000	27,300,000
Net income (loss)	\$2,101,000	\$4,242,000
Employees (year end)	30	29

## 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.

# 2016

## **Nancy Barnes**

Commissioner Barnes was first elected in 1992 by District 2 in the East County area. She was re-elected in 1998, 2004, 2010, and 2016. Her current term expires in 2022. Barnes is a past president of the Washington Public Utility Districts Association and currently serves as the utility's representative to the Northwest Public Power Association.



**Nancy E. Barnes**  
First elected 1992, term ends 2022

## **Jim Malinowski**

Elected in 2012, Commissioner Malinowski represents District 1 in the North County area. His term expires in 2018. Currently, Malinowski participates in the Washington Public Utility Districts Association and is the utility's delegate to Energy Northwest.



**Jim Malinowski**  
First elected 2012, term ends 2018

## **Jane Van Dyke**

Commissioner Van Dyke was elected in 2014 and represents District 3, which includes much of the City of Vancouver west of Interstate 205. She previously served as a Clark Public Utilities commissioner from 1984-2002. Van Dyke now represents the utility on the boards of the Columbia River Economic Development Council and Columbia Springs. She also serves as the American Public Power Association representative.



**Jane Van Dyke**  
Elected 2014, term ends 2020



# Report from the CEO/General Manager Wayne W. Nelson

## A trusted partner meeting customer needs

As Clark County continues to grow, our teams of planners and engineers continually work with existing and future customers to ensure that service is available, reliable and affordable.

A continued expansion into technology-centered industries demands an approach to power supply

that is best in class. As a public power provider, we are proud to offer high-quality electric service at cost, with a focus on exceeding customer expectations every day.

In addition to planning for power, work is ongoing to secure water supply to support projected growth for decades to come. Significant progress has been made on development of the new Paradise Point well field in north Clark County and maintenance of existing water infrastructure continues.

The utility continues to foster a collaborative and innovative partnership with local agencies, municipalities and customers in support of our growing economy.

## A responsible supplier of energy

A diversified mix of energy resources allows us to provide reliable service at an affordable price. About two-thirds of our power is purchased from the Bonneville Power Administration, with most of the balance produced at the utility's River Road

## CEO & Directors: Left to Right

**Lisa M. Fix** • Customer Service  
**Richard A. Dyer, Jr.** • Finance/Treasurer  
**Cal R. Morris** • Engineering  
**Lena Wittler** • Communications  
**Wayne W. Nelson** • CEO/General Manager  
**Dan Bedbury** • Energy Resources  
**Dan Krebs** • Operations  
**Douglas A. Quinn, PE** • Water Services  
**Michael K. Harris** • Information Services



Serving our

Generating Plant, a combined-cycle combustion turbine fueled by natural gas.

More than half of this power comes from clean, sustainable hydropower. As the backbone of our electricity supply in the Pacific Northwest, the federal system of Columbia Basin hydroelectric dams provides clean, reliable power and stability in an industry with rapidly expanding sources of intermittent energy.

A key part of our diversified power supply is an ongoing commitment to energy efficiency. We continue to invest significant resources in conservation and energy efficiency programs for commercial, industrial and residential customers. Energy-efficiency remains the most cost-effective way to accommodate future energy needs and projects in partnership with industrial customers are slated to surpass any previous savings in the utility's history.

Total energy savings resulting from conservation in 2016 totaled 44,212 megawatt hours, enough to power 3,440 homes. More than 40 percent of the savings resulted from commercial and industrial

projects, with the balance coming from residential customers.

## A credible resource for real-time information

Technology continues to evolve, and customer expectations related to communication tools and strategies have shifted dramatically in the last several years. Customers increasingly prefer online account self-service and this year both the utility's website and MyAccount platforms were reorganized, redesigned and rebuilt.

A new outage map provides real-time updates on both current and recently restored outages across the service area, and all online tools are now mobile responsive and easy-to-use on a smartphone or tablet.

The improvement was immediate and dramatic, and customers now have access to a variety of account management, outage reporting, service request and energy efficiency tools at their fingertips, any time of day.

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A photograph of four men in business suits standing side-by-side against a white background. The man on the far left is partially cut off. The man second from the left is bald with a goatee and is smiling. The man in the center is bald and is smiling. The man on the far right has white hair and is looking slightly to the side. They are all wearing dark suits. The word "Community" is overlaid in a large, light gray serif font across the bottom half of the image.

# Community



**From CEO Continues...**  
from page 5

## **A consistent participant in the community**

Since its inception, following a 1938 vote of Clark County citizens, this public utility has been committed to giving back to the community it serves. From volunteer projects at local ballfields to large-scale events like the annual Race for Warmth, our employees invest time year-round to make our communities better places to live and work.

This year marked the 25th anniversary of the Home & Garden Idea Fair. The utility's annual event brings together hundreds of local businesses and community organizations to inspire and educate customers on ways to create safe, healthy, beautiful and energy-efficient homes and gardens. Welcoming more than 20,000 visitors over the course of the three-day showcase, the Home & Garden Idea Fair offers a truly unique opportunity for hundreds of utility employee-

volunteers to talk personally with customers about the benefits of public power and the services our utility offers.

To connect with customers in more areas of the community, the summer kicked off a new event-based engagement effort. Through a presence at 20 local concerts and movies in public parks and community festivals, employee-volunteers interacted with thousands of customers in La Center, Amboy, Battle Ground, Camas and across the city of Vancouver.

## **A thoughtful steward of our environment**

Largely grant-funded and volunteer-powered, the utility's environmental watershed enhancement and StreamTeam program have made significant progress in the Salmon Creek watershed to stabilize banks, restore habitat with native plants and remove invasive weeds. Together these efforts help to improve water

# Serving our



quality and bring salmon back to Salmon Creek.

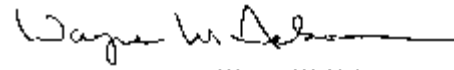
The popular Earth Day planting event and family-friendly Earth Day Fest continues to grow, attracting thousands of visitors to enjoy entertainment and activities in celebration of the environment. Throughout the course of the year, utility employees and StreamTeam volunteers plant thousands of native trees and maintain dozens of restoration sites.

This year the environmental services team formed partnerships with property owners to extend efforts beyond public land. With grants and volunteer contributions, most projects are completed at no cost to the landowner. The benefits include decreased erosion, increased property value and vastly improved habitat for native birds, fish and wildlife.

## A committed advocate for our customers

An industry leader in customer satisfaction, we continue to celebrate success and identify areas for improvement. As a public power provider, we recognize that our approach to service is both unique and appreciated in the communities we serve.

Through careful management of processes and operations across the organization, we have maintained the highest levels of reliability, without a rate increase, for five years. Looking ahead as the energy industry evolves, we continue to plan strategically for the future in order to continue providing our customer owners with an affordable, reliable supply of electricity and water with award-winning customer service.



Wayne W. Nelson  
CEO/General Manager

# Community





## REPORT OF INDEPENDENT AUDITORS

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

### **Report on the Financial Statements**

We have audited the accompanying individual and combined financial statements of Public Utility District No. 1 of Clark County's Electric System, Generating System, and Water System (the District), which comprise the individual and combined statements of net position as of December 31, 2016, and the related individual and combined statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the combined statement of net position as of December 31, 2015, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these individual and combined 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 individual and combined financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these individual and combined 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 individual and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the individual and combined 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 individual and combined 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 individual and combined financial statements.

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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 individual and combined 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, 2016, and the results of its individual and combined operations and cash flows for the year then ended and the combined statement of net position as of December 31, 2015, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the year 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, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the individual and combined financial statements taken as a whole. The bonds maturity schedule and selected financial data and statistics are not a required part of the financial statements, but are supplemental and other information presented for the purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.



Portland, Oregon  
May 19, 2017

# 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, 2016, with comparable information for 2015 and 2014. This supplementary information should be read in conjunction with the District's financial statements.

Clark Public Utilities 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.

Economic conditions in Clark County were favorable in 2016 and 2015, as evidenced by growth in the number of new residential and business customers. 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 2016, the Electric System's operating revenues decreased by \$4.6 million or 1.2%. The Electric System realized a net income before contributions of \$19.3 million for 2016. Factors influencing these results in 2016 include:

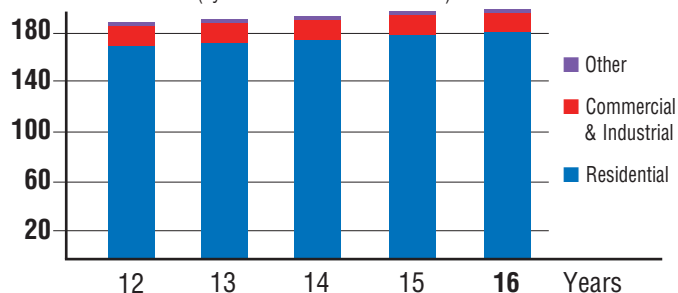
- Off-system sales revenues decreased from \$21.2 million in 2015 to \$16.2 million in 2016 or 23.6%.
- Other operating revenues increased from \$8.9 million in 2015 to \$9.4 million in 2016 or 5.2%.
- Power supply expenses decreased from \$251 million in 2015 to \$243 million in 2016 or 3.2%.
- The River Road Generating Plant was shut down for economic displacement and annual maintenance for 2,878 hours in 2016, compared to 1,328 hours in 2015.
- The Board of Commissioners authorized the deferral of operating revenues of \$2 million to be used in future rate periods.

### System Rates

The Electric System rates remained unchanged for 2016.

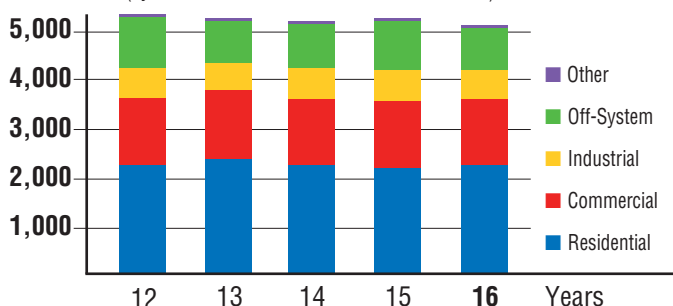
**Electric System Customers**

(by customer class in thousands)



**Electric System Sales**

(by customer class in millions of kilowatt-hours)



## Electric System (continued)

### Power Supply

For 2016, 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 54% 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)	2016	2015	2014
Operating revenues	\$ 374,647	\$ 379,227	\$ 375,782
Operating expenses	339,617	342,301	346,815
Operating income	35,030	36,926	28,967
Net income before contributions	19,329	22,373	14,961
Contributions in aid of construction	2,579	2,371	2,646
<b>Total assets</b>	<b>\$ 688,745</b>	<b>\$ 631,601</b>	<b>\$ 623,208</b>
Total deferred outflows of resources	12,184	7,190	5,379
<b>Total assets and deferred outflows of resources</b>	<b>\$ 700,929</b>	<b>\$ 638,791</b>	<b>\$ 628,587</b>
<b>Total liabilities</b>	<b>\$ 353,168</b>	<b>\$ 311,908</b>	<b>\$ 321,960</b>
Deferred inflows of resources	61,465	62,495	66,983
<b>Net investment in capital assets</b>	<b>\$ 179,516</b>	<b>\$ 173,860</b>	<b>\$ 175,976</b>
Restricted	18,744	18,802	18,802
Unrestricted	88,036	71,726	44,866
<b>Total net position</b>	<b>286,296</b>	<b>264,388</b>	<b>239,644</b>
<b>Total liabilities and net position</b>	<b>\$ 700,929</b>	<b>\$ 638,791</b>	<b>\$ 628,587</b>
<b>Change in net position</b>	<b>\$ 21,908</b>	<b>\$ 24,744</b>	<b>\$ 17,607</b>

### Capital Asset and Long-term Debt Activity

Total gross utility plant in service as of December 31, 2016, 2015 and 2014 consisted of the following:

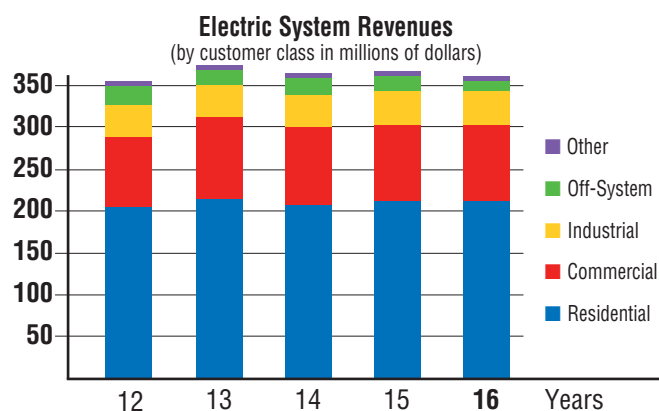
(in thousands)	2016	2015	2014
Intangible plant	\$ 34,774	\$ 31,296	\$ 22,886
Transmission and distribution	716,540	688,675	659,829
General plant	72,140	68,886	67,243
<b>Total utility plant in service</b>	<b>823,454</b>	<b>788,857</b>	<b>749,958</b>
Construction work in progress	8,277	8,014	18,912
<b>Total gross utility plant</b>	<b>\$ 831,731</b>	<b>\$ 796,871</b>	<b>\$ 768,870</b>

In 2016, the Electric System investment in gross utility plant increased by \$34.9 million. As of year-end, the Electric System had \$831.7 million invested in gross utility plant. Utility plant net of depreciation was \$388.1 million, which represents an increase of \$9.0 million over 2015. 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, 2016, 2015 and 2014 consisted of the following:

(in thousands)	2016	2015	2014
Total current liabilities	\$ 75,747	\$ 72,620	\$ 72,288
Total non-current liabilities	243,655	211,486	228,947
Total other liabilities	33,766	27,802	20,725
<b>Total liabilities</b>	<b>\$ 353,168</b>	<b>\$ 311,908</b>	<b>\$ 321,960</b>

At year-end, the Electric System had \$224.7 million in revenue bonds outstanding, versus \$210.4 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 \$14.5 million and \$14.5 million in 2016 and 2015, respectively.

### Fuel Supply

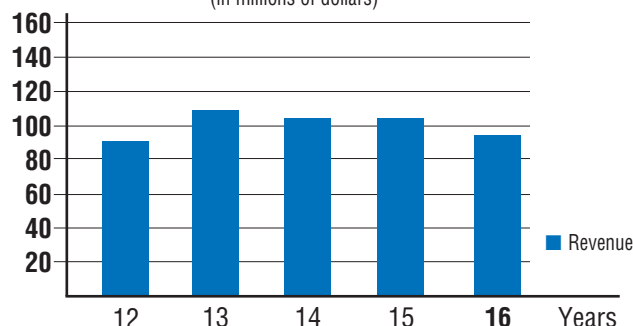
The District's 2016 fuel requirements for the River Road Generating Plant were provided through a combination of short-term fuel purchases and financial commitments with counterparties. The River Road Generating Plant operations are balanced with other power purchase contracts of the District.

### Fuel Transportation

The District has agreements for natural gas transportation provided through a series of capacity releases on the Northwest Pipeline. The release agreements provide capacity sufficient to supply River Road Generating Plant with 45,000 mmBtu per day.

### Generating System Revenues

(in millions of dollars)



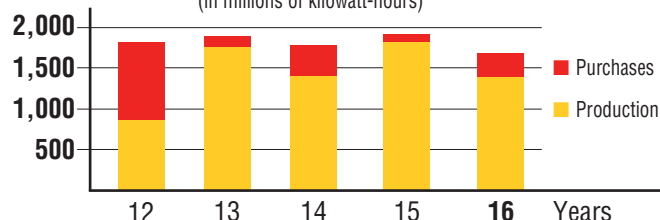
### Operating Statistics

(in thousands, except hours and percentages)

	2016	2015	2014
Energy production (megawatt hours)	1,441	1,813	1,423
Power purchased for displacement (mwh)	167	131	398
Total energy output (megawatt hours)	1,608	1,944	1,821
Percent of Electric System			
energy purchases	26%	35%	26%
Fuel expense (less re-marketed fuel)	\$ 56,092	\$ 69,067	\$ 60,953
Production hours	5,906	7,432	5,803
Displacement hours	815	624	2,204
Unavailable hours	2,063	704	753
Total hours	8,784	8,760	8,760

### Generating System Output

(in millions of kilowatt-hours)



### Selected Financial Data

(in thousands)	2016	2015	2014
Operating revenues	\$ 94,893	\$ 104,909	\$ 105,058
Operating expenses	80,443	90,391	90,253
Operating income	14,450	14,518	14,805
Net income before contributions	7,398	6,921	5,581
Contributions in aid of construction	-	-	-
Total assets	\$ 183,782	\$ 179,518	\$ 184,816
Total deferred outflows of resources	27,363	24,917	26,472
Total assets and deferred outflows of resources	\$ 211,145	\$ 204,435	\$ 211,288
Total liabilities	\$ 183,881	\$ 184,569	\$ 198,343
Net investment in capital assets	(6,326)	(11,141)	(15,336)
Restricted	12,398	23,886	23,886
Unrestricted	21,192	7,121	4,395
Total net position	27,264	19,866	12,945
Total liabilities and net position	\$ 211,145	\$ 204,435	\$ 211,288
Change in net position	\$ 7,398	\$ 6,921	\$ 5,581

### Capital Asset and Long-term Debt Activity

In 2016, the Generating System investment in gross utility plant increased by \$18.7 million in capital construction. As of year-end, the Generating System had \$286.2 million invested in gross utility plant. Utility plant net of depreciation was \$138.2 million, which represented an increase of \$9.7 million from 2015. Funds for capital construction are provided for through long-term revenue bonds.

Total gross utility plant in service as of December 31, 2016, 2015 and 2014 consisted of the following:

(in thousands)	2016	2015	2014
Production plant	\$ 236,862	\$ 233,479	\$ 229,941
Source of supply	20	20	20
Pumping plant	170	170	170
Water treatment	697	697	697
Transmission and distribution	18,261	18,261	18,261
General plant	6,707	6,563	6,459
Allowance for funds used	8,316	8,316	8,316
Total utility plant in service	271,033	267,506	263,864
Construction work in progress	15,201	33	45
Total gross utility plant	\$ 286,234	\$ 267,539	\$ 263,909

Total liabilities as of December 31, 2016, 2015, and 2014 consisted of the following:

(in thousands)	2016	2015	2014
Total current liabilities	\$ 20,912	\$ 20,950	\$ 20,799
Total non-current liabilities	162,969	163,619	177,544
Total liabilities	\$ 183,881	\$ 184,569	\$ 198,343

At year-end, the Generating System had \$162.7 million in revenue bonds outstanding as compared to \$166.6 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 36 wells and 33 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 2016, the Water System's operating revenues decreased by \$0.1 million or 0.5%. The Water System realized a net income before contributions of \$2.1 million for 2016.

### System Rates

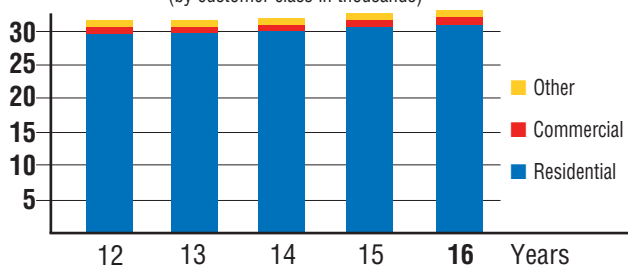
Water System rates remained unchanged for 2016.

### Selected Financial Data

(in thousands)	2016	2015	2014
Operating revenues	\$ 17,389	\$ 17,471	\$ 15,697
Operating expenses	13,324	12,690	11,796
Operating income	4,065	4,781	3,901
Net income (loss) before contributions	2,101	4,242	1,904
Contributions in aid of construction	4,082	1,469	1,605
<b>Total assets</b>	<b>\$ 155,712</b>	<b>\$ 155,457</b>	<b>\$ 153,915</b>
Total deferred outflows of resources	396	546	310
<b>Total assets and deferred outflows of resources</b>	<b>\$ 156,108</b>	<b>\$ 156,003</b>	<b>\$ 154,225</b>
<b>Total liabilities</b>	<b>\$ 72,962</b>	<b>\$ 78,637</b>	<b>\$ 82,071</b>
Deferred inflows of resources	52	455	954
<b>Net investment in capital assets</b>	<b>66,997</b>	<b>65,038</b>	<b>63,578</b>
Restricted	4,669	4,669	4,669
Unrestricted	11,428	7,204	2,953
<b>Total net position</b>	<b>83,094</b>	<b>76,911</b>	<b>71,200</b>
<b>Total liabilities and net position</b>	<b>\$ 156,108</b>	<b>\$ 156,003</b>	<b>\$ 154,225</b>
<b>Change in net position</b>	<b>\$ 6,183</b>	<b>\$ 5,711</b>	<b>\$ 3,509</b>

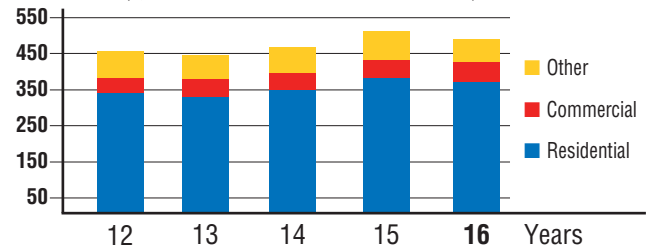
### Water System Customers

(by customer class in thousands)



### Water System Sales

(by customer class in thousands of cubic feet)



### Capital Asset and Long-term Debt Activity

Total gross utility plant in service as of December 31, 2016, 2015 and 2014 consisted of the following:

(in thousands)	2016	2015	2014
Intangible plant	\$ 155	\$ 155	\$ 155
Source of supply	16,270	16,255	16,199
Pumping plant	12,005	11,915	11,843
Water treatment	2,119	2,119	2,119
Transmission & distribution	166,357	153,813	145,650
General plant	3,203	3,120	2,936
<b>Total utility plant in service</b>	<b>200,109</b>	<b>187,377</b>	<b>178,902</b>
Construction work in progress	11,001	13,669	10,226
<b>Total gross utility plant</b>	<b>\$ 211,110</b>	<b>\$ 201,046</b>	<b>\$ 189,128</b>

In 2016, the Water System investment in gross utility plant increased by \$10.1 million. As of year-end, the Water System had \$211 million invested in gross utility plant. Utility plant net of depreciation was \$134 million, which represented an increase of \$4.9 million over 2015. 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.

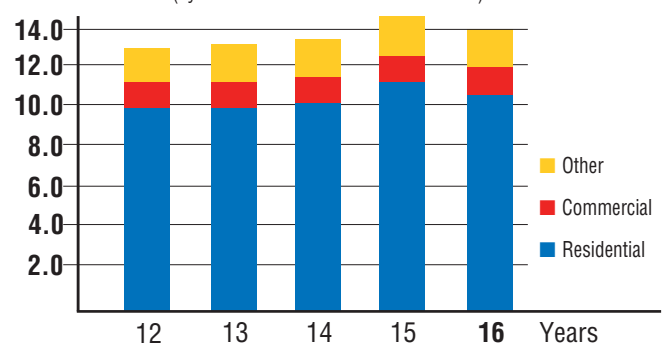
Total liabilities as of December 31, 2016, 2015 and 2014 consisted of the following:

(in thousands)	2016	2015	2014
Total current liabilities	\$ 7,903	\$ 6,868	\$ 7,998
Total non-current liabilities	63,282	68,562	71,614
Total regulatory and other liabilities	1,777	3,207	2,459
<b>Total liabilities</b>	<b>\$ 72,962</b>	<b>\$ 78,637</b>	<b>\$ 82,071</b>

At year-end, the Water System had \$46.3 million in revenue bonds outstanding, versus \$49.2 million last year.

### Water System Revenues

(by customer class in millions of dollars)



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

Public Utility District No. 1 of Clark County

*For the years ended December 31, 2016 and 2015 (in thousands)*

	Electric System	Generating System	Water System	Total 2016	Total 2015
Operating revenues					
Sales	\$ 365,279	\$ 88,047	\$ 13,986	\$ 467,312	\$ 486,256
Other operating revenues	9,368	6,846	3,403	19,617	15,351
Total operating revenues	374,647	94,893	17,389	486,929	501,607
Operating expenses					
Power supply	243,297	-	-	243,297	251,152
Operation and maintenance expense	48,208	68,636	7,161	124,005	130,845
Depreciation and amortization expense	26,908	8,994	5,408	41,310	37,924
Taxes	21,204	2,813	755	24,772	25,461
Total operating expenses	339,617	80,443	13,324	433,384	445,382
Operating income	35,030	14,450	4,065	53,545	56,225
Non-operating revenues (expenses)					
Interest and investment revenue	728	163	96	987	370
Miscellaneous revenue	5,059	-	27	5,086	8,372
Amortization of debt	(320)	155	162	(3)	1,917
Interest expense	(9,715)	(7,370)	(2,249)	(19,334)	(20,411)
Miscellaneous expenses	(11,453)	-	-	(11,453)	(12,937)
Total non-operating revenues (expenses)	(15,701)	(7,052)	(1,964)	(24,717)	(22,689)
Net income (loss) before contributions	19,329	7,398	2,101	28,828	33,536
Contributions in aid of construction	2,579	-	4,082	6,661	3,840
Net increase (decrease) in net position	21,908	7,398	6,183	35,489	37,376
Total net position - beginning	264,388	19,866	76,911	361,165	323,789
Total net position - ending	\$ 286,296	\$ 27,264	\$ 83,094	\$ 396,654	\$ 361,165

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, 2016 and 2015 (in thousands)

	Electric System	Generating System	Water System	Total 2016	Total 2015
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 202,423	\$ 40,171	\$ 19,666	\$ 262,260	\$ 226,094
Accounts receivable (net)	28,102	971	-	29,073	27,051
Accrued unbilled revenues	30,220	-	190	30,410	28,725
Materials and supplies	3,171	-	-	3,171	3,192
Prepayments and other assets	3,172	-	-	3,172	3,966
Total current assets	267,088	41,142	19,856	328,086	289,028
Utility plant:					
Plant in service	823,454	271,033	200,109	1,294,596	1,243,740
Construction work in progress	8,277	15,201	11,001	34,479	21,716
Total gross utility plant	831,731	286,234	211,110	1,329,075	1,265,456
Accumulated depreciation and amortization	(443,665)	(148,020)	(77,215)	(668,900)	(628,817)
Net utility plant	388,066	138,214	133,895	660,175	636,639
Regulatory and other assets	33,591	4,426	1,961	39,978	40,909
Total assets	688,745	183,782	155,712	1,028,239	966,576
Deferred outflows of resources	12,184	27,363	396	39,943	32,653
Total assets and deferred outflows	\$ 700,929	\$ 211,145	\$ 156,108	\$ 1,068,182	\$ 999,229
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 32,910	\$ 340	\$ 1,647	\$ 34,897	\$ 30,985
Accrued taxes and interest	14,760	3,947	1,167	19,874	21,667
Other accrued liabilities	12,051	-	-	12,051	11,624
Current maturities long-term debt	16,026	16,625	5,089	37,740	36,162
Total current liabilities	75,747	20,912	7,903	104,562	100,438
Long-term debt:					
Revenue bonds	208,735	146,060	43,235	398,030	392,310
Unamortized premium and discount	34,920	16,909	2,313	54,142	27,506
Other long-term debt	-	-	17,734	17,734	23,851
Total long-term debt	243,655	162,969	63,282	469,906	443,667
Other liabilities	33,766	-	1,777	35,543	31,009
Total liabilities	353,168	183,881	72,962	610,011	575,114
Deferred inflows of resources	61,465	-	52	61,517	62,950
Net position					
Net investment in capital assets	179,516	(6,326)	66,997	240,187	192,985
Restricted for:					
Debt reserve	18,744	12,398	4,669	35,811	47,357
Unrestricted	88,036	21,192	11,428	120,656	120,823
Total net position	286,296	27,264	83,094	396,654	361,165
Total liabilities, deferred inflows and net position	\$ 700,929	\$ 211,145	\$ 156,108	\$ 1,068,182	\$ 999,229

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, 2016 and 2015 (in thousands)

	Electric System	Generating System	Water System	Total 2016	Total 2015
Cash flows from operating activities:					
Receipts from customers	\$ 373,229	\$ 94,893	\$ 17,389	\$ 485,511	\$ 500,464
Payments to employees for services	(22,488)	-	-	(22,488)	(23,053)
Payments to suppliers for goods and services	(286,753)	(71,324)	(6,719)	(364,796)	(384,080)
Net cash from operating activities	63,988	23,569	10,670	98,227	93,331
Cash flows from investing activities:					
Utility plant additions, net of cost of removal, salvage and allowance for funds used during construction	(33,274)	(18,448)	(6,213)	(57,935)	(49,558)
Interest received and other income (expense)	(5,844)	163	123	(5,558)	(5,882)
Net cash from investing activities	(39,118)	(18,285)	(6,090)	(63,493)	(55,440)
Cash flows from capital financing activities:					
Borrowings from revenue bonds	99,635	45,095	-	144,730	-
Principal payments of revenue bonds	(85,380)	(49,015)	(2,914)	(137,309)	(34,909)
Other long-term debt	(71)	(4,000)	(2,170)	(6,241)	4,227
Acquisition of debt	15,590	5,545	-	21,135	7
Interest paid	(10,534)	(8,015)	(2,334)	(20,883)	(20,246)
Net cash from capital financing activities	19,240	(10,390)	(7,418)	1,432	(50,921)
Net increase (decrease) in cash and cash equivalents	44,110	(5,106)	(2,838)	36,166	(13,030)
Cash and cash equivalents at beginning of year	158,313	45,277	22,504	226,094	239,124
Cash and cash equivalents at end of year	\$ 202,423	\$ 40,171	\$ 19,666	\$ 262,260	\$ 226,094
Reconciliation of operating income to net cash from operating activities:					
Operating income	\$ 35,030	\$ 14,450	\$ 4,065	\$ 53,545	\$ 56,225
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation and amortization	26,908	8,994	5,408	41,310	37,924
Change in assets and liabilities:					
Accounts receivable, net	(1,793)	(137)	-	(1,930)	641
Other assets	(1,154)	387	35	(732)	(1,517)
Accounts payable and other accrued liabilities	5,022	(125)	1,197	6,094	45
Regulatory and other liabilities	(25)	-	(35)	(60)	13
Net cash from operating activities	\$ 63,988	\$ 23,569	\$ 10,670	\$ 98,227	\$ 93,331

## Supplemental disclosure of cash flow information

Non-cash capital and related financing and investing activities:

Contributions in aid of construction of \$6,661 and \$3,840 in 2016 and 2015, 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 \$2.9 million and \$2.6 million as of December 31, 2016 and 2015, 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) 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. (See Note 6.)

f) 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.)

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

h) 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 \$11.9 million and \$11.5 million as of December 31, 2016 and 2015, respectively.

i) 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, pension benefit obligation and post-employment benefit obligation. Actual results could differ from those estimates.

j) 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 54% of our power supply in 2016, with the remainder produced by the River Road Generating Plant and a small portion is 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 Bonneville Power Administration (BPA). During 2011, Clark 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 REP Credits from BPA in the amount of \$2.7 million in 2016 and \$2.8 million in 2015. The REP credits are distributed to residential and small farm customers in the form of credits against their individual monthly bills.

## 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 2,878 hours in 2016 and 1,328 hours in 2015 for maintenance or economic displacement.

## c) Combine Hills II LLC Wind Power Agreement:

To meet the requirements of Initiative 937, the Washington Energy Independence Act, the District entered into a power purchase power arrangement in 2009 with Euris 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 and continuing through 2016, 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 (TEA) to provide trading, scheduling, settlements, hedging and forecasting services for all loads and resources for the District's power supply requirements. Shell Energy (US) provided scheduling services for Combine Hills II until April 1, 2016. After that date, TEA provided 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. The Packwood project 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 terminated contract provided for annual renewals each year after September 2016 at each party's option. In September 2016, both parties exercised their option for renewal through September 2017.

**b) Natural Gas Transportation:** The District has agreements for natural gas transportation provided through a series of capacity releases on the Northwest Pipeline. The release agreements provide capacity sufficient to supply River Road Generating Plant with 45,000 mmBtu per day.

## Power Supply Costs

For the years ended December 31  
(in thousands)

	2016	2015
Bonneville Power Administration	\$ 97,110	\$ 89,662
From Generating System	88,047	101,419
Packwood	459	450
Market purchases	20,419	24,540
Wind	14,863	11,958
Transmission	23,023	23,451
Power credits	(4,028)	(4,025)
Other production expense	3,404	3,697
Total power supply costs	\$ 243,297	\$ 251,152
Average power cost in mills/kwh	44.69	45.36

# Notes to Combined Financial Statements

## Note 3: Litigation

As a result of operations, the District may be involved in litigation. It is the District's policy to defend itself or pursue claims determined to be in the best interests of the District's customers. The District does not believe that any of the current litigation will have a material effect on its financial position. 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.

## Note 4: Utility Plant

Utility plant in service as of December 31, 2016 and 2015 consisted of the following:

<b>Electric System</b> (in thousands)				
	Balance Dec. 31, 2015	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2016
Intangible plant	\$ 31,296	\$ 3,478	\$ -	\$ 34,774
Trans and distribution	688,675	29,140	1,275	716,540
General plant	68,886	3,872	618	72,140
<b>Total plant in service</b>	<b>\$ 788,857</b>	<b>\$ 36,490</b>	<b>\$ 1,893</b>	<b>\$ 823,454</b>

<b>Generating System</b> (in thousands)				
	Balance Dec. 31, 2015	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2016
Source of supply	\$ 20	\$ -	\$ -	\$ 20
Pumping plant	170	-	-	170
Water treatment	697	-	-	697
Production plant	233,479	3,383	-	236,862
Trans and distribution	18,261	-	-	18,261
General plant	6,563	144	-	6,707
Allowance for funds used	8,316	-	-	8,316
<b>Total plant in service</b>	<b>\$ 267,506</b>	<b>\$ 3,527</b>	<b>\$ -</b>	<b>\$ 271,033</b>

<b>Water System</b> (in thousands)				
	Balance Dec. 31, 2015	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2016
Intangible plant	\$ 155	\$ -	\$ -	\$ 155
Source of supply	16,255	15	-	16,270
Pumping plant	11,915	90	-	12,005
Water treatment	2,119	-	-	2,119
Trans and distribution	153,813	12,569	25	166,357
General plant	3,120	317	234	3,203
<b>Total plant in service</b>	<b>\$ 187,377</b>	<b>\$ 12,991</b>	<b>\$ 259</b>	<b>\$ 200,109</b>

## Note 5: Other Assets and Liabilities

### Other Assets

Other assets as of December 31, 2016 and 2015 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2016	2015
Non-current conservation loans (Note 11)	\$ 3,514	\$ -	\$ -	\$ 3,514	\$ 3,402
Other	53	-	-	53	80
<b>Total</b>	<b>\$ 3,567</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,567</b>	<b>\$ 3,482</b>

### Other Liabilities

Other liabilities as of December 31, 2016 and 2015 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2016	2015
Net pension liability	\$ 32,826	\$ -	\$ 1,587	\$ 34,413	\$ 29,819
Operation Warm Heart	782	-	-	782	727
Other	158	-	190	348	463
<b>Total</b>	<b>\$ 33,766</b>	<b>\$ -</b>	<b>\$ 1,777</b>	<b>\$ 35,543</b>	<b>\$ 31,009</b>

The District through the Operation Warm Heart program solicits donations from customers to provide payment assistance for qualified customers.

Net pension liability represents the District's portion of the calculated present value of projected benefit payments to be provided to active and inactive employees that is attributed to past periods of employee service, less the pension plan's fiduciary net position. (See Note 8: Pension Plans.)

# Notes to Combined Financial Statements

## Note 6:

### Deferred Outflows and Inflows of Resources

The board of commissioners has taken various actions that result in the recognition of revenues and expenses for rate-making purposes. These actions result in regulatory assets, deferred outflows of resources, and deferred inflows of resources, which are summarized in the tables below. Changes in their balances, and their inclusion in rates, occur only at the direction of the board.

### Regulatory Assets

Regulatory assets as of December 31, 2016 and 2015 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2016	2015
Reg power exp	\$ -	\$ 3,487	\$ -	\$ 3,487	\$ 3,874
Reg pension exp	27,839	-	1,346	29,185	30,161
Reg unamort debt exp	2,185	939	615	3,739	3,392
Total	\$ 30,024	\$ 4,426	\$ 1,961	\$ 36,411	\$ 37,427

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

Regulatory pension expense represents the District's portion of the change in pension items, as defined under GASB 68 and GASB 71. Regulatory accounting is used to recognize pension expense in accordance with the required employer contribution rates set by the Washington state Pension Funding Council. (See Note 8: Pension Plans.)

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, 2016 and 2015 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2016	2015
Unamortized loss on reacq debt	\$ 6,131	\$ 27,363	\$ 104	\$ 33,598	\$ 28,445
Pension costs	6,053	-	292	6,345	4,208
Total	\$ 12,184	\$ 27,363	\$ 396	\$ 39,943	\$ 32,653

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.

Pension costs represent a portion of the change in net pension items, as defined under GASB 68. Regulatory accounting is used to recognize pension expense in accordance with the required employer contribution rates set by the Washington state Pension Funding Council. (See Note 8: Pension Plans.)

### Deferred Inflows of Resources

Deferred inflows of resources as of December 31, 2016 and 2015 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2016	2015
Reg revenue	\$ 60,400	\$ -	\$ -	\$ 60,400	\$ 58,400
Pension costs	1,065	-	52	1,117	4,550
Total	\$ 61,465	\$ -	\$ 52	\$ 61,517	\$ 62,950

For 2016, the Board of Commissioners authorized the deferral of operating revenues of \$2 million to be used in future rate periods. (See Note 12: Subsequent Events.)

Pension costs represent a portion of the change in net pension items, as defined under GASB 68. Regulatory accounting is used to recognize pension expense in accordance with the required employer contribution rates set by the Washington state Pension Funding Council. (See Note 8: Pension Plans.)



# Notes to Combined Financial Statements

## Note 7:

### Current and Long-term Debt

#### Electric System

During the year ended December 31, 2016, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2015	Additions	Reductions	Balance Dec 31, 2016	Amounts due within one year
<b>2005 Revenue and Refunding Bonds</b> Due in an annual installment of \$1,605 on January 1, 2017; interest at 5.00%.	\$ 3,130	\$ -	\$ 1,525	\$ 1,605	\$ 1,605
<b>2007 Revenue and Refunding Bonds</b> Due in an annual installment of \$6,955 on January 1, 2017; interest at 5.00%.	40,140	-	33,185	6,955	6,955
<b>2009 Revenue and Refunding Bonds</b> Due in annual installments of \$1,705 - \$1,880 through January 1, 2019; interest at 4.00% - 5.00%.	31,320	-	25,945	5,375	1,705
<b>2011 Revenue and Refunding Bonds</b> Due in annual installments of \$1,300 - \$3,450 through January 1, 2021; interest at 3.25% - 5.00%.	34,885	-	20,645	14,240	1,300
<b>2012 Revenue and Refunding Bonds</b> Due in annual installments of \$1,660 - \$6,255 through January 1, 2033; interest at 3.00% - 5.00%.	53,895	-	2,105	51,790	3,390
<b>2014 Revenue and Refunding Bonds</b> Due in annual installments of \$1,000 - \$3,650 through January 1, 2034; interest at 5.00%.	47,065	-	1,975	45,090	1,000
<b>2016 Revenue and Refunding Bonds</b> Due in annual installments of \$2,200 - \$8,300 through January 1, 2037; interest at 5.00%.	-	99,635	-	99,635	-
<b>Total Electric System Revenue Bonds</b>	<b>\$ 210,435</b>	<b>\$ 99,635</b>	<b>\$ 85,380</b>	<b>\$ 224,690</b>	<b>\$ 15,955</b>

During 2016, the District issued Electric System Revenue and Refunding Bonds in the amount of \$99.6 million. The bonds provided funds for capital construction requirements, refunded a portion of the District's Series 2007, Series 2009, and Series 2011 Outstanding Electric System Revenue Bonds, and funded the reserve account requirements for the 2016 issuance. The refunding for the series 2007, 2009, and 2011 bonds resulted in a positive net present value savings. They mature serially in varying amounts and are subject to optional early redemption privileges.

## Notes to Combined Financial Statements

### Generating System

During the year ended December 31, 2016, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2015	Additions	Reductions	Balance Dec 31, 2016	Amounts due within one year
<b>2009 Revenue Bonds</b> Due in an annual installment of \$1,460 on January 1, 2017; interest at 3.50% - 5.00%.	\$ 2,855	\$ -	\$ 1,395	\$ 1,460	\$ 1,460
<b>2010 Revenue Bonds</b> Due in annual installments of \$7,285 - \$14,050 through January 1, 2023; interest at 4.00% - 5.00%.	118,900	-	43,885	75,015	11,295
<b>2012A Revenue Bonds</b> Due in annual installments of \$2,655 - \$11,265 through January 1, 2025; interest at 3.00% - 5.00%.	31,730	-	2,530	29,200	2,655
<b>2012B Revenue Bonds</b> Due in annual installments of \$1,215 - \$1,470 through January 1, 2025; interest at 1.423% - 3.293%.	13,120	-	1,205	11,915	1,215
<b>2016 Revenue Bonds</b> Due in annual installments of \$1,000 - \$14,870 through January 1, 2037; interest at 5.00%.	-	45,095	-	45,095	-
<b>Total Generating System Revenue Bonds</b>	\$ 166,605	\$ 45,095	\$ 49,015	\$ 162,685	\$ 16,625

During 2016, the District issued Generating System Revenue and Refunding Bonds, Series 2016, in the amount of \$45.1 million. The bonds provided funds for capital construction requirements, paid \$19.3 million of outstanding draws on the Generating System Line of Credit, refunded a portion of the District's Series 2010 outstanding Generating System Revenue Bonds and funded a portion of the reserve account requirements. The refunding of the series 2010 bonds resulted in a positive net present value savings. They mature serially in varying amounts and are subject to early redemption privileges.

## Notes to Combined Financial Statements

### Water System

During the year ended December 31, 2016, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2015	Additions	Reductions	Balance Dec 31, 2016	Amounts due within one year
<b>1976 Revenue Bonds</b>	\$ 14	\$ -	\$ 14	\$ -	\$ -
<b>2006 Revenue and Refunding Bonds</b> Due in annual installments of \$425 - \$895 through January 1, 2027; interest at 4.375% - 4.50%.	7,520		745	6,775	785
<b>2008 Revenue and Refunding Bonds</b> Due in annual installments of \$560 - \$995 through January 1, 2029; interest at 4.25% - 5.50%.	10,385		530	9,855	560
<b>2010 Revenue and Refunding Bonds</b> Due in annual installments of \$445 - \$810 through January 1, 2030; interest at 4.00% - 5.00%.	8,950		425	8,525	445
<b>2011 Revenue and Refunding Bonds</b> Due in annual installments of \$685 - \$840 through January 1, 2024; interest at 3.00% - 4.00%.	6,630		665	5,965	685
<b>2014 Revenue and Refunding Bonds</b> Due in annual installments of \$555 - \$1,210 through January 1, 2034; interest at 4.00% - 5.00%.	15,680		535	15,145	555
<b>Total Water System Revenue Bonds</b>	\$ 49,179	\$ -	\$ 2,914	\$ 46,265	\$ 3,030

### 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
2017	\$ 10,116	\$ 15,720	\$ 25,836	\$ 6,992	\$ 18,400	\$ 25,392	\$ 1,988	\$ 3,175	\$ 5,163
2018	9,330	16,525	25,855	6,142	19,205	25,347	1,838	3,325	5,163
2019	8,602	17,245	25,847	5,221	17,600	22,821	1,697	3,465	5,162
2020	7,781	13,740	21,521	4,380	14,175	18,555	1,546	3,110	4,656
2021	7,094	14,355	21,449	3,701	14,855	18,556	1,417	3,235	4,652
2022-26	24,877	67,045	91,922	8,318	47,790	56,108	4,949	15,310	20,259
2027-31	10,794	42,075	52,869	2,888	6,530	9,418	1,749	9,250	10,999
2032-36	2,785	22,030	24,815	1,083	7,505	8,588	179	2,365	2,544

# Notes to Combined Financial Statements

## 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. At December 31, 2016, the debt service reserve accounts are fully cash funded.

Debt service reserve accounts as of December 31, 2016 and 2015 were as follows:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2016	2015
Cash deposits	\$ 18,744	\$ 12,398	\$ 4,669	\$ 35,811	\$ 47,357

## Municipal Bond Insurance

Historically, the District secured bond insurance for a portion of the debt service reserves. The bond resolutions allow the District to substitute a reserve account instrument for the cash and securities held in the reserve account. After the financial crisis of 2007, the District replaced all bond insurance included in the reserve account with cash. At December 31, 2016, there remained \$7.5 million of additional debt service reserve protection through municipal bond insurance policies. On January 1, 2017, \$6.5 million of the bond insurance expired. (See Note 12: Subsequent Events.)

Historically, 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.

## 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, 2016
Electric	Interim capital requirements, operating expenses and standby letter of credit for debt service reserve	\$ 27 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 Wells Fargo Bank and mature March 24, 2017.

### 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 three sources – Public Works Trust Fund, Drinking Water State Revolving Fund, and the Department of Ecology. In order to participate in these financing vehicles the District matches funds with the loan awards. Loans are repaid over terms of 20 to 21 years, with no interest or annual interest rates from .25% 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, 2016				\$ 19,793
2017	\$ 123	\$ 2,059	\$ 2,182	17,734
2018	106	2,059	2,165	15,675
2019	90	2,060	2,150	13,615
2020	73	1,985	2,058	11,630
2021	60	1,768	1,828	9,862
2022-26	177	6,455	6,632	3,407
2027-31	59	3,194	3,253	213
2032-35	5	213	218	-



# 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 State Department of Retirement Systems (DRS). 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.

Each plan has specific calculations for eligibility, actuarial deductions, full retirement benefit payments, and survivor or disability payments. Detailed information on all plans is found on the DRS public website at [www.drs.wa.gov](http://www.drs.wa.gov). The general vesting and retirement eligibility criteria are outlined as follows:

	Defined benefit vesting	Eligibility for retirement
PERS 1	5 years of eligible service	Any age with at least 30 years of service At age 55 with 25 years of service At age 60 and vested
PERS 2	5 years of eligible service	At age 65 and vested At age 55 with 20 years of service at a reduced benefit
PERS 3	5-10 years, depending on age/previous PERS 2	At age 65 and vested At age 55 with 20 years of service at a reduced benefit

**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, along with Plan 2 employee contribution rates. The employee contribution rate for Plan 1 is established by state statute and does not vary from year to year. Employee contribution rates for Plan 3 are set by the Employee Retirement Benefits Board. The methods used to determine the contribution requirements are established under state statute.

Plan 2 is funded by the employer and employee contributions and associated investment earnings. The Plan 3 defined-benefit component is 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, 2016, are as follows:

	PERS 1	PERS 2	PERS 3
Employer	11.18%	11.18%	11.18%
Employee	6.00%	6.12%	5-15%

#### Actuarial Assumptions

The Total Pension Liability (TPL) for each of the plans was estimated using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of Office of State Auditor's (OSA) 2007-2012 Experience Study.

Additional assumptions for the subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015 to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation (economic)	3.00%
Active Member Payroll Growth	3.75%
Investment Rate of Return	7.50%

Mortality rates for active members, retirees, survivors and disability rates were based on RP-2000 report's Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

The long-term expected rate of return on DRS pension plan investments is forecast using a building block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various times. The long-term expected rate of return of 7.50% approximately equals the median of the simulated investment returns over a 50-year time horizon.

#### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major class are included in the pension plans' target asset allocation as of June 30, 2016. The inflation component used to create the table is 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation. A summary of the estimated rates of return by asset class are as follows:

Asset class	Target allocation	Long-term expected real rate of return arithmetic
Fixed income	20%	1.70%
Tangible assets	5%	4.40%
Real estate	15%	5.80%
Global equity	37%	6.60%
Private equity	23%	9.60%

# Notes to Combined Financial Statements

## Discount Rate

The discount rate used to measure the total DRS pension liability was 7.50%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the asset sufficiency test included an assumed 7.70% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50% was used to determine the total liability.

## Pension Liability Sensitivity

The following table reflects the impact of the discount rate assumptions on the District's proportionate share of net pension liability:

	1% decrease in discount rate 6.5%	Discount rate 7.5%	1% increase in discount rate 8.5%
(in thousands)			
Proportionate share of the PERS Plan 1 net pension liability (asset)	\$ 19,106	\$ 15,843	\$ 13,036
Proportionate share of the PERS Plan 2/3 net pension liability (asset)	\$ 34,190	\$ 18,570	\$ (9,667)

## Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued DRS 2016 Comprehensive Annual Financial Report (CAFR). The DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

Any information obtained from the DRS is the responsibility of the state of Washington. The District's pension contribution amounts were verified by an internal review of the information provided by DRS. However, the District has relied on the information provided in the Washington State DRS CAFR and the Washington State DRS Participating Employer Financial Information (PEFI) obtained from DRS when recognizing pension cost for 2016 and 2015.

## Washington State Retirement System Pension Costs

As of June 30, 2016, Washington State Department of Retirement Systems total pension liability for all covered entities included in the Washington State CAFR for PERS Plans 1 and 2/3 was as follows:

(in thousands)	PERS 1	PERS 2/3	Jun 30, 2016	Jun 30, 2015
Plan Fiduciary net position	\$ 12,496,872	\$ 35,517,545	\$ 48,014,417	\$ 45,874,258
Net pension liability	(7,126,401)	(30,482,624)	(37,609,025)	(37,070,271)
Total pension liability	\$ 5,370,471	\$ 5,034,921	\$ 10,405,392	\$ 8,803,987

## District's Proportionate Share of Pension Costs

The District's proportionate share of the Washington State DRS PERS Plans 1 and 2/3 employer contributions were as follows:

	Jun 30, 2016	Jun 30, 2015
PERS 1	0.295011%	0.307228%
PERS 2/3	0.368815%	0.384777%

The District's net pension liability is the District's proportionate share of pension costs multiplied by the Washington State DRS total net pension liability. As of December 31, 2016, the District's proportionate share of the Washington state Retirement System net pension liability was as follows:

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2016	Dec 31, 2015
Total net pension liability	\$ 15,843	\$ 18,570	\$ 34,413	\$ 29,819

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on the contributions received by PERS during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, 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.

For the year ended December 31, 2016, the District has elected to use regulatory accounting to recognize pension expense in conjunction with the required employer contribution rates and corresponding District contributions for PERS Plans 1 and 2/3. (See Note 6: Regulatory Asset.)

The District's actual annual contributions to the PERS retirement system were as follows as of year-end:

(in thousands)	2016	2015	2014
District contributions	\$ 3,892	\$ 3,491	\$ 3,016

At December 31, 2016, the District reported its combined proportionate share of pension costs recorded as deferred outflows of resources from the following sources:

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2016
Differences between expected and actual economic experience	\$ -	\$ 989	\$ 989
Differences between projected and actual investment earnings	399	2,272	2,671
Changes in actuarial assumptions	-	192	192
Changes in proportion	-	584	584
Contributions paid to PERS subsequent to the measurement date	838	1,071	1,909
Total	\$ 1,237	\$ 5,108	\$ 6,345

Amounts reported as deferred outflows of resources are projected to be recognized as an addition of the regulatory asset are as follows:

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2016
2017	\$ 740	\$ 1,519	\$ 2,259
2018	(98)	448	350
2019	366	2,026	2,392
2020	229	1,115	1,344
Total	\$ 1,237	\$ 5,108	\$ 6,345

## Notes to Combined Financial Statements

At December 31, 2016, the District reported its combined proportionate share of pension costs recorded as deferred inflows of resources from the following sources:

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2016
Differences between projected and actual investment earnings	\$ -	\$ 613	\$ 613
Changes in proportion	-	504	504
Total	\$ -	\$ 1,117	\$ 1,117

Amounts reported as deferred inflows of resources are projected to be recognized as an addition/reduction of the regulatory asset as follows:

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2016
2017	\$ -	\$ (349)	\$ (349)
2018	-	(349)	(349)
2019	-	(349)	(349)
2020	-	(70)	(70)
Total	\$ -	\$ (1,117)	\$ (1,117)

### 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, 2016, there were 52 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 2016 OPEB cost (expense) is \$1.3 million and is equal to the annual required contribution including interest.

**Funding Status and Funding Progress** - In 2016, 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 a decrease 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, 2016	Dec 31, 2015
Net OPEB asset	\$ 1,885	\$ 2,070
Entry age normal actuarial accrued liability	\$ 15,072	\$ 15,345
UAAL	\$ 13,187	\$ 13,275
Funded ratio	14%	16%
Covered payroll	\$ 34,816	\$ 34,130
UAAL as percent of covered payroll	38%	39%

**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 4% and an annual increase of 4%-5% 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 re-examined for 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. As defined in Section 457 of the IRS Code, the District has placed the 457 deferred compensation plan assets into trust for the exclusive benefit of plan participants and beneficiaries.

## Note 9:

### Refunded Bond Issues

As of December 31, 2016, the following revenue bond series have been extinguished through in-substance defeasance:

(in thousands)	Electric System	Generating System	Water System
Total	\$ 79,260	\$ 33,120	\$ 309

Debt service on these bonds is met by cash and investments held by the refunding trustees. The amounts held in trust are expected to fully fund debt service 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 insufficient to meet debt service requirements, and are therefore excluded from the financial statements because the likelihood of additional funding requirements is considered remote.

# Notes to Combined Financial Statements

## Note 10:

### Cash, Cash Equivalents and Sinking Funds

As of December 31, 2016, the District had the following cash, cash equivalents and investments at amortized cost:

(in thousands)	Fair Value	
	2016	2015
State investment pool (LGIP)	\$ 212,646	\$ 174,773
Cash	49,614	51,321
Total cash, cash equivalents and sinking funds	\$ 262,260	\$ 226,094

It is the operating practice of the District to invest public funds in a manner that provides the highest invested return with the maximum security of invested funds. These principles are balanced against and conforming to all of Washington state statutes governing investment of public funds, meeting daily cash flow demands of the District and the management and oversight of investing public funds. The District considers all liquid investment securities to be cash equivalents, including sinking fund investments.

The Washington state investment pool (LGIP) is an unrated 2a-7-like pool, as defined by the Governmental Accounting Standards Board (GASB). The LGIP manages a portfolio of securities that meet maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk. Investments are reported on a trade date basis in accordance with generally accepted accounting principles (GAAP).

The LGIP transacts with its participants as a stable net value per share of a \$1.00, the same method used for reporting. Participants may contribute and withdraw funds on a daily basis. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

As of December 31, 2016, the state investment pool balance included the District bond reserve amount of \$35.8 million. (See Note 7: Current and Long-term Debt.)

### Interest Rate Risk

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's investments or deposits held by the LGIP are all classified as category 1 risk level investments. The LGIP investment portfolio is presented in the state of Washington's June 30, 2016 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 to seven years at 3.5% to 5.25% interest. Under this program, the total loan amount provided was \$2.0 million during 2016 and \$3.1 million in 2015.

## Note 12:

### Subsequent Events

The following are events determined to be classified as subsequent events through the report date, which is the date the financial statements were issued.

### Water System Revenue and Refunding Bonds

During March 2017, the District issued Water System Revenue and Refunding Bonds, series 2017 in the amount of \$35.8 million. The bonds provided funds for capital construction requirements, refunded all of the District's Series 2006 and a portion of the District's Series 2008 outstanding Water System Revenue Bonds; a portion of the District's Series 2010 outstanding Water System Revenue and Refunding Bonds; and funded the reserve account requirements for the 2017 issuance. The refunding bonds for the 2006, 2008, and 2010 series bonds resulted in a positive net present value savings. They mature serially in varying amounts and are subject to optional early redemption privileges. With the refunding of the 2006 series bonds the \$1 million of surety bond insurance was extinguished. (See Note 7: Current and Long-term Debt.)

### Subordinate Lien Revenue Line of Credit

In March 2017, the District replaced the existing Wells Fargo Bank subordinate lien revenue line of credit notes with the U.S. Bank subordinate lien revenue line of credit notes in the amount of \$20 million for the Electric System, \$20 million for the Generating System and \$2 million for the Water System, which mature March 24, 2020. (See Note 7: Lines of Credit.)

### Electric System Bill Credit

In March 2017, the Board of Commissioners authorized the Electric System to return \$10 million to its customers. The \$10 million credit to customers was funded from Regulatory Revenue. (See: Note 6 Deferred Inflows of Resources.)

### Water System Other Debt

During April 2017, the Water System received \$1.2 million in Drinking Water State Revolving Fund loan proceeds to fund capital construction requirements.



## Required Supplementary Information

Public Utility District No. 1 of Clark County

### Schedule of Proportionate Share of Pension Liability

Measurement date June 30

(in thousands, except percentages)

	2016	2015	2014
<b>PERS 1</b>			
Proportion of the net pension liability	0.295011%	0.307228%	0.292867%
Proportionate share of the net pension liability	\$ 15,843	\$ 16,071	\$ 14,753
Covered - employee payroll PERS 1	\$ 382	\$ 472	\$ 694
Covered - employee payroll PERS 2/3	34,306	34,149	30,800
Total covered payroll	\$ 34,688	\$ 34,621	\$ 31,494
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.7%	46.4%	46.8%
Plan fiduciary net position as a percentage of the total pension liability	57.0%	59.1%	61.2%
<b>PERS 2/3</b>			
Proportion of the net pension liability	0.368815%	0.384777%	0.359035%
Proportionate share of the net pension liability	\$ 18,570	\$ 13,748	\$ 7,258
Covered-employee payroll	\$ 34,306	\$ 34,149	\$ 30,800
Proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	54.1%	40.3%	23.6%
Plan fiduciary net position as a percentage of the total pension liability	85.8%	89.2%	93.3%

### Schedule of Contributions

As of June 30

(in thousands, except percentages)

	2016	2015	2014
<b>PERS 1</b>			
Contractually required contribution	\$ 1,676	\$ 1,509	\$ 1,343
Covered-employee payroll	\$ 34,681	\$ 33,963	\$ 32,629
Contributions as a percentage of covered employee payroll	4.8%	4.4%	4.1%
<b>PERS 2/3</b>			
Contractually required contribution	\$ 2,139	\$ 1,886	\$ 1,603
Covered-employee payroll	\$ 34,331	\$ 33,569	\$ 32,095
Contributions as a percentage of covered employee payroll	6.2%	5.6%	5.0%

### Notes to RSI Schedules

1) Factors that significantly affect trends in the amounts reported in the schedule include changes in benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions such as the discount rate. DRS allocates a portion of contributions from PERS 2/3 to PERS 1 in order to fund its unfunded actuarially accrued liability (UAAL) pursuant to RCW 41.45.060.

2) The District implemented GASB 68 for the year ended December 31, 2015. (See Note 8.) Ten-year trend information will be presented prospectively.

3) The District actual contributions represented in Note 8 are different from the amounts reflected in the schedule of contributions shown and are the result of payment timing differences and fees. Covered payroll is the payroll on which the contributions to a pension plan are based. Therefore, Plan 1 covered payroll also includes Plan 2/3 payroll in order to fund the Plan 1 UAAL.

# Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

## Electric System

In thousands, except for interest rates

Maturity Date	Series 2005		Series 2007		Series 2009		Series 2011		Series 2012		Series 2014		Series 2016	
	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate
2017	\$ 1,605	5.000	\$ 6,955	5.000	\$ 1,705	5.000	\$ 1,300	5.000	\$ 3,390	5.000	\$ 1,000	5.000	\$ -	-
2018					1,790	5.000	3,020	5.000	3,560	5.000	3,310	5.000	4,040	5.000
2019					1,880	4.000	2,050	3.250	650	3.000	3,480	5.000	4,245	5.000
2019							1,125	5.000	3,095	4.000	-	-	-	-
2020							125	3.500	3,885	4.000	3,650	5.000	6,415	5.000
2020							3,170	5.000	-	-	-	-	-	-
2021							3,450	5.000	4,045	5.000	2,095	5.000	4,150	5.000
2022									6,255	5.000	2,200	5.000	5,900	5.000
2023									4,460	5.000	3,445	5.000	7,165	5.000
2024									4,675	5.000	1,405	5.000	7,525	5.000
2025									1,660	5.000	3,220	5.000	7,900	5.000
2026									1,740	5.000	3,380	5.000	8,300	5.000
2027									1,830	5.000	1,625	5.000	8,715	5.000
2028									1,920	3.250	1,705	5.000	6,175	5.000
2029									1,985	3.350	1,790	5.000	6,485	5.000
2030									2,050	3.400	1,880	5.000	3,660	5.000
2031									2,120	3.500	1,975	5.000	3,845	5.000
2032									1,845	3.500	2,070	5.000	2,220	5.000
2032									350	5.000	-	-	-	-
2033									2,275	4.000	2,175	5.000	2,335	5.000
2034											2,285	5.000	2,450	5.000
2035											2,400	5.000	2,575	5.000
2036													2,700	5.000
2037													2,835	5.000
Total	\$ 1,605		\$ 6,955		\$ 5,375		\$ 14,240		\$ 51,790		\$ 45,090		\$ 99,635	

## Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

Total	Remaining Bonds Outstanding
\$ 15,955	\$ 208,735
15,720	193,015
12,305	180,710
4,220	176,490
14,075	162,415
3,170	159,245
13,740	145,505
14,355	131,150
15,070	116,080
13,605	102,475
12,780	89,695
13,420	76,275
12,170	64,105
9,800	54,305
10,260	44,045
7,590	36,455
7,940	28,515
6,135	22,380
350	22,030
6,785	15,245
4,735	10,510
4,975	5,535
2,700	2,835
2,835	-
<hr/>	
\$224,690	
<hr/>	

# Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

## Generating System

In thousands, except for interest rates

Maturity Date	Series 2009		Series 2010		Series 2012A		Series 2012B		Series 2016		Total	Remaining Bonds Outstanding
	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate		
2017	\$ 100	3.500	\$ 2,000	4.500	\$ 75	3.000	\$ 1,215	1.423	\$ -	-	\$ 3,390	\$ 192,415
2017	1,360	5.000	9,295	5.000	2,580	5.000	-	-	-	-	13,235	179,180
2018			100	4.000	2,785	4.000	1,235	1.667	1,000	5.000	5,120	174,060
2018			13,280	5.000	-	-	-	-	-	-	13,280	160,780
2019			125	4.000	2,900	5.000	1,255	1.967	1,000	5.000	5,280	155,500
2019			13,925	5.000	-	-	-	-	-	-	13,925	141,575
2020			575	4.000	3,045	5.000	1,280	2.443	1,000	5.000	5,900	135,675
2020			11,700	5.000	-	-	-	-	-	-	11,700	123,975
2021			8,670	5.000	3,195	5.000	1,310	2.673	1,000	5.000	14,175	109,800
2022			8,060	5.000	2,300	4.000	1,345	2.773	2,095	5.000	13,800	96,000
2022			-	-	1,055	5.000	-	-	-	-	1,055	94,945
2023			7,285	5.000	-	-	1,380	2.973	6,880	5.000	15,545	79,400
2024					-	-	1,425	3.143	14,870	5.000	16,295	63,105
2025					11,265	5.000	1,470	3.293	1,020	5.000	13,755	49,350
2026									1,070	5.000	1,070	48,280
2027									1,125	5.000	1,125	47,155
2028									1,180	5.000	1,180	45,975
2029									1,240	5.000	1,240	44,735
2030									1,305	5.000	1,305	43,430
2031									1,370	5.000	1,370	42,060
2032									1,435	5.000	1,435	40,625
2033									1,510	5.000	1,510	39,115
2034									1,585	5.000	1,585	37,530
2035									1,665	5.000	1,665	35,865
2036									1,745	5.000	1,745	34,120
2037									1,000	5.000	1,000	33,120
Total	\$ 1,460		\$ 75,015		\$ 29,200		\$ 11,915		\$ 45,095		\$ 162,685	



## Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

### Water System

In thousands, except for interest rates

Maturity Date	Series 2006		Series 2008		Series 2010		Series 2011		Series 2014		Total	Remaining Bonds Outstanding
	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate		
2017	\$ 510	4.375	\$ 560	5.500	\$ 445	5.000	\$ 685	4.000	\$ 555	4.000	\$ 2,755	\$ 43,510
2017	275	4.500	-	-	-	-	-	-	-	-	275	43,235
2018	540	4.375	590	5.500	465	5.000	715	4.000	580	5.000	2,890	40,345
2018	285	4.500	-	-	-	-	-	-	-	-	285	40,060
2019	555	4.375	625	4.250	490	5.000	745	3.000	610	5.000	3,025	37,035
2019	300	4.500	-	-	-	-	-	-	-	-	300	36,735
2020	580	4.375	650	4.375	515	5.000	765	3.250	640	5.000	3,150	33,585
2020	315	4.500	-	-	-	-	-	-	-	-	315	33,270
2021	100	4.375	680	4.500	540	4.000	795	3.125	670	5.000	2,785	30,485
2021	325	4.500	-	-	-	-	-	-	-	-	325	30,160
2022	445	4.500	710	4.750	560	4.000	815	4.000	705	5.000	3,235	26,925
2023	465	4.500	745	4.750	585	4.500	840	4.000	740	5.000	3,375	23,550
2024	485	4.500	780	5.000	610	4.500	605	4.000	775	3.500	3,255	20,295
2025	510	4.500	815	5.000	635	4.500			805	4.000	2,765	17,530
2026	530	4.500	860	5.000	665	5.000			835	4.000	2,890	14,640
2027	555	4.500	900	5.000	700	5.000			870	4.000	3,025	11,615
2028			945	5.000	735	5.000			905	5.000	2,585	9,030
2029			995	5.125	770	5.000			950	5.000	2,715	6,315
2030					810	5.000			995	5.000	1,805	4,510
2031									1045	5.000	1,045	3,465
2032									1100	5.000	1,100	2,365
2033									1155	5.000	1,155	1,210
2034									1210	5.000	1,210	0
Total	\$ 6,775		\$ 9,855		\$ 8,525		\$ 5,965		\$ 15,145		\$ 46,265	

## Selected Financial Data and Statistics - Unaudited

Public Utility District No. 1 of Clark County

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenues	\$ 374,647	\$ 379,227	\$ 375,782	\$ 373,657	\$ 360,729	\$ 355,779	\$ 354,142	\$ 354,237	\$ 369,580	\$ 352,893
Operating expenses	339,617	342,301	346,815	339,662	338,230	333,692	334,324	341,595	360,615	339,600
Operating income	35,030	36,926	28,967	33,995	22,499	22,087	19,818	12,642	8,965	13,293
Non-operating revenues (expenses)	(15,701)	(14,553)	(14,006)	(15,409)	(15,856)	(12,871)	(10,205)	(13,197)	(8,988)	(7,174)
Net income (loss)	\$ 19,329	\$ 22,373	\$ 14,961	\$ 18,586	\$ 6,643	\$ 9,216	\$ 9,613	\$ (555)	\$ (23)	\$ 6,119

### Electric System Statistics

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Electric energy delivered megawatt hours (in thousands)</b>										
Residential	2,289	2,270	2,316	2,387	2,317	2,389	2,257	2,423	2,426	2,341
Commercial	1,292	1,287	1,289	1,293	1,270	1,287	1,273	1,334	1,388	1,356
Industrial	720	724	749	735	741	762	789	741	814	812
Off-system sales	907	1,033	901	851	1,022	405	424	383	470	539
Miscellaneous	28	29	27	26	26	29	32	35	34	33
Total	5,236	5,343	5,282	5,292	5,376	4,872	4,775	4,916	5,132	5,081

#### Average revenue per kwh (in cents)

Residential	9.25	9.24	9.21	9.16	9.18	8.86	8.50	8.28	7.85	7.87
Commercial	7.38	7.38	7.38	7.37	7.41	7.30	7.12	6.99	6.63	6.59
Industrial	5.57	5.58	5.58	5.58	5.57	5.51	5.37	5.34	5.13	5.12
Miscellaneous	13.68	13.51	13.59	13.62	13.52	12.20	11.19	10.58	10.36	10.23

Average - all classes	8.07	8.10	7.90	7.79	7.73	7.41	7.55	7.44	7.03	6.88
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#### Average number of customers

Residential	180,241	176,605	174,379	171,449	169,569	168,449	167,634	166,823	166,157	164,155
Commercial	15,703	15,449	15,248	15,021	14,776	14,594	14,441	14,292	13,713	13,065
Industrial	29	29	29	28	25	26	26	25	26	27
Miscellaneous	1,448	1,465	1,471	1,441	1,433	1,419	1,413	1,407	1,387	1,344

Total - all classes	197,421	193,548	191,127	187,939	185,803	184,488	183,514	182,547	181,283	178,591
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#### Average annual kwh used per customer

Residential	12,698	12,853	13,278	13,923	13,667	14,182	13,463	14,521	14,601	14,237
Commercial	82,263	83,333	84,532	86,087	85,936	88,168	88,136	93,370	101,203	103,376
Industrial	24,842,179	24,969,726	25,827,682	26,248,173	29,636,712	29,293,402	30,337,381	29,656,732	31,288,395	30,093,795
Miscellaneous	19,027	19,570	18,597	18,051	18,531	20,588	22,748	24,673	24,672	24,964

## Selected Financial Data and Statistics - Unaudited

Public Utility District No. 1 of Clark County

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenues	\$ 17,389	\$ 17,471	\$ 15,697	\$ 14,920	\$ 14,144	\$ 12,471	\$ 12,227	\$ 13,047	\$ 11,308	\$ 11,648
Operating expenses	13,324	12,690	11,796	11,008	10,586	10,259	10,106	10,594	9,551	9,148
Operating income	4,065	4,781	3,901	3,912	3,558	2,212	2,121	2,453	1,757	2,500
Non-operating revenues (expenses)	(1,964)	(539)	(1,997)	(1,166)	(2,215)	(2,241)	(1,800)	(2,012)	(1,403)	(1,086)
Net income (loss)	\$ 2,101	\$ 4,242	\$ 1,904	\$ 2,746	\$ 1,343	\$ (29)	\$ 321	\$ 441	\$ 354	\$ 1,414

### Water System Statistics

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Cubic feet delivered (in thousands)</b>										
Residential	357,535	382,190	350,868	335,558	343,113	329,858	333,002	381,989	370,877	386,134
Commercial	56,742	53,478	50,858	48,708	47,828	44,982	44,302	50,452	54,309	57,569
Miscellaneous	72,996	76,807	64,881	61,415	62,053	60,092	62,278	66,329	65,911	61,772
Total	487,273	512,475	466,607	445,681	452,994	434,932	439,582	498,770	491,097	505,475

#### Average revenue per cubic foot (in cents)

Residential	2.92	2.87	2.91	2.92	2.85	2.55	2.54	2.44	2.10	1.99
Commercial	2.75	2.74	2.78	2.77	2.75	2.44	2.45	2.41	2.01	1.85
Miscellaneous	2.70	2.70	2.68	2.70	2.64	2.34	2.33	2.27	1.89	1.71
Average - all classes	2.87	2.83	2.86	2.87	2.81	2.51	2.50	2.41	2.06	1.94

#### Average number of customers

Residential	31,384	30,673	30,091	29,599	29,248	29,025	28,870	28,638	28,490	28,275
Commercial	1,104	1,076	1,081	1,072	1,069	1,042	1,034	1,032	1,027	1,016
Miscellaneous	760	753	725	711	696	673	667	661	644	513
Total - all classes	33,248	32,502	31,897	31,382	31,013	30,740	30,571	30,331	30,161	29,804

#### Average annual cubic feet used per customer

Residential	11,392	12,460	11,660	11,337	11,731	11,365	11,535	13,339	13,018	13,656
Commercial	51,397	49,701	47,047	45,437	44,741	43,169	42,846	48,888	52,881	56,662
Miscellaneous	96,047	102,001	89,491	86,378	89,157	89,290	93,370	100,346	102,347	120,413



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# Serving our Community

