



2020

ANNUAL REPORT



# About Us

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



Clark Public Utilities ranked highest in customer satisfaction among mid-size utilities in the west by J.D. Power, 13 years in a row.

For J.D. Power award information:  
[jdpower.com](http://jdpower.com)

# 2020

## Highlights

2020

2019

### ELECTRIC SYSTEM

Customers (year end)	219,313	213,948
Total operating revenue	\$359,562,000	\$374,051,000
Electricity sales (megawatt hours)	5,200,605	5,213,553
Peak demand (megawatts)	866	983
Net income (loss)	\$6,641,000	\$10,243,000
Employees (year end)	364	362

### GENERATING SYSTEM

Total operating revenue	\$79,491,000	\$85,992,000
Electricity generation (megawatt hours)	1,617,135	1,746,284
Displacement (megawatt hours)	20,000	52,000
Employees (year end)	1	1

### WATER SYSTEM

Customers (year end)	37,815	36,851
Total operating revenue	\$20,991,000	\$19,430,000
Water sales (cubic feet)	565,094,000	533,504,000
Peak 24-hour demand (gallons)	28,612,000	26,141,000
Net income (loss)	\$2,821,000	\$2,317,000
Employees (year end)	35	35





# COMMISSIONERS



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



**Jim Malinowski**  
First elected 2012, term ends 2024



**Jane Van Dyke**  
Elected 2014, term ends 2026

# SENIOR LEADERSHIP TEAM



**Margaret Anderson**  
Executive Assistant to the  
CEO and Commission



**Melissa Ankeny**  
Director of Finance/Treasurer



**Dan Bedbury**  
Director of Energy Resources



**John Eldridge**  
General Counsel



**Erica Erland**  
Director of Communications



**Lisa Fix**  
Director of Customer Service



**Jeff Groff**  
Director of Information  
Services



**Cal Morris**  
Director of Engineering



**Gene Morris**  
Director of Operations



**Doug Quinn**  
Director of Water



**Nichole Reitzenstein**  
Director of Employee  
Resources

# A message from our CEO

The year began as many do, with much optimism and fresh plans for the months ahead. But it wasn't long before many of those plans moved to the back burner as our community and the world confronted the COVID-19 crisis.

Very early in the pandemic, the state of Washington experienced a shocking number of coronavirus cases. In response, the utility immediately took steps to keep employees safe and ensure continued electric and water service. Within days, offices were closed to customer visits, and employees in roles conducive to remote work transitioned to working from home. Only field employees and those critical to core in-office functions remained on job sites or in offices. In two weeks, more than 200 employees were set up to work from home. Through it all, employees never missed a beat. Our customers, who like people everywhere were largely confined to their homes, were able to depend on the reliable supply of electricity and water so essential for health and safety.

One of the many benefits of being a nonprofit, public utility is that we are able to focus every day on doing what's right for our customers, neighbors, and the communities we serve. This past year put many to the test navigating job changes and losses, transitions to remote working and schooling, isolation from the communities that keep us connected and engaged, and concern for both health and economic crises.

Before the state issued a moratorium on utility disconnections, we committed that no customers would be without service for



***Clark Public  
Utilities employees  
worked together  
through often  
difficult conditions  
and performed  
admirably.***





nonpayment throughout the response to COVID-19 and restored any customers without power. And we continue to keep our word. With leadership from the board of commissioners, we also took steps to expand the availability of payment assistance programs to those impacted by the immediate and dramatic measures taken to curb the spread of COVID-19.

These changes remain in place and we encourage any of our customers who are struggling to pay utility bills to contact us immediately to see what assistance programs are available. The utility also worked swiftly with local, state and federal partners, as well as community organizations, to secure and distribute any additional assistance available, and we continue to look for all opportunities to help both our residential and business customers.

Since the pandemic began, interaction through electronic devices has been the only connection many have with work, friends and family, making it even more clear how critical electric and water service remains.

Communication with our customers was essential, and our messages were quickly changed to offer assistance to those dealing with the impacts of the pandemic and to both inform and assure customers struggling with lost income or health challenges.

Even while dealing with the effects of the pandemic, other important work continued and employees quickly settled into new routines to manage all areas of utility operations.

#### **Surplus funds provide rate stability and customer credits**

Though Electric System revenues and expenses dropped in 2020, the utility realized a significant financial surplus through strategic management of power supply.

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***No customers would be without service for nonpayment throughout the response to COVID-19.***

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Given the strong and sustained positive financial position, the board authorized a \$20 million credit back to customer accounts to be applied in early 2021, the fourth electric bill credit of surplus funds, and a welcome assist for many.

### **Power and water resource planning for a growing community**

Ongoing development in Clark County requires the Electric and Water systems to add new facilities while maintaining and improving existing facilities. While sales of electricity and water to commercial and industrial customers fell in 2020, demand is expected to rebound to previous levels as the effects of the pandemic ease. Improvements to the Electric System's transmission and distribution facilities continued, as did work on the Paradise Point well field. This major new water source is slated to meet the water supply needs in the north county area for many years to come and support neighboring municipal water systems as a regional resource.

### **Strategic power supply management provides significant benefits.**

Our customer-owners count on the utility's diversified power supply for a dependable supply of electricity at stable rates. In fact, it's been nine years since the last increase in electric rates, and no increases are anticipated in the coming year. More than half of the utility's power supply consists of purchases of power from the federal Bonneville Power Administration, which is largely renewable hydroelectricity. About one-third is generated at the River Road Generating Plant, a utility-owned natural gas-fired facility, and about four percent is renewable wind power purchased under a long-term contract. The balance comes from market purchases of largely hydroelectric power.

Power supply is conservatively managed to offset production at River Road with

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*It's been nine years since the last increase in electric rates, and no increases are anticipated.*







inexpensive surplus hydroelectric power when it's available. The generation plant only operates when it is economically advantageous to do so, which provides environmental benefits while reducing wholesale power costs.

Energy conservation programs also help meet our customers' needs. When energy use is avoided through conservation, the savings alleviate a need to generate or buy additional power. Energy conservation programs remain the most cost-effective energy resource, and Clark Public Utilities has offered robust energy efficiency programs, rebates and incentives to residential and commercial customers for more than 40 years.

### **Collaboration on Clean Energy Transformation Act sets future path**

This year work continued in collaboration with utilities and lawmakers to implement Washington's Clean Energy Transformation Act, passed by the state's legislature in 2019.

Electricity production is the third-largest source of carbon emissions in the state and the law aims to curb the impact by eliminating power produced from coal, including electricity generated in neighboring states, by 2025. Like all Washington utilities, plans are in process to transition to a carbon-neutral electricity supply by 2030, and reduce generation emissions by 2045, as required by the law.

The CETA presents unique challenges and opportunities to more than 60 utilities around the state. Clark Public Utilities is one of the few public utility districts in the state to own its own generating plant and the only one to own and operate a natural gas facility. Along with other customer-owned and investor-owned utilities, we are working with state officials to reach the clean energy goals while continuing to provide customers with reliable and affordable electricity.

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***More than 200 employees were set up to work from home. Through it all, we never missed a beat.***

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## Final thoughts

While no one knows what the post-COVID world will look like, we expect a slow return to in person operations, utility-produced events and our longstanding community involvement and volunteer efforts.

As vaccine eligibility expands, students are returning to classrooms, and extended families are slowly able to come together again. But the crisis continues for many with months of economic instability, food insecurity and concern for what comes next.

We continue to encourage our customers in need to contact us to explore the ways we can help. We have a long history in this community of flexible payment arrangements, problem-solving and approaching all our customers' needs with empathy. And it's never been more true than today as employees across our organization continue to develop and implement new ways to provide relief for those who need assistance. Together, with support from our elected leadership and in collaboration with community partners, we have worked hard to weather this storm and continue to provide the very best service we can, every day.

As the year ended, we learned that Clark Public Utilities again ranked highest in customer satisfaction among residential mid-size utilities in the west by J.D. Power. This is the 13th consecutive year our customers have attested to the best-in-class service our employees provide, and was welcome recognition of the ongoing efforts to provide outstanding customer service.

Lena Wittler  
CEO/General Manager

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*As the year ended, we learned that Clark Public Utilities again ranked highest in customer satisfaction*





# Financial Statements, Notes and Other Information



## 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 statements of net position as of December 31, 2019, 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, 2018, 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 opinion.

### ***Opinion***

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, 2019, 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, 2018, 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 Matter***

#### ***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, the schedule of District contributions and the schedule of changes in total OPEB liability and related ratios 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 15, 2020



# 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, 2020, with comparable information for 2019 and 2018. 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.

Significant events occurred in 2020 including various declarations, proclamations and other actions intended to slow the spread of COVID-19. On March 11, 2020, the World Health Organization declared a pandemic due to the outbreak of COVID-19. Washington state Governor Inslee proclaimed a State of Emergency, imposed a moratorium on residential utility disconnections and assessment of late fees, and implemented a Stay Home-Stay Healthy order. Subsequent actions have allowed for a phased roll-back of certain restrictions imposed. Some restrictions are still in effect including the moratorium on utility disconnections and late fees which as of the publishing of the District financial statements is scheduled to expire on July 31, 2021. The District declared an Emergency Community Response on March 17, 2020 which activated temporary guidelines for the Operation Warm Heart, Senior Rate Credit and Guarantee of Service programs.

On December 31, 2020 and 2019, the accounts receivable balance of the Electric System was \$28.6 million and \$24.8 million, respectively. The financial effects of COVID-19 have partially been mitigated by federal and state assistance programs made available to residential customers. The District entered into an interlocal agreement with Clark County which resulted in the distribution of \$3.3 million of federal CARES Act funds to assist Clark County residents with utility payments if they had experienced financial hardship due to the COVID-19 emergency. Increased assistance has also been provided through the federal Low Income Home Energy Assistance Program, and our Emergency Community Response.

Despite the challenges of the COVID-19 pandemic felt worldwide, utility crews and administrative staff have safely continued the essential work of providing reliable electric and water service and operating the River Road Generating Plant. District management has put into place various measures to protect the health and safety of customers and employees. The District has experienced customer growth in both 2020 and 2019. The duration and intensity of the impact of COVID-19 and the resulting financial impact to the District is unknown at this time.

## 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 2020, the Electric System realized a net income before contributions of \$6.6 million. Factors influencing these results in 2020 include:

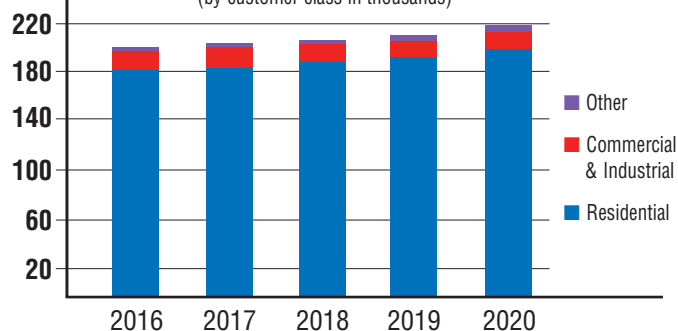
- Sales decreased from \$362.1 million in 2019 to \$348.9 million in 2020 or 3.7%.
- Other operating revenues decreased from \$11.9 million in 2019 to \$10.7 million in 2020 or 10.5%.
- Power supply expenses decreased from \$245.7 million in 2019 to \$229.2 million in 2020 or 6.7%.
- The River Road Generating Plant was shut down for economic displacement and annual maintenance for 2,240 hours in 2020, compared to 1,666 hours in 2019.
- At year-end, the Board of Commissioners increased regulatory revenues \$31 million to be used in future rate periods.

## System Rates

Electric System rates remained unchanged during 2020.

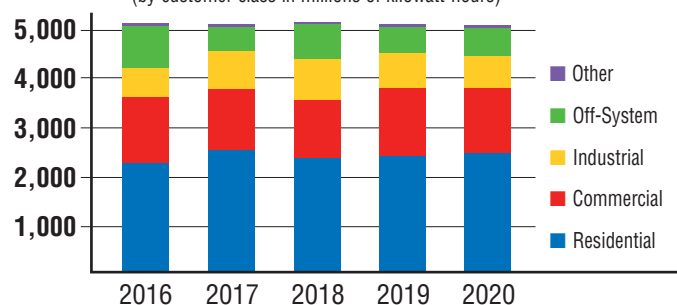
### Electric System Customers

(by customer class in thousands)



### Electric System Sales

(by customer class in millions of kilowatt-hours)



## Electric System (continued)

### Power Supply

For 2020, 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 Electric System's power resources. The Electric System purchases about 56% of the energy requirements from BPA. Beginning October 1, 2011, the Electric System 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 Electric System'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)	2020	2019	2018
Operating revenues	\$ 359,562	\$ 374,051	\$ 370,902
Operating expenses	340,118	352,844	343,936
Operating income	19,444	21,207	26,966
Net income before contributions	6,641	10,243	14,912
Contributions in aid of construction	4,223	5,384	6,947
<b>Total assets</b>	<b>\$ 841,707</b>	<b>\$ 767,790</b>	<b>\$ 766,261</b>
Total deferred outflows of resources	7,458	7,274	6,991
<b>Total assets and deferred outflows of resources</b>	<b>\$ 849,165</b>	<b>\$ 775,064</b>	<b>\$ 773,252</b>
<b>Total liabilities</b>	<b>\$ 364,129</b>	<b>\$ 328,883</b>	<b>\$ 356,700</b>
Deferred inflows of resources	121,412	93,421	79,419
<b>Net investment in capital assets</b>	<b>\$ 218,651</b>	<b>\$ 199,945</b>	<b>\$ 203,856</b>
Restricted	19,523	19,153	19,153
Unrestricted	125,450	133,662	114,124
<b>Total net position</b>	<b>\$ 363,624</b>	<b>\$ 352,760</b>	<b>\$ 337,133</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 849,165</b>	<b>\$ 775,064</b>	<b>\$ 773,252</b>
<b>Change in net position</b>	<b>\$ 10,864</b>	<b>\$ 15,627</b>	<b>\$ 21,859</b>

### Capital Asset and Long-term Debt Activity

Total gross utility plant in service as of December 31, 2020, 2019 and 2018 consisted of the following:

(in thousands)	2020	2019	2018
Intangible plant	\$ 47,436	\$ 44,049	\$ 40,955
Transmission and distribution	857,069	818,229	784,255
General plant	87,922	85,424	81,839
<b>Total utility plant in service</b>	<b>992,427</b>	<b>947,702</b>	<b>907,049</b>
Construction work in progress	15,870	17,137	13,011
<b>Total gross utility plant</b>	<b>\$ 1,008,297</b>	<b>\$ 964,839</b>	<b>\$ 920,060</b>

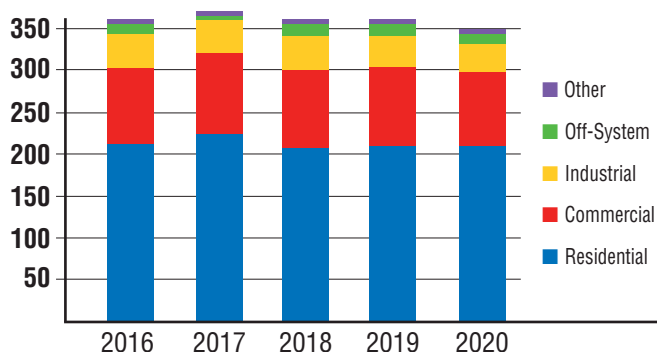
In 2020, the Electric System investment in gross utility plant increased by \$43.5 million. As of year-end, the Electric System had \$1.0 billion invested in gross utility plant. Utility plant net of depreciation was \$447.7 million, which represents an increase of \$11.4 million over 2019. Funds for 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, 2020, 2019 and 2018 consisted of the following:

(in thousands)	2020	2019	2018
Total current liabilities	\$ 79,569	\$ 78,715	\$ 80,559
Total non-current liabilities	253,824	220,051	242,478
Total other liabilities	30,736	30,117	33,663
<b>Total liabilities</b>	<b>\$ 364,129</b>	<b>\$ 328,883</b>	<b>\$ 356,700</b>

At year-end, the Electric System had \$234.4 million in revenue bonds outstanding, versus \$212.1 million last year.

**Electric System Revenues**  
(by customer class in millions of dollars)





## 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. The District's 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 \$10.0 million and \$14.7 million in 2020 and 2019, respectively.

### Fuel Supply

The District's 2020 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.

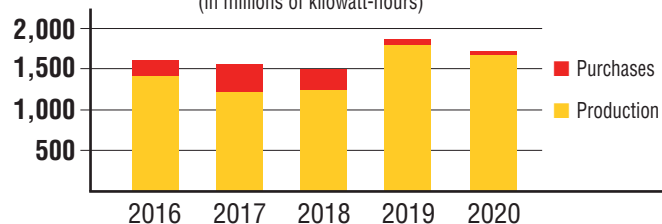
### Operating Statistics

(in thousands, except hours and percentages)

	2020	2019	2018
Energy production (megawatt-hours)	1,617	1,746	1,193
Power purchased for displacement (mwh)	20	52	293
Total energy output (megawatt-hours)	1,637	1,798	1,486
Percent of Electric System			
energy purchases	30%	33%	27%
Fuel expense (less re-marketed fuel)	\$ 41,088	\$ 25,907	\$ 32,654
Production hours	6,544	7,094	4,869
Displacement hours	1,040	787	3,079
Unavailable hours	1,200	879	812
Total hours	8,784	8,760	8,760

### Generating System Output

(in millions of kilowatt-hours)

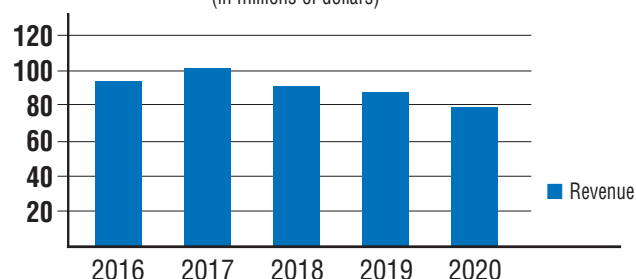


### Selected Financial Data

(in thousands)	2020	2019	2018
Operating revenues	\$ 79,491	\$ 85,992	\$ 89,853
Operating expenses	69,497	71,331	75,283
Operating income	9,994	14,661	14,570
Net income before contributions	4,262	7,450	6,925
Contributions in aid of construction	-	-	-
Total assets	\$ 151,749	\$ 176,189	\$ 186,473
Total deferred outflows of resources	11,820	15,022	19,275
Total assets and deferred outflows of resources	\$ 163,569	\$ 191,211	\$ 205,748
Total liabilities	\$ 110,769	\$ 142,673	\$ 164,660
Net investment in capital assets	\$ 31,061	\$ 13,474	\$ 6,197
Restricted	8,666	12,021	12,021
Unrestricted	13,073	23,043	22,870
Total net position	\$ 52,800	\$ 48,538	\$ 41,088
Total liabilities and net position	\$ 163,569	\$ 191,211	\$ 205,748
Change in net position	\$ 4,262	\$ 7,450	\$ 6,925

### Generating System Revenues

(in millions of dollars)



### Capital Asset and Long-term Debt Activity

In 2020, the Generating System investment in gross utility plant increased by \$11.8 million in capital construction. As of year-end, the Generating System had \$314.0 million invested in gross utility plant. Utility plant net of depreciation was \$125.3 million, which represented an increase of \$1.2 million from 2019. Funds for capital construction are provided for through long-term revenue bonds.

Total gross utility plant in service as of December 31, 2020, 2019 and 2018 consisted of the following:

(in thousands)	2020	2019	2018
Production plant	\$ 277,349	\$ 266,739	\$ 264,748
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	8,371	7,919	7,330
Allowance for funds used	8,316	8,316	8,316
Total utility plant in service	313,184	302,122	299,542
Construction work in progress	770	66	7
Total gross utility plant	\$ 313,954	\$ 302,188	\$ 299,549

Total liabilities as of December 31, 2020, 2019 and 2018 consisted of the following:

(in thousands)	2020	2019	2018
Total current liabilities	\$ 13,875	\$ 24,058	\$ 23,508
Total non-current liabilities	96,894	118,615	141,152
Total liabilities	\$ 110,769	\$ 142,673	\$ 164,660

At year-end, the Generating System had \$97.7 million in revenue bonds outstanding versus \$127.6 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 34 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

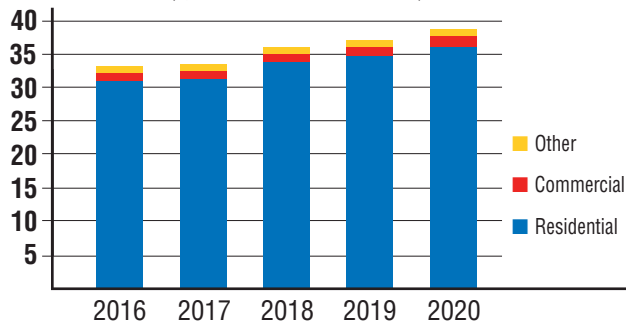
During 2020, the Water System's operating revenues increased by \$1.6 million or 8.0%. The Water System realized a net income before contributions of \$2.8 million for 2020.

### System Rates

Water System rates remained unchanged during 2020.

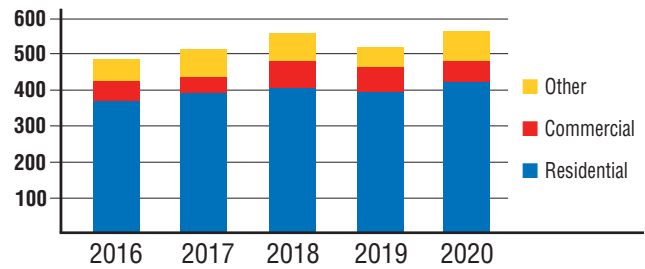
#### Water System Customers

(by customer class in thousands)



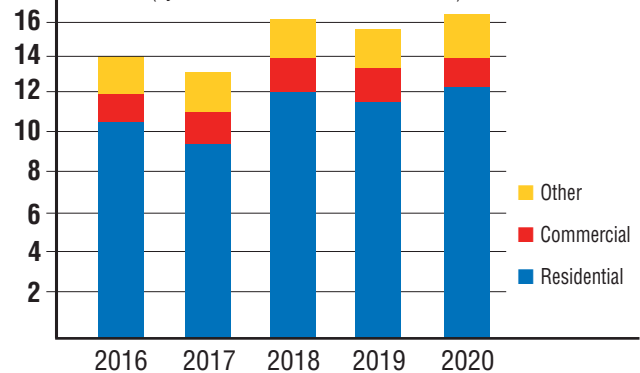
#### Water System Sales

(by customer class in thousands of cubic feet)



#### Water System Revenues

(by customer class in millions of dollars)



### Selected Financial Data

(in thousands)	2020	2019	2018
Operating revenues	\$ 20,991	\$ 19,430	\$ 20,966
Operating expenses	16,302	15,606	15,001
Operating income	4,689	3,824	5,965
Net income (loss) before contributions	2,821	2,317	4,481
Contributions in aid of construction	3,482	2,899	4,874
<b>Total assets</b>	<b>\$ 199,923</b>	<b>\$ 201,376</b>	<b>\$ 188,675</b>
Total deferred outflows of resources	656	569	643
<b>Total assets and deferred outflows of resources</b>	<b>\$ 200,579</b>	<b>\$ 201,945</b>	<b>\$ 189,318</b>
<b>Total liabilities</b>	<b>\$ 85,887</b>	<b>\$ 93,249</b>	<b>\$ 85,939</b>
Deferred inflows of resources	2,552	2,859	2,758
<b>Net investment in capital assets</b>	<b>\$ 87,984</b>	<b>\$ 82,712</b>	<b>\$ 79,192</b>
Restricted	5,171	5,171	5,135
Unrestricted	18,985	17,954	16,294
<b>Total net position</b>	<b>\$ 112,140</b>	<b>\$ 105,837</b>	<b>\$ 100,621</b>
<b>Total liabilities and net position</b>	<b>\$ 200,579</b>	<b>\$ 201,945</b>	<b>\$ 189,318</b>
<b>Change in net position</b>	<b>\$ 6,303</b>	<b>\$ 5,216</b>	<b>\$ 9,355</b>

### Capital Asset and Long-term Debt Activity

Total gross utility plant in service as of December 31, 2020, 2019 and 2018 consisted of the following:

(in thousands)	2020	2019	2018
Intangible plant	\$ 196	\$ 193	\$ 193
Source of supply	29,914	16,248	16,248
Pumping plant	18,748	14,363	14,199
Water treatment	5,790	2,119	2,119
Transmission and distribution	206,497	196,144	188,732
General plant	4,327	3,721	3,895
<b>Total utility plant in service</b>	<b>265,472</b>	<b>232,788</b>	<b>225,386</b>
Construction work in progress	1,790	22,921	13,030

<b>Total gross utility plant</b>	<b>\$ 267,262</b>	<b>\$ 255,709</b>	<b>\$ 238,416</b>
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In 2020, the Water System investment in gross utility plant increased by \$11.6 million. As of year-end, the Water System had \$267.3 million invested in gross utility plant. Utility plant net of depreciation was \$167.2 million, which represented an increase of \$5.4 million over 2019. 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, 2020, 2019 and 2018 consisted of the following:

(in thousands)	2020	2019	2018
Total current liabilities	\$ 9,265	\$ 9,992	\$ 9,336
Total non-current liabilities	73,428	80,180	73,185
Total other liabilities	3,194	3,077	3,418
<b>Total liabilities</b>	<b>\$ 85,887</b>	<b>\$ 93,249</b>	<b>\$ 85,939</b>

At year-end, the Water System had \$57.8 million in revenue bonds outstanding, versus \$61.7 million last year.



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

Public Utility District No. 1 of Clark County

For the years ended December 31, 2020 and 2019 (in thousands)

	Electric System	Generating System	Water System	Total 2020	Total 2019
Operating revenues					
Sales	\$ 348,907	\$ 70,337	\$ 16,308	\$ 435,552	\$ 436,926
Other operating revenues	10,655	9,154	4,683	24,492	42,547
Total operating revenues	359,562	79,491	20,991	460,044	479,473
Operating expenses					
Power supply	229,152	-	-	229,152	245,718
Operation and maintenance expense	55,188	56,738	8,829	120,755	121,083
Depreciation and amortization expense	33,659	10,574	6,575	50,808	48,151
Taxes	22,119	2,185	898	25,202	24,829
Total operating expenses	340,118	69,497	16,302	425,917	439,781
Operating income	19,444	9,994	4,689	34,127	39,692
Non-operating revenues (expenses)					
Interest and investment revenue	1,046	183	180	1,409	5,236
Miscellaneous revenue	3,920	130	99	4,149	4,370
Amortization of debt	3,177	(949)	789	3,017	1,780
Interest expense	(10,258)	(5,096)	(2,936)	(18,290)	(19,332)
Miscellaneous expenses	(10,688)	-	-	(10,688)	(11,736)
Total non-operating revenues (expenses)	(12,803)	(5,732)	(1,868)	(20,403)	(19,682)
Net income (loss) before contributions	6,641	4,262	2,821	13,724	20,010
Contributions in aid of construction	4,223	-	3,482	7,705	8,283
Net increase (decrease) in net position	10,864	4,262	6,303	21,429	28,293
Total net position - beginning	\$ 352,760	\$ 48,538	\$ 105,837	507,135	\$ 478,842
Total net position - ending	\$ 363,624	\$ 52,800	\$ 112,140	\$ 528,564	\$ 507,135

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

For the years ended December 31, 2020 and 2019 (in thousands)

	Electric System	Generating System	Water System	Total 2020	Total 2019
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 292,741	\$ 22,973	\$ 28,992	\$ 344,706	\$ 315,666
Accounts receivable (net)	28,586	924	-	29,510	25,846
Accrued unbilled revenues	34,211	-	115	34,326	32,628
Materials and supplies	4,566	-	-	4,566	4,374
Prepayments and other assets	1,775	-	-	1,775	1,470
Total current assets	361,879	23,897	29,107	414,883	379,984
Utility plant:					
Plant in service	992,427	313,184	265,472	1,571,083	1,482,612
Construction work in progress	15,870	770	1,790	18,430	40,124
Total gross utility plant	1,008,297	313,954	267,262	1,589,513	1,522,736
Accumulated depreciation and amortization	(560,608)	(188,690)	(100,029)	(849,327)	(800,552)
Net utility plant	447,689	125,264	167,233	740,186	722,184
Regulatory and other assets	32,139	2,588	3,583	38,310	43,187
Total assets	841,707	151,749	199,923	1,193,379	1,145,355
Deferred outflows of resources	7,458	11,820	656	19,934	22,865
Total assets and deferred outflows	\$ 849,165	\$ 163,569	\$ 200,579	\$ 1,213,313	\$ 1,168,220

	Electric System	Generating System	Water System	Total 2020	Total 2019
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 33,161	\$ 697	\$ 1,890	\$ 35,748	\$ 33,544
Accrued taxes and interest	14,937	2,833	1,531	19,301	20,840
Other accrued liabilities	16,601	-	-	16,601	14,056
Current maturities long-term debt	14,870	10,345	5,844	31,059	44,325
Total current liabilities	79,569	13,875	9,265	102,709	112,765
Long-term debt:					
Revenue bonds	219,515	87,330	53,960	360,805	359,265
Unamortized premium and discount	34,309	9,564	6,929	50,802	45,067
Other long-term debt	-	-	12,539	12,539	14,514
Total long-term debt	253,824	96,894	73,428	424,146	418,846
Other liabilities	30,736	-	3,194	33,930	33,194
Total liabilities	364,129	110,769	85,887	560,785	564,805
Deferred inflows of resources	121,412	-	2,552	123,964	96,280
Net position					
Net investment in capital assets	218,651	31,061	87,984	337,696	296,131
Restricted for:					
Debt reserve	19,523	8,666	5,171	33,360	36,345
Unrestricted	125,450	13,073	18,985	157,508	174,659
Total net position	363,624	52,800	112,140	528,564	507,135
Total liabilities, deferred inflows and net position	\$ 849,165	\$ 163,569	\$ 200,579	\$ 1,213,313	\$ 1,168,220

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, 2020 and 2019 (in thousands)

	Electric System	Generating System	Water System	Total 2020	Total 2019
Cash flows from operating activities:					
Receipts from customers	\$ 385,215	\$ 79,491	\$ 20,986	\$ 485,692	\$ 492,638
Payments to employees for services	(25,874)	-	-	(25,874)	(25,320)
Payments to suppliers for goods and services	(277,583)	(58,198)	(10,330)	(346,111)	(369,199)
Net cash from operating activities	81,758	21,293	10,656	113,707	98,119
Cash flows from investing activities:					
Utility plant additions, net of cost of removal and salvage	(40,840)	(11,765)	(8,497)	(61,102)	(59,023)
Interest received and other income (expense)	(4,306)	312	292	(3,702)	(252)
Net cash used by investing activities	(45,146)	(11,453)	(8,205)	(64,804)	(59,275)
Cash flows from capital financing activities:					
Borrowings from revenue bonds	40,595	14,045	-	54,640	11,225
Principal payments of revenue bonds	(18,320)	(43,965)	(3,865)	(66,150)	(39,425)
Other long-term debt	-	-	(2,190)	(2,190)	(2,183)
Acquisition of debt	11,790	825	-	12,615	2,326
Interest paid	(9,997)	(5,934)	(2,847)	(18,778)	(19,293)
Net cash from capital financing activities	24,068	(35,029)	(8,902)	(19,863)	(47,350)
Net increase (decrease) in cash and cash equivalents	60,680	(25,189)	(6,451)	29,040	(8,506)
Cash and cash equivalents at beginning of year	232,061	48,162	35,443	315,666	324,172
Cash and cash equivalents at end of year	\$ 292,741	\$ 22,973	\$ 28,992	\$ 344,706	\$ 315,666
Reconciliation of operating income to net cash from operating activities:					
Operating income	\$ 19,444	\$ 9,994	\$ 4,689	\$ 34,127	\$ 39,692
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation and amortization	33,659	10,574	6,575	50,808	48,151
Change in assets and liabilities:					
Accounts receivable (net)	(5,710)	78	5	(5,627)	1,531
Other assets	2,000	387	198	2,585	3,125
Accounts payable and other accrued liabilities	3,894	260	(603)	3,551	(3,324)
Regulatory and other liabilities	28,471	-	(208)	28,263	8,944
Net cash from operating activities	\$ 81,758	\$ 21,293	\$ 10,656	\$ 113,707	\$ 98,119

## Supplemental disclosure of cash flow information

Non-cash capital and related financing and investing activities:

Contributions in aid of construction of \$7,705 and \$8,283 in 2020 and 2019 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 \$2.6 million and \$2.2 million as of December 31, 2020 and 2019, 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 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 \$16.2 million and \$13.8 million as of December 31, 2020 and 2019, 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, net pension liability and other post-employment benefit liability. 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

Power supply is acquired 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 56% of our power supply in 2020, with the remainder produced by the River Road Generating Plant, the Combine Hills LLC Wind Power Agreement, the Packwood Hydroelectric Project and market power purchases.

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



# Notes to Combined Financial Statements

## a) BPA Contracts

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

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

**Residential Exchange Program:** During 1980, Congress enacted the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). The Northwest Power Act authorizes Northwest utilities to exchange their generally higher-cost power serving residential and small farm customers for an equivalent amount of energy from BPA. During 2011, 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 Residential Exchange Program credits from BPA in the amount of \$2.2 million in 2020 and \$4.9 million in 2019. The REP credits are distributed to residential and small farm customers in the form of credits against 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 2,240 hours in 2020 and 1,666 hours in 2019 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 Eurus Combine Hills II LLC. Under the agreement, the District purchases the entire output of a 63-megawatt nameplate capacity wind project for a 20-year term beginning in January 2010. The project began commercial operation January 2010. During 2020, output from the project was brought to serve utility load.

## 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. TEA also has provided scheduling services for Combine Hills II since April 1, 2016.

## 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 purchases from various counterparties. The agreements secure financial commitments and contracts to procure physical natural gas deliveries and mitigate delivery risk.

**a) Natural Gas Management:** The Electric System has an agreement with Shell Energy (US) LP for fuel, power and heat rate services. 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 2020, both parties exercised their option for renewal through September 2021.

**b) Natural Gas Transportation:** Agreements for natural gas transportation are 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)

	2020	2019
Bonneville Power Administration	\$ 97,320	\$ 102,187
From Generating System	70,337	59,359
Packwood	552	504
Market purchases	17,998	47,714
Wind	16,267	11,412
Transmission	23,526	24,336
BPA power credits	-	(3,054)
Other production expense	3,152	3,260
Total power supply costs	\$ 229,152	\$ 245,718
Average power cost in mills/kwh	42.35	45.34

# 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 believes the various litigation positions in the cases have merit; however, is not able to predict the outcome of any of the unresolved litigation and the effect, if any.

The District does not believe that any of the current litigation will have a material effect on the reported financial position.

## Note 4:

### Utility Plant

Utility plant in service as of December 31, 2020 and 2019 consisted of the following:

#### Electric System

(in thousands)	Balance Dec. 31, 2019	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2020
Intangible plant	\$ 44,049	\$ 3,387	\$ -	\$ 47,436
Trans and distribution	818,229	40,628	1,788	857,069
General plant	85,424	3,137	639	87,922
Total plant in service	\$ 947,702	\$ 47,152	\$ 2,427	\$ 992,427

#### Generating System

(in thousands)	Balance Dec. 31, 2019	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2020
Source of supply	\$ 20	\$ -	\$ -	\$ 20
Pumping plant	170	-	-	170
Water treatment	697	-	-	697
Production plant	266,739	10,610	-	277,349
Trans and distribution	18,261	-	-	18,261
General plant	7,919	452	-	8,371
Allowance for funds used	8,316	-	-	8,316
Total plant in service	\$ 302,122	\$ 11,062	\$ -	\$ 313,184

#### Water System

(in thousands)	Balance Dec. 31, 2019	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2020
Intangible plant	\$ 193	\$ 3	\$ -	\$ 196
Source of supply	16,248	13,666	-	29,914
Pumping plant	14,363	4,385	-	18,748
Water treatment	2,119	3,671	-	5,790
Trans and distribution	196,144	10,543	190	206,497
General plant	3,721	864	258	4,327
Total plant in service	\$ 232,788	\$ 33,132	\$ 448	\$ 265,472

## Note 5:

### Other Assets and Liabilities

#### Other Assets

Other assets as of December 31, 2020 and 2019 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2020	2019
Non-current conservation loans (Note 11)	\$ 2,132	\$ -	\$ -	\$ 2,132	\$ 2,995
Other	-	-	-	-	-
Total	\$ 2,132	\$ -	\$ -	\$ 2,132	\$ 2,995

#### Other Liabilities

Other liabilities as of December 31, 2020 and 2019 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2020	2019
Net pension liability	\$ 12,208	\$ -	\$ 1,256	\$ 13,464	\$ 13,783
OPEB liability	17,732	-	1,824	19,556	18,381
Operation Warm Heart	651	-	-	651	731
Other	145	-	114	259	299
Total	\$ 30,736	\$ -	\$ 3,194	\$ 33,930	\$ 33,194

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.)

OPEB liability represents an actuarial measurement of the future cost of healthcare benefits to be received by retirees, attributable to those employees' past periods of services defined under GASB Statement No. 75. (See Note 1 and 8: OPEB.)

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

# 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 ratemaking 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, 2020 and 2019 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2020	2019
Reg power exp	\$ -	\$ 1,937	\$ -	\$ 1,937	\$ 2,325
Reg OPEB exp	15,696	-	1,614	17,310	16,128
Reg pension exp	12,501	-	1,286	13,787	18,674
Reg unamort debt exp	1,810	651	683	3,144	3,065
Total	\$ 30,007	\$ 2,588	\$ 3,583	\$ 36,178	\$ 40,192

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

Regulatory OPEB expense represents a portion of the change in net OPEB items, as defined under GASB Statement No. 75. Regulatory accounting is used to recognize OPEB expense. (See Notes 1 and 8: OPEB.)

Regulatory pension expense represents the District's portion of the change in pension items, as defined under GASB Statement No. 68 and GASB Statement No. 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, 2020 and 2019 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2020	2019
Unamortized loss on reacq debt	\$ 1,310	\$ 11,820	\$ 23	\$ 13,153	\$ 17,093
OPEB costs	2,358	-	243	2,601	2,253
Pension costs	3,790	-	390	4,180	3,519
Total	\$ 7,458	\$ 11,820	\$ 656	\$ 19,934	\$ 22,865

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

OPEB costs represent a portion of the change in net OPEB items, as defined under GASB Statement No. 75. Regulatory accounting is used to recognize OPEB expense. (See Note 1 and 8: OPEB.)

Pension costs represent a portion of the change in net pension items, as defined under GASB Statement No. 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, 2020 and 2019 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2020	2019
Reg revenue	\$ 117,006	\$ -	\$ 2,099	\$ 119,105	\$ 87,872
OPEB costs	323	-	33	356	-
Pension costs	4,083	-	420	4,503	8,408
Total	\$ 121,412	\$ -	\$ 2,552	\$ 123,964	\$ 96,280

During 2019, the Board of Commissioners distributed \$10 million from regulatory revenues to Electric System customers, and applied \$8 million from regulatory revenues as a result of additional power supply expenses. At year-end 2019 and 2020, the Board of Commissioners increased regulatory revenue \$30.5 million and \$31 million, respectively, in the Electric System to be used in future rate periods. (See also Note 12: Subsequent Events.)

OPEB costs represent a portion of the change in net OPEB items, as defined under GASB Statement No. 75. Regulatory accounting is used to recognize OPEB expense. (See Note 1 and 8: OPEB.)

Pension costs represent a portion of the change in net pension items, as defined under GASB Statement No. 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, 2020, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2019	Additions	Reductions	Balance Dec 31, 2020	Amounts due within one year
<b>2011 Revenue and Refunding Bonds</b> Due in an annual installment of \$3,450 on January 1, 2021; interest at 5.00%.	\$ 6,745	\$ -	\$ 3,295	\$ 3,450	\$ 3,450
<b>2012 Revenue and Refunding Bonds</b> Due in annual installments of \$1,660 - \$6,255 through January 1, 2033; interest at 3.25% - 5.00%.	41,095	-	3,885	37,210	4,045
<b>2014 Revenue and Refunding Bonds</b> Due in annual installments of \$1,405 - \$3,445 through January 1, 2035; interest at 5.00%.	37,300	-	3,650	33,650	2,095
<b>2016 Revenue and Refunding Bonds</b> Due in annual installments of \$2,200 - \$8,715 through January 1, 2037; interest at 5.00%.	91,350	-	6,415	84,935	4,150
<b>2018 Revenue and Refunding Bonds</b> Due in annual installments of \$1,130 - \$2,720 through January 1, 2039; interest at 5.00%.	35,620	-	1,075	34,545	1,130
<b>2020 Revenue and Refunding Bonds</b> Due in annual installments of \$1,230 - \$3,100 through January 1, 2041; interest at 5.00%.	-	40,595	-	40,595	-
<b>Total Electric System Revenue Bonds</b>	<b>\$ 212,110</b>	<b>\$ 40,595</b>	<b>\$ 18,320</b>	<b>\$ 234,385</b>	<b>\$ 14,870</b>

During 2020, the District issued Electric System Revenue Bonds, Series 2020 in the amount of \$40.6 million. The bonds provided funds for capital construction requirements and the reserve account requirements for the 2020 issuance. They mature serially in varying amounts and are subject to early redemption privileges.

## Notes to Combined Financial Statements

### Generating System

During the year ended December 31, 2020, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2019	Additions	Reductions	Balance Dec 31, 2020	Amounts due within one year
<b>2010 Revenue Bonds</b>	\$ 36,290	\$ -	\$ 36,290	\$ -	\$ -
<b>2012A Revenue Bonds</b> Due in installments of \$3,195 - \$11,265 through January 1, 2025; interest at 4.00% - 5.00%.	20,860	-	3,045	17,815	3,195
<b>2012B Revenue Bonds</b> Due in annual installments of \$1,310 - \$1,470 through January 1, 2025; interest at 2.673% - 3.293%.	8,210	-	1,280	6,930	1,310
<b>2016 Revenue Bonds</b> Due in annual installments of \$1,000 - \$14,870 through January 1, 2037; interest at 5.00%.	43,095	-	1,000	42,095	1,000
<b>2018 Revenue Bonds</b> Due in annual installments of \$2,470 - \$3,150 through January 1, 2026; interest at 5.00%.	19,140	-	2,350	16,790	2,470
<b>2020 Revenue Bonds</b> Due in annual installments of \$2,370 - \$6,270 through January 1, 2023; interest at 5.00%.	-	14,045	-	14,045	2,370
<b>Total Generating System Revenue Bonds</b>	<b>\$ 127,595</b>	<b>\$ 14,045</b>	<b>\$ 43,965</b>	<b>\$ 97,675</b>	<b>\$ 10,345</b>

During 2020, the District issued Generating System Revenue Refunding Bonds, Series 2020 in the amount of \$14.0 million. The bonds provided funds to refund the District's Series 2010 outstanding Generating System Revenue Bonds and the reserve account requirements for the 2020 issuance. 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, 2020, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2019	Additions	Reductions	Balance Dec 31, 2020	Amounts due within one year
<b>2010 Revenue and Refunding Bonds</b>	\$ 515	\$ -	\$ 515	\$ -	\$ -
<b>2011 Revenue and Refunding Bonds</b> Due in annual installments of \$605 - \$840 through January 1, 2024; interest at 3.125% - 4.00%.	3,820	-	765	3,055	795
<b>2014 Revenue and Refunding Bonds</b> Due in annual installments of \$670 - \$1,210 through January 1, 2034; interest at 3.50% - 5.00%.	13,400	-	640	12,760	670
<b>2017 Revenue and Refunding Bonds</b> Due in annual installments of \$930 - \$2,775 through January 1, 2037; interest at 5.00%.	32,735	-	1,945	30,790	2,070
<b>2019 Revenue and Refunding Bonds</b> Due in annual installments of \$335 - \$860 through January 1, 2040; interest at 5.00%.	11,225	-	-	11,225	335
<b>Total Water System Revenue Bonds</b>	<b>\$ 61,695</b>	<b>\$ -</b>	<b>\$ 3,865</b>	<b>\$ 57,830</b>	<b>\$ 3,870</b>

### 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
2021	\$ 10,794	\$ 16,775	\$ 27,569	\$ 4,234	\$ 15,655	\$ 19,889	\$ 2,639	\$ 4,050	\$ 6,689
2022	9,956	17,605	27,561	3,504	16,385	19,889	2,444	4,245	6,689
2023	9,075	16,270	25,345	2,713	19,155	21,868	2,240	4,180	6,420
2024	8,262	15,575	23,837	1,782	16,755	18,537	2,049	3,735	5,784
2025	7,483	16,355	23,838	969	4,220	5,189	1,870	3,915	5,785
2026-2030	26,597	64,795	91,392	3,199	6,220	9,419	6,529	17,310	23,839
2031-2035	12,857	47,420	60,277	1,480	7,940	9,420	2,798	12,080	14,878
2036-2040	3,117	24,720	27,837	50	1,000	1,050	472	4,445	4,917



# 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, 2020, the debt service reserve accounts are fully cash funded.

Debt service reserve accounts as of December 31, 2020 and 2019 were as follows:

(in thousands)	Electric System	Generating System	Water System	December 31 2020	2019
Cash deposits	\$ 19,523	\$ 8,666	\$ 5,171	\$ 33,360	\$ 36,345

## 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, 2020
Electric	Interim capital requirements and operating expenses	\$ 20 million	\$ -
Generating	Interim capital requirements	\$ 20 million	-
Water	Interim capital requirements and operating expenses	\$ 2 million	-

In January 2020, the District amended the existing 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 now mature July 21, 2023.

### 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 3.5%. 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, 2020				\$ 14,513
2021	\$ 103	\$ 1,974	\$ 2,077	12,539
2022	91	1,733	1,824	10,806
2023	80	1,733	1,813	9,073
2024	69	1,733	1,802	7,340
2025	58	1,169	1,227	6,171
2026-30	183	4,496	4,679	1,675
2031-34	42	1,675	1,717	-

## Note 8:

### Pension Plans, Postemployment 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 10 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.

## Notes to Combined Financial Statements

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, 2020, are as follows:

	PERS 1	PERS 2	PERS 3
Employer	12.97%	12.97%	12.97%
Employee	6.00%	7.90%	5-15%

**Actuarial Assumptions - Pension:** The total pension liability (TPL) for each of the plans was estimated using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of Office of State Auditor's (OSA) 2013-2018 Demographic Experience Study and the 2019 Economic Experience Study.

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

Inflation (economic)	2.75%
Active Member Payroll Growth	3.50%
Investment Rate of Return	7.40%

Mortality rates for active members, retirees, survivors and disability rates were developed using Pub. H-2010 Mortality rates published by the Society of Actuaries. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. 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 7.40% approximately equals the median of the simulated investment returns over various future times.

**Estimated Rates of Return by Asset Class - Pension:** 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, 2020. 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%	2.20%
Tangible assets	7%	5.10%
Real estate	18%	5.80%
Global equity	32%	6.30%
Private equity	23%	9.30%

**Discount Rate:** The discount rate used to measure the total DRS pension liability was 7.40%. 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 the projected future benefit payments for current plan members. Based on those assumptions described in the OSA's certification letter within the DRS Comprehensive Annual Financial Report, 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 7.40% 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 6.4%	Discount rate 7.4%	1% increase in discount rate 8.4%
(in thousands)			
Proportionate share of the PERS Plan 1 net pension liability (asset)	\$ 11,530	\$ 9,205	\$ 7,178
Proportionate share of the PERS Plan 2/3 net pension liability (asset)	\$ 26,498	\$ 4,259	\$ (14,055)

## Notes to Combined Financial Statements

**Pension Plan Fiduciary Net Position:** Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately issued DRS 2020 Comprehensive Annual Financial Report. The DRS Comprehensive Annual Financial Report 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 Comprehensive Annual Financial Report and the Washington State DRS Participating Employer Financial Information (PEFI) obtained from DRS when recognizing pension cost for 2020 and 2019.

**Washington State Retirement System Pension Costs:** As of June 30, 2020, Washington State Department of Retirement Systems total pension liability for all covered entities included in the Washington State Comprehensive Annual Financial Report for PERS Plans 1 and 2/3 was as follows:

(in thousands)	PERS 1	PERS 2/3	Jun 30, 2020	Jun 30, 2019
Total pension liability	\$ 11,256,796	\$ 46,030,536	\$ 57,287,332	\$ 55,199,802
Plan fiduciary net position	<u>7,726,256</u>	<u>44,751,593</u>	<u>52,477,849</u>	<u>50,383,107</u>
Net pension liability	\$ 3,530,540	\$ 1,278,943	\$ 4,809,483	\$ 4,816,695

**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, 2020	Jun 30, 2019
PERS 1	0.260725%	0.272053%
PERS 2/3	0.332973%	0.342022%

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, 2020, 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, 2020	Dec 31, 2019
Total net pension liability	\$ 9,205	\$ 4,259	\$ 13,464	\$ 13,783

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2019 through June 30, 2020, 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, 2020, 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 Assets.)

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

(in thousands)	2020	2019	2018
District contributions	\$ 5,194	\$ 4,976	\$ 4,725

At December 31, 2020, 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, 2020
Differences between expected and actual economic experience	\$ -	\$ 1,524	\$ 1,524
Differences between projected and actual investment earnings	-	-	-
Changes in actuarial assumptions	-	61	61
Changes in proportion	-	-	-
Contributions paid to PERS subsequent to the measurement date	<u>985</u>	<u>1,610</u>	<u>2,595</u>
Total	\$ 985	\$ 3,195	\$ 4,180

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

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2020
2021	\$ 985	\$ 1,930	\$ 2,915
2022	-	321	321
2023	-	321	321
2024	-	247	247
2025	-	216	216
Thereafter	-	160	160
Total	\$ 985	\$ 3,195	\$ 4,180

At December 31, 2020, 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, 2020
Differences between expected and actual economic experience	\$ -	\$ (534)	\$ (534)
Differences between projected and actual investment earnings	(51)	(216)	(267)
Changes in assumptions	-	(2,909)	(2,909)
Changes in proportion	-	(793)	(793)
Total	\$ (51)	\$ (4,452)	\$ (4,503)

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, 2020
2021	\$ (232)	\$ (2,272)	\$ (2,504)
2022	(7)	(927)	(934)
2023	70	(429)	(359)
2024	118	3	121
2025	-	(436)	(436)
Thereafter	-	(391)	(391)
Total	\$ (51)	\$ (4,452)	\$ (4,503)



# Notes to Combined Financial Statements

## Postemployment Benefits Other Than Pensions (OPEB)

By resolution, the District provides 100% employer-paid postretirement medical, vision and prescription benefits for qualified retired employees and their eligible dependents until age 65, known as the retiree medical plan (plan). Employees hired after August 13, 2013 must be at least 55 years old and have 20 years of service. As of December 31, 2020 there were 29 retirees participating in the plan and 400 active employees.

The plan is funded by the District on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. The plan is accounted for under the requirements of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

For the year ended December 31, 2020, the District has elected to use regulatory accounting to recognize the changes in the OPEB liability and record the actual plan expenses each year. The changes in the OPEB liability are recognized as an addition to the regulatory OPEB expense. The District's actual annual OPEB expense was \$767,092 at year-end. (See Note 6: Regulatory Assets.)

**Actuarial Assumptions and other inputs - OPEB:** The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of pay for each year of employment between entry age (defined as age at hire) and assumed exit (until maximum retirement age). The portion of this actuarial present value allocated to a valuation year is called the normal cost.

The economic assumption for inflation is 2.3 percent. Projected payroll increases are assumed at a rate of 3.05% per year. The health cost trend rate is 6.2% trending down to 3.8% in 2074. On December 20, 2019 the excise tax provision of the ACA was repealed, and is not included in the OPEB liability for year-end 2020.

Demographic assumptions regarding retirement, turnover, and mortality are based upon the Washington State Public Employees' Retirement System (PERS) Plan 2 as shown in the 2007-2012 Experience Study by the Washington State Public Retirement Systems. Mortality rates were based on the RP-2000 Healthy Mortality, sex distinct projected with 100% of Scale BB offset one year (-1).

A discount rate of 2.74% was used to compute the total OPEB liability based on the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years.

**OPEB Liability Sensitivity:** The following table reflects the impact of discount rate assumptions on the District's total OPEB liability.

(in thousands)	1% decrease	Current rate	1% increase
Healthcare cost trend rate	\$ 16,962	\$ 19,556	\$ 22,692
Discount rate	\$ 21,160	\$ 19,556	\$ 18,028

**Changes in Total OPEB Liability:** The Valuation Date is January 1, 2019. This is the date as of which the census data is gathered and the actuarial valuation is performed. The Measurement Date is December 31, 2019. This is the date as of which the total OPEB liability is determined. (See Note 5: Other Liabilities.)

The changes in the total OPEB liability for the measurement period ending December 31, 2019 are as follows:

(in thousands)	Increase (decrease) total OPEB liability
Balance as of Dec. 31, 2018	\$ 18,381
Changes for the year:	
Service cost	1,015
Interest on total OPEB liability	772
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	559
Expected benefit payments	(1,171)
Balance as of December 31, 2019	\$ 19,556

**Deferred Outflows and Inflows of Resources:** At December 31, 2020, the District reported deferred outflows and inflows of resources (See Note 6: Deferred Outflows and Inflows of Resources) from the following sources:

(in thousands)	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 1,007	\$ -
Changes of assumptions	827	(356)
Contributions subsequent to the measurement date	767	-
Total	\$ 2,601	\$ (356)

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

For measurement period ending December 31 (in thousands)	
2020	\$ 966
2021	199
2022	199
2023	199
2024	199
Thereafter	483
Total	\$ 2,245

## 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.

# Notes to Combined Financial Statements

## Note 9:

### Refunded Bond Issues

As of December 31, 2020, the following revenue bond series have been extinguished through in-substance defeasance:

(in thousands)	Electric System	Generating System	Water System
Total	\$ 19,395	\$ -	\$ -

Debt service on refunded 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. All refunded revenue bonds are excluded from the financial statements because the likelihood of additional funding requirements is considered remote.

## Note 10:

### Cash, Cash Equivalents and Sinking Funds

As of December 31, 2020, the District had the following cash, cash equivalents and investments at amortized cost:

Fair Value (in thousands)	2020	2019
State investment pool (LGIP)	\$ 299,159	\$ 256,684
Cash	45,547	58,982
Total cash, cash equivalents and sinking funds	\$ 344,706	\$ 315,666

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 \$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, 2020, the state investment pool balance included the District bond reserve amount of \$33.4 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, 2020 Comprehensive Annual Financial Report.

## 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 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 \$1.0 million during 2020 and \$1.7 million in 2019.

## Note 12:

### Subsequent Events

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

### Electric System Bill Credit

The Board of Commissioners authorized the Electric System to return \$20 million to customers in 2021 from regulatory revenues. (See also Note 6: Deferred Inflows of Resources.)

# Required Supplementary Information

Public Utility District No. 1 of Clark County

## Schedule of Proportionate Share of Net Pension Liability

Measurement date June 30

(in thousands, except percentages)

	2020	2019	2018	2017	2016
<b>PERS 1</b>					
Proportion of the net pension liability	0.260725%	0.272053%	0.278681%	0.283048%	0.295011%
Proportionate share of the net pension liability	\$ 9,205	\$ 10,461	\$ 12,446	\$ 13,431	\$ 15,843
Covered payroll PERS 1	\$ 302	\$ 410	\$ 490	\$ 333	\$ 382
Covered payroll PERS 2/3	38,790	37,220	35,871	34,926	34,306
Total covered payroll	\$ 39,092	\$ 37,630	\$ 36,361	\$ 35,259	\$ 34,688
Proportionate share of the net pension liability as a percentage of its covered payroll	23.5%	27.8%	34.2%	38.1%	45.7%
Plan fiduciary net position as a percentage of the total pension liability	68.6%	67.1%	63.2%	61.2%	57.0%
<b>PERS 2/3</b>					
Proportion of the net pension liability	0.332973%	0.342022%	0.346350%	0.356236%	0.368815%
Proportionate share of the net pension liability	\$ 4,259	\$ 3,322	\$ 5,914	\$ 12,377	\$ 18,570
Covered payroll	\$ 38,790	\$ 37,220	\$ 35,871	\$ 34,926	\$ 34,306
Proportionate share of the net pension liability as a percentage of its covered payroll	11.0%	8.9%	16.5%	35.4%	54.1%
Plan fiduciary net position as a percentage of the total pension liability	97.2%	97.8%	95.8%	91.0%	85.8%

## Schedule of Contributions

As of December 31

(in thousands, except percentages)

	2020	2019	2018	2017	2016
<b>PERS 1</b>					
Contractually required contribution	\$ 1,917	\$ 1,944	\$ 1,901	\$ 1,791	\$ 1,676
Covered payroll	\$ 39,879	\$ 38,584	\$ 36,941	\$ 35,942	\$ 34,681
Contributions as a percentage of covered payroll	4.8%	5.0%	5.1%	5.0%	4.8%
<b>PERS 2/3</b>					
Contractually required contribution	\$ 3,153	\$ 2,937	\$ 2,739	\$ 2,419	\$ 2,139
Covered payroll	\$ 39,817	\$ 38,131	\$ 36,525	\$ 35,474	\$ 34,331
Contributions as a percentage of covered payroll	7.9%	7.7%	7.5%	6.8%	6.2%

## 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 Statement No. 68 for the year ended December 31, 2015. (See Note 8.) Ten-year trend information will be presented prospectively.

3) The District's 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.



## Required Supplementary Information

Public Utility District No. 1 of Clark County

### Schedule of Proportionate Share of Net Pension Liability - continued from page 22

Measurement date June 30

(in thousands, except percentages)

	2015	2014
<b>PERS 1</b>		
Proportion of the net pension liability	0.307228%	0.292867%
Proportionate share of the net pension liability	\$ 16,071	\$ 14,753
Covered payroll PERS 1	\$ 472	\$ 694
Covered payroll PERS 2/3	34,149	30,800
Total covered payroll	\$ 34,621	\$ 31,494
Proportionate share of the net pension liability as a percentage of its covered payroll	46.4%	46.8%
Plan fiduciary net position as a percentage of the total pension liability	59.1%	61.2%
<b>PERS 2/3</b>		
Proportion of the net pension liability	0.384777%	0.359035%
Proportionate share of the net pension liability	\$ 13,748	\$ 7,258
Covered payroll	\$ 34,149	\$ 30,800
Proportionate share of the net pension liability as a percentage of its covered payroll	40.3%	23.6%
Plan fiduciary net position as a percentage of the total pension liability	89.2%	93.3%

### Schedule of Contributions

As of December 31

(in thousands, except percentages)

	2015	2014
<b>PERS 1</b>		
Contractually required contribution	\$ 1,509	\$ 1,343
Covered payroll	\$ 33,963	\$ 32,629
Contributions as a percentage of covered payroll	4.4%	4.1%
<b>PERS 2/3</b>		
Contractually required contribution	\$ 1,886	\$ 1,603
Covered payroll	\$ 33,569	\$ 32,095
Contributions as a percentage of covered payroll	5.6%	5.0%

## Required Supplementary Information

Public Utility District No. 1 of Clark County

### Schedule of Changes in Total OPEB Liability and Related Ratios

For measurement period ended December 31  
(in thousands, except percentages)

	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 1,015	\$ 958	\$ 870
Interest on total OPEB liability	772	603	631
Changes of benefit terms	-	-	-
Effect of economic/demographic gains (losses)	-	1,280	-
Effect of assumption changes or inputs	559	(452)	490
Expected benefit payments	(1,171)	(1,126)	(1,379)
Net change in total OPEB liability	1,175	1,263	612
Total OPEB liability, beginning	18,381	17,118	16,506
Total OPEB liability, ending	19,556	18,381	17,118
Covered employee payroll	38,704	37,074	36,009
Total OPEB liability as a percentage of covered employee payroll	50.53%	49.58%	47.54%

### Notes to RSI Schedules

- 1) There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
- 2) There are no changes of benefit terms.
- 3) Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.
- 4) Covered employee payroll is provided from the actuarial report and determined as of the measurement date.

# Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

## Electric System

In thousands, except for interest rates

Maturity Date	Series 2011		Series 2012		Series 2014		Series 2016		Series 2018		Series 2020		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	Principal Jan 1	Interest Rate		
2021	\$ 3,450	5.000	\$ 4,045	5.000	\$ 2,095	5.000	\$ 4,150	5.000	\$ 1,130	5.000	-	-	\$ 14,870	\$ 219,515
2022			6,255	5.000	2,200	5.000	5,900	5.000	1,190	5.000	\$ 1,230	5.000	16,775	202,740
2023			4,460	5.000	3,445	5.000	7,165	5.000	1,245	5.000	1,290	5.000	17,605	185,135
2024			4,675	5.000	1,405	5.000	7,525	5.000	1,310	5.000	1,355	5.000	16,270	168,865
2025			1,660	5.000	3,220	5.000	7,900	5.000	1,375	5.000	1,420	5.000	15,575	153,290
2026			1,740	5.000	3,380	5.000	8,300	5.000	1,445	5.000	1,490	5.000	16,355	136,935
2027			1,830	5.000	1,625	5.000	8,715	5.000	1,515	5.000	1,565	5.000	15,250	121,685
2028			1,920	3.250	1,705	5.000	6,175	5.000	1,590	5.000	1,645	5.000	13,035	108,650
2029			1,985	3.350	1,790	5.000	6,485	5.000	1,670	5.000	1,730	5.000	13,660	94,990
2030			2,050	3.400	1,880	5.000	3,660	5.000	1,755	5.000	1,815	5.000	11,160	83,830
2031			2,120	3.500	1,975	5.000	3,845	5.000	1,845	5.000	1,905	5.000	11,690	72,140
2032			1,845	3.500	2,070	5.000	2,220	5.000	1,935	5.000	2,000	5.000	10,070	62,070
2032			350	5.000	-	-	-	-	-	-	-	-	350	61,720
2033			2,275	4.000	2,175	5.000	2,335	5.000	2,030	5.000	2,100	5.000	10,915	50,805
2034					2,285	5.000	2,450	5.000	2,135	5.000	2,205	5.000	9,075	41,730
2035					2,400	5.000	2,575	5.000	2,240	5.000	2,315	5.000	9,530	32,200
2036							2,700	5.000	2,350	5.000	2,430	5.000	7,480	24,720
2037							2,835	5.000	2,470	5.000	2,550	5.000	7,855	16,865
2038									2,595	5.000	2,680	5.000	5,275	11,590
2039									2,720	5.000	2,815	5.000	5,535	6,055
2040											2,955	5.000	2,955	3,100
2041											3,100	5.000	3,100	-
Total	\$ 3,450		\$ 37,210		\$ 33,650		\$ 84,935		\$ 34,545		\$ 40,595		\$ 234,385	

# Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

## Generating System

In thousands, except for interest rates

Maturity Date	Series 2012A		Series 2012B		Series 2016		Series 2018		Series 2020		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		
2021	\$ 3,195	5.000	\$ 1,310	2.673	\$ 1,000	5.000	\$ 2,470	5.000	\$ 2,370	5.000	\$ 10,345	\$ 87,330
2022	2,300	4.000	1,345	2.773	2,095	5.000	2,590	5.000	6,270	5.000	14,600	72,730
2022	1,055	5.000	-	-	-	-	-	-	-	-	1,055	71,675
2023	-	-	1,380	2.973	6,880	5.000	2,720	5.000	5,405	5.000	16,385	55,290
2024	-	-	1,425	3.143	14,870	5.000	2,860	5.000			19,155	36,135
2025	11,265	5.000	1,470	3.293	1,020	5.000	3,000	5.000			16,755	19,380
2026					1,070	5.000	3,150	5.000			4,220	15,160
2027					1,125	5.000					1,125	14,035
2028					1,180	5.000					1,180	12,855
2029					1,240	5.000					1,240	11,615
2030					1,305	5.000					1,305	10,310
2031					1,370	5.000					1,370	8,940
2032					1,435	5.000					1,435	7,505
2033					1,510	5.000					1,510	5,995
2034					1,585	5.000					1,585	4,410
2035					1,665	5.000					1,665	2,745
2036					1,745	5.000					1,745	1,000
2037					1,000	5.000					1,000	-
Total	\$ 17,815		\$ 6,930		\$ 42,095		\$ 16,790		\$ 14,045		\$ 97,675	



# Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

## Water System

In thousands, except for interest rates

Maturity Date	Series 2011		Series 2014		Series 2017		Series 2019		Total	Remaining Bonds Outstanding
	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate		
2021	\$ 795	3.125	\$ 670	5.000	\$ 2,070	5.000	\$ 335	5.000	\$ 3,870	\$ 53,960
2022	815	4.000	705	5.000	2,175	5.000	355	5.000	4,050	49,910
2023	840	4.000	740	5.000	2,290	5.000	375	5.000	4,245	45,665
2024	605	4.000	775	3.500	2,405	5.000	395	5.000	4,180	41,485
2025			805	4.000	2,515	5.000	415	5.000	3,735	37,750
2026			835	4.000	2,645	5.000	435	5.000	3,915	33,835
2027			870	4.000	2,775	5.000	455	5.000	4,100	29,735
2028			905	5.000	2,335	5.000	480	5.000	3,720	26,015
2029			950	5.000	2,455	5.000	500	5.000	3,905	22,110
2030			995	5.000	1,535	5.000	525	5.000	3,055	19,055
2031			1,045	5.000	930	5.000	555	5.000	2,530	16,525
2032			1,100	5.000	980	5.000	580	5.000	2,660	13,865
2033			1,155	5.000	1,025	5.000	610	5.000	2,790	11,075
2034			1,210	5.000	1,080	5.000	640	5.000	2,930	8,145
2035					1,135	5.000	670	5.000	1,805	6,340
2036					1,190	5.000	705	5.000	1,895	4,445
2037					1,250	5.000	740	5.000	1,990	2,455
2038							780	5.000	780	1,675
2039							815	5.000	815	860
2040							860	5.000	860	-
Total	\$ 3,055		\$ 12,760		\$ 30,790		\$ 11,225		\$ 57,830	

## Selected Financial Data and Statistics - Unaudited

Public Utility District No. 1 of Clark County

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenues	\$ 359,562	\$ 374,051	\$ 370,902	\$ 382,722	\$ 374,647	\$ 379,227	\$ 375,782	\$ 373,657	\$ 360,729	\$ 355,779
Operating expenses	340,118	352,844	343,936	344,539	339,617	342,301	346,815	339,662	338,230	333,692
Operating income	19,444	21,207	26,966	38,183	35,030	36,926	28,967	33,995	22,499	22,087
Non-operating revenues (expenses)	(12,803)	(10,964)	(12,054)	(12,699)	(15,701)	(14,553)	(14,006)	(15,409)	(15,856)	(12,871)
Net income (loss)	\$ 6,641	\$ 10,243	\$ 14,912	\$ 25,484	\$ 19,329	\$ 22,373	\$ 14,961	\$ 18,586	\$ 6,643	\$ 9,216

### Electric System Statistics

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Electric energy delivered megawatt hours (in thousands)</b>										
Residential	2,483	2,438	2,365	2,525	2,289	2,270	2,316	2,387	2,317	2,389
Commercial	1,237	1,312	1,310	1,335	1,292	1,287	1,289	1,293	1,270	1,287
Industrial	731	740	765	749	720	724	749	735	741	762
Off-system sales	727	699	796	593	907	1,033	901	851	1,022	405
Miscellaneous	23	25	25	29	28	29	27	26	26	29
Total	5,201	5,214	5,261	5,231	5,236	5,343	5,282	5,292	5,376	4,872

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

Residential	9.25	9.26	9.27	9.17	9.25	9.24	9.21	9.16	9.18	8.86
Commercial	7.46	7.41	7.41	7.37	7.38	7.38	7.38	7.37	7.41	7.30
Industrial	5.57	5.56	5.56	5.57	5.57	5.58	5.58	5.58	5.57	5.51
Miscellaneous	14.20	14.21	14.10	12.15	13.68	13.51	13.59	13.62	13.52	12.20
Average - all classes	8.18	8.14	8.12	8.09	8.07	8.10	7.90	7.79	7.73	7.41

#### Average number of customers

Residential	197,577	193,221	188,131	183,880	180,241	176,605	174,379	171,449	169,569	168,449
Commercial	17,240	16,924	16,527	16,130	15,703	15,449	15,248	15,021	14,776	14,594
Industrial	29	29	29	29	29	29	29	28	25	26
Miscellaneous	1,545	1,530	1,524	1,484	1,448	1,465	1,471	1,441	1,433	1,419
Total - all classes	216,391	211,704	206,211	201,523	197,421	193,548	191,127	187,939	185,803	184,488

#### Average annual kwh used per customer

Residential	12,568	12,615	12,570	13,734	12,698	12,853	13,278	13,923	13,667	14,182
Commercial	71,746	77,518	79,272	82,764	82,263	83,333	84,532	86,087	85,936	88,168
Industrial	25,192,395	25,530,416	26,365,602	25,830,198	24,842,179	24,969,726	25,827,682	26,248,173	29,636,712	29,293,402
Miscellaneous	15,101	15,940	16,687	19,379	19,027	19,570	18,597	18,051	18,531	20,588

## Selected Financial Data and Statistics - Unaudited

Public Utility District No. 1 of Clark County

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenues	\$ 20,991	\$ 19,430	\$ 20,966	\$ 18,685	\$ 17,389	\$ 17,471	\$ 15,697	\$ 14,920	\$ 14,144	\$ 12,471
Operating expenses	16,302	15,606	15,001	14,268	13,324	12,690	11,796	11,008	10,586	10,259
Operating income	4,689	3,824	5,965	4,417	4,065	4,781	3,901	3,912	3,558	2,212
Non-operating revenues (expenses)	(1,868)	(1,507)	(1,484)	(2,375)	(1,964)	(539)	(1,997)	(1,166)	(2,215)	(2,241)
Net income (loss)	\$ 2,821	\$ 2,317	\$ 4,481	\$ 2,042	\$ 2,101	\$ 4,242	\$ 1,904	\$ 2,746	\$ 1,343	\$ (29)

### Water System Statistics

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Cubic feet delivered (in thousands)</b>										
Residential	416,535	390,893	412,919	382,318	357,535	382,190	350,868	335,558	343,113	329,858
Commercial	61,319	66,246	67,174	60,565	56,742	53,478	50,858	48,708	47,828	44,982
Miscellaneous	87,240	76,365	84,273	77,882	72,996	76,807	64,881	61,415	62,053	60,092
Total	565,094	533,504	564,366	520,765	487,273	512,475	466,607	445,681	452,994	434,932

<b>Average revenue per cubic foot (in cents)</b>										
Residential	2.92	2.94	2.90	2.92	2.92	2.87	2.91	2.92	2.85	2.55
Commercial	2.87	2.81	2.83	2.78	2.75	2.74	2.78	2.77	2.75	2.44
Miscellaneous	2.75	2.73	2.73	2.72	2.70	2.70	2.68	2.70	2.64	2.34
Average - all classes	2.89	2.89	2.86	2.87	2.87	2.83	2.86	2.87	2.81	2.51

<b>Average number of customers</b>										
Residential	35,271	34,376	33,373	32,276	31,384	30,673	30,091	29,599	29,248	29,025
Commercial	1,327	1,294	1,253	1,167	1,104	1,076	1,081	1,072	1,069	1,042
Miscellaneous	752	756	758	761	760	753	725	711	696	673
Total - all classes	37,350	36,426	35,384	34,204	33,248	32,502	31,897	31,382	31,013	30,740

<b>Average annual cubic feet used per customer</b>										
Residential	11,810	11,371	12,373	11,845	11,392	12,460	11,660	11,337	11,731	11,365
Commercial	46,209	51,195	53,610	51,898	51,397	49,701	47,047	45,437	44,741	43,169
Miscellaneous	116,010	101,012	111,178	102,342	96,047	102,001	89,491	86,378	89,157	89,290



PO Box 8900  
Vancouver, WA 98668  
360-992-3000  
[mailbox@clarkpud.com](mailto:mailbox@clarkpud.com)  
[clarkpublicutilities.com](http://clarkpublicutilities.com)  
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