

Financial Forecast Update

February 8, 2022



Agenda

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- Forecast Update
- Redistribution of Reserves

Forecast Update

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- Updates include:
 - ▣ Adopted 2022 budget and Capital Plan
 - ▣ Preliminary 2021 results
- Key takeaway
 - ▣ Forecast has stayed relatively the same since September 2021
- ...but keep in mind, we live in a time with lots of uncertainty

Forecast Comparison at 50th Percentile*

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Description		Actual 2020	MTM 2021	50th 2022	50th 2023	50th 2024	50th 2025	50th 2026
Sept 2021	Projected Rate Increase	-	-	-	-	-	-	-
	Unrestricted DCOH	136	127	129	149	147	135	115
	Construction Acct DCOH	26	0	0	0	0	0	0
	Net Income	\$8.7M	\$6.7M	\$13.8M	\$11.6M	\$8.6M	\$6.8M	\$2.7M
	Total Unrestricted Reserves	\$60.1M	\$55.0M	\$50.1M	\$53.6M	\$54.4M	\$51.1M	\$45.2M

Description		Actual 2020	Prelim 2021	50th 2022	50th 2023	50th 2024	50th 2025	50th 2026
Feb 2022	Projected Rate Increase	-	-	-	-	-	-	-
	Unrestricted DCOH	136	141	128	151	152	138	117
	Construction Acct DCOH	26	0	0	0	0	0	0
	Net Income	\$8.7M	\$11.6M	\$11.7M	\$11.6M	\$8.8M	\$6.0M	\$2.3M
	Total Unrestricted Reserves	\$60.1M	\$58.5M	\$51.6M	\$55.5M	\$56.8M	\$52.7M	\$46.4M

*Forecast details located in the Appendix to this presentation



Forecast Comparison 50th Percentile vs 25th Percentile*

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Description		Actual 2020	Prelim 2021	50th 2022	50th 2023	50th 2024	50th 2025	50th 2026
Feb 2022	Projected Rate Increase	-	-	-	-	-	-	-
	Unrestricted DCOH	136	141	128	151	152	138	117
	Construction Acct DCOH	26	0	0	0	0	0	0
	Net Income	\$8.7M	\$11.6M	\$11.7M	\$11.6M	\$8.8M	\$6.0M	\$2.3M
	Total Unrestricted Reserves	\$60.1M	\$58.5M	\$51.6M	\$55.5M	\$56.8M	\$52.7M	\$46.4M

Description		Actual 2020	Prelim 2021	25th 2022	50th 2023	50th 2024	50th 2025	50th 2026
Feb 2022 (2022 NPC 25 th Percentile)	Projected Rate Increase	-	-	-	-	-	-	-
	Unrestricted DCOH	136	141	119	139	140	127	106
	Construction Acct DCOH	26	0	0	0	0	0	0
	Net Income	\$8.7M	\$11.6M	\$7.4M	\$11.6M	\$8.8M	\$5.9M	\$2.3M
	Total Unrestricted Reserves	\$60.1M	\$58.5M	\$47.3M	\$51.2M	\$52.5M	\$48.4M	\$42.0M

*Forecast details located in the Appendix to this presentation



\$12.5M Sensitivity Analysis at 50th Percentile*

\$2.5M per year (2022 – 2026) roughly half the difference between the 50th and 25th percentile or two or three major power events

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Feb 2022	Projected Rate Increase	-	-	-	-	-	-	-
	Unrestricted DCOH	136	141	128	151	152	138	117
	Construction Acct DCOH	26	0	0	0	0	0	0
	Net Income	\$8.7M	\$11.6M	\$11.7M	\$11.6M	\$8.8M	\$6.0M	\$2.3M
	Total Unrestricted Reserves	\$60.1M	\$58.5M	\$51.6M	\$55.5M	\$56.8M	\$52.7M	\$46.4M

Description		Actual 2020	Prelim 2021	50th 2022	50th 2023	50th 2024	50th 2025	50th 2026
Feb 2022 (Additional \$2.5M per year 2022-2026)	Projected Rate Increase	-	-	-	-	-	-	-
	Unrestricted DCOH	136	141	120	135	129	110	84
	Construction Acct DCOH	26	0	0	0	0	0	0
	Net Income	\$8.7M	\$11.6M	\$9.2M	\$9.1M	\$6.3M	\$3.4M	\$(0.2M)
	Total Unrestricted Reserves	\$60.1M	\$58.5M	\$49.1M	\$50.5M	\$49.3M	\$42.7M	\$33.8M

*Forecast details located in the Appendix to this presentation



Summary

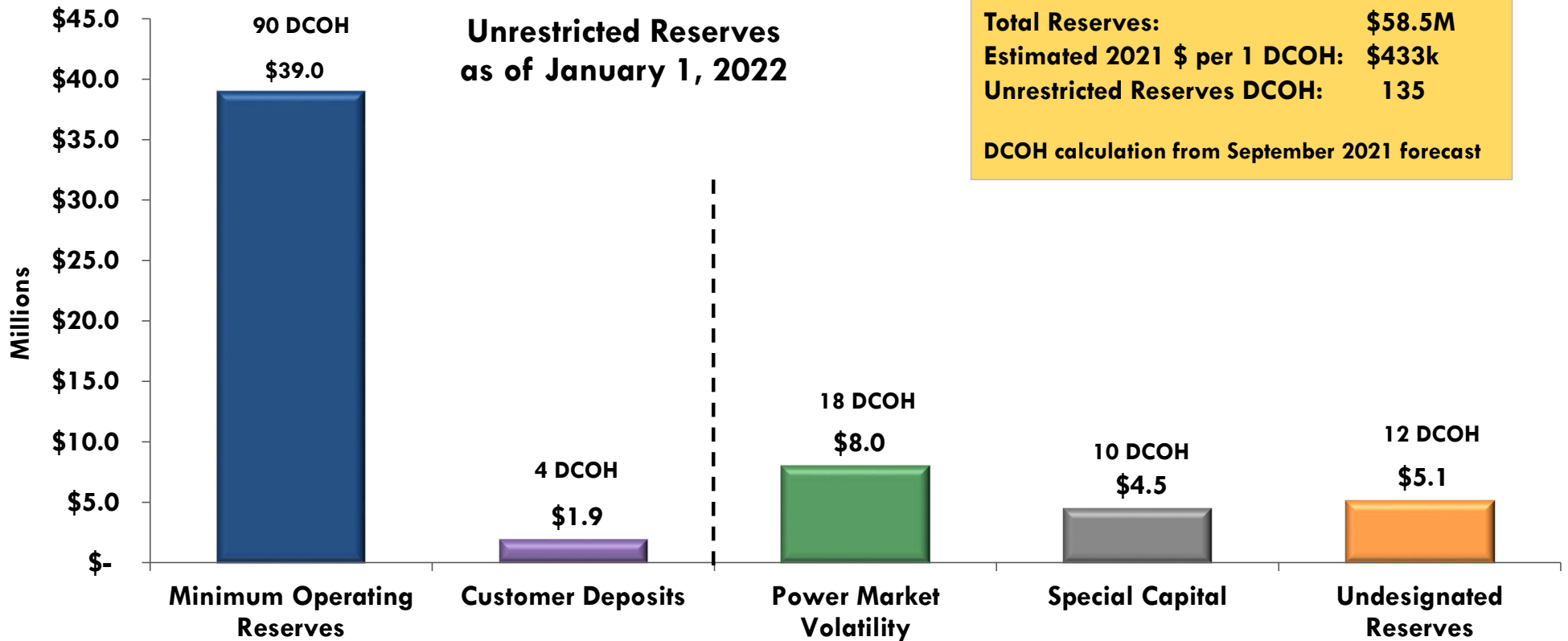
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- Forecast shows good financial position looking forward
 - ▣ Position can handle some volatility in power costs
- Forecast shows possible action needed in 2025/2026
 - ▣ Rate Increase or Bond Issue or both?

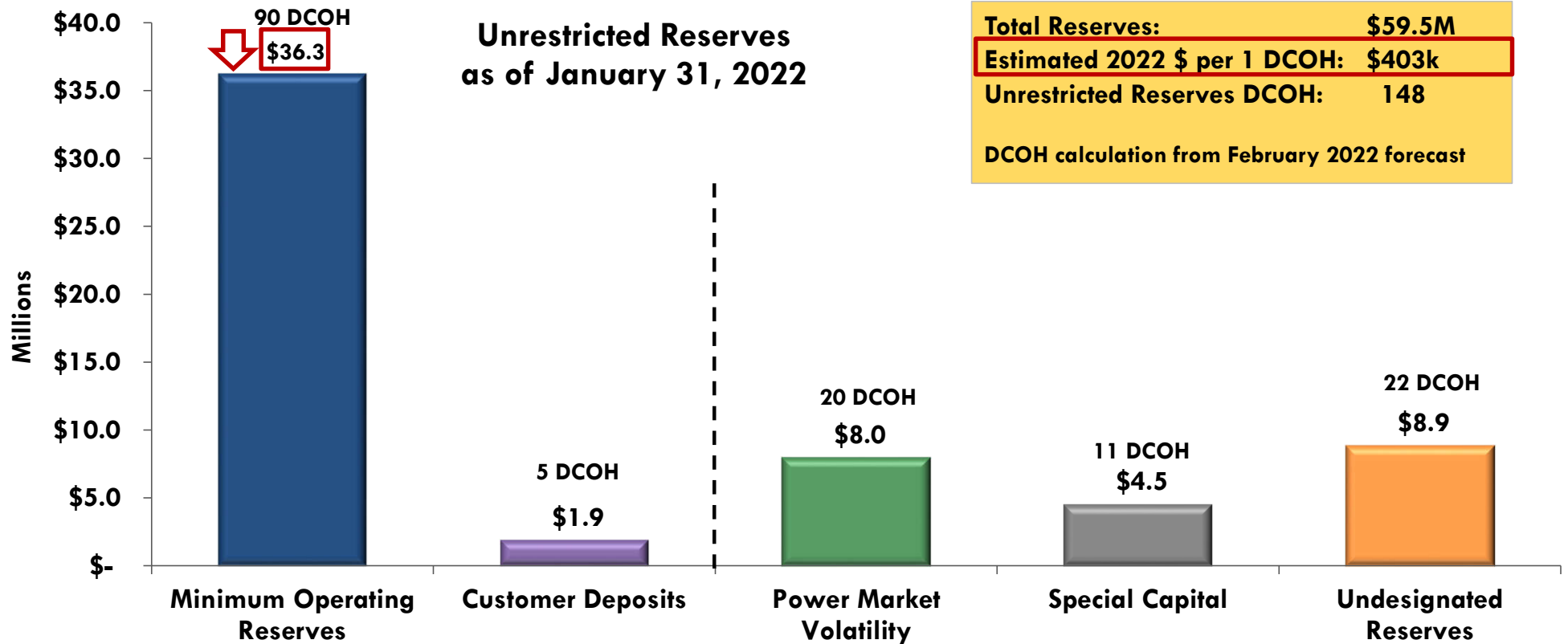
Redistribution of Undesignated Reserves



Unrestricted Reserves



Unrestricted Reserves



Things to Consider Before Redistributing Reserves

STOCHASTIC MODEL RESULTS – NET POWER COST: 2022-2026

Percentile	2022	2023	2024	2025	2026
5%	\$86,555,797	\$87,840,263	\$91,694,043	\$95,381,369	\$99,363,581

Difference between 5th and 25th percentile for power costs range from \$6.2 million to \$7.4 million

25%	\$80,135,128	\$81,299,993	\$85,432,638	\$87,985,205	\$91,984,801
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Varcoe: Power prices surge to \$999 MWh and natural gas climbs as cold snap hits Alberta

Chris Varcoe · Calgary Herald
Jan 14, 2020 · January 14, 2020 · 4 minute read

**How much would this cost the District if this happens in the Pacific Northwest for a week straight in the summer?
While unlikely to happen; \$16.8 million**

2019
Net Power Costs were \$6 million above the budgeted 25th percentile

WEATHER NEWS

February was among Tri-Cities' coldest, wettest, snowiest ever. What's coming in March?

BY ANNETTE CARY

MARCH 01, 2019 03:33 PM, UPDATED MARCH 01, 2019 04:31 PM



More Things to Consider

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Regulatory and Legislative Uncertainty



Future Hydro Output

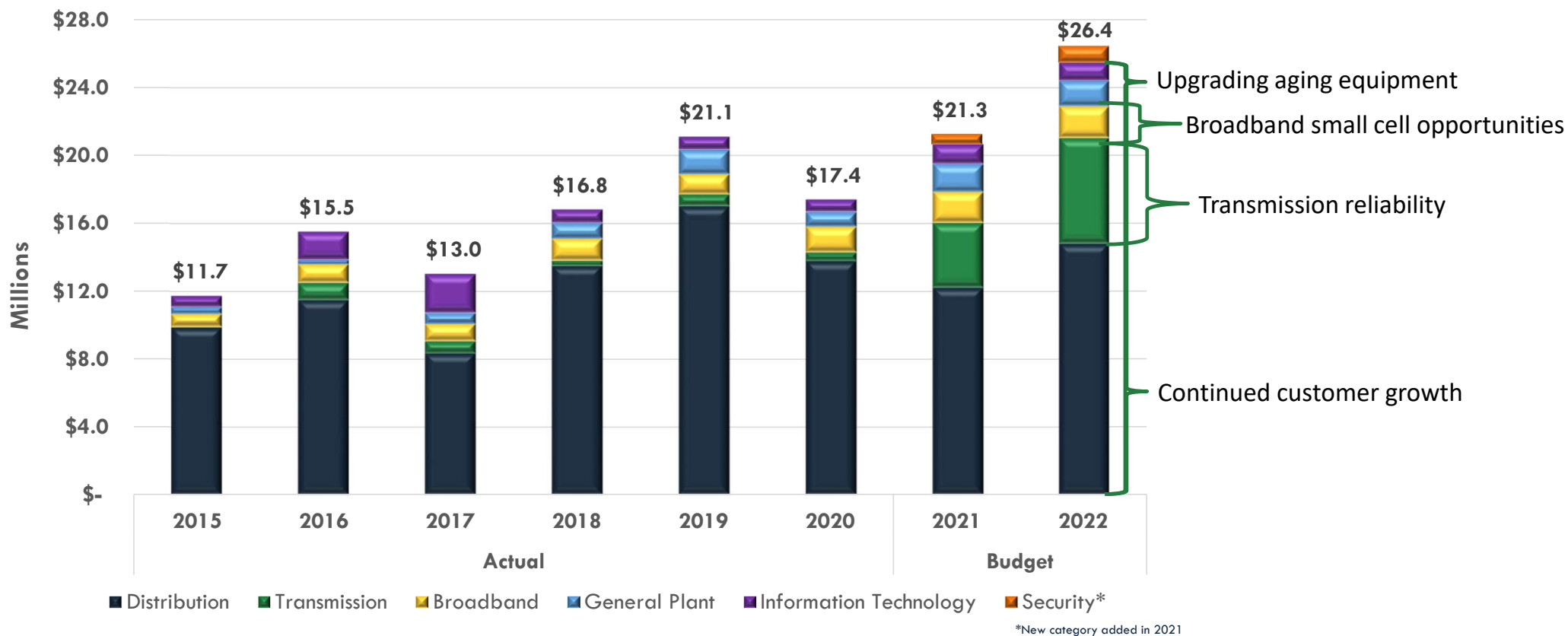


Future Capacity Concerns

2015 - 2022 Gross Capital

Gross Capital Expenditures by Category

Large Capital Plan in 2022



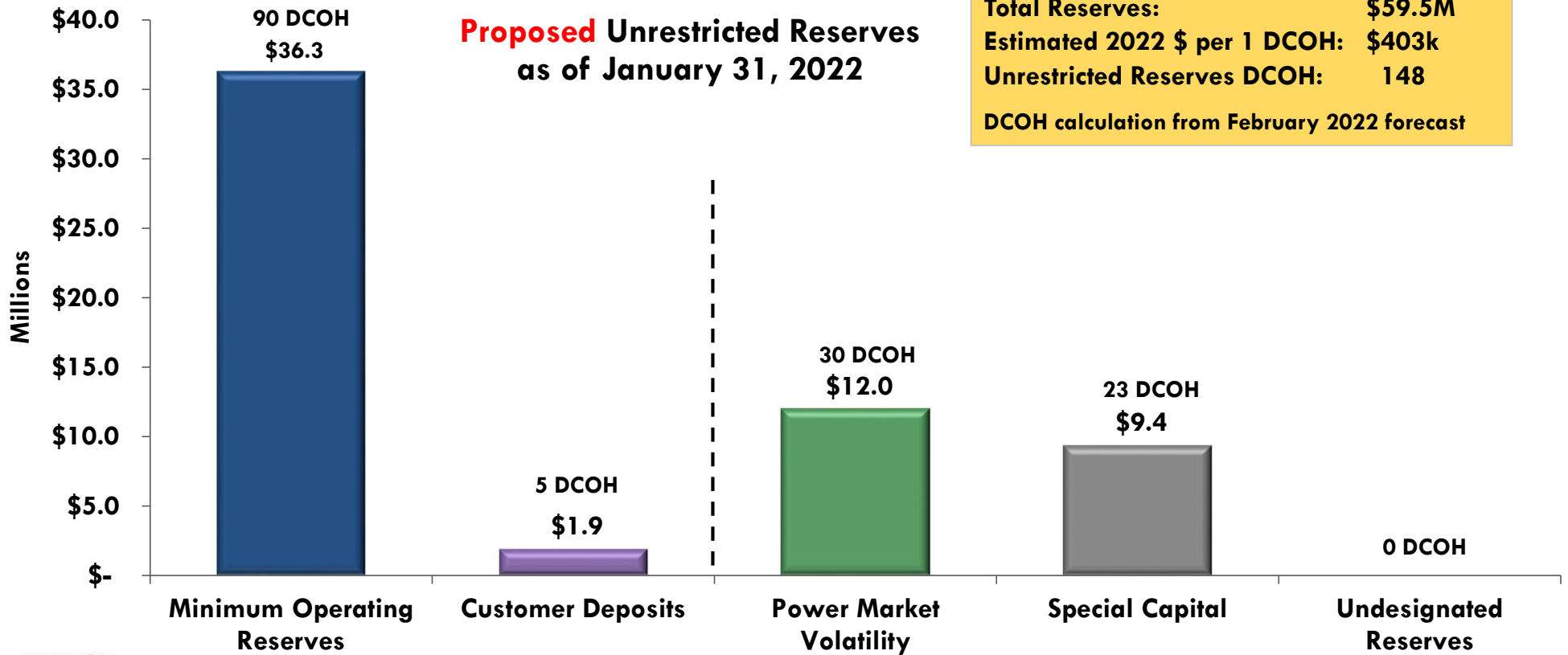
Staff Recommendation

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- Target funding of Power Market Volatility Account (PMVA) to be \$12 million
 - ▣ Roughly twice the amount of an extreme year
 - (e.g. 2019, or 5th v. 25th percentile)
 - ▣ Allows for the District to absorb an extreme year and buys time instead of needing an immediate rate action
- Increase the PMVA to \$12 million
 - ▣ By transferring \$4 million from undesignated reserves
- Transfer balance of current undesignated reserves to the Special Capital Account
 - ▣ Transferring \$4.8 million for a total of \$9.4 million

Proposed Unrestricted Reserves

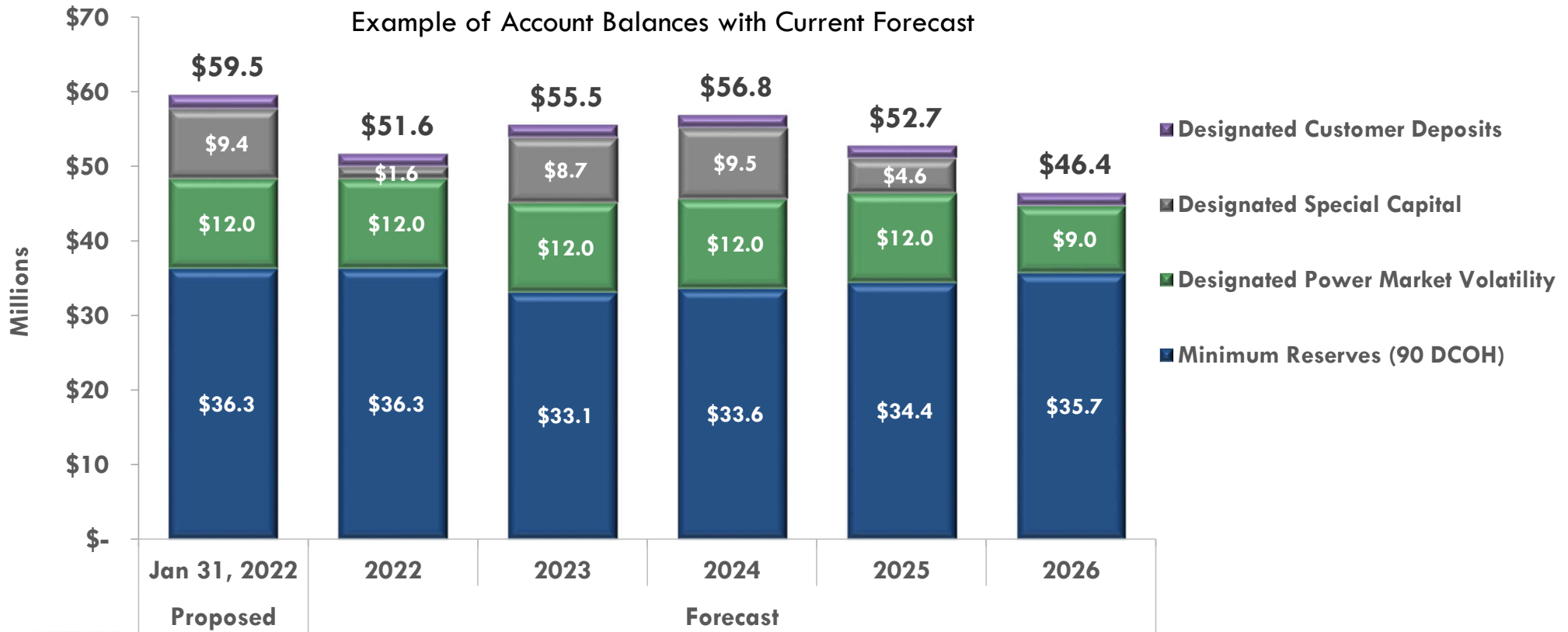
Proposed Unrestricted Reserves as of January 31, 2022



Total Reserves: \$59.5M
Estimated 2022 \$ per 1 DCOH: \$403k
Unrestricted Reserves DCOH: 148
 DCOH calculation from February 2022 forecast

Year End Reserves by Account Type

Example of Account Balances with Current Forecast



Discussion



End of Presentation

Appendix

September Scenario Financial Forecast

2021 MtM NPC + 2022 - 2026 at 50th Percentile NPC

(\$'s in Millions)

	ACTUAL	FORECAST PERIOD					
Assumptions	2020	2021	2022	2023	2024	2025	2026
1 Net Power Cost Percentile		MTM	50 th	50 th	50 th	50 th	50 th
2 Rate Action Effective Date							
3 Revenue Rate Action			Based on current conditions. Subject to legislative and market changes				

- Assumptions:**
- 2021 Capital Plan
 - \$0.5M under run each year 2023-2026
 - 2021 Load Forecast (2021-2030)
 - FRP Surcharge - \$0
 - No BPA CRAC or Spill Surcharge included
 - BP-22 change: (2.9%) power, 4.5% transmission
 - Overall (1.6%) decrease as applied to Benton PUD
 - BPA Future Year Inc: 4.0% power, 6.0% transmission

Metrics	2020	2021	2022	2023	2024	2025	2026
4 Operating Income / (Loss)	\$ 8.2	\$ 5.6	\$ 13.0	\$ 10.7	\$ 7.6	\$ 5.7	\$ 1.4
5 Net Income / (Loss)	✓ \$ 8.7	✓ \$ 6.7	✓ \$ 13.8	✓ \$ 11.6	✓ \$ 8.6	✓ \$ 6.8	✓ \$ 2.7
6 Debt Service Coverage							
7 With Capital Contributions	✓ 3.48	✓ 4.16	✓ 4.63	✓ 4.43	✓ 3.90	✓ 3.57	✓ 3.19
8 Without Capital Contributions	✓ 3.12	✓ 3.69	✓ 4.18	✓ 3.98	✓ 3.43	✓ 3.10	✓ 2.65
9 Fixed Charge Coverage	✓ 1.38	✓ 1.48	✓ 1.59	✓ 1.63	✓ 1.52	✓ 1.45	✓ 1.34
10 Debt per Customer	\$ 1,136	\$ 1,068	\$ 1,000	\$ 934	\$ 868	\$ 801	\$ 743
11 Debt to Capitalization	✓ 30%	✓ 28%	✓ 26%	✓ 23%	✓ 21%	✓ 20%	✓ 19%
12 Forecast Reserves	\$ 60.1	\$ 55.0	\$ 50.1	\$ 53.6	\$ 54.4	\$ 51.1	\$ 45.2
13 Days Cash on Hand (DCOH)	✓ 162	✓ 127	✓ 129	✓ 149	✓ 147	✓ 135	✓ 115
14 Days Liquidity on Hand (+\$10M LOC)	✓ 189	✓ 150	✓ 155	✓ 177	✓ 174	✓ 162	✓ 141
15 % Change in DCOH	60%	-22%	2%	16%	-1%	-8%	-15%
16 Average Residential Bill Comparison	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119
17 Net Margin (Retail Rev - Net Power)	\$ 46.5	\$ 49.0	\$ 55.7	\$ 54.4	\$ 51.8	\$ 50.7	\$ 47.2

Financial Policy Requirements	Fitch 2016 Median A+	Moody's 2014 Median Range
Sufficient over time		
Target > 0		
2.00	N/A	2.94 to 3.49
1.75	2.31	N/A
Benchmark Data	1.40	N/A
No target	\$2,974	N/A
Maximum of 38%	40%	28% to 29%
Staff recommendation:		
120 +/- 10%	140	94 to 147
	186	N/A
Using average rate action. Rate action by class may vary.		

*Financial Forecasts are projections only, District staff will continue to monitor and evaluate the need for future rate increases.

February Scenario Financial Forecast

2021 MtM NPC + 2022 - 2026 at 50th Percentile NPC

(\$'s in Millions)		ACTUAL	FORECAST PERIOD					
Assumptions		2020	2021	2022	2023	2024	2025	2026
1	Net Power Cost Percentile		MTM	50 th	50 th	50 th	50 th	50 th
2	Rate Action Effective Date							
3	Revenue Rate Action			Based on current conditions. Subject to legislative and market changes				
Metrics	2020	2021	2022	2023	2024	2025	2026	
4	Operating Income / (Loss)	\$ 8.2	\$ 11.2	\$ 11.1	\$ 10.8	\$ 7.8	\$ 4.8	\$ 1.0
5	Net Income / (Loss)	✓ \$ 8.7	✓ \$ 11.6	✓ \$ 11.7	✓ \$ 11.6	✓ \$ 8.8	✓ \$ 6.0	✓ \$ 2.3
6	Debt Service Coverage							
7	With Capital Contributions	✓ 3.48	✓ 3.75	✓ 4.37	✓ 4.44	✓ 3.93	✓ 3.42	✓ 3.11
8	Without Capital Contributions	✓ 3.12	✓ 3.39	✓ 3.93	✓ 4.00	✓ 3.48	✓ 2.95	✓ 2.57
9	Fixed Charge Coverage	✓ 1.38	✓ 1.42	✓ 1.55	✓ 1.63	✓ 1.53	✓ 1.43	✓ 1.33
10	Debt per Customer	\$ 1,136	\$ 1,068	\$ 1,000	\$ 934	\$ 868	\$ 801	\$ 743
11	Debt to Capitalization	✓ 30%	✓ 28%	✓ 25%	✓ 23%	✓ 21%	✓ 20%	✓ 18%
12	Forecast Reserves	\$ 60.1	\$ 58.5	\$ 51.6	\$ 55.5	\$ 56.8	\$ 52.7	\$ 46.4
13	Days Cash on Hand (DCOH)	✓ 162	✓ 141	✓ 128	✓ 151	✓ 152	✓ 138	✓ 117
14	Days Liquidity on Hand (+\$10M LOC)	✓ 189	✓ 165	✓ 153	✓ 178	✓ 179	✓ 164	✓ 143
15	% Change in DCOH	60%	-13%	-9%	18%	1%	-9%	-15%
16	Average Residential Bill Comparison	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119
17	Net Margin (Retail Rev - Net Power)	\$ 46.5	\$ 49.1	\$ 53.9	\$ 54.5	\$ 52.3	\$ 50.0	\$ 47.0

Assumptions:

- 2021 Capital Plan
 - \$0.5M under run each year 2023-2026
- 2021 Load Forecast (2021-2030)
- FRP Surcharge - \$0
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No target	\$2,974	N/A
Maximum of 38%	40%	28% to 29%
Staff recommendation:		
120 +/- 10%	140	94 to 147
	186	N/A
Using average rate action. Rate action by class may vary.		

February Scenario Financial Forecast

2021 MtM NPC + 2022 25th Percentile NPC + 2023 - 2026 at 50th Percentile NPC

(\$'s in Millions)

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13 Days Cash on Hand (DCOH)	✓ 162	✓ 141	✓ 119	✓ 139	✓ 140	✓ 127	✗ 106
14 Days Liquidity on Hand (+\$10M LOC)	✓ 189	✓ 165	✓ 145	✓ 166	✓ 167	✓ 153	✗ 132
15 % Change in DCOH	60%	-13%	-16%	17%	1%	-9%	-17%
16 Average Residential Bill Comparison	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119
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Staff recommendation:		
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Sensitivity Analysis #1) \$12.5M Additional Costs Total

2021 MtM NPC + 2022 - 2026 at 50th Percentile NPC + \$2.5M per year

(\$'s in Millions)

Assumptions	ACTUAL	FORECAST PERIOD					
	2020	2021	2022	2023	2024	2025	2026
Net Power Cost Percentile		MTM	50 th	50 th	50 th	50 th	50 th
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Net Income / (Loss)	✓ \$ 8.7	✓ \$ 11.6	✓ \$ 9.2	✓ \$ 9.1	✓ \$ 6.3	✓ \$ 3.4	✗ \$ (0.2)
Debt Service Coverage							
With Capital Contributions	✓ 3.48	✓ 3.75	✓ 3.95	✓ 4.01	✓ 3.50	✓ 2.99	✓ 2.63
Without Capital Contributions	✓ 3.12	✓ 3.39	✓ 3.52	✓ 3.57	✓ 3.05	✓ 2.52	✓ 2.09
Fixed Charge Coverage	✓ 1.38	✓ 1.42	✓ 1.48	✓ 1.56	✓ 1.45	✓ 1.35	✗ 1.25
Debt per Customer	\$ 1,136	\$ 1,068	\$ 1,000	\$ 934	\$ 868	\$ 801	\$ 743
Debt to Capitalization	✓ 30%	✓ 28%	✓ 26%	✓ 24%	✓ 22%	✓ 20%	✓ 19%
Forecast Reserves	\$ 60.1	\$ 58.5	\$ 49.1	\$ 50.5	\$ 49.3	\$ 42.7	\$ 33.8
Days Cash on Hand (DCOH)	✓ 162	✓ 141	✓ 120	✓ 135	✓ 129	✓ 110	✗ 84
Days Liquidity on Hand (+\$10M LOC)	✓ 189	✓ 165	✓ 144	✓ 161	✓ 156	✓ 136	✗ 109
% Change in DCOH	60%	-13%	-15%	13%	-4%	-15%	-24%
Average Residential Bill Comparison	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119	\$ 119
Net Margin (Retail Rev - Net Power)	\$ 46.5	\$ 49.1	\$ 51.4	\$ 52.0	\$ 49.8	\$ 47.5	\$ 44.5

Financial Policy Requirements	Fitch 2016 Median A+	Moody's 2014 Median Range
Sufficient over time		
Target > 0		
	2.00	N/A
	1.75	2.31
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