

**Public Utility District No. 1 of Snohomish County, Washington**  
**Electric System**  
**Customers, Energy Sales, and Peak Demand**  
**Year Ended December 31,**

	2014	2015	2016	2017	2018
Average Number of Customers					
Residential	301,639	305,916	309,761	314,323	318,421
Commercial	30,524	30,793	31,046	31,357	31,712
Industrial	76	74	77	81	80
Other	277	228	225	221	205
Total Customers	<u>332,516</u>	<u>337,011</u>	<u>341,109</u>	<u>345,982</u>	<u>350,418</u>
Retail Energy Sales (MWh)					
Residential	3,502,748	3,491,910	3,368,728	3,642,117	3,566,731
Commercial	2,390,801	2,387,839	2,335,126	2,371,339	2,363,415
Industrial	565,246	567,017	555,919	553,544	528,244
Other	27,314	28,217	25,971	27,137	29,000
Total Retail Energy Sales (MWh)	<u>6,486,109</u>	<u>6,474,983</u>	<u>6,285,744</u>	<u>6,594,137</u>	<u>6,487,390</u>
Energy Losses and Electric System Usage (MWh) <sup>(1) (2)</sup>	210,701	70,539	299,577	266,940	187,173
Wholesale Power Sales (MWh)	<u>2,326,185</u>	<u>1,765,021</u>	<u>2,220,976</u>	<u>2,227,442</u>	<u>2,016,038</u>
Total System Energy Requirements	<u>9,022,995</u>	<u>8,310,543</u>	<u>8,806,297</u>	<u>9,088,519</u>	<u>8,690,601</u>
Peak Demand (MW)	<u>1,465</u>	<u>1,289</u>	<u>1,365</u>	<u>1,448</u>	<u>1,317</u>

- (1) Includes non-revenue MWh used internally by the Electric System, line losses and energy unbilled at the end of the period.
- (2) Beginning in September 2015, the District switched from a bi-monthly to a monthly billing process for all customers. Prior to this, the District billed half of its residential and commercial customers every month. As a result, there were additional megawatt hours billed in September 2015 that resulted in an increase in billed MWh. Since this did not increase the amount of electric purchases needed for customer load, the change decreases the difference between billed retail energy sales (MWh) and total system requirements and results in a reduction in Energy Losses and Electric System Usage.

**Public Utility District No. 1 of Snohomish County, Washington**  
**Electric System**  
**Operating Results**  
**Year Ended December 31,**  
**(\$000's)**

	2014	2015	2016	2017	2018
Operating Revenues					
Sales of Electric Energy					
Residential	\$ 319,720	\$ 326,772	\$ 324,675	\$ 360,906	\$ 362,924
Commercial	190,242	198,569	199,982	205,653	208,405
Industrial	36,289	37,125	37,521	37,762	36,729
Other	3,511	3,677	3,557	3,853	4,185
Sales for Resale	59,257	36,770	37,076	34,947	34,985
Unbilled Revenue <sup>(1)</sup>	(5,000)	(16,800)	8,720	1,500	(1,921)
Total Sales of Electric Energy	604,019	586,113	611,531	644,621	645,307
Other Operating Revenues <sup>(2)</sup>	24,563	21,186	28,100	28,685	36,878
Total Operating Revenues	628,582	607,299	639,631	673,306	682,185
Operating Expenses					
Purchased Power and Generation <sup>(3)</sup>	332,375	320,515	347,494	333,338	333,705
Operations <sup>(4)</sup>	173,035	173,631	185,700	197,709	190,239
Maintenance <sup>(5)</sup>	25,681	34,045	22,995	21,817	30,986
Depreciation	48,336	49,042	51,460	53,191	53,624
Taxes	33,149	35,417	35,448	37,994	38,668
Total Operating Expenses	612,576	612,650	643,097	644,049	647,222
Net Operating Income (Loss)	16,006	(5,351)	(3,466)	29,257	34,963
Interest and Other Income <sup>(6)</sup>	2,313	17,833	12,825	9,279	3,591
Interest Charges					
Interest	16,895	18,609	18,506	18,069	17,639
Other, Net of Capitalized Interest	(2,704)	(5,056)	(4,352)	(4,110)	(3,184)
Total Interest Charges	14,191	13,553	14,154	13,959	14,455
Capital Contributions	18,287	16,512	20,094	22,348	24,651
Net Income	<u>\$ 22,415</u>	<u>\$ 15,441</u>	<u>\$ 15,299</u>	<u>\$ 46,925</u>	<u>\$ 48,750</u>
Net Income Adjustments:					
Non-cash Contributions	\$ (4,531)	\$ (3,162)	\$ (4,601)	\$ (5,010)	\$ (6,598)
Interest Charges	14,191	13,553	14,154	13,959	14,455
Depreciation	48,336	49,042	51,460	53,191	53,624
Pension and OPEB Liability Actuarial Adjustment <sup>(7)(8)</sup>	-	(2,769)	171	(6,889)	(12,964)
Net (Increase) Decrease in the Fair Value of Investments <sup>(9)</sup>	591	434	(156)	456	(1,002)
Hydroelectric Project Termination Charge <sup>(10)</sup>	-	-	-	-	9,637
Tidal Project Termination Charge	6,939	-	-	-	-
Balance available for debt service coverage	<u>\$ 87,941</u>	<u>\$ 72,539</u>	<u>\$ 76,327</u>	<u>\$ 102,632</u>	<u>\$ 105,902</u>
Electric System Bonds Debt Service	<u>\$ 30,643</u>	<u>\$ 29,550</u>	<u>\$ 26,855</u>	<u>\$ 26,854</u>	<u>\$ 26,853</u>
Electric System Bonds Debt Service Coverage	2.9x	2.5x	2.8x	3.8x	3.9x

- (1) Beginning in September 2015, the District switched from a bi-monthly to a monthly billing process for residential and commercial customers. Prior to this, the District billed half of its residential and commercial customers every month. As a result, there was a lower amount of unbilled revenue to be recognized at the end of 2015.
- (2) The District was able to sell \$11 million of excess transmission capacity in 2018, which led to the increase from previous years.
- (3) Purchased Power and Generation increased in 2016 largely as a result of a full year of a 4.60% Bonneville wholesale power price increase effective October 2015. The decrease in 2017 was primarily due to lower costs from the Generation System, primarily the expiration of intersystem debt service costs related to the Cogeneration Project in 2016.
- (4) Operations increased in 2017 primarily due to an increase in the cost of transmission and ancillary costs from Bonneville, an increased volume of distribution system projects, a change to monthly meter reading and an increase in information system costs following the District's enterprise resource planning system implementation.
- (5) Maintenance increased in 2015 due to two major wind storm events that resulted in a combined \$11 million in storm restoration costs. The increase in 2018 was primarily caused by two wind events in December which resulted in combined costs of \$5 million.
- (6) The District experienced two significant wind events in 2015. Both storms were declared major disasters and were eligible for FEMA reimbursement. As a result, the District recorded approximately \$8 million in Interest and Other Income.
- (7) GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires governments providing defined benefit pensions to their employees to recognize the net pension liability for pension benefits in their operating results. The District participates in a multiple-employer plan, known as Washington State Public Employees Retirement System (PERS) and implemented this Statement for the year ended December 31, 2015. These amounts are determined through an actuarial analysis by the State of Washington. The corresponding increase (gain) or decrease (loss) from year to year is reflected in the operating results. The effect of recording the pension adjustment has no impact on District cash flows, so the impact has been removed from the debt service coverage calculation.
- (8) In 2018, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, required governments to recognize net liability related to other post-employment benefits (OPEB). The corresponding increase or decrease from year to year is reflected in the operating results. The effect of recording the OPEB adjustment has no impact on District cash flows, so the impact has been removed from the debt service coverage calculation.
- (9) The District typically holds investments to maturity. Generally Accepted Accounting Principles, however, require certain unrealized gains and losses be recorded as a component of net income. Because the effect of recording the mark-to-market value of these investments has no impact on District cash flows, the impact is removed from the debt service coverage calculation.
- (10) In April 2018, the District's Commissioners decided not to pursue a final application with FERC for the Sunset Falls Hydropower Project. As a result of the project termination, the Electric system recorded a \$9 million charge in Interest and Other Income. The effect of recording the adjustment has no impact on District cash flows, so the impact has been removed from the debt service coverage

**Public Utility District No. 1 of Snohomish County, Washington**  
**Electric System**  
**Energy Resources**  
**Year Ended December 31,**  
**(Megawatt Hours)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Long-Term Energy Purchases					
Bonneville	7,424,006	7,125,483	7,510,740	7,813,671	7,430,870
Jackson Project	519,531	375,376	483,805	453,152	459,517
Cogeneration Project <sup>(1)</sup>	-	-	-	-	-
Renewable Energy Contracts <sup>(2)</sup>	537,398	459,732	479,531	433,872	487,573
Small Hydro Electric Generation Projects <sup>(3)</sup>	23,858	13,972	20,587	18,397	31,335
Other <sup>(4)</sup>	25,143	13,631	18,694	21,285	17,317
Total Long-Term Energy Purchases	<u>8,529,936</u>	<u>7,988,194</u>	<u>8,513,357</u>	<u>8,740,377</u>	<u>8,426,612</u>
Short-Term Energy Purchases <sup>(5)</sup>	<u>493,059</u>	<u>322,349</u>	<u>292,940</u>	<u>348,142</u>	<u>263,989</u>
Total Energy Resources	9,022,995	8,310,543	8,806,297	9,088,519	8,690,601
Wholesale Power Sales <sup>(6)</sup>	<u>(2,326,185)</u>	<u>(1,765,021)</u>	<u>(2,220,976)</u>	<u>(2,227,442)</u>	<u>(2,016,038)</u>
Total Net Energy Resources	<u><u>6,696,810</u></u>	<u><u>6,545,522</u></u>	<u><u>6,585,321</u></u>	<u><u>6,861,077</u></u>	<u><u>6,674,563</u></u>

- (1) Pursuant to an operating agreement between Kimberly-Clark and the District, Kimberly-Clark was required to operate and produce output from the Cogeneration Project through December 31, 2016. Pursuant to a termination agreement, the operating agreement was terminated and Kimberly-Clark ceased producing energy effective September 30, 2011, however, the District has amortized costs related to the terminated project through 2016.
- (2) Renewable Energy Contracts include (i) a landfill gas contract with Public Utility District No. 1 of Klickitat County, Washington ("Klickitat County PUD") that began in November 2008 (the "Klickitat County PUD Landfill Gas Agreement") and ended in October 2015, (ii) a power purchase contract for 10% of the output from the White Creek Wind Project, which became effective in January 2008 (the "White Creek Wind Agreement"), (iii) two power purchase contracts, each for 50% of the output from the Hay Canyon Wind Project, which became effective in March 2009 (together, the "Hay Canyon Wind Agreements"), (iv) a power purchase contract for 100% of the output from the Wheat Field Wind Project, which became effective in April 2009 (the "Wheat Field Wind Agreement"), (v) a power purchase contract for output from the Hampton Lumber Mill Co-Generation Project, which became effective August 2006, and was amended in December 2011 (collectively, the "Hampton Lumber Mill Agreement"), and (vi) a power purchase contract for output from the Qualco Energy Bio-digester Project, which became effective in January 2014 (the "Qualco Energy Agreement").
- (3) Small Hydroelectric Generation Projects include the District-owned and operated Youngs Creek and Woods Creek hydroelectric projects, and the customer-owned 97 kilowatt Ebey Hill project from which the District purchases power under a small power production rate schedule. In 2018, the District brought online the Calligan Creek Project and Hancock Creek Project.
- (4) Other includes a power sales agreement for 20% of the output from the Packwood Hydroelectric Project, which was amended and restated in October 2011 (the "2011 Packwood Agreement").
- (5) Short-Term Energy Purchases represent energy purchases made daily to balance customer demand with power resource availability.
- (6) Wholesale Power Sales include energy sales made daily to balance customer demand with power resource availability.

**Public Utility District No. 1 of Snohomish County, Washington**  
**Electric System**  
**Purchased Power Costs**  
**Year Ended December 31,**  
**(\$000's)**

	2014	2015	2016	2017	2018
<b>Long-Term Energy Purchases:</b>					
Bonneville <sup>(1) (2)</sup>	\$ 213,296	\$ 219,434	\$ 241,253	\$ 241,874	\$ 237,861
Jackson Project	19,285	19,466	22,877	17,993	20,585
Cogeneration Project <sup>(3)</sup>	9,125	7,194	8,975	-	-
Small Hydroelectric Generation Projects <sup>(4)</sup>	2,577	2,470	2,491	2,289	7,164
Other Generation System Costs <sup>(5)</sup>	18,132	18,967	19,531	19,612	14,185
Renewable Energy Contracts <sup>(6)</sup>	40,493	34,192	36,203	32,275	37,341
Other <sup>(7)</sup>	3,860	3,877	3,890	3,907	2,799
<b>Total Long-Term Energy Purchases</b>	<b>306,768</b>	<b>305,600</b>	<b>335,220</b>	<b>317,950</b>	<b>319,935</b>
<b>Short-Term Energy Purchases:</b>					
Market Purchases	21,218	10,587	7,810	10,646	9,314
Other Short-Term Purchases	4,388	4,328	4,464	4,742	4,456
<b>Total Short-Term Energy Purchases</b>	<b>25,606</b>	<b>14,915</b>	<b>12,274</b>	<b>15,388</b>	<b>13,770</b>
<b>Total Purchased Power Costs <sup>(8)</sup></b>	<b>332,374</b>	<b>320,515</b>	<b>347,494</b>	<b>333,338</b>	<b>333,705</b>
Wholesale Power Sales	(59,257)	(36,770)	(37,076)	(34,947)	(34,985)
<b>Net Cost of Energy Purchased</b>	<b>\$ 273,117</b>	<b>\$ 283,745</b>	<b>\$ 310,418</b>	<b>\$ 298,391</b>	<b>\$ 298,720</b>
<b>Total Energy Purchases (MWh)</b>	<b>9,022,995</b>	<b>8,310,543</b>	<b>8,806,297</b>	<b>9,088,519</b>	<b>8,690,601</b>
<b>Less: Wholesale Power Sales (MWh)</b>	<b>(2,326,185)</b>	<b>(1,765,021)</b>	<b>(2,220,976)</b>	<b>(2,227,442)</b>	<b>(2,016,038)</b>
<b>Net Energy Purchase (MWh)</b>	<b>6,696,810</b>	<b>6,545,522</b>	<b>6,585,321</b>	<b>6,861,077</b>	<b>6,674,563</b>
<b>Total Purchased Power (cents/kWh) <sup>(8)</sup></b>	<b>3.7¢</b>	<b>3.9¢</b>	<b>3.9¢</b>	<b>3.7¢</b>	<b>3.8¢</b>
<b>Net Purchased Power (cents/kWh) <sup>(8)</sup></b>	<b>4.1¢</b>	<b>4.3¢</b>	<b>4.7¢</b>	<b>4.3¢</b>	<b>4.5¢</b>

- (1) On October 1, 2011, the District began purchasing power from Bonneville under a new 17-year contract (the "Power Purchase Agreement"), pursuant to which the District could purchase up to 811 average annual megawatts ("aMW") at cost, or the "Tier 1 Rate." The operating capability of the Bonneville federal hydro or Tier 1 system has declined over the past 10 years by about 4%, reducing the District's maximum allowable purchase amount at cost to approximately 775 aMW. During the five-year period presented, expenditures for Bonneville power purchases were reduced by a credit related to Bonneville's readjustment of the level of Residential Exchange benefits provided to investor-owned utilities as a result of a legal challenge and subsequent court decision regarding those benefits. This credit was \$8.6 million in 2014, \$8.7 million in 2015, \$8.7 million in 2016, \$8.7 million in 2017 and \$8.8 million in 2018.
- (2) Purchased Power and Generation increased in 2016 largely as a result of a full year of a 4.60% Bonneville wholesale power price increase effective October 2015.
- (3) Operations at the Cogeneration Project were terminated effective September 30, 2011. Costs incurred after the project termination represent intersystem debt service costs related to the project which were satisfied in 2016.
- (4) Includes costs that are charged to the Electric System from the Woods Creek Project, the Youngs Creek Project which began production in 2012, and non-capitalized costs related to other low impact hydroelectric projects. In 2018, the Calligan Creek Project and Hancock Creek Project came online which added about \$4 million of combined costs.
- (5) Represents debt service on Generation System Bonds that is not directly related to current Generation System projects and other renewable generation costs.
- (6) Includes the White Creek Wind Agreement, the Hay Canyon Wind Agreements, the Wheat Field Wind Agreement, the Klickitat PUD Landfill Gas Agreement (from November 2008 through October 2015), the Hampton Lumber Mill Agreement, and the Qualco Energy Agreement.
- (7) Includes the 2011 Packwood Agreements, and other gas and small power production charges.
- (8) Total Purchased Power (cents/kWh) represents the Total Purchased Power Costs divided by the Total Energy Purchases expressed in kWh. Net Purchased Power (cents/kWh) represents Net Cost of Energy Purchased divided by Net Energy Purchases expressed in kWh. The total and net purchased power costs per kWh vary annually as a result of changes in the District's resource portfolio, the impact of annual precipitation levels on hydroelectric power generation, and the additional power provided by Bonneville under the Power Purchase Agreement.

**Public Utility District No. 1 of Snohomish County, Washington**  
**Generation System Annual Costs**  
**(\$000's)**  
**Year Ended December 31,**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Jackson Project	\$ 19,285	\$ 19,466	\$ 22,877	\$ 17,993	\$ 20,585
Cogeneration Project <sup>(1)</sup>	14,939	14,990	15,012	-	-
Small Hydroelectric Generation Projects <sup>(2)</sup>	<u>2,519</u>	<u>2,412</u>	<u>2,274</u>	<u>2,199</u>	<u>6,222</u>
Net Project Costs <sup>(3)</sup>	36,743	36,868	40,163	20,192	26,807
Other Costs <sup>(4)</sup>	<u>18,190</u>	<u>19,024</u>	<u>19,748</u>	<u>19,702</u>	<u>15,127</u>
Net Annual Costs <sup>(5)</sup>	<u>\$ 54,933</u>	<u>\$ 55,892</u>	<u>\$ 59,911</u>	<u>\$ 39,894</u>	<u>\$ 41,934</u>
Jackson Energy Output (MWh) <sup>(6)</sup>	519,531	375,376	483,805	453,152	459,517
Cogeneration Project Energy Output (MWh)	-	-	-	-	-
Small Hydroelectric Generation Projects (MWh) <sup>(7)</sup>	<u>23,593</u>	<u>13,762</u>	<u>20,313</u>	<u>18,154</u>	<u>31,052</u>
Total Energy Output	<u>543,124</u>	<u>389,138</u>	<u>504,118</u>	<u>471,306</u>	<u>490,569</u>
Net Project Costs (\$/MWh) <sup>(8)</sup>	\$ 68	\$ 95	\$ 80	\$ 43	\$ 55
Net Annual Costs (\$/MWh)	\$ 101	\$ 144	\$ 119	\$ 85	\$ 85

- (1) Operations at the Cogeneration Project terminated effective September 20, 2011. Costs incurred after termination of the Cogeneration Project represent intersystem debt service costs related to the Cogeneration Project, which were satisfied in 2016.
- (2) Small Hydroelectric Generation Projects costs include costs that are charged to the Electric System from the Woods Creek Project and the Youngs Creek Project. In 2018, the Calligan Creek Project and Hancock Creek Project came online which added about \$4 million of combined costs.
- (3) Net Project Costs include operating and maintenance, capital, tax and debt service expenditures associated with the project, net of interest and other income, which are charged to the Electric System.
- (4) Other Costs represents debt service expenditures on Generation System Bonds that are not directly related to current Generation System projects.
- (5) Excludes costs incurred by the Generation System for the research of potential renewable resources which were funded by the District's resource reinvestment reserve through 2017.
- (6) Jackson Project energy output varies annually based on the timing of precipitation received in the Sultan River basin.
- (7) Small Hydroelectric Generation Projects output includes output from the Woods Creek Project and the Youngs Creek Project. In 2018, the District brought online the Calligan Creek Project and Hancock Creek Project.
- (8) Excludes Other Costs (see Note 4 above). Variations in unit costs per MWh are primarily due to the effects of annual precipitation on generation output.

**Public Utility District No. 1 of Snohomish County, Washington**  
**Electric System**  
**Ten Largest Customers**  
**Calendar Year 2018**

The Electric System's ten largest customers in terms of revenues accounted for approximately 11% of total retail kWh energy sales and 9% of retail energy sales revenue in 2018. For 2018, the District's ten largest customers (in alphabetical order) are: The Boeing Company, City of Everett, Fred Meyer Inc. (QFC/Kroger), King County, Providence Medical Center, Safeway Stores, Snohomish County, State of Washington, Tulalip Tribes and U.S. Navy.

**Public Utility District No. 1 of Snohomish County, Washington**  
**Electric System**  
**Ten Largest Customers**  
**Calendar Year 2018**

Rank	Customer Name	Revenue (\\$)	Energy Sales (kWh)	Percentage of Retail kWh Sales
1.	THE BOEING COMPANY	\$ 23,899,133	354,861,244	5.47%
2.	U.S. NAVY	4,120,873	61,119,711	0.94%
3.	TULALIP TRIBES	3,785,003	48,282,812	0.74%
4.	PROVIDENCE MEDICAL CENTER	3,775,227	48,546,333	0.75%
5.	SAFEWAY STORES	3,720,637	46,086,799	0.71%
6.	FRED MEYER INC. (QFC/Kroger)	3,426,681	42,497,555	0.66%
7.	CITY OF EVERETT	3,350,920	38,014,350	0.59%
8.	SNOHOMISH COUNTY	2,881,725	31,539,999	0.49%
9.	STATE OF WASHINGTON	2,503,389	30,344,272	0.47%
10.	KING COUNTY	2,374,615	34,509,824	0.53%
		<u>\$53,838,203</u>	<u>735,802,899</u>	
	Retail Revenue & Retail kWh	\$ 612,242,925	6,487,389,630	
	Percentage of Retail	9%	11%	