

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

	2013	2014	2015	2016	2017
Average Number of Customers					
Residential	297,175	301,639	305,916	309,761	314,323
Commercial	30,280	30,524	30,793	31,046	31,357
Industrial	77	76	74	77	81
Other	339	277	228	225	221
Total Customers	<u>327,871</u>	<u>332,516</u>	<u>337,011</u>	<u>341,109</u>	<u>345,982</u>
Retail Energy Sales (MWh)					
Residential	3,557,593	3,502,748	3,491,910	3,368,728	3,642,117
Commercial	2,390,699	2,390,801	2,387,839	2,335,126	2,371,339
Industrial	569,021	565,246	567,017	555,919	553,544
Other	27,395	27,314	28,217	25,971	27,137
Total Retail Energy Sales (MWh)	<u>6,544,708</u>	<u>6,486,109</u>	<u>6,474,983</u>	<u>6,285,744</u>	<u>6,594,137</u>
Energy Losses and Electric System Usage (MWh) ^{(1) (2)}	282,240	210,701	70,539	299,577	266,940
Wholesale Power Sales (MWh)	<u>1,976,233</u>	<u>2,326,185</u>	<u>1,765,021</u>	<u>2,220,976</u>	<u>2,227,442</u>
Total System Energy Requirements	<u>8,803,181</u>	<u>9,022,995</u>	<u>8,310,543</u>	<u>8,806,297</u>	<u>9,088,519</u>
Peak Demand (MW)	<u>1,444</u>	<u>1,465</u>	<u>1,289</u>	<u>1,365</u>	<u>1,448</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)

	2013	2014	2015	2016	2017
Operating Revenues					
Sales of Electric Energy					
Residential	\$ 311,773	\$ 319,720	\$ 326,772	\$ 324,675	\$ 360,906
Commercial	184,939	190,242	198,569	199,982	205,653
Industrial	35,440	36,289	37,125	37,521	37,762
Other	3,421	3,511	3,677	3,557	3,853
Sales for Resale	48,758	59,257	36,770	37,076	34,947
Unbilled Revenue ⁽¹⁾	3,000	(5,000)	(16,800)	8,720	1,500
Total Sales of Electric Energy	<u>587,331</u>	<u>604,019</u>	<u>586,113</u>	<u>611,531</u>	<u>644,621</u>
Other Operating Revenues	21,672	24,563	21,186	28,100	28,685
Total Operating Revenues	<u>609,003</u>	<u>628,582</u>	<u>607,299</u>	<u>639,631</u>	<u>673,306</u>
Operating Expenses					
Purchased Power and Generation ⁽²⁾	323,572	332,375	320,515	347,494	333,338
Operations ⁽³⁾	159,589	173,035	173,631	185,700	197,709
Maintenance ⁽⁴⁾	23,366	25,681	34,045	22,995	21,817
Depreciation	45,968	48,336	49,042	51,460	53,191
Taxes	32,582	33,149	35,417	35,448	37,994
Total Operating Expenses	<u>585,077</u>	<u>612,576</u>	<u>612,650</u>	<u>643,097</u>	<u>644,049</u>
Net Operating Income (Loss)	23,926	16,006	(5,351)	(3,466)	29,257
Interest and Other Income ⁽⁵⁾	10,269	2,313	17,833	12,825	9,279
Interest Charges					
Interest	17,485	16,895	18,609	18,506	18,069
Other, Net of Capitalized Interest	(1,978)	(2,704)	(5,056)	(4,352)	(4,110)
Total Interest Charges	<u>15,507</u>	<u>14,191</u>	<u>13,553</u>	<u>14,154</u>	<u>13,959</u>
Capital Contributions	14,424	18,287	16,512	20,094	22,348
Net Income	<u>\$ 33,112</u>	<u>\$ 22,415</u>	<u>\$ 15,441</u>	<u>\$ 15,299</u>	<u>\$ 46,925</u>
Net Income Adjustments:					
Non-cash contributions	\$ (2,520)	\$ (4,531)	\$ (3,162)	\$ (4,601)	\$ (5,010)
Interest charges	15,507	14,191	13,553	14,154	13,959
Depreciation	45,968	48,336	49,042	51,460	53,191
Actuarial Adjustment to Pension Liability ⁽⁶⁾	-	-	(2,769)	171	(6,889)
Net (Increase) Decrease in the Fair Value of Investments ⁽⁷⁾	379	591	434	(156)	456
Tidal Project Termination Charge	-	6,939	-	-	-
Balance available for debt service coverage	<u>\$ 92,446</u>	<u>\$ 87,941</u>	<u>\$ 72,539</u>	<u>\$ 76,327</u>	<u>\$ 102,632</u>
Electric System Bonds Debt Service	\$ 30,667	\$ 30,643	\$ 29,550	\$ 26,855	\$ 26,854
Electric System Bonds Debt Service Coverage	3.0x	2.9x	2.5x	2.8x	3.8x

- (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) Purchased Power and Generation increased in 2016 largely as a result of a full year of a 4.60% BPA 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.
- (3) Operations increased in 2017 primarily due to an increase in the cost of transmission and ancillary costs from BPA, an increased volume of distribution system projects, a change to monthly meter reading and an increase in information system costs following the PUD's enterprise resource planning system implementation.
- (4) Maintenance increased in 2015 due to two major wind storm events that resulted in a combined \$11 million in storm restoration costs.
- (5) 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.
- (6) 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 PUD 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.
- (7) 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.

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Long-Term Energy Purchases					
Bonneville	7,421,283	7,424,006	7,125,483	7,510,740	7,813,671
Jackson Project	452,063	519,531	375,376	483,805	453,152
Cogeneration Project ⁽¹⁾	-	-	-	-	-
Renewable Energy Contracts ⁽²⁾	528,244	537,398	459,732	479,531	433,872
Small Hydro Electric Generation Projects ⁽³⁾	20,652	23,858	13,972	20,587	18,397
Other ⁽⁴⁾	18,940	25,143	13,631	18,694	21,285
Total Long-Term Energy Purchases	<u>8,441,182</u>	<u>8,529,936</u>	<u>7,988,194</u>	<u>8,513,357</u>	<u>8,740,377</u>
Short-Term Energy Purchases ⁽⁵⁾	<u>361,999</u>	<u>493,059</u>	<u>322,349</u>	<u>292,940</u>	<u>348,142</u>
Total Energy Resources	8,803,181	9,022,995	8,310,543	8,806,297	9,088,519
Wholesale Power Sales ⁽⁶⁾	<u>(1,976,233)</u>	<u>(2,326,185)</u>	<u>(1,765,021)</u>	<u>(2,220,976)</u>	<u>(2,227,442)</u>
Total Net Energy Resources	<u><u>6,826,948</u></u>	<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>

- (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.
- (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)

	2013	2014	2015	2016	2017
Long-Term Energy Purchases:					
Bonneville ^{(1) (2)}	\$ 210,095	\$ 213,296	\$ 219,434	\$ 241,253	\$ 241,874
Jackson Project	20,676	19,285	19,466	22,877	17,993
Cogeneration Project ⁽³⁾	10,308	9,125	7,194	8,975	-
Small Hydroelectric Generation Projects ⁽⁴⁾	2,479	2,577	2,470	2,491	2,289
Other Generation System Costs ⁽⁵⁾	18,728	18,132	18,967	19,531	19,612
Renewable Energy Contracts ⁽⁶⁾	39,421	40,493	34,192	36,203	32,275
Other ⁽⁷⁾	3,825	3,860	3,877	3,890	3,907
Total Long-Term Energy Purchases	305,532	306,768	305,600	335,220	317,950
Short-Term Energy Purchases:					
Market Purchases	13,671	21,218	10,587	7,810	10,646
Other Short-Term Purchases	4,369	4,388	4,328	4,464	4,742
Total Short-Term Energy Purchases	18,040	25,606	14,915	12,274	15,388
Total Purchased Power Costs ⁽⁸⁾	323,572	332,374	320,515	347,494	333,338
Wholesale Power Sales	(48,758)	(59,257)	(36,770)	(37,076)	(34,947)
Net Cost of Energy Purchased	\$ 274,814	\$ 273,117	\$ 283,745	\$ 310,418	\$ 298,391
Total Energy Purchases (MWh)	8,803,181	9,022,995	8,310,543	8,806,297	9,088,519
Less: Wholesale Power Sales (MWh)	(1,976,233)	(2,326,185)	(1,765,021)	(2,220,976)	(2,227,442)
Net Energy Purchase (MWh)	6,826,948	6,696,810	6,545,522	6,585,321	6,861,077
Total Purchased Power (cents/kWh) ⁽⁸⁾	3.7¢	3.7¢	3.9¢	3.9¢	3.7¢
Net Purchased Power (cents/kWh) ⁽⁸⁾	4.0¢	4.1¢	4.3¢	4.7¢	4.3¢

- (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 may purchase up to 811 average annual megawatts ("aMW") at cost, or the "Tier 1 Rate." The amount of energy the District purchased under the Power Purchase Agreement beginning in October 2011 increased to 786 aMW from 706 aMW purchased under its prior contract with Bonneville. 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 \$8.8 million in 2013, \$8.6 million in 2014, \$8.7 million in 2015, \$8.7 million in 2016 and \$8.7 million in 2017.
- (2) Purchased Power and Generation increased in 2016 largely as a result of a full year of a 4.60% BPA 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.
- (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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Jackson Project	\$ 20,676	\$ 19,285	\$ 19,466	\$ 22,877	\$ 17,993
Cogeneration Project ⁽¹⁾	14,936	14,939	14,990	15,012	-
Small Hydroelectric Generation Projects ⁽²⁾	<u>2,445</u>	<u>2,519</u>	<u>2,412</u>	<u>2,274</u>	<u>2,199</u>
Net Project Costs ⁽³⁾	38,057	36,743	36,868	40,163	20,192
Other Costs ⁽⁴⁾	<u>18,762</u>	<u>18,190</u>	<u>19,024</u>	<u>19,748</u>	<u>19,702</u>
Net Annual Costs ⁽⁵⁾	<u>\$ 56,819</u>	<u>\$ 54,933</u>	<u>\$ 55,892</u>	<u>\$ 59,911</u>	<u>\$ 39,894</u>
Jackson Energy Output (MWh) ⁽⁶⁾	452,063	519,531	375,376	483,805	453,152
Cogeneration Project Energy Output (MWh)	-	-	-	-	-
Small Hydroelectric Generation Projects (MWh)	<u>20,407</u>	<u>23,593</u>	<u>13,762</u>	<u>20,313</u>	<u>18,154</u>
Total Energy Output	<u>472,470</u>	<u>543,124</u>	<u>389,138</u>	<u>504,118</u>	<u>471,306</u>
Net Project Costs (\$/MWh) ⁽⁷⁾	\$ 81	\$ 68	\$ 95	\$ 80	\$ 43
Net Annual Costs (\$/MWh)	\$ 120	\$ 101	\$ 144	\$ 119	\$ 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.
- (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) 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 2017

The Electric System's ten largest customers in terms of revenues accounted for approximately 11% of total retail kWh energy sales and 8% of retail energy sales revenue in 2017. For 2017, the District's ten largest customers (in alphabetical order) are: The Boeing Company, Safeway Stores, Fred Meyer Inc. (QFC/Kroger), City of Everett, Providence Medical Center, Tulalip Tribes, U.S. Navy, Snohomish County, State of Washington and Frontier Communications Corp.

Public Utility District No. 1 of Snohomish County, Washington
Electric System
Ten Largest Customers
Calendar Year 2017

Rank	Customer Name	Revenue (\$)	Energy Sales (kWh)	Percentage of Retail kWh Sales
1.	THE BOEING COMPANY	\$ 22,324,589	337,267,602	5.11%
2.	SAFEWAY STORES	3,799,800	47,893,402	0.73%
3.	FRED MEYER INC. (QFC/Kroger)	3,658,212	46,109,030	0.70%
4.	CITY OF EVERETT	3,509,863	40,993,263	0.62%
5.	PROVIDENCE MEDICAL CENTER	3,497,848	45,412,560	0.69%
6.	TULALIP TRIBES	3,494,737	45,261,674	0.69%
7.	U.S. NAVY	3,100,946	46,780,340	0.71%
8.	SNOHOMISH COUNTY	2,841,696	31,891,439	0.48%
9.	STATE OF WASHINGTON	2,515,807	31,001,576	0.47%
10.	FRONTIER COMMUNICATIONS CORP.	2,277,719	27,826,043	0.42%
		<u>\$51,021,217</u>	<u>700,436,929</u>	
	Retail Revenue & Retail kWh	\$ 608,174,019	6,594,136,182	
	Percentage of Retail	8%	11%	