2025 ANNUAL REPORT

Public Utility District No. 1 of Pend Oreille County

MISSION

QUALITY SERVICE AT LOW COST

VISION

A resilient, community-focused utility that delivers safe, reliable, affordable, and innovative services while fostering trust, transparency, and long-term sustainability.

ABOUT PUBLIC UTILITY DISTRICT NO. 1 of PEND OREILLE COUNTY

Pend Oreille Public Utility District was established in 1936 and began operations in 1948. The PUD is governed by three locally elected Commissioners each serving six-year terms. Commissioners represent their respective districts and are responsible for making policy decisions for the utility. A General Manager and staff operate the utility within policies set by the Board.

The PUD has four operating systems: the electric system distributes electricity to the county, the production system produces power from the Box Canyon Hydroelectric Project, the water system consists of nine individual water distribution subdivisions, and the community network system provides wholesale broadband communication services.

CORE VALUES

Safety
Share a commitment to protecting the safety and health of our employees, customers, and contractors in order to ensure a reliable workforce.

Community
Help and improve the communities where we live and work through collaboration and volunteering.

Customer Focus
Respect our customers, listen to their requests and understand their needs. Strive to exceed expectations with regard to reliable service and affordable cost.

Teamwork
Value diversity and work together to unite the District and its departments to better serve the community.

Integrity
Be guided by what is ethical and right and fulfill all commitments as a responsible steward of public assets. Foster open and honest communications, listen, and understand other perspectives.

Decisiveness
Make timely choices and necessary changes based on the best interests of the District and its customers.

TABLE of CONTENTS

MESSAGE FROM THE GENERAL MANAGER

As I reflect on my first year serving as General Manager of Pend Oreille PUD, I'm reminded just how connected this organization is to the community we serve. This PUD has been part of my life from the beginning, growing up in Newport, starting my career here as a lineman in 1994, and later serving in operations leadership. That experience continues to shape how I approach this role today, with a strong sense of responsibility to our employees, our customers, and the future of this county.

Over the past year, we've built on a strong foundation while taking important steps forward. In 2025, we finalized a comprehensive Strategic Plan that will guide the PUD through 2030 and beyond. Alongside that, our Board approved a budget focused on the fundamentals, safety, reliability, affordability, and responsible stewardship of the systems our community depends on every day, from electric service to water systems, our fiber system, and power generation at Box Canyon.

We've continued investing in the infrastructure that keeps the lights on, the water flowing, and our community connected. That means replacing aging equipment, strengthening the system, and making sure our crews have the tools and training they need to work safely across all areas of the PUD. It also means adapting to new challenges. In 2025, we implemented an elevated Fire Safe Mode during high-risk conditions for the first time. This is something we do out of an abundance of caution. It can lead to longer outages in certain situations, but it's part of balancing reliability with the very real need to reduce wildfire risk and protect the communities we serve. These decisions are not taken lightly, but safety has to come first.

Speaking of safety, it remains at the center of everything we do. As a former lineman, I understand the risks our crews face in the field, and I'm proud of the culture our team has built, one that looks out for each other and for the community. At the end of the day, the goal is simple: everyone goes home safe.

At the same time, we continue to navigate real challenges. Like utilities across the country, we're seeing rising costs driven by inflation, increasing regulatory requirements, and the ongoing need to modernize infrastructure. These pressures require careful planning and disciplined financial management to make sure we continue delivering the level of service our customers expect while keeping rates as low and predictable as possible across all of our services.

One of our biggest strengths in meeting those challenges is the value of Public Power. Local control means decisions are made here, by people who live and work in this community. It means every dollar collected is reinvested back into the system, whether that's maintaining electric reliability, supporting our water systems, expanding broadband through the Community Network, or ensuring continued generation at Box Canyon. And it means we're directly accountable to the people we serve. That connection matters, and it's something we work hard to protect.

Looking ahead, our focus remains clear. We'll continue strengthening system reliability, advancing wildfire mitigation efforts, and making smart, steady investments that support long-term stability across all of our services. We'll also keep looking for ways to improve and adapt as the needs of our customers continue to evolve.

Just as important, we'll keep listening. The conversations we've had over the past year, at public meetings, community events, and in everyday interactions, help guide our decisions and keep us grounded in what matters most.

I want to thank our employees for the work they do every day across the PUD, our Board of Commissioners for their leadership, and our customers for the trust they place in us. Many of us are proud to call this community home, and that connection drives everything we do.

Pend Oreille PUD is more than a utility. It's a partner in this community, and I'm confident that together, we'll continue building a strong and resilient future for the people we serve.

Chris Jones

General Manager
Pend Oreille PUD

Board of Commissioners

Curtis J. Knapp
President
Served since 2002

David W. Rick
Vice President
Served since 2023

Troy J. Moody
Secretary
Served since 2025

Public Utility Districts are special because they are governed by locally elected commissioners, giving the community and ratepayers direct local control. Our PUD is led by three commissioners who serve six-year, staggered terms. They set policy, provide oversight, and make decisions guided by the needs and priorities of the people we serve.

Board meetings are held twice a month, every other Tuesday, at the PUD's Newport headquarters. When a month includes a fifth Tuesday, that meeting is held at Box Canyon Dam.

Customers are encouraged to attend board meetings, participate, and share comments. Commissioner contact information and meeting details can be found on our website, popud.org, or by calling the PUD at 509-447-3137.

Financial Strength & Responsibility

In 2025, Pend Oreille PUD stayed on solid financial footing, investing in infrastructure while maintaining stable rates for customers.

Key Financial Highlights

- Operating Revenues $80,969,211
- Cash from Operating Activities $15,954,426
- Capital Investment $8,207,097
- Debt & Interest Payments $10,852,130
- Net Utility Plant $240,871,491

Credit Rating Success

- June 2025 – Fitch affirmed PUD's rating at 'A' (Stable Outlook)
- February 2026 – Moody's upgraded rating from A3 to A2

These ratings reflect strong financial management, stable revenues, and prudent long-term planning.

Energy Resources & Power Supply

The PUD continued to deliver reliable, affordable power by carefully planning and managing energy use to keep costs down for customers.

Power Supply

- 1.2 million MWh of power purchased for our customers
- $330,000 in cost savings through daily strategic planning

Energy Efficiency

Residential Programs

- 77 ductless heat pumps, 204 smart thermostats, and 634 efficiency kits

Commercial & Industrial

- 25+ custom efficiency projects

Results

- 2,208 MWh saved
- $250,000 in customer incentives

Operations & Field Services

Our crews worked hard year-round to strengthen reliability, improve safety, and respond to system challenges.

Key Highlights

System Improvements

- Three major overhead-to-underground projects
  - 10,745 feet undergrounded
- Continued vegetation management:
  - 3,299 trees removed
  - 1,156 trees trimmed

Storm Response

- Rapid and effective response to December 2025 storm event
- 4,700 customers affected throughout the storm duration

Fiber & Broadband Expansion

Pend Oreille PUD continues to expand high-speed internet access across the county.

2025 Highlights

- 296 new fiber customers
- 5 new wireless customers
- Installed and connected new fiber network equipment
- Completed system upgrades with zero downtime

POWER PRODUCTION

The PUD continued to maintain the strong generation of clean and renewable hydropower by operating our resources efficiently and investing in improvements that keep our production reliable and cost-effective.

KEY PRODUCTION HIGHLIGHTS

Box Canyon Dam

- Gross Generation: 461,939 MWh
- Net Generation, including backwater: 466,706 MWh
- Peak Output: 83.2 MW (Dec. 15, 2025)

Upgrades & Maintenance

- Fish ladder gate replacement
- Dam safety inspections
- Underwater & sonar inspections
- Spillway gate and crane maintenance

Calispell Power Project

- Gross: 2,901 MWh | Net: 2,899 MWh
- Completed 5-year dam safety inspection

Sullivan Lake Dam

- Dam safety inspection
- Seismic and foundation analysis for future safety benefits

NATURAL RESOURCES & ENVIRONMENTAL STEWARDSHIP

Pend Oreille PUD continues to lead in environmental responsibility and habitat restoration.

Wildlife Monitoring

- 53 eaglets recorded from 31 nests (record high)
- Nearly triple since monitoring began in 2008
- Increased populations of osprey, heron, and cormorants

Habitat Restoration

- Stabilized 2,500+ feet of shoreline
- Improved water quality and erosion control
- Partnered with public and private landowners

Fish Passage

- 3,510 fish passed upstream
- 17 species recorded
- Equal to all fish passage from 2021–2024 combined

COMMUNITY WATER SYSTEMS

System Improvements

- 4 new connections
- 36 AMR meter upgrades
- Water loss reduced from 21.8% to 9.6%
  - Saving 3.8 million gallons annually

Compliance & Reliability

- 100% water quality compliance
- Two successful DOH sanitary surveys (no major findings)

Infrastructure Projects

- Metaline Falls emergency repair (Oct. 2024)
  - Major break: 3,000 gallons per minute
  - Service restored same day
  - 2,250 feet of pipe replaced after break
  - Completed June 2025
  - Cost: $1.16 million

Aquatic Management

- Continued Milfoil Program
- PFAS monitoring and lead pipe inventory

ENGINEERING & SYSTEM PLANNING

Strategic investments and planning efforts are improving long-term reliability, safety and resilience.

Major Initiatives

System Improvements

- Implementing a coordinated wildfire management program
- Moving forward on the Bare Mountain Substation project
- Standardizing system protection practices
- Transitioning to automated staking for line design
- Restarting the pole test and treat program

These efforts help support future growth, reduce risk, and improve consistency across the system.

CUSTOMER SERVICE

The PUD strengthened customer service by improving communication tools, supporting frontline staff, and making it easier for customers to access information and get assistance quickly. One significant accomplishment was the completion of the Advanced Metering Infrastructure (AMI) meter replacement project, replacing more than 10,000 meters to improve billing accuracy, system reliability, safety and overall customer service efficiency.

Key Customer Service Highlights

Customer Support

- 17,585 calls handled
- 1,727 service applications processed
- 179 line extension applications

Programs

- 117 customers assisted through Neighbors in Need

Workforce, Safety & Administration

The PUD continued to prioritize workplace safety through the completion of an Accident Prevention Program, ongoing training, regular safety checks, and a culture that puts employee well-being first, while also improving administrative processes to keep operations running smoothly and secure.

Human Resources

- 33 new hires
- Implemented HSI safety program
- Conducted 45 safety meetings
- Completed Accident Prevention Plan
- Achieved entire year of 2025 without reportable injury

Information Technology

- Replaced door access system for better security for staff and customers
- Supported AMI metering project
- Deployed iPads and phones to field crews
- Connected reclosers to SCADA system for better system monitoring

Community Engagement

In 2025, Pend Oreille PUD stayed connected by showing up and being part of the community. Our team took part in local events, fairs, town halls, and school programs, giving customers a chance to ask questions and learn more about their public utility.

This year also marked the first-ever Pops, Brats & Kilowatts during Public Power Week, bringing neighbors together for food, conversation, and a little energy education.

Report of Independent Auditors

The Board of Commissioners
Public Utility District No. 1 of Pend Oreille County
Newport, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Public Utility District No. 1 of Pend Oreille County, Washington (the "District"), which comprise the District's combined statements of net position as of December 31, 2025 and 2024, the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years ended December 31, 2025 and 2024, the individual statements of net position of the Electric, Box Canyon Production, Water, and Community Network Systems as of December 31, 2025, and the related individual statements of revenues, expenses, and changes in net position and cash flows for the Electric, Box Canyon Production, Water, and Community Network Systems for the year ended December 31, 2025, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the combined financial position of the District as of December 31, 2025 and 2024, and the individual financial positions of the Electric, Box Canyon Production, Water, and Community Network Systems as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, schedule of proportionate share of net pension liability (asset), and schedule of employer contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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

Management is responsible for the other information included in the annual report. The other information comprises the schedules of Electric System – revenue, customer, and energy statistics, Electric System – senior lien parity debt service coverage, Box Canyon Production System – senior lien parity debt service coverage, and Community Network System – senior lien parity debt service coverage but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Everett, Washington
March 23, 2026

The financial management of Public Utility District No. 1 of Pend Oreille County, Washington (the District) presents this overview and summary analysis of the District's financial activities of the District for the years ended December 31, 2025, 2024, and 2023. This discussion and analysis should be read in conjunction with the financial statements and notes, which follow this section.

Overview of the Financial Statements

The financial section of the annual report includes the report of independent auditors, management's discussion and analysis, basic financial statements with accompanying notes, and required supplementary information (unaudited).

The financial statements of the District report the self-supporting, proprietary activities of the District funded primarily by the sale of power, water, and telecommunication services. The District reports its business-type activities in a manner similar to private-sector business enterprises, using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

The District's proprietary reporting entity consists of four primary component units, or operating systems (Systems). The Electric System distributes electricity to residential and other consumers in Pend Oreille County. The Box Canyon Production System produces hydroelectric power from the Box Canyon Hydroelectric Project. The Water System consists of nine individual water distribution subdivisions. The Community Network System supplies wholesale broadband communication services. The financial statements are reported in a combined format, meaning that each of the primary component units is reported in a columnar approach, which are combined into a District-wide total.

The combined statements of net position present information on the District's assets, liabilities, deferred outflows and inflows of resources, and net position (equity) of the District at year end. The net position section is separated into three categories: net investment in capital assets, net position – restricted, and net position – unrestricted.

The combined statements of revenues, expenses, and changes in net position report revenues and expenses, as well as change in net position for the period. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction.

The combined statements of cash flows provide information concerning cash receipts and disbursements during the reporting period resulting from operational, financing, and investing activities.

The notes to the combined financial statements provide additional information that is essential to a full understanding of the financial statements, as described above, and are an integral part thereof.

Financial Analysis

During 2025, the District produced a positive change in net position of $9.8 million, ending the year with a net position of $214.2 million. Favorable interest rates continued to bolster the District's cash reserves, earning $3.6 million in interest income during the year. Interest is allocated across Systems based on fund balances.

Combined Statements of Net Position as of December 31	2025	2024	2023
Assets and Deferred Outflows of Resources			
Current assets	$ 106,615,347	$ 110,722,951	$ 110,407,559
Other assets	47,950,245	45,441,186	44,437,472
Net utility plant	240,871,491	244,181,673	244,452,086
Total assets	395,437,083	400,345,810	399,297,117
Deferred outflows of resources	3,916,667	3,588,657	2,868,344
Total assets and deferred outflows of resources	$ 399,353,750	$ 403,934,467	$ 402,165,461
Liabilities and Deferred Inflows of Resources			
Current liabilities	$ 18,749,753	$ 24,446,645	$ 25,718,309
Other liabilities	41,854,484	44,239,944	49,695,277
Long-term debt	121,865,809	128,121,357	133,962,931
Total liabilities	182,470,046	196,807,946	209,376,517
Deferred inflows of resources	2,705,767	2,773,784	2,374,014
Total liabilities and deferred inflows of resources	$ 185,175,813	$ 199,581,730	$ 211,750,531
Net position			
Net investment in capital assets	$ 118,062,049	$ 115,551,983	$ 109,903,255
Restricted	32,230,758	30,799,588	30,022,616
Unrestricted	63,885,130	58,001,166	50,489,059
Total net position	$ 214,177,937	$ 204,352,737	$ 190,414,930

Combined Statements of Revenues, Expenses, and Changes in Net Position for the Year Ended December 31	2025	2024	2023
Operating Revenues			
Sales to retail customers	$ 48,792,362	$ 48,246,782	$ 59,180,158
Sales to other utilities	28,106,995	29,493,081	35,880,650
Other	4,069,854	5,738,667	2,701,831
Total operating revenues	$ 80,969,211	$ 83,478,530	$ 97,762,639
Operating Expenses			
Power costs	$ 32,363,545	$ 32,593,660	$ 44,191,021
Operations, maintenance, and administrative	25,055,702	23,145,053	20,952,358
Taxes and depreciation	13,775,903	13,739,113	14,496,296
Total operating expenses	$ 71,195,150	$ 69,477,826	$ 79,639,675
Nonoperating Revenues (Expenses)			
Interest income	$ 3,630,358	$ 4,260,629	$ 3,596,115
Interest expense, net of subsidies	(4,906,214)	(5,060,445)	(5,203,273)
Other	1,326,995	736,919	1,159,636
Total nonoperating revenues (expenses)	$ 51,139	$ (62,897)	$ (447,522)
Change in Net Position	$ 9,825,200	$ 13,937,807	$ 17,675,442

Profile

Pend Oreille County (the County) is located in the northeast corner of Washington State, bordered by Canada to the north and the state of Idaho to the east. The Pend Oreille River, the second largest river in Washington, flows through the County, providing water for the Box Canyon and Boundary hydroelectric projects. The majority of the County's land consists of private timber holdings, the Kalispel Indian Reservation, and the Colville National Forest. Historically, the region's economy has relied heavily on forestry and mineral resources, with agriculture, timber, and outdoor recreation remaining the predominant land uses today. The City of Newport serves as the County seat and is the largest city in the County. Other incorporated communities include Cusick, Ione, Metaline and Metaline Falls.

Electric System

Electric System Financial Data as of December 31	2025	2024	2023
Current assets	67,873,599	73,721,435	73,611,608
Noncurrent assets	14,578,508	10,156,810	7,431,027
Net utility plant	70,655,224	68,869,279	64,508,535
Total assets	$ 153,107,331	$ 152,747,524	$ 145,551,170
Total deferred outflows of resources	$ 1,961,371	$ 1,709,441	$ 1,213,340
Current liabilities	8,372,086	14,221,026	15,069,771
Noncurrent liabilities	11,395,697	11,574,711	15,001,107
Long-term debt	4,543,416	5,396,102	6,248,045
Total liabilities	$ 24,311,199	$ 31,191,839	$ 36,318,923
Total deferred inflows of resources	$ 875,027	$ 907,851	$ 828,335
Total net position	$ 129,882,476	$ 122,357,275	$ 109,617,252

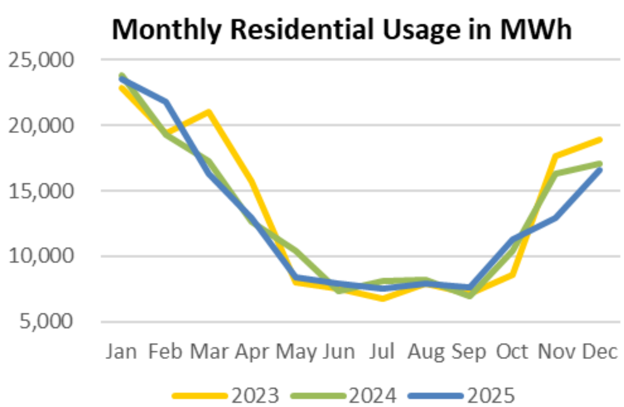
for the Year Ended December 31,	2025	2024	2023
Sales to retail customers	45,415,000	44,853,880	55,870,795
Sales to other utilities	28,106,995	29,493,081	35,880,650
Other	4,336,997	5,644,942	2,813,583
Total operating revenues	$ 77,858,992	$ 79,991,903	$ 94,565,028
Power costs	53,440,567	51,779,119	63,790,542
Operations and administration	12,504,920	11,685,715	9,808,210
Taxes and depreciation	6,629,022	6,571,243	7,003,787
Total operating expenses	$ 72,574,509	$ 70,036,077	$ 80,602,539
Interest income	2,136,284	2,548,750	2,032,340
Interest expense	(128,372)	(145,615)	(162,224)
Other	232,806	381,062	412,526
Total nonoperating revenues	$ 2,240,718	$ 2,784,197	$ 2,282,642
Change in net position	$ 7,525,201	$ 12,740,023	$ 16,245,131

The District is the sole electric utility serving Pend Oreille County, providing power to approximately 10,100 meters. District-owned generation resources include Box Canyon Dam and the Calispel Powerhouse, and the District maintains long-term power purchase agreements with Bonneville Power Administration, Seattle

City Light, Shell Energy North America (US), L.P., and Clark Public Utilities. Avista Corporation serves as the District's balancing authority.

Residential Energy Statistics	2025	2024	2023
Customer growth	1.02%	1.04%	1.27%
Energy rate (cents per kWh)	6.60¢	6.23¢	6.23¢
Monthly system access charge	$35.50	$35.50	$35.50
Average monthly usage (kWh)	1,404	1,428	1,472

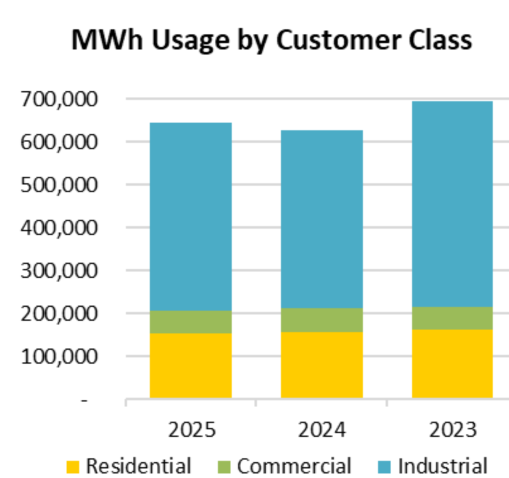
Total energy consumption for residential and commercial electric customers reached 207,628 megawatt hours (MWh) in 2025, a slight decline from 211,295 MWh in 2024 and 214,851 MWh in 2023. As a winter-peaking utility, the District's electric load is highly influenced by fluctuations in winter temperatures. In January 2024, the region experienced an extreme cold snap with consecutive days of sub-zero temperatures. The District successfully managed this event through demand-response measures in partnership with its largest customer. Aside from this January anomaly, weather conditions in 2024 were relatively mild, similar to those in 2025 and 2023.



Total residential revenue in 2025 was $13.9 million, slightly higher than $13.5 million in 2024 and $13.6 million in 2023. The District's most recent electric rate adjustment was a 4.25% increase, effective April 1, 2025. The average blended residential charge per kilowatt hour (kWh), inclusive of the monthly access fixed charge, was 8.94 cents per kWh in 2025, up slightly from 8.63 cents in 2024 and 8.52 cents in 2023.

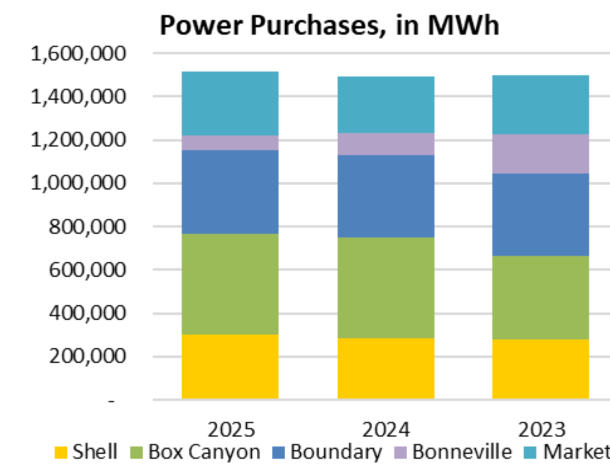
Merkle Standard Infrastructure (Merkle), formerly known as Cascade Digital, LLC, is the District's largest industrial customer, accounting for approximately 60% of the District's retail energy sales in 2025. Merkle's hourly consumption averaged 44 MW in 2025, 41 MW in 2024, and 48 MW in 2023. These fluctuations in Merkle's variable usage are the primary driver of year-to-year changes in the District's retail sales to customers.

Power is supplied to Merkle primarily through market-based resource purchases which include transactions ranging from shaped monthly blocks to daily purchases. Merkle operates under a cost-based contract that expires December 31, 2029. Billings are prepaid and secured by a $1.4 million letter of credit. Energy sales and related power purchases vary based on Merkle's power elections, and are influenced by market pricing. Total energy sales to Merkle were $21.0 million in 2025, $20.2 million in 2024, and $31.9 million in 2023.



The District purchases power from Seattle City Light's Boundary Hydroelectric Project. Under the current agreement, the District receives power in monthly blocks shaped to seasonal load requirements. Payments under this contract are fixed and escalate annually through 2029. The cost per MWh was $9.79 in 2025, $9.20 in 2024, and $8.72 in 2023.

2025 marked the final operating year of the District's five-year agreement with Shell. Under the contract, the District sold specified-source Box Canyon power and Boundary power allocated from Seattle City Light to Shell, while purchasing power from Shell to meet forecasted monthly energy requirements. The net transactions resulted in fixed monthly payments from Shell to the District totaling $15.7 million in 2025, $16.1 million in 2024, and $15.5 million in 2023.



The District currently receives power under BPA's Regional Dialogue contract. Under this agreement, BPA provides power in shaped block deliveries when the District's dedicated resources are projected to be insufficient to meet the District's total retail load for the upcoming October through September fiscal year. Variable industrial load forecasts significantly influence the amount of BPA power allocated to the District each year, and for the fiscal year October 2025 through September 2026 the District will not receive any power allocations. The District received an average of 10.5 MW of power from BPA from January to September 2025, an annual average of 11.5 MW in 2024, and an annual average of 20.4 MW in 2023.

Power cost fluctuations typically align with Merkle's energy consumption patterns. Total power costs were $53.4 million in 2025, $51.8 million in 2024, and $63.8 million in 2023.

In 2021, the Washington Legislature enacted the Climate Commitment Act, establishing a market-based "Cap-and-Invest" program to reduce carbon emissions. Under this program, greenhouse gas emitters must obtain allowances equal to their annual emissions. To support implementation, no-cost carbon allowances were allocated to utilities based on their fuel mix. The District sold a portion of these allowances, generating $3.2 million in auction proceeds in 2024 and $2.2 million in 2025, which helped strengthen the District's cash position.

In 2025, the District successfully completed a meter replacement project, upgrading its automated meter reading (AMR) meters to advanced metering infrastructure (AMI). This project involved replacing approximately 10,000 meters across the District's service territory, with expenditures of $1.8 million in 2025 and $1.5 million in 2024. Additionally, in 2024, the District invested over $3 million in transformers, including $744 thousand for a small substation transformer, and replaced several miles of optical ground wire (OPGW) fiber on the Box-to-Pine 115 kV transmission line at a cost of $1.0 million.

The Electric System currently has one outstanding revenue bond, with the final payment scheduled for January 1, 2031. The District's bond covenants require a minimum debt service coverage ratio of 1.25. For the past three years, the District has significantly exceeded this requirement, achieving ratios of 11.79 in 2025, 16.62 in 2024, and 20.09 in 2023.

To provide additional financial flexibility and stability, the District maintains a rate stabilization account. This account may be classified as revenue for debt service coverage purposes if net operating revenues are insufficient to meet the annual covenant requirement. Funding this account involves transferring cash from unrestricted to restricted status; it does not create deferred revenue and is used solely for debt service coverage calculations. The balance in this account was $10.0 million as of December 31 for 2023, 2024, and 2025.

Box Canyon Production System

Box Canyon Production System Financial Data as of December 31	2025	2024	2023
Current assets	33,933,142	33,314,437	33,182,618
Noncurrent assets	32,755,399	34,593,902	36,903,848
Net utility plant	146,166,424	150,524,246	154,946,218
Total assets	$ 212,854,965	$ 218,432,585	$ 225,032,684
Total deferred outflows of resources	$ 1,610,170	$ 1,579,986	$ 1,445,242
Current liabilities	10,003,854	9,816,992	10,000,726
Noncurrent liabilities	30,211,814	32,342,333	34,288,918
Long-term debt	116,607,622	121,594,475	126,466,266
Total liabilities	$ 156,823,290	$ 163,753,800	$ 170,755,910
Total deferred inflows of resources	$ 221,727	$ 198,770	$ 360,726
Total net position	$ 57,420,118	$ 56,060,001	$ 55,361,290

for the Year Ended December 31,	2025	2024	2023
Intersystem Sales	21,209,254	19,221,380	19,746,451
Other	7,200	7,200	7,200
Total operating revenues	$ 21,216,454	$ 19,228,580	$ 19,753,651
Operations and administration	11,457,028	10,212,004	10,281,823
Taxes and depreciation	4,952,748	4,951,996	4,887,415
Total operating expenses	$ 16,409,776	$ 15,164,000	$ 15,169,238
Interest income	1,296,992	1,502,598	1,407,088
Interest expense, net of subsidies	(4,743,553)	(4,868,467)	(4,981,157)
Total nonoperating revenues	$ (3,446,561)	$ (3,365,869)	$ (3,574,069)
Change in net position	$ 1,360,117	$ 698,711	$ 1,010,344

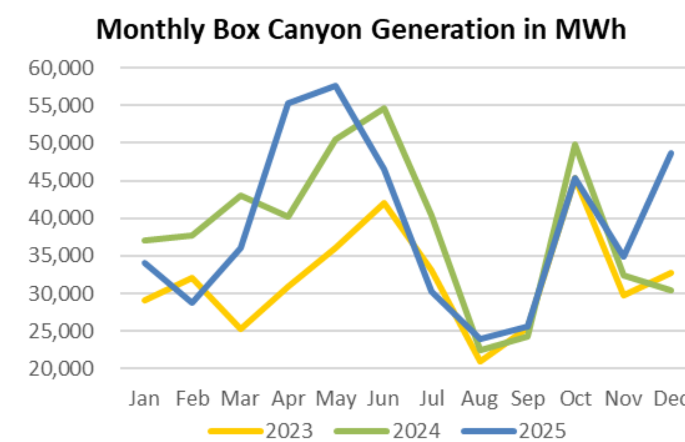
The Box Canyon Production System generates hydroelectric power from the Box Canyon Project (the Project), the output of which is sold to the Electric System. Located on the Pend Oreille River, the Project is licensed by the Federal Energy Regulatory Commission (FERC) and has been in operation since its completion in 1956. As a run-of-the-river facility, the Project utilizes water as it becomes available and has minimal storage capacity.

Revenues for the Box Canyon Production System are based on the cash expenditures required to operate the Project. These include labor and materials for plant operations, environmental work associated with the reservoir, principal and interest on debt service, and capital expenditures.

Power generation is dependent on water availability and is influenced by local and regional snowpack, the timing of spring runoff, and summer temperatures. Due to its design and location, the Project must spill water during high-flow conditions, which last occurred in 2022. Average annual generation was 53.28 MW in 2025, 52.87 MW in 2024, and 43.71 MW in 2023. The lower production in 2023 was primarily due to poor water flow in the region that year.

Box Canyon Production Statistics	2025	2024	2023
Annual generation in megawatt hours	466,706	463,173	382,919
Average generation in megawatt hours	53.28	52.87	43.71
Cost per megawatt hour	$45.44	$41.50	$51.57
Peak generation in megawatts	83	85	79

Operating expenses for the Box Canyon Production System include environmental work performed as required by FERC licensing conditions. The type and expense of environmental work vary from year to year and include cultural studies, historical education, fisheries and stream-rehabilitation projects, recreation and wildlife projects, and water quality programs on the Pend Oreille River. Included in these expenses are annual payments to the Kalispel Tribe of Indians in the amount of $2.8 million in 2025 and 2024, and $2.3 million in 2023 for environmental mitigation work on the Box Canyon Reservoir. Facilitated through a FERC license amendment and an off-license agreement, these payments are made in lieu of constructing downstream fish passage facilities at Box Canyon Dam and fish passage facilities at the Calispell Creek Pumping Plant, and constitute more than 50% of the District's annual environmental expenditures.



The District began issuing bonds for the Box Canyon System in 2008 to fund construction projects mandated by the District's FERC license, including the upgrade of the Box Canyon turbines, modifications to the Box Canyon spillway, and construction of an upstream fish passage facility. As of December 31, 2025, the District had an outstanding principal balance of $114.9 million in bond issuances, with final payment due in 2048. Principal and interest payments on the bonds accounted for 45.5%, 50.2%, and 48.5% of total Box Canyon production cost in 2025, 2024, and 2023, respectively.

The District's bonds are rated by Fitch Ratings and Moody's Investors Service. In July 2023, Fitch upgraded the District's rating to 'A' with a stable outlook, citing strong risk mitigation through power sale agreements as the primary factor behind the improvement from the previous 'A-' rating. Moody's Investors Service upgraded the District from 'Baa2' to 'A3' with a stable outlook in December 2023, followed by another upgrade to 'A2' with a stable outlook in February 2026. Moody's attributed these upgrades to the District's proactive agreements addressing wholesale market and hydrologic risk, as well as its robust liquidity and strong financial metrics.

Water System

Water System Financial Data as of December 31	2025	2024	2023
Current assets	$ 133,236	$ 803,832	$ 212,130
Noncurrent assets	92,961	76,579	102,192
Net utility plant	6,572,621	5,703,993	5,318,832
Total assets	$ 6,798,818	$ 6,584,404	$ 5,633,154
Total deferred outflows of resources	$ 125,500	$ 108,811	$ 76,277
Current liabilities	387,156	1,017,613	388,845
Noncurrent liabilities	22,188	31,766	43,680
Long-term debt	510,771	526,780	258,620
Total liabilities	$ 920,115	$ 1,576,159	$ 691,145
Total deferred inflows of resources	$ 32,848	$ 29,447	$ 53,441
Total net position	$ 5,971,355	$ 5,087,609	$ 4,964,845

for the Year Ended December 31,	2025	2024	2023
Sales to retail customers	$ 657,708	$ 613,182	$ 599,595
Other	32,987	31,010	17,642
Total operating revenues	$ 690,695	$ 644,192	$ 617,237
Operations and administration	620,501	562,208	512,829
Taxes and depreciation	261,684	278,635	260,741
Total operating expenses	$ 882,185	$ 840,843	$ 773,570
Interest income	$ 2,231	$ 1,789	$ 1,468
Interest expense	(7,032)	(4,284)	(3,574)
Grant revenue and other	1,080,037	321,910	710,382
Total nonoperating revenues	$ 1,075,236	$ 319,415	$ 708,276
Change in net position	$ 883,746	$ 122,764	$ 551,943

The District operates and maintains nine separate water systems throughout Pend Oreille County. Each system is contractually obligated to maintain distinct rates that reflect its individual operating costs.

The District provides utility water service to approximately 600 customers. Metaline Falls is the only District-owned system that serves an incorporated town. At 197 customers, it is the largest of the water systems that the District operates. The remaining systems serve small communities primarily located on the Pend Oreille River.

Water System Statistics	Number of Meters	Monthly Basic Charge 2025	2024	2023
Metaline Falls	197	$85.00	$85.00	$80.00
Sandy Shores	73	50.00	50.00	50.00
Riverbend	82	105.00	105.00	100.00
Greenridge	30	100.00	100.00	88.00
Riverview	59	100.00	100.00	75.00
Sunvale	67	80.00	80.00	60.00
Lazy Acres	36	70.00	70.00	59.00
Holiday Shores	32	65.00	65.00	60.00
Granite/Sacheen	32	92.00	92.00	89.00

In October 2024, a section of the Metaline Falls Water System's main line ruptured, destabilizing a steep hillside and sending debris onto a state highway. To restore service, the District installed a temporary bypass line while designing a permanent replacement for the aging infrastructure. The District secured a $1.0 million Emergency Rapid Response Grant from the Washington State Department of Commerce, which was later increased to $1.15 million in 2025. The project was completed in 2025 at a total cost of nearly $1.1 million.

Earlier, in spring 2024, the District began replacing approximately 4,600 feet of distribution main within the Sunvale Water System. The project was financed through a loan from the Washington State Department of Health's Drinking Water State Revolving Fund at a 1.25% interest rate, which included 50% principal forgiveness. As a result, $293 thousand of the total $613 thousand project cost was covered by grant proceeds. Construction was completed in late 2024.

The District reviews each Water System's financial position annually with system representatives. Because each water system has a relatively small number of customers, capital projects, new debt, and even small repairs can necessitate a rate increase for a system.

Community Network System

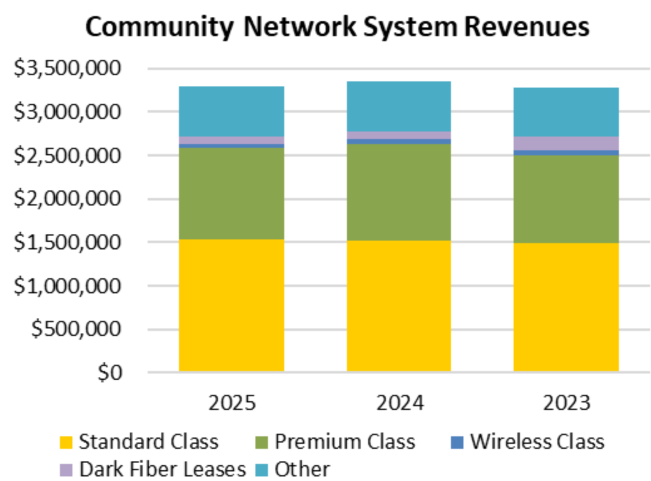
Community Network System Financial Data as of December 31	2025	2024	2023
Current assets	$ 5,256,509	$ 4,048,439	$ 3,999,401
Noncurrent assets	1,677,641	2,003,259	1,621,827
Net utility plant	17,477,222	19,084,155	19,678,501
Total assets	$ 24,411,372	$ 25,135,853	$ 25,299,729
Total deferred outflows of resources	$ 219,626	$ 190,419	$ 133,485
Current liabilities	567,796	556,206	857,165
Noncurrent liabilities	1,379,049	1,680,498	1,969,660
Long-term debt	204,000	604,000	1,003,334
Total liabilities	$ 2,150,845	$ 2,840,704	$ 3,830,159
Total deferred inflows of resources	$ 1,576,165	$ 1,637,716	$ 1,131,512
Total net position	$ 20,903,988	$ 20,847,852	$ 20,471,543

for the Year Ended December 31,	2025	2024	2023
Sales to retail customers	$ 2,719,654	$ 2,779,720	$ 2,709,768
Other	777,089	1,099,266	961,189
Total operating revenues	$ 3,496,743	$ 3,878,986	$ 3,670,957
Operations and administration	1,689,904	1,764,798	1,594,209
Taxes and depreciation	1,932,449	1,937,239	2,344,353
Total operating expenses	$ 3,622,353	$ 3,702,037	$ 3,938,562
Interest income	$ 205,711	$ 221,902	$ 176,964
Interest expense	(27,257)	(42,079)	(56,318)
Other	3,292	19,537	14,983
Total nonoperating revenues	$ 181,746	$ 199,360	$ 135,629
Change in net position	$ 56,136	$ 376,309	$ (131,976)

The District began developing a fiber-optic communications network in 1996 to enable high-speed connectivity between its electric system assets. Shortly thereafter, the District extended the network to serve Pend Oreille County municipal customers, including schools, libraries, and hospital districts. In 2010, with support from an American Recovery and Reinvestment Act grant, the District expanded its fiber backbone by constructing fiber connections to homes and businesses in the southern part of the county. Today, the District operates as a wholesale broadband provider, delivering service to end users through local retail internet service providers.

Community Network System Statistics	2025	2024	2023
Average fiber standard class end users	2,814	2,788	2,741
Average wireless class end users	92	101	102
Average premium class connections	60	60	57
Standard class customer growth	0.93%	1.71%	4.74%

End-user classes include standard customers, consisting of residential and business users purchasing basic broadband access, premium customers who require greater bandwidth, enhanced reliability, and prioritized service response, and wireless customers located in areas not currently served by fiber who receive a wireless broadband product. Additionally, dark fiber leases allow customers to access the District's fiber infrastructure while providing their own electronics for system communication.



The Community Network System continued its steady growth in 2025, adding new line extensions and service installations for homes previously unserved. Contributions in aid of construction totaled $152,255 in 2025, $483,836 in 2024, and $349,611 in 2023, helping offset the cost of expanding fiber infrastructure. Additionally, increased end-user revenue has reduced the need for rate adjustments on standard wholesale services.

In 2023, the District provided a $500,000 loan to Northwest Open Access Network (NoaNet), a Washington nonprofit mutual corporation of which the District is a member. The loan was structured for repayment over five annual installments; however, in early 2025, NoaNet paid the remaining balance of $410,077 in full.

The Community Network System holds a revenue bond issued in 2017 to partially repay inter-system debt used for capital improvements. The bond had an outstanding balance of $408,000 as of December 31, 2025, and is scheduled to be fully repaid by January 1, 2027. In addition, the Community Network System retired a loan during 2025 that was originally issued by the Electric System in 2005 to fund communication infrastructure.

Contacting the District's Financial Management

The financial report is designed to provide interested parties with a general overview of the District's finances and to demonstrate District accountability for the money it receives. For any questions about this report, or for additional or clarifying financial information, contact the District's financial department as set forth on the last page of this Annual Report under Organizational Information—Corporate Office.

April D. Owen, CPA

Director of Finance/Auditor

Assets and Deferred Outflows of Resources	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total as of December 31, 2025	Combined Total as of December 31, 2024
Current Assets						
Cash and cash equivalents						
Unrestricted	$ 31,788,076	$ 15,268,647	$ -	$ 4,092,569	$ 51,149,292	$ 49,387,322
Restricted	24,158,621	7,204,200	-	-	31,362,821	31,010,298
Short-term investments						
Unrestricted	2,767,148	-	-	-	2,767,148	6,918,000
Restricted	1,110,168	11,351,885	-	-	12,462,053	11,949,575
Receivables						
Accounts and contracts, net	2,228,982	-	55,660	262,132	2,311,942	2,272,446
Other	871,279	-	-	115,186	986,465	3,100,138
Unbilled revenue	404,793	-	-	-	404,793	459,944
Materials and supplies	4,058,811	279	77,576	786,622	4,923,288	5,424,199
Prepaid expenses and other	139,414	108,131	-	-	247,545	201,029
Due from other systems	346,307	-	-	-	-	-
Total current assets	67,873,599	33,933,142	133,236	5,256,509	106,615,347	110,722,951
Noncurrent Assets						
Investments - Unrestricted	7,802,852	-	-	-	7,802,852	3,147,173
Contracts and notes receivable	1,154,512	-	-	-	248	316,041
Leases receivable	286,084	-	-	1,514,960	1,801,044	1,922,689
Nonutility plant	3,894,173	-	-	-	3,894,173	4,067,393
Licensing costs - regulatory asset	-	32,127,915	-	-	32,127,915	34,078,317
Net pension asset	1,440,887	627,484	92,961	162,681	2,324,013	1,909,573
Total noncurrent assets	14,578,508	32,755,399	92,961	1,677,641	47,950,245	45,441,186
Utility Plant						
Land and land rights	7,760,021	789,950	77,305	61,721	8,688,997	8,688,997
Hydroelectric plant and equipment	1,525,945	196,042,966	-	-	197,568,911	197,391,806
Structures, buildings and equipment	144,726,451	-	11,898,678	48,312,643	204,937,772	198,800,277
Intangible assets	1,631,610	13,215,513	742	-	14,847,865	14,474,680
Construction work in progress	1,362,858	300,942	-	858,479	2,522,279	2,554,017
	157,006,885	210,349,371	11,976,725	49,232,843	428,565,824	421,909,777
Less accumulated depreciation and amortization	86,351,661	64,182,947	5,404,104	31,755,621	187,694,333	177,728,104
Net utility plant	70,655,224	146,166,424	6,572,621	17,477,222	240,871,491	244,181,673
Total assets	153,107,331	212,854,965	6,798,818	24,411,372	395,437,083	400,345,810
Deferred Outflows of Resources						
Deferred amount on refinancing debt	16,115	763,042	-	-	779,157	868,386
Deferred pension outflows	1,945,256	847,128	125,500	219,626	3,137,510	2,720,271
Total deferred outflows of resources	1,961,371	1,610,170	125,500	219,626	3,916,667	3,588,657
Total asssets and deferred outflows of resources	$155,068,702	$214,465,135	$ 6,924,318	$ 24,630,998	$399,353,750	$403,934,467

See accompanying notes

Combined Statements of Net Position

Public Utility District No. 1 of Pend Oreille County

Liabilities, Deferred Inflows of Resources, and Net Position	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total as of December 31, 2025	2024
Current Liabilities						
Accounts payable	$ 1,548,075	$ 161,741	$ -	$ -	$ 1,709,816	$ 2,806,765
Accrued compensation and benefits	2,751,643	-	-	-	2,751,643	2,556,094
Accrued taxes	1,079,952	99,868	2,351	1,512	1,183,683	1,514,438
Customer prepayments and deposits	2,120,266	-	6,964	77,864	2,205,094	2,826,117
Accrued bond interest	102,150	2,764,200	1,681	-	2,868,031	2,989,241
Current portion of long-term debt	770,000	4,440,000	29,853	204,000	5,443,853	5,279,664
Current portion of licensing cost liability and unearned revenue	-	2,538,045	-	284,420	2,587,633	6,474,326
Due to other systems	-	-	346,307	-	-	-
Total current liabilities	8,372,086	10,003,854	387,156	567,796	18,749,753	24,446,645
Other Liabilities						
Unearned revenue	11,051,779	-	-	1,340,220	11,237,735	11,317,889
Licensing costs liability	-	30,062,043	-	-	30,062,043	32,127,915
Net pension liability	343,918	149,771	22,188	38,829	554,706	794,140
Total other liabilities	11,395,697	30,211,814	22,188	1,379,049	41,854,484	44,239,944
Long-term Debt						
Revenue bonds	4,543,416	116,607,622	-	204,000	121,355,038	127,594,577
Other long-term debt	-	-	510,771	-	510,771	526,780
Total long-term debt	4,543,416	116,607,622	510,771	204,000	121,865,809	128,121,357
Total liabilities	24,311,199	156,823,290	920,115	2,150,845	182,470,046	196,807,946
Deferred Inflows of Resources						
Deferred pension inflows	509,150	221,727	32,848	57,485	821,210	736,186
Deferred lease inflows	365,877	-	-	1,518,680	1,884,557	2,037,598
Total deferred inflows of resources	875,027	221,727	32,848	1,576,165	2,705,767	2,773,784
Net Position						
Net investment in capital assets	69,103,862	25,881,843	6,031,997	17,044,347	118,062,049	115,551,983
Restricted for						
Sullivan contract obligation	2,234,692	-	-	-	2,234,692	1,900,440
Debt service	1,880,168	15,791,885	-	-	17,672,053	16,989,575
Rate stabilization fund	10,000,000	-	-	-	10,000,000	10,000,000
Pensions	1,440,887	627,484	92,961	162,681	2,324,013	1,909,573
Total restricted	15,555,747	16,419,369	92,961	162,681	32,230,758	30,799,588
Unrestricted	45,222,867	15,118,906	(153,603)	3,696,960	63,885,130	58,001,166
Total net position	129,882,476	57,420,118	5,971,355	20,903,988	214,177,937	204,352,737
Total liabilities, deferred inflows of resources, and net position	$155,068,702	$214,465,135	$ 6,924,318	$ 24,630,998	$399,353,750	$403,934,467

See accompanying notes

Combined Statements of Revenue, Expenses, and Changes in Net Position

Public Utility District No. 1 of Pend Oreille County

Combined Statements of Revenue, Expenses, and Changes in Net Position	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total Year Ended December 31, 2025	2024
Operating Revenues						
Sales to retail customers	$ 45,415,000	$ -	$ 657,708	$ 2,719,654	$ 48,792,362	$ 48,246,782
Sales to other utilities	28,106,995	-	-	-	28,106,995	29,493,081
Intersystem sales	193,769	21,209,254	-	566,225	-	-
Contributed capital	1,345,390	-	15,843	152,255	1,513,488	1,778,990
Other	2,797,838	7,200	17,144	58,609	2,556,366	3,959,677
Total operating revenues	77,858,992	21,216,454	690,695	3,496,743	80,969,211	83,478,530
Operating Expenses						
Power costs	53,440,567	132,232	-	-	32,363,545	32,593,660
Operations and maintenance	8,627,809	9,258,090	378,406	1,084,928	18,413,014	16,963,808
Administrative and general	4,488,485	2,332,950	281,539	674,003	7,628,777	7,272,681
Taxes	2,558,368	104,657	33,305	16,753	2,713,083	3,010,974
Pension expense (credit)	(611,374)	(266,244)	(39,444)	(69,027)	(986,089)	(1,091,436)
Depreciation and amortization	4,070,654	4,848,091	228,379	1,915,696	11,062,820	10,728,139
Total operating expenses	72,574,509	16,409,776	882,185	3,622,353	71,195,150	69,477,826
Net operating revenues (expenses)	5,284,483	4,806,678	(191,490)	(125,610)	9,774,061	14,000,704
Nonoperating Revenues (Expenses)						
Interest income	2,136,284	1,296,992	2,231	205,711	3,630,358	4,260,629
Interest on debt	(128,372)	(5,064,018)	(7,032)	(27,257)	(5,226,679)	(5,444,024)
Subsidies on debt	-	320,465	-	-	320,465	383,579
Sullivan net revenue (expense)	153,315	-	-	-	153,315	410,455
Grant revenue	-	-	1,085,932	3,292	1,089,224	355,858
Other, net	79,491	-	(5,895)	-	84,456	(29,394)
Total nonoperating revenues (expenses)	2,240,718	(3,446,561)	1,075,236	181,746	51,139	(62,897)
Change in net position	7,525,201	1,360,117	883,746	56,136	9,825,200	13,937,807
Accumulated Net Position						
Beginning of year	122,357,275	56,060,001	5,087,609	20,847,852	204,352,737	190,414,930
End of year	$ 129,882,476	$ 57,420,118	$ 5,971,355	$ 20,903,988	$ 214,177,937	$ 204,352,737

See accompanying notes

Combined Statements of Cash Flows	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total Year ended December 31, 2025	2024
Cash Flows from Operating Activities						
Receipts from customers	$ 42,256,918	$ -	$ 671,135	$ 2,829,424	$ 45,757,477	$ 46,043,067
Receipts from other operating revenues	31,661,464	7,200	-	(3,980)	31,664,684	33,228,350
Payments to suppliers for goods and services	(37,462,064)	(6,960,506)	(433,383)	(382,682)	(45,238,635)	(46,974,097)
Payments to employees for services	(10,437,594)	(4,499,584)	(259,604)	(1,032,318)	(16,229,100)	(14,315,424)
Payments from (to) other systems	(20,551,541)	20,894,538	(591,886)	248,889	-	-
Net cash from operating activities	5,467,183	9,441,648	(613,738)	1,659,333	15,954,426	17,981,896
Cash Flows from Noncapital Financing Activities						
Receipts from nonoperating assets	295,969	-	-	-	295,969	588,236
Receipts from government agencies	87,990	-	7,197	-	95,187	524
Proceeds from grant funding	-	-	-	22,829	22,829	-
Intersystem financing	259,026	-	(10,861)	(248,165)	-	-
Net cash from noncapital financing activities	642,985	-	(3,664)	(225,336)	413,985	588,760
Cash Flows From Capital and Related Financing Activities						
Acquisition and construction of capital assets	(6,214,229)	(537,582)	(1,097,006)	(358,280)	(8,207,097)	(11,132,936)
Proceeds from sale of assets	8,992	8,524	-	-	17,516	67,079
Proceeds from grant funding	-	-	1,448,403	-	1,448,403	49,699
Issuance of Notes Payable	-	-	302,937	-	302,937	8,920
Payments on revenue bonds	(735,000)	(4,305,000)	-	(393,000)	(5,433,000)	(5,178,000)
Interest paid on revenue bonds	(222,675)	(5,631,188)	-	(27,257)	(5,881,120)	(6,130,107)
Subsidy received on revenue bonds	-	512,255	-	-	512,255	414,716
Payments on notes payable	(13,333)	-	(29,853)	-	(43,186)	(28,498)
Interest paid on notes payable	-	-	(7,079)	-	(7,079)	(3,408)
Net cash from capital and related financing activities	(7,176,245)	(9,952,991)	617,402	(778,537)	(17,290,371)	(21,932,535)
Cash Flows from Investing Activities						
Purchases of investments	(550,481)	(466,825)	-	-	(1,017,306)	(10,661,279)
Loan receivable	-	-	-	410,077	410,077	89,923
Interest on investments, contracts, and notes	2,125,423	1,298,194	-	220,065	3,643,682	4,262,580
Net cash from investing activities	1,574,942	831,369	-	630,142	3,036,453	(6,308,776)
Net Change in Cash and Cash Equivalents	508,865	320,026	-	1,285,602	2,114,493	(9,670,655)
Cash and Cash Equivalents						
Beginning of year	55,437,832	22,152,821	-	2,806,967	80,397,620	90,068,275
End of year	$ 55,946,697	$ 22,472,847	$ -	$ 4,092,569	$ 82,512,113	$ 80,397,620

See accompanying notes

Reconciliation of Net Operating Revenues (Expenses) to Cash Flows from Operating Activities	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total Year ended December 31, 2025	2024
Net operating revenues (expenses)	$ 5,284,483	$ 4,806,678	$ (191,490)	$ (125,610)	$ 9,774,061	$ 14,000,704
Adjustments to reconcile net operating revenues (expenses) to net cash from operating activities:						
Depreciation and amortization	4,070,654	4,848,091	228,379	1,915,696	11,062,820	10,728,139
Write off preliminary project costs	-	-	-	-	-	220,765
Changes in operating assets and liabilities						
Receivables	1,224,074	-	(554)	(74,597)	1,148,923	200,926
Unbilled revenue	(23,198)	-	-	-	(23,198)	109,573
Due to (from) other systems	570,988	-	(570,988)	-	-	-
Materials and supplies	833,996	38,750	20,304	44,806	937,856	(1,661,578)
Prepaid expenses and other current assets	(21,708)	(24,807)	-	-	(46,515)	(60,714)
Unearned revenue	(4,002,163)	-	-	(49,588)	(4,051,751)	(2,555,005)
Pension	(611,374)	(266,244)	(39,444)	(69,027)	(986,089)	(1,091,436)
Accounts payable, customer deposits, and prepayments	(1,714,719)	38,425	(59,992)	18,311	(1,717,975)	(2,332,079)
Accrued compensation, benefits, and taxes	(143,850)	755	47	(658)	(143,706)	422,601
Net cash from operating activities	$ 5,467,183	$ 9,441,648	$ (613,738)	$ 1,659,333	$ 15,954,426	$ 17,981,896
Supplemental Disclosure of Noncash Activities						
Construction costs included in accounts payable	$ 121,628	$ 162,975	$ -	$ -	$ 284,603	$ 406,819
Notes payable included in other receivables	$ -	$ -	$ -	$ -	$ -	$ 288,571

See accompanying notes

Note 1 - Organization and Significant Accounting Policies

Organization - Public Utility District No. 1 of Pend Oreille County, Washington (the District) is a municipal corporation governed by an elected three-person board of commissioners. The District's reporting entity consists of four primary component units, or operating systems (Systems). The Electric System distributes electricity to residential and other consumers in Pend Oreille County. The Box Canyon Production System produces hydroelectric power from the Box Canyon Hydroelectric Project (the Box Canyon Project). The Water System consists of nine individual water distribution subdivisions. The Community Network System supplies wholesale broadband communication services. The District is required by various financing and contractual arrangements to report separately on each system and maintain each system as a separate entity with separate obligations.

As required by generally accepted accounting principles (GAAP), management has considered all potential component units in defining the reporting entity and has no additional component units.

Basis of accounting and presentation - The accounting policies of the District conform to GAAP as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has applied all applicable GASB pronouncements. Accounting records are maintained in accordance with methods prescribed by the State Auditor under the authority of the Revised Code of Washington, Chapter 43.09; the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for the Electric System, Box Canyon Production System, and Community Network System; and the Uniform System of Accounts for Class C Water Utilities prescribed by the National Association of Regulatory Utility Commissioners for the Water System.

System columns presented in the financial statements do not sum to the combined totals due to the elimination of certain intersystem transactions. These transactions relate to intersystem power and broadband sales and purchases, loan balances and interest on intersystem loans, and intersystem administrative charges.

A summary of other significant accounting policies used in the preparation of the combined financial statements follows.

New accounting standards - In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures,* effective for fiscal years beginning after June 15, 2024. The objective of this Statement is to provide information related to risks related to concentrations or constraints in inflows or outflows of resources. The District implemented this standard in 2025 and determined that no additional disclosure was necessary.

Revenue recognition and unbilled revenue - The Electric System, Water System, and Community Network System recognize revenue as earned on a monthly basis based on rates established by the District's board of commissioners. The District estimates unbilled revenues for energy delivered to customers between their last respective meter reading date and December 31, and records that amount as unbilled revenue for the current year. The Box Canyon Production System recognizes revenue on a cost-of-service basis from sales to the Electric System.

The District recognizes unbilled revenue for reimbursable grant costs that have been expended but not yet submitted for reimbursement as of year end. The unbilled revenue amount as of December 31, 2024 was

$672 for the Community Network System and $77,676 for the Metaline Falls Water System. There was no unbilled revenue for reimbursable grant costs as of December 31, 2025.

Allowance for uncollectible accounts - Management reviews accounts receivable on a regular basis to determine whether any receivables will potentially be uncollectible. The allowance for uncollectible accounts includes amounts estimated through an evaluation of specific accounts, based on the best available facts and circumstances of customers who may be unable to meet their financial obligations, and a reserve based on historical experience. The reserve amount for the Electric System for both the years ended December 31, 2025 and 2024 was $3,000.

Cash and cash equivalents - For purposes of the combined statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash and investments - Restricted cash and investments are amounts designated by third parties for a specific purpose (Note 2). Examples of these assets include amounts held to pay debt service, bond funds designated for construction, and deposits made by vendors.

Investments - The District records investments at fair value based on quoted market rates, with changes in fair value reported as investment income.

Materials and supplies - Materials and supplies are recorded at average cost.

Utility plant - Utility plant assets are stated at cost. Betterments and major renewals over $25,000 are capitalized, whereas maintenance and repairs are charged to operations as incurred. Depreciation is determined by the straight-line method over the estimated useful lives of the related assets, which range from 5 to 50 years. Composite rates are used for asset group depreciation, and, accordingly, no gain or loss is recorded on the disposition of an asset unless it represents a large and unusual retirement.

Nonutility plant - Nonutility plant represents capital assets that do not directly relate to the District's primary business purposes (Note 8).

Contributed capital - Contributions in aid of construction are District-mandated customer connection charges used to fund construction of system properties necessary to extend service to a new customer. The payments are initially recorded as liabilities (customer prepayments and deposits) and then reclassified to operating revenue (contributed capital) when the associated facilities are constructed or acquired.

Licensing costs liability - Certain Box Canyon FERC licensing conditions require payments to various outside entities for projects and operating costs that will not be directed by, or controlled by, the District. The District has estimated and present valued these payments over the 50-year license and recorded them as a regulatory asset and licensing costs liability. The present value balance was $32,127,915 and $34,078,317 as of December 31, 2025 and 2024, respectively.

The District has not recorded the future costs of the remaining expenses related to license implementation that will be capitalized or expensed, as may be appropriate, when incurred.

Unamortized bond discounts and premiums - Unamortized bond discounts and premiums are amortized to interest expense, using the effective interest method, over the term of the bonds (Note 4). The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized to expense over the shorter of the remaining life of the old bonds or the life of the new issue and recorded as deferred outflows of resources.

Unearned revenue - In August 2000, the District entered into an agreement with Seattle City Light concerning a cost-sharing arrangement for building fiber optic communications capability in Pend Oreille County. Among other terms and conditions, the District retained ownership of all constructed network assets with a commitment to grant Seattle City Light a 30-year right-of-use for 8 to 12 dark fiber strands along the District's network backbone. Seattle City Light made a one-time, lump-sum payment of $1,487,650 under the agreement. The District recorded this payment as unearned revenue and is amortizing the balance to Community Network System revenue on a straight-line basis over the 30-year life of the agreement. The unamortized balance was $235,545 and $285,133 as of December 31, 2025 and 2024, respectively.

The Community Network System unearned revenue includes an Electric System $4.25 million prepayment for future broadband services. In 2010, funds from the Electric System were used by the Community Network System as the matching cash requirement of an American Recovery and Reinvestment Act grant. The unamortized balance associated with this payment was $1,389,096 and $1,623,928 as of December 31, 2025 and 2024, respectively.

In June 2013, the District signed a Memorandum of Agreement between the District and the State of Washington Department of Ecology Office of Columbia River that committed the District to release water from Sullivan Lake according to predetermined periods and amounts, allowing for improved water access for communities along the Columbia River. The Office of Columbia River paid the District $14 million, which was recorded as unearned revenue, and is recognized as nonoperating revenue in an amount equal to the net cash outflow for Sullivan Project-related activities each year. In addition to the agreement with the Office of Columbia River, the District also has a Sullivan Lake-related agreement with Seattle City Light. Under this agreement, Seattle City Light is responsible for covering 50% of the maintenance costs of a cold-water pipe outlet from Sullivan Lake. The purpose of the cold-water pipe is to lower the temperature of an outlet creek, which is used as a fish attractant for Seattle City Light's Boundary Hydroelectric Project Reservoir. Seattle City Light pays half of the estimated ongoing maintenance costs for the cold-water pipe, with costs billed and reconciled every three years. These billings are recorded as unearned revenue and were invoiced during 2024. The unamortized balance of unearned revenue related to Sullivan Lake as of December 31, 2025 and 2024 was $11,051,779 and $11,082,345, respectively.

The Ponderay Newsprint Company previously posted $10 million with the District as contract security. Upon Ponderay Newsprint Company's closure, the District deposited the $10 million as unrestricted funds and amortized the balance on a straight-line basis through the December 31, 2025 expiration date of the replacement Shell Energy North America agreement (Note 5). The District also received $4,806,383 of Ponderay Newsprint Company unsecured creditor bankruptcy funds. The District applied the same methodology to the bankruptcy funds, depositing the money as unrestricted funds and amortizing the balance over the remaining life of the Shell Energy North America agreement. The balance was fully amortized as of December 31, 2025. The unamortized balance as of December 31, 2024 was $4,002,163.

Leases - For material, noncancelable leases with a term greater than 12 months, the District recognizes a right-to-use asset and lease liability for leases in which the District is a lessee, and a lease receivable and deferred inflow of resources for leases in which the District is a lessor. The District is not currently a lessee for any material, noncancelable leases.

The District is a lessor of land, dark fiber, and pole space, primarily leasing to telecom entities which allows them to provide services to networks. The District has lessor agreements with remaining maximum contract terms ranging from 5 to 22 years. The District used an interest rate of 3.88% for cell tower leases, which approximates the Community Network System's borrowing rate, and 4% for remaining leases, which approximates the District's long-term average rate of return on investments.

As of December 31, 2025, the agreements are recorded as a lease receivable at their present value of $1,998,547, and a deferred inflow of resources of $1,884,557. For the year ended December 31, 2025, the District recognized $230,414 in lease revenue and $76,033 in interest income related to these agreements.

As of December 31, 2024, the agreements are recorded as a lease receivable at their present value of $2,109,372, and a deferred inflow of resources of $2,037,598. For the year ended December 31, 2024, the District recognized $128,299 in lease revenue and $62,753 in interest income related to these agreements.

Subscription-Based Information Technology Arrangements (SBITA) - For material, noncancelable SBITAs with a term greater than 12 months, the District recognizes a SBITA asset and SBITA liability in accordance with GASB Statement 96. The District did not have any material SBITA arrangements as of December 31, 2025 and 2024.

Compensated absences - Employees accrue personal leave to be used for vacation, sick, and family leave purposes. Annual leave granted to each employee varies in accordance with years of service and may be carried forward from year to year, capped at a maximum bank of 1,200 hours for employees hired before April 2011 or 700 hours for employees hired after March 2011. Non-Union employees that have completed six months of continuous service and Union employees that have completed twelve months of continuous service are paid their full personal leave balance upon termination. The District records the cost of personal leave as earned, not as taken, and accrues the compensated absences liability at the employees' current wage rate. The personal leave balances as of December 31, 2025 and 2024 were $1,971,024 and $1,816,315, respectively.

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation; borrowed monies not yet spent, as held in restricted construction and acquisition funds; and outstanding debt balances related to the purchase or construction of capital assets.

Restricted net position - Amounts presented as restricted net position are constrained by provisions imposed by external parties and cannot be used for normal operations. Balances currently classified as restricted include funds reserved for the operation and maintenance of a non-utility asset, bond principal and interest due for the upcoming year, less unfunded accrued interest; bond reserve funds; net pension assets held with the Department of Retirement Systems; and rate stabilization funds reserved for use in the event that the District loses a major source of revenue.

Unrestricted net position - Amounts included as unrestricted net position do not meet the definition of either net investment in capital assets or restricted net position and are used for normal operations.

Accounting estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount 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. Actual results could differ from those estimates.

Significant risks and uncertainties - The District is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include weather and naturaldisaster-related disruptions; collective bargaining labor disputes; changing local and national economic conditions; fish and other Endangered Species Act issues; Environmental Protection Agency regulations; reliability standards issued by the North American Electric Reliability Corporation; federal government regulations or orders concerning the operation, maintenance, licensing, and license surrender of hydroelectric facilities; the financing and completion of significant capital projects; changing federal and state laws, regulations, and requirements; and market and credit risks inherent in buying and selling of power, a commodity with inelastic demand characteristics and minimal storage capability.

Reclassifications - Certain reclassifications may be made to the prior-year financial statement presentation to conform to the current-year presentation.

Note 2 - Cash and Investments

Cash and investments are recorded in accounts as required by the District's bond indentures. Restricted assets represent accounts that are restricted by bond covenants or third-party contractual agreements.

As of December 31, 2025, the District held the following cash and investments:

Type	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total as of December 31, 2025	2024
Cash deposits	$ 43,033,174	$ 8,866,273	$ -	$ 4,092,569	$ 55,992,016	$ 54,990,380
Local government investment pool	13,692,947	13,606,574	-	-	27,299,521	31,346,988
Money market funds	1,110,168	11,351,885	-	-	12,462,053	11,949,575
U.S. Government Securities	9,790,576	-	-	-	9,790,576	4,125,425
Total Cash and Investments	$ 67,626,865	$ 33,824,732	$ -	$ 4,092,569	$ 105,544,166	$ 102,412,368

The table below reconciles the cash, cash equivalents and investments to the combined statements of net position:

	Electric System	Box Canyon Production System	Water System	Community Network System	Combined Total as of December 31, 2025	2024
Cash & cash equivalents						
Unrestricted revenue funds	$ 31,788,076	$ 15,268,647	$ -	$ 4,092,569	$ 51,149,292	$ 49,387,322
Restricted						
Bond principal and interest	872,150	7,204,200	-	-	8,076,350	8,027,513
Contract obligation	13,286,471	-	-	-	13,286,471	12,982,785
Rate stabilization	10,000,000	-	-	-	10,000,000	10,000,000
Subtotal	$ 24,158,621	$ 7,204,200	$ -	$ -	$ 31,362,821	$ 31,010,298
Short-term investments						
Unrestricted revenue funds	2,767,148	-	-	-	2,767,148	6,918,000
Restricted bond reserve	1,110,168	11,351,885	-	-	12,462,053	11,949,575
Subtotal	$ 3,877,316	$ 11,351,885	$ -	$ -	$ 15,229,201	$ 18,867,575
Long-term investments						
Unrestricted revenue funds	$ 7,802,852	$ -	$ -	$ -	$ 7,802,852	$ 3,147,173
Total Funds	$ 67,626,865	$ 33,824,732	$ -	$ 4,092,569	$ 105,544,166	$ 102,412,368

Interest rate risk - The District's investment policy limits investment maturities to less than five years from the date of purchase unless authorized by the General Manager and Director of Finance for a specific

purpose. During 2025 and 2024, investments were held in the State Treasurer's Local Government Investment Pool (LGIP) and Separately Managed Accounts (SMA), U.S. government securities, or money market funds, described more fully in the following paragraph.

Credit risk - In accordance with the Revised Code of Washington, District bond resolutions, and District internal investment policies, all investments are held in U.S. government debt securities, money market funds invested in U.S. government debt securities, deposits in the LGIP, or deposits with financial institutions recognized as qualified public depositories of the state of Washington. U.S. government money market funds are held by bank trust departments as the District's agent and in the District's name.

The District's cash deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or protected against loss by deposit with financial institutions recognized as qualified public depositories of the state of Washington under the guidelines of the Washington State Public Deposit Protection Commission (PDPC). The District intends to hold time deposits and securities until maturity.

Concentration of credit risk - District policies allow the entire portfolio to be invested in direct U.S. government guaranteed obligations or in the LGIP. No other investment may exceed half of portfolio market value. The LGIP, a 2a7-like pool as defined by GASB Statement No. 31 and the Securities and Exchange Commission, invests in high-quality, short-term investments and is administered by the State Treasurer. The LGIP weighted-average maturity must not exceed 60 days and no single investment may exceed 762 days in maturity. The LGIP annual comprehensive financial report is available on the State Treasurer's website at: https://tre.wa.gov. SMA portfolios are managed by the Office of the State Treasurer and are intended for longer-term investments. SMA investments have a benchmark duration around 2.1 years, a maximum term of 5 years, and a minimum portfolio size of $10 million. Each SMA portfolio has its own holdings and custodial account, and funds are not pooled as they are in the LGIP; however, all portfolios are governed by the same investment policy and benchmarks as the Office of the State Treasurer's Core portfolio.

Custodial credit risk - The District's deposits are held by public depositories authorized by the PDPC and are not subject to custodial credit risk because state law requires public depositories to fully collateralize their public entity deposits.

Bond principal and interest accounts - For each debt issue, the District is required by bond resolutions to maintain principal and/or sinking fund and interest accounts within the bond funds to provide for the next semi-annual interest and annual principal/sinking fund payments falling due, which are reported as current assets. All bond funds are restricted by bond resolution to the payment of debt service obligations.

Bond reserve funds - Box Canyon Production System and Electric System revenue bond resolutions require that reserve accounts be maintained within the bond funds. The 2019 Electric System reserve account requires a deposit equal to 10% of the stated principal amount. The reserve requirement for all Box Canyon Bonds is the sum of the reserve requirement for each series, currently equal to the maximum annual debt service. All deposits are currently held in money market funds.

Contract obligation - The District is obligated through a Memorandum of Agreement to release water from Sullivan Lake. In exchange, the District has received funds from the Office of Columbia River (Note 8). Monies received are restricted to construction and operations and maintenance activities related to Sullivan Lake and associated facilities.

Rate stabilization – The District's bond resolutions allow for the creation of a rate stabilization account within the District's revenue funds to affect the calculation of the District's bond debt service coverage covenant requirement. Monies deposited into the account are subtracted from net revenues used in the calculation of debt service coverage in the year deposited, and are added to net revenues in years that money is withdrawn from the account.

Investments – The District holds investments that are measured at fair value as of December 31, 2025 and 2024. The District categorized its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are significant other observable inputs, and level 3 inputs are significant unobservable inputs. Investments in an external government investment pool, such as LGIP, are not subject to reporting within the level hierarchy.

Investments by fair value level	Total as of December 31, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Level Hierarchy
Money market funds	$ 12,462,054	$ 12,462,053	$ -	$ -	$ -
U.S. Treasuries	9,539,123	9,539,123	-	-	-
Federal home Loan Banks	251,453	251,453			
Local Government Investment Pool	779,423	-	-	-	779,424
Total Investments	$ 23,032,053	$ 22,252,629	$ -	$ -	$ 779,424

Investments by fair value level	Total as of December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Level Hierarchy
Money market funds	$ 11,949,575	$ 11,949,575	$ -	$ -	$ -
U.S. Treasuries	4,125,425	4,125,425	-	-	-
Local Government Investment Pool	5,939,748	-	-	-	5,939,748
Total Investments	$ 22,014,748	$ 16,075,000	$ -	$ -	$ 5,939,748

Note 3 - Utility Plant

The following changes occurred in the District's utility plant for the years ended December 31, 2025 and 2024:

	2024 Balance	Additions	Retirements/ Transfers	2025 Balance
Land and land rights	$ 8,688,997	$ -	$ -	$ 8,688,997
Hydroelectric plant and equipment	197,391,806	-	177,105	197,568,911
Structures, buildings, and equipment	198,800,277	-	6,137,495	204,937,772
Intangible assets	14,474,680	-	373,185	14,847,865
Construction work in progress	2,554,017	8,207,097	(8,238,835)	2,522,279
	421,909,777	8,207,097	(1,551,050)	428,565,824
Less accumulated depreciation and amortization	177,728,104	11,062,820	(1,096,591)	187,694,333
Net Utility Plant	$ 244,181,673	$ (2,855,723)	$ (454,459)	$ 240,871,491

	2023 Balance	Additions	Retirements/ Transfers	2024 Balance
Land and land rights	$ 8,688,997	$ -	$ -	$ 8,688,997
Hydroelectric plant and equipment	197,224,578	-	167,228	197,391,806
Structures, buildings, and equipment	186,756,551	-	12,043,726	198,800,277
Intangible assets	14,474,680	-	-	14,474,680
Construction work in progress	4,811,699	11,157,936	(13,415,618)	2,554,017
	411,956,505	11,157,936	(1,204,664)	421,909,777
Less accumulated depreciation and amortization	167,504,419	10,728,139	(504,454)	177,728,104
Net Utility Plant	$ 244,452,086	$ 429,797	$ (700,210)	$ 244,181,673

Note 4 - Long-Term Debt

During the years ended December 31, 2025 and 2024, the following changes occurred in long-term debt:

Electric System Issue	Balance as of December 31, 2024	Additions	Reductions	Balance as of December 31, 2025	Amounts due within one year
2019 Revenue Refunding Bonds Due in annual installments through January 1, 2031; interest at 3.00% - 5.00%.	$ 5,925,000	$ -	$ 735,000	$ 5,190,000	$ 770,000
Subtotal	$ 5,925,000	$ -	$ 735,000	$ 5,190,000	$ 770,000
Unamortized premiums (discounts)	206,102	-	82,686	123,416	-
Other long-term debt	13,333	-	13,333	-	-
Total Debt:	$ 6,144,435	$ -	$ 831,019	$ 5,313,416	$ 770,000

Electric System Issue	Balance as of December 31, 2023	Additions	Reductions	Balance as of December 31, 2024	Amounts due within one year
2019 Revenue Refunding Bonds Due in annual installments through January 1, 2031; interest at 3.00% - 5.00%.	$ 6,625,000	$ -	$ 700,000	$ 5,925,000	$ 735,000
Subtotal	$ 6,625,000	$ -	$ 700,000	$ 5,925,000	$ 735,000
Unamortized premiums	309,711	-	103,609	206,102	-
Other long-term debt	26,667	-	13,334	13,333	13,333
Total Debt:	$ 6,961,378	$ -	$ 816,943	$ 6,144,435	$ 748,333

Box Canyon Production System Issue	Balance as of December 31, 2024	Additions	Reductions	Balance as of December 31, 2025	Amounts due within one year
2012 Clean Renewable Energy Bonds Due in annual installments through January 1, 2030; interest at 0.834% - 4.571% and subject to subsidy payment.	$ 13,705,000	$ -	$ 2,255,000	$ 11,450,000	$ 2,290,000
2018 Revenue and Refunding Bonds Due in annual installments through 2048; interest at 5%.	74,850,000	-	2,050,000	72,800,000	2,150,000
2019 Revenue Refunding Bonds Due in annual installments through 2041; interest at 3.0 - 5.0%.	30,640,000	-	-	30,640,000	-
Subtotal	$119,195,000	$ -	$ 4,305,000	$114,890,000	$ 4,440,000
Unamortized bond premiums	6,753,656	-	563,460	6,190,196	-
Unamortized bond discount	(49,181)	-	(16,607)	(32,574)	-
Total Debt:	$125,899,475	$ -	$ 4,851,853	$121,047,622	$ 4,440,000

Box Canyon Production System Issue	Balance as of December 31, 2023	Additions	Reductions	Balance as of December 31, 2024	Amounts due within one year
2012 Clean Renewable Energy Bonds Due in annual installments through January 1, 2030; interest at 0.834% - 4.571% and subject to subsidy payment.	$ 15,930,000	$ -	$ 2,225,000	$ 13,705,000	$ 2,255,000
2018 Revenue and Refunding Bonds Due in annual installments through 2048; interest at 5%.	76,725,000	-	1,875,000	74,850,000	2,050,000
2019 Revenue Refunding Bonds Due in annual installments through 2041; interest at 3.0 - 5.0%.	30,640,000	-	-	30,640,000	-
Subtotal	$123,295,000	$ -	$ 4,100,000	$119,195,000	$ 4,305,000
Unamortized bond premiums	7,336,220	-	582,564	6,753,656	-
Unamortized bond discount	(64,954)	-	(15,773)	(49,181)	-
Total Debt:	$130,566,266	$ -	$ 4,666,791	$125,899,475	$ 4,305,000

The District's Electric System and Box Canyon Production System revenue bonds require the District to establish, maintain, and collect Electric System rates adequate to provide net revenues in an amount equal to at least 1.25 times the annual principal and interest due for each revenue bond. Box Canyon Production System revenue bonds are secured by revenues of the Electric System.

Water System Issue	Balance as of December 31, 2024	Additions	Reductions	Balance as of December 31, 2025	Amounts due within one year
Riverview Water System Department of Health Loan Due in annual installments through October 2043; interest at 1.25%.	$ 205,283	$ -	$ 10,805	$ 194,478	$ 10,804
Riverview Water System Department of Health Loan Due in annual installments through October 2044; interest at 1.25%.	49,572	-	2,478	47,094	2,479
Granite Shores Water System Public Works Board Loans Due in annual installments through October 2026; interest at 1%.	3,765	-	1,883	1,882	1,882
Sunvale Water System Department of Health Loans Due in annual installments through October 2045; interest at 1.25%.	297,491	10,943	14,687	293,747	14,688
Metaline Falls Water System Public Works Board Loan Due in annual installments through June 2045; interest at 0.86%.	-	3,423	-	3,423	-
Total Debt:	$ 556,111	$ 14,366	$ 29,853	$ 540,624	$ 29,853

Water System Issue	Balance as of December 31, 2023	Additions	Reductions	Balance as of December 31, 2024	Amounts due within one year
Riverview Water System Department of Health Loan Due in annual installments through October 2043; interest at 1.25%.	$ 216,087	$ -	$ 10,804	$ 205,283	$ 10,804
Riverview Water System Department of Health Loan Due in annual installments through October 2044; interest at 1.25%.	52,051	-	2,479	49,572	2,479
Granite Shores Water System Public Works Board Loans Due in annual installments through October 2026; interest at 1%.	5,647	-	1,882	3,765	1,882
Sunvale Water System Department of Health Loan Due in annual installments through October 2045; interest at 1.25%.	-	297,491	-	297,491	14,166
Total Debt:	$ 273,785	$ 297,491	$ 15,165	$ 556,111	$ 29,331

The District completed capital upgrades to the Sunvale Water System, which was partially funded through a loan from the Washington State Department of Health Drinking Water State Revolving Fund. In December 2024, the District received approval for additional loan funds to cover project overages, bringing the total loan amount to $308,434. The loan carries an interest rate of 1.25% and is due in October 2045.

In October 2024, the Metaline Falls water system experienced a transmission line failure. To address this, the District secured emergency funding through the Washington State Department of Commerce's Rapid Response Grant Program, which covered expenses incurred through June 30, 2025 (See Note 10). For costs incurred after that date, the District obtained a loan from the Washington State Public Works Board in the amount of $6,846. The loan includes 50% principal forgiveness, has an interest rate of 0.86%, and is due in June 2045.

Community Network System Issue	Balance as of December 31, 2024	Additions	Reductions	Balance as of December 31, 2025	Amounts due within one year
2017 Revenue Bonds	$ 801,000	$ -	$ 393,000	$ 408,000	$ 204,000
Due in semi-annual installments through January 1, 2027; interest at 3.88%.					
Subtotal	$ 801,000	$ -	$ 393,000	$ 408,000	$ 204,000
Due to other systems	13,333	-	13,333	-	-
Total Debt:	$ 814,333	$ -	$ 406,333	$ 408,000	$ 204,000

Community Network System Issue	Balance as of December 31, 2023	Additions	Reductions	Balance as of December 31, 2024	Amounts due within one year
2017 Revenue Bonds	$ 1,179,000	$ -	$ 378,000	$ 801,000	$ 197,000
Due in semi-annual installments through January 1, 2027; interest at 3.88%.					
Subtotal	$ 1,179,000	$ -	$ 378,000	$ 801,000	$ 197,000
Due to other systems	26,667	-	13,334	13,333	13,333
Total Debt:	$ 1,205,667	$ -	$ 391,334	$ 814,333	$ 210,333

Scheduled debt service requirements to maturity are as follows:

	Electric System			Box Canyon Production System		
	Interest	Principal	Total	Interest	Principal	Total
2026	$ 185,050	$ 770,000	$ 955,050	$ 5,417,400	$ 4,440,000	$ 9,857,400
2027	145,550	810,000	955,550	5,191,775	4,585,000	9,776,775
2028	104,050	850,000	954,050	4,958,900	4,730,000	9,688,900
2029	69,375	895,000	964,375	4,718,400	4,890,000	9,608,400
2030	42,150	920,000	962,150	4,473,550	5,150,000	9,623,550
2031-2035	14,175	945,000	959,175	19,153,425	25,465,000	44,618,425
2036-2040	-	-	-	12,241,025	32,030,000	44,271,025
2041-2045	-	-	-	5,484,950	20,965,000	26,449,950
2046-2048	-	-	-	968,375	12,635,000	13,603,375
Totals	$ 560,350	$ 5,190,000	$ 5,750,350	$ 62,607,800	$ 114,890,000	$ 177,497,800

	Water System			Community Network System		
	Interest	Principal	Total	Interest	Principal	Total
2026	6,726	29,853	36,579	$ 7,915	$ 204,000	$ 211,915
2027	6,371	28,150	34,521	3,958	204,000	207,958
2028	6,020	28,150	34,170	-	-	-
2029	5,669	28,150	33,819	-	-	-
2030	5,318	28,150	33,468	-	-	-
2031-2035	21,321	140,752	162,073	-	-	-
2036-2040	12,542	140,752	153,294	-	-	-
2041-2045	3,897	116,667	120,564	-	-	-
Totals	$ 67,864	$ 540,624	$ 608,488	$ 11,873	$ 408,000	$ 419,873

Note 5 - Power Purchase Contractual Agreements

Shell Energy North America - In late 2020, the District entered into a five-year agreement with Shell Energy North America (US), L.P. (Shell) effective January 1, 2021. Under the agreement, the District sold to Shell all power generated by the Box Canyon Project on a specified-source basis, as well as energy received from Seattle City Light under the Boundary Power Assignment Agreement, and the District purchased from Shell firm energy in monthly blocks, the amounts of which were intended to match the District's forecasted monthly energy load. The net transaction resulted in fixed payments from Shell to the District over the five-year period, which ended December 31, 2025. The total fixed payments for the years ended December 31, 2025 and 2024 were $15,711,923 and $16,148,122.

Seattle City Light, **Boundary Hydroelectric Project** – Seattle City Light owns and operates Boundary Hydroelectric Project (Boundary) located in northern Pend Oreille County. In Boundary's previous FERC license, Seattle City Light was required to assign to the District up to 48 megawatts of energy and capacity at cost, based on the District's weekly system load factor. After the Boundary Project was issued a new 42-year FERC license in March 2013, Seattle City Light and the District entered into a contract in 2014 (the Boundary Power Assignment Agreement) that continues to obligate Seattle City Light to deliver up to 48 megawatts of energy and capacity to the District, along with a pro rata share of the Boundary Project's environmental attributes. The agreement term corresponds with Boundary's FERC license and expires in 2055; however, the District's position is that the assignment requirement would continue beyond expiration of the agreement.

In February 2021, Seattle City Light and the District entered into a settlement agreement to resolve several disputes regarding the Boundary Power Assignment Agreement, including disputes over environmental attributes of the Boundary Project. The settlement agreement term runs through December 31, 2029, after which the Boundary Power Assignment Agreement will operate as it existed prior to the settlement agreement, unless otherwise agreed by the parties. In exchange for the District waiving its right to environmental attributes of Boundary Dam for the 9-year term, the settlement agreement removes the load-factor calculus, establishes a fixed schedule of shaped monthly power deliveries, and fixes an annual cost escalator for the District's cost share.

Bonneville Power Administration – Effective October 1, 2011, the District renewed take-or-pay power purchase contracts with Bonneville Power Administration (BPA) which run through September 30, 2028. The District receives Shaped Block purchases which are predetermined monthly levels of power delivered consistently throughout the month. Average annual power allocations are based on total forecasted retail load less the District's dedicated resources, and are subject to a cap based on regional critical water levels. No deliveries are received for the fiscal year if the District's resources are considered sufficient to meet the District's expected load, which was the outcome for the 2025-2026 fiscal year, and the District will not receive BPA power deliveries for the twelve-month period beginning October 1, 2025 and continuing through September 30, 2026. The average hourly power received for the 2024-2025 fiscal year ending September 30, 2025 was 11.52 MW.

During 2025, the District executed BPA's Provider of Choice power contract, which will cover federal power deliveries for a 16-year term starting October 1, 2028. BPA will determine final power allocations once all parties have indicated their commitment. The Provider of Choice contract uses the same calculus to determine annual power allocations as the current contract described previously, and initial indications are that the District will not receive any Tier 1 base power allocations under the successor contract. However, the District will be eligible for Tier 2 power, which is priced similar to market power.

Ponderay Newsprint Company – In July 1986, the Electric System entered into power sales contracts with Ponderay Newsprint Company (PNC) to supply power to a fiber mill and paper plant. The District was obligated to provide all power necessary to operate both the fiber mill and paper plant, historically representing 70% of Electric System retail energy deliveries. Power delivery under these contracts was set to expire in 2027.

In June 2020, PNC closed its operations and declared chapter 7 bankruptcy. The District promptly requested and received the full, unrestricted value of PNC's $10 million cash collateral in satisfaction of the secured portion of the District's $32,263,471 total claim. The District received $4,806,383 against the unsecured amount of the District's claim before the estate was closed in September 2024.

Allrise Capital Inc. – In April 2021, the PNC site was auctioned as part of the bankruptcy proceedings. The successful bidder was Allrise Capital Inc. (Allrise), purchasing the property for $18.1 million through its wholly owned subsidiary, Ponderay Real Estate, LLC. Allrise began cryptomining operations at the site in December 2021.

In August 2022, the District entered into a retail service contract with Cascade Digital Mining, LLC (Cascade) for continued cryptomining operations at the site. The District understands Cascade to be a joint venture comprised of majority-owner Merkle Standard Infrastructure LLC, which is a wholly-owned subsidiary of Allrise, and Bitmain Delaware Holding Company, Inc., a subsidiary of Bitmain which is a large cryptomining equipment manufacturer. Upon the October 31, 2025 expiration of Cascade's most recent contract, the

District entered into a multi-year contract through December 31, 2029 with Merkle Standard Infrastructure, LLC (Merkle).

Previous contracts with Cascade and the current contract with Merkle have a capacity up to 85 MW, are generally comprised of market-based purchases, and are primarily cost-based. Billings are prepaid on a monthly basis and are further secured by a standby letter of credit, currently held at $1,420,500. Prepaid billing balances as of December 31, 2025 and 2024 were $961,837 and $1,480,762, respectively.

Merkle's operations allow for variable power consumption, and power purchases range from monthly shaped block purchases to daily transactions. Average hourly energy consumption for Cascade and Merkle was 44 MW during 2025 and 41 MW during 2024. Total revenues from Cascade and Merkle for the years ended December 31, 2025 and 2024 were $21,016,345 and $20,223,528, and accounted for 46% and 45% of sales to retail customers, respectively.

Energy Northwest – The District is a participant in Energy Northwest's (formerly the Washington Public Power Supply System) Nuclear Project Nos. 1 and 3, both of which have terminated. The District purchased from Energy Northwest, and assigned to BPA, 0.087% of the capability of Project No. 1 and 0.078% of Energy Northwest's 70% ownership share of Project No. 3. Under the agreements, the District is unconditionally obligated to pay Energy Northwest its pro rata share of the total costs of the projects, including debt service, even though the projects are terminated. Under the Net Billing Agreements, BPA is responsible for assuming the District's cost obligation, and therefore the District had no direct payments in 2025 and 2024. The District's Electric System revenue requirements are not directly affected by the associated costs; revenue requirements are affected indirectly to the extent that the costs of the projects result in increases in BPA's wholesale power rates.

Note 6 - Pension Plans

The District is a member of the Washington State Public Employees' Retirement System (PERS) cost-sharing plan. For purposes of measuring the net pension liability/asset, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan description - PERS was established in 1947 and its retirement benefit provisions are contained in Revised Code of Washington (RCW) chapters 41.34 and 41.40. PERS is a cost-sharing multiple-employer retirement system composed of three separate pension plans for membership purposes. PERS Plan 1 and Plan 2 are defined benefit plans, and Plan 3 is a defined benefit plan with a defined contribution component. PERS members include elected officials, state employees, employees of local governments, and higher education employees not participating in higher education retirement plans.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered a single plan for accounting purposes.

Benefits provided - *PERS Plan 1* - Provides retirement, disability, and death benefits. Retirement benefits are calculated as 2% times the member's average final compensation (AFC) times the member's years of service. AFC is the average of the member's 24 consecutive highest-paid service credit months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status before age 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). Members became vested after the completion of five years of eligible service.

PERS Plan 2/3 - PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits for Plan 2 are calculated as 2% times the member's AFC times the member's years of service. Defined benefits for Plan 3 are calculated using 1% times the member's AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months.

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2 members are vested after completing five years of eligible service.

PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Plan 2/3 benefits include a COLA based on the Consumer Price Index, capped at 3% annually.

Annuities purchased with Plan 3 defined contributions that are invested within the Washington State Investment Board Total Allocation Portfolio (WSIB TAP) are considered defined benefits. Plan 3 WSIB TAP annuities are actuarially reduced if a survivor benefit is chosen and purchased annuities include a COLA of 3% annually.

PERS Plan 3 – Defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service or after five years of service if 12 months of that service was earned after age 44.

Contributions - *PERS Plan 1 contributions* - The PERS Plan 1 member contribution rate is established in statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA), adopted by the Pension Funding Council, and is subject to change by the Legislature.

PERS Plan 2/3 contributions - The PERS Plan 2/3 employer and employee contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 unfunded actuarial accrued liability (UAAL).

PERS Plan 3 contributions – As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

Required contribution rates (expressed as a percentage of covered payroll) at the close of fiscal year 2025 were as follows:

Actual Contribution Rates	Employer	Employee
PERS Plan 1	9.11%	6.00%
PERS Plan 2/3	9.11%	6.36%
PERS Plan 3	9.11%	5.00% - 15.00%

Both the District and employees made the required contributions during fiscal years 2025 and 2024. The District's required employer contributions for the years ended December 31 were as follows:

Required Employer Contributions	2025	2024
PERS Plan 1	$ 147,537	$ 259,240
PERS Plan 2/3	655,631	598,241
Total	$ 803,168	$ 857,481

Actuarial assumptions - The total pension liability for each of the plans was determined by an actuarial valuation as of June 30, 2024, with the results rolled forward to June 30, 2025, using the following actuarial assumptions applied to all prior periods included in the measurement:

Actuarial Assumptions	
Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity
Investment rate of return	7.00%

Mortality rates were developed using the Society of Actuaries' Publication H-2010 Mortality rates, which vary by member status (active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of the *2013-2018 Demographic Experience Study Report* and the *2023 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2023 actuarial valuation report.

OSA selected a 7.00% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

The CMAs contain the expected annual return, standard deviation of the annual return, and correlations between the annual returns of each asset class. The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various future time horizons. The expected future rates of return (expected returns, net of pension plan investment expense, including inflation) are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	19.0%	2.1%
Tangible Assets	8.0%	4.5%
Real Estate	18.0%	4.8%
Global Equity	30.0%	5.6%
Private Equity	25.0%	8.6%

The inflation component used to create the table above was 2.50% and represents WSIB's most recent long-term estimate of broad economic inflation consistent with their 2023 CMAs.

Discount rate - The discount rate used to measure the total pension liability was 7.00%. To determine the discount rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the Actuarial Certification Letter, the pension plan's 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 7.00% on pension plan investments was applied to determine the total pension liability.

Pension liability (asset) sensitivity - The following table presents the District's proportionate share of the net pension liability (asset) for all plans it participates in, calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

District's Proportionate Share of Net Pension Liability (Asset) Sensitivity	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate share of the PERS Plan 1 net pension liability	$ 936,012	$ 554,706	$ 220,291
Proportionate share of the PERS Plan 2/3 net pension liability (asset)	$ 3,771,302	$ (2,324,013)	$ (7,329,968)

The pension liability (asset) has been allocated to the operating systems based on a percentage of total payroll charged to each system. The total pension liability (asset) for each system is as follows:

Proportionate Share of Plan Net Pension Liability (Asset)	PERS Plan 1	PERS Plan 2/3	Total as of December 31, 2025	Total as of December 31, 2024
Electric System	$ 343,918	$ (1,440,887)	$ (1,096,969)	$ (691,569)
Box Canyon Production System	149,771	(627,484)	(477,713)	(301,167)
Water System	22,188	(92,961)	(70,773)	(44,617)
Community Network System	38,829	(162,681)	(123,852)	(78,080)
Total	$ 554,706	$ (2,324,013)	$ (1,769,307)	$ (1,115,433)

Pension costs - The District reports a liability (asset) for its proportionate share of each plan's net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2025, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2024, rolled forward to June 30, 2025. Below are the percentage proportionate shares of net pension liability (asset) for each plan.

Proportionate Share of Plan Liability	PERS Plan 1	PERS Plan 2/3
Percent share as of June 30, 2025	0.047049%	0.060899%
Percent share as of June 30, 2024	0.044694%	0.057926%

The District's proportion of the net pension liability (asset) was based on the contributions received by PERS during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, 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. The proportionate share of net pension liability (asset) and the pension expense or credit recognized by the District for each plan is as follows:

Proportionate Share of Net Pension Liability (Asset) and Pension Expense (Credit)	PERS Plan 1	PERS Plan 2/3	Total as of December 31, 2025	Total as of December 31, 2024
Net pension liability (asset)	$ 554,706	$ (2,324,013)	$ (1,769,307)	$ (1,115,433)
Pension expense (credit)	$ (152,962)	$ (833,127)	$ (986,089)	$ (1,091,436)

The District reported its proportionate share of deferred outflows of resources and deferred inflows of resources from the following sources:

District's Proportionate Share of Plan Deferred Outflows of Resources	PERS Plan 1	PERS Plan 2	Total as of December 31, 2025	Total as of December 31, 2024
Differences between expected and actual economic experience	$ -	$ 1,699,179	$ 1,699,179	$ 1,085,060
Changes in actuarial assumptions	-	898,144	898,144	1,054,470
Change in proportion and differences between contributions and proportionate share of contributions	-	209,534	209,534	147,513
Contributions paid to PERS subsequent to the measurement date	12,305	318,348	330,653	433,228
Total	$ 12,305	$ 3,125,205	$ 3,137,510	$ 2,720,271

District's Proportionate Share of Plan Deferred Inflows of Resources	PERS Plan 1	PERS Plan 2	Total as of December 31, 2025	Total as of December 31, 2024
Differences between expected and actual economic experience	$ -	$ -	$ -	$ 4,421
Changes in actuarial assumptions	-	64,175	64,175	120,990
Change in proportion and differences between contributions and proportionate share of contributions	-	195,551	195,551	-
Difference between projected and actual investment earnings	38,134	523,350	561,484	610,775
Total	$ 38,134	$ 783,076	$ 821,210	$ 736,186

The $12,305 reported as deferred outflows of resources for PERS Plan 1 and $318,348 reported as deferred outflows of resources for PERS Plan 2/3 related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the relevant plan in the year ending December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to each plan will be recognized in pension expense as follows:

Deferred Outflows and Inflows of Resources Recognized in Pension Expense	PERS Plan 1	PERS Plan 2/3
2026	$ 36,388	$ 804,228
2027	(26,508)	329,557
2028	(27,528)	337,341
2029	(20,486)	138,692
2030	-	296,908
2031	-	117,055
Total	$ (38,134)	$ 2,023,781

Pension plan fiduciary net position - Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately issued Washington State Department of Retirement Systems 2025 Annual Comprehensive Financial Report. This report may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Defined contribution pension plans - The District maintains a defined contribution plan in accordance with the Internal Revenue Code Section 401(a). The District serves as trustee for this single-employer defined contribution plan, which is administered by MissionSquare Retirement. All permanent employees working 30 or more hours per week are eligible to participate in the plan.

The plan provides for an employer match of 50% of eligible employee deferral of employee straight-time wages, capped at a 4% employer match on an 8% employee deferral. District contributions and earnings for each employee are immediately fully vested. Employer contributions to this plan for 2025 and 2024 were $358,157 and $308,947 respectively, and are reported as expense within the balances on the Statement of Revenues, Expenses, and Changes in Net Position. All plan assets have been placed into trust for the exclusive benefit of plan participants and their beneficiaries.

Participants may draw a loan on their employee benefit account. Only one loan is allowed per employee per plan at a time and is limited to $50,000 or 50% of the value of the participant's interest in all of their Plan accounts. Loans incur a fixed interest rate of prime plus 0.5% that is set at the time of approval, and monthly principal and interest payments are made through District payroll deduction.

The 401(a) plan investments are reported at fair value. Investment options consist of mutual funds, bonds, and stocks. The District categorized its fair value measurements within the fair value hierarchy established by GAAP, which is based on the valuation inputs used to measure the fair value of an asset. Investments in the plan are deemed Level 1 inputs, which are quoted prices in active markets for identical assets.

The District also maintains a deferred compensation pension plan in accordance with the Internal Revenue Code Section 457. The plan is administered by MissionSquare Retirement and has the same employee eligibility, contribution, and loan parameters as the 401(a) plan.

Savings plan - The District maintains a Health Reimbursement Arrangement for employees. All plan assets have been placed into a multiple-employer trust for the exclusive benefit of plan participants and their beneficiaries. Non-bargaining-unit employees receive a $225 monthly contribution paid into individual employer-sponsored medical savings accounts to pay for eligible medical expenses, tax-free, whether incurred while employed or after retirement. Bargaining unit employees are eligible for a $200 monthly contribution if they participate in District-sponsored wellness programs.

Note 7 - Self-Insurance

Public Utility Risk Management Services - The District is a member of the Public Utility Risk Management Services (PURMS) self-insurance fund. PURMS is a public entity risk pool and its members include 18 public utility districts and one non-profit mutual corporation. The objectives of PURMS are to formulate, develop, and administer a program of self-insurance in order to obtain lower costs for the various coverages provided to its members and to develop a comprehensive loss control program. The risks shared by the members are defined in the Self-Insurance Agreement (SIA). The fund consists of three pools for liability, property, and health and welfare coverage. The pools operate independently of one another. All members do not participate in all pools, and the District does not participate in the health and welfare pool.

The District is a participant in the liability pool, which maintains a base self-insured retention level of $1 million. In addition, the fund maintains $35 million of excess general liability insurance over the $1 million retention. A second layer of excess general liability insurance of $65 million is also maintained over the first layer of $35 million. The fund maintains $35 million in directors and officers liability coverage with a retention level of $500,000. The fund also maintains $10 million in cyber security liability coverage with a retention level of $1 million. The deductible is $250.

The designated liability pool reserve balance is $3.5 million. Liability assessments are levied to replenish the reserves to the designated level at any time during the year that the actual reserves drop to $500,000 less than the designated level.

The District is also a participant in the property pool, which maintains a self-insured retention level of $250,000. The property pool provides the District with $200 million shared excess coverage, attaching at the self-insured retention level for all property risks excepting flood and earthquake, which attach at 2% of total insured value. Any gap between the self-insured level and excess insurance is funded half by the property pool and half by the affected member. The deductible varies, but for most classes of property it is $250.

The designated property pool reserve balance is $750,000. Property assessments are levied to replenish the reserves to the designated level at any time during the year that the actual reserves drop below $500,000.

As a member, the District is subject to its share of excess premiums and assessments based on claims submitted by all members. The following premiums and assessments were charged during the years ended December 31:

	Liability		Property	
	2025	2024	2025	2024
Electric System	$ 343,676	$ 297,539	$ 106,078	$ 68,812
Box Canyon Production System	168,078	172,450	442,136	285,826
Water System	11,198	13,924	11,483	6,474
Community Network System	36,954	48,540	1,672	1,835
Total	$ 559,906	$ 532,453	$ 561,369	$ 362,947

Central Washington Public Utilities - The District, with six other public utility districts, is a member of the Central Washington Public Utilities Unified Insurance Program and Trust, which is a self-insurance program providing medical, dental, life insurance, disability insurance, and similar benefits to member employees and families. Formed by a Declaration of Trust and an Interlocal Agreement under RCW Chapter 39.34, the trust is administered by a board of trustees consisting of an appointed trustee from each of the seven member districts. Further information may be obtained by contacting the District's financial department as set forth on the last page of this Annual Report under Organizational Information—Corporate Office.

Note 8 - Commitments and Contingencies

Box Canyon Project - The District's Box Canyon Hydroelectric Project (Box Canyon Dam) operates under a 50-year license issued by FERC, which expires on July 1, 2055. The license contains several conditions, including environmental studies and projects initiated by state and federal agencies and the Kalispel Tribe of Indians. All projects and studies are related to Box Canyon Dam and its reservoir and include the protection, mitigation, and enhancement of fish, wildlife, recreation, erosion, water quality, and cultural preservation. Capitalized projects have included upgrade of the Box Canyon Project turbines, spillway gate modification for total dissolved gas abatement, and construction of fish passage facilities. District-directed projects that are noncapital in nature, which are expensed as incurred, include improvement of wildlife and fish habitat, water quality monitoring, erosion mitigation, and environmental studies. The license also requires payments to agencies that are used at the discretion of the receiving party, and are intended for license measures, although the District has no control over the final disposition of the funds. These costs have been estimated over the life of the license and recorded as a regulatory asset and licensing costs liability (Note 1).

Kalispel Tribe of Indians - The Box Canyon license includes language authorizing the District to use lands in the Kalispel Indian Reservation. Under a contract signed in 2007, payment to the Kalispel Tribe for use of their lands is based on costs to produce power at Box Canyon Dam. The Kalispel Tribe receives their payment in electrical energy, the amount of which is based on a formula using Box Canyon Dam production costs. The Kalispel Tribe chooses on an annual basis, in advance of the calendar year, to use the energy, require the District to sell the energy to a third party on the Kalispel Tribe's behalf at market prices, or require the District to purchase the power at cost of production. For 2025 and 2024, the Kalispel Tribe chose to have the District purchase the power at generation cost. Power sales on the Kalispel Tribe's behalf totaled $245,003 and $244,966 in 2025 and 2024, respectively.

In 2019, the District executed an off-license agreement with the Kalispel Tribe to provide payments for alternative mitigation activities in lieu of fish passage construction and license measures regarding water quality. The off-license agreement was referenced as part of an amendment to the Box Canyon FERC license, and became effective upon FERC's approval of the amendment in December 2021. Payments range from $1.5 million to $3.1 million over 25 years. The agreement also includes a $10 million contribution for upstream fish passage facilities at Albeni Falls Dam, which is a federally-owned hydroelectric project directly upstream of Box Canyon Dam. This payment will be made upon the completion of certain construction conditions, or December 2027, whichever occurs earlier. The District has recorded the present value of all payments under the agreement as a regulatory asset and licensing costs liability as of December 31, 2025 and 2024. Payments under this agreement were $2.8 million for both 2025 and 2024.

Sullivan Creek Project – The District formerly held a FERC license for the Sullivan Creek Project, which included the Sullivan Lake and Mill Pond Dams, as well as the Sullivan Creek Powerhouse. Of these, only the Sullivan Lake Dam remains in operation, and it is currently used exclusively for water storage. Since the expiration of the Sullivan Creek Project's FERC license in 2008, the District has operated Sullivan Lake Dam under a settlement agreement and various FERC orders providing terms and conditions for license surrender. These documents allow continued operation of the dam as a water storage facility and require the completion of various environmental projects aimed at protecting and enhancing fish and wildlife habitats. Once the District has successfully completed all the projects specified in the agreement and FERC orders, the District will submit a request for final license surrender to FERC. Upon receiving final approval of the Surrender Order from FERC, the District will be eligible to obtain a 30-year special use authorization from the United States Forest Service (USFS) to continue operating Sullivan Lake Dam as a water storage facility.

Concurrent with the license surrender process, the District contracted with Washington State Department of Ecology to sell certain Sullivan-related water rights to the State of Washington through the Department of Ecology's Office of Columbia River, Columbia River Water Management Program. In exchange for the release of water from Sullivan Lake at designated times and volumes, the Department of Ecology Office of Columbia River paid the District $14 million. Proceeds are expected to finance Sullivan Creek Project capital and operating, maintenance, and environmental expenditures for the entirety of the 30-year term of the USFS special use authorization to be issued after decommissioning of the project is fully complete. The proceeds are recorded as unearned revenue and are being amortized annually in an amount equal to the net cash outflow for Sullivan Project-related activities each year. The monies are restricted to use for Sullivan Creek Project-related expenditures and reflected on the statement of net position within the contract security liability category.

Because there is no operating value for the District in owning the Sullivan Project assets, the District reports the net revenues and expenses as nonoperating. Asset values are recorded net of accumulated depreciation as nonutility plant. The District reports no remaining license surrender liability.

Clean Energy Transformation Act – In 2019, the Washington State Legislature passed the Clean Energy Transformation Act (CETA), which requires all electric utilities serving retail customers in Washington State to achieve a 100% carbon neutral energy supply by 2030 and a 100% carbon free energy supply by 2045. CETA also contains requirements to expand the District's energy assistance programs for low-income customers. The District is currently managing towards meeting the first milestone requirements in 2030.

Climate Commitment Act – In 2021, the Washington State Legislature passed the Climate Commitment Act establishing a cap-and-invest system where allowable carbon emissions are capped, requiring businesses to purchase allowances equal to their greenhouse gas emission levels. Allowances can be obtained through quarterly auctions hosted by the Department of Ecology or purchased on a secondary market. For the initial implementation of the program, no-cost carbon allowances were issued to utilities based on their fuel mix. Auction sales of these carbon allowances resulted in proceeds of $2,230,140 and $3,242,936 in 2025 and 2024, respectively. This revenue is included in Other operating revenues in the Combined Statements of Revenue, Expenses, and Changes in Net Position.

Clark Public Utility District – In October 2022, the District executed a long-term agreement with Public Utility District No. 1 of Clark County (Clark) for the output of Box Canyon generation. The 16-year agreement, which begins January 1, 2026, sells to Clark the output of Box Canyon as it is generated. The power is sold at cost that includes both a fixed-price component and a variable-cost component adjusted by inflation, plus an environmental adder per megawatt generated. Clark assumes risk associated with both annual water levels and market price fluctuations.

Other contingencies - The District is subject to various claims, possible legal actions, and other matters arising out of the normal course of business. When it is possible to make a reasonable estimate of the District's liability with respect to probable claims, an appropriate provision is made. Although the ultimate outcome of litigation against the District cannot be determined, management intends to continually defend all claims against the District and believes the District is adequately reserved for all known events.

Note 9 - Northwest Open Access Network

The District, along with nine other Washington public utility districts, is a member of Northwest Open Access Network (NoaNet), a Washington nonprofit mutual corporation. NoaNet uses a high-speed fiber optic transmission system, largely located within Washington State, to provide Ethernet and other advanced telecommunications services on a wholesale basis to its members and retail telecommunications companies. NoaNet has first right-of-refusal to lease four strands, designated as public purpose, from fiber optic lines the BPA owns on transmission lines.

In December 2020, NoaNet issued Telecommunications Network Revenue Bonds in the amount of $24,775,000. Proceeds from the bonds were used to refund all outstanding debt, including all Member Agreements, leaving $10 million available for upcoming capital projects. The bonds were structured with level debt service with annual payments from 2021 through 2030. Yields on the bonds ranged from 0.591% in 2021 to 2.120% in 2030. The all-in interest cost was 1.90%. The District's 5.76% guarantee share of the debt outstanding of $12,840,000 as of December 31, 2025 is $739,584.

During May 2023, NoaNet entered into separate Member Loan agreements to pay a portion of NoaNet's pension liability. The District loaned NoaNet $500,000, with a repayment term of 5 years. Interest on the loan accrued at the monthly LGIP rate. In April 2025, NoaNet paid the outstanding balance of $410,077 in full, including accrued interest of $21,738.

In 2024, NoaNet reported a net operating loss of $701,797, $4,782,857 of nonoperating revenue, and a total increase in net position of $4,081,060. The 2025 audited financial statements were not available at the time of issuance of this report. A NoaNet annual report may be obtained by writing to Northwest Open Access Network,11707 E. Sprague Avenue, Suite 201, Spokane Valley, WA 99206. NoaNet's website is www.noanet.net.

The District's Electric System reports no investment or liability account balance reflecting NoaNet membership.

Note 10 - Grants

Washington State Department of Health – In 2022, the Washington State Department of Health awarded the District a loan funded by the U.S. Environmental Protection Agency to support capital improvements to the Sunvale water system. The loan included 50% principal forgiveness, effectively providing $292,714 in grant funding, of which $286,057 was recognized in 2024. In 2025, the District received an additional loan of $13,331 to cover project overages (See Note 4). Construction was completed in 2024, with a total project cost of $603,537.

Washington State Department of Commerce – In October 2024, the Metaline Falls water system experienced a transmission line failure, requiring temporary repairs, erosion control, and highway protection costs. The District was awarded $1 million through the Department of Commerce's Emergency Rapid Response Grant Program to cover repair costs. In 2025, the funding level was increased to $1.15 million. To qualify for reimbursement, expenditures had to be incurred by June 30, 2025. The transmission line was fully repaired in 2025 at a total cost of $1,083,543.

Washington State Public Works Board - To cover costs after the June 30, 2025 expiration of Emergency Rapid Response funding, the District received Washington State Public Works Board Emergency Funding, consisting of 50% loan and 50% grant funding. The District submitted $6,846 in eligible costs under this program, resulting in $3,423 in grant funding.

Washington State Association of Counties – In 2024, the District received a $37,500 grant from the Washington State Association of Counties to support broadband development in Pend Oreille County. The funding covered technical assistance for preparing an application to the National Telecommunications and Information Administration's Broadband Equity, Access, and Deployment (BEAD) Program, which the District submitted in 2025. Grant revenue of $19,537 was recognized in 2024, with an additional $3,292 recorded in 2025.

Schedule of Proportionate Share of Net Pension Liability (Asset) as of June 30

	Employer's proportionate share of the net pension liability (asset)		Employer's covered employee payroll		Employer's proportion of the net pension liability (asset)	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3
2025	$ 554,706	$ (2,324,013)	$ 10,162,315	$ 10,162,315	0.047049%	0.060899%
2024	794,140	(1,909,573)	8,964,709	8,964,709	0.044694%	0.057926%
2023	1,091,991	(2,529,174)	8,530,458	8,530,458	0.047837%	0.061707%
2022	1,400,008	(2,432,144)	8,199,770	8,199,770	0.050281%	0.065578%
2021	641,587	(6,725,481)	8,074,948	8,074,948	0.052536%	0.067514%
2020	1,930,499	910,825	8,300,145	8,300,145	0.054680%	0.071217%
2019	2,291,063	747,291	8,362,937	8,362,937	0.059580%	0.076934%
2018	2,874,473	1,410,782	8,571,106	8,571,106	0.064363%	0.082627%
2017	3,197,754	3,011,819	8,498,422	8,498,422	0.067391%	0.086683%
2016	4,115,660	4,944,091	9,167,431	9,167,431	0.076635%	0.098196%

	Employer's proportionate share of net pension liability (asset) as a percentage of covered employee payroll		Plan fiduciary net position as a percentage of the total pension liability	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
2025	5.46%	22.87%	89.07%	105.53%
2024	8.86%	21.30%	84.05%	105.17%
2023	12.80%	29.65%	80.16%	107.02%
2022	17.07%	29.66%	76.56%	106.73%
2021	7.95%	83.29%	88.74%	120.29%
2020	23.26%	10.97%	68.64%	97.22%
2019	27.40%	8.94%	67.12%	97.77%
2018	33.54%	16.46%	63.22%	95.77%
2017	37.63%	35.44%	61.24%	90.97%
2016	44.89%	53.93%	57.03%	85.82%

Schedule of Employer Contributions as of December 31

	Statutorily or contractually required contributions		Contributions in relation to the statutorily or contractually required contributions		Contribution deficiency (excess)	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3
2025	$ 147,537	$ 655,631	$ (147,537)	$ (655,631)	$ -	$ -
2024	259,240	598,241	(259,240)	(598,241)	-	-
2023	296,722	552,250	(296,722)	(552,250)	-	-
2022	312,392	529,487	(312,392)	(529,487)	-	-
2021	351,024	583,306	(351,024)	(583,306)	-	-
2020	397,440	656,971	(397,440)	(656,971)	-	-
2019	406,800	631,957	(406,800)	(631,957)	-	-
2018	434,106	643,488	(434,106)	(643,488)	-	-
2017	416,156	579,483	(416,156)	(579,483)	-	-
2016	412,225	538,399	(412,225)	(538,399)	-	-

	Covered employer payroll		Contributions as a percentage of covered employee payroll	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3
2025	$ 11,132,546	$ 11,132,546	1.33%	5.89%
2024	9,406,308	9,406,308	2.76%	6.36%
2023	8,683,167	8,683,167	3.42%	6.36%
2022	8,325,267	8,325,267	3.75%	6.36%
2021	8,112,952	8,112,952	4.33%	7.19%
2020	8,295,085	8,295,085	4.79%	7.92%
2019	8,202,549	8,202,549	4.96%	7.70%
2018	8,581,426	8,581,426	5.07%	7.52%
2017	8,511,531	8,511,531	4.88%	6.80%
2016	8,642,042	8,642,042	4.83%	6.31%

Electric System - Revenue, customer and energy statistics for the years ended December 31

	2025	2024	2023	2022	2021
Average number of customers					
Residential	9,209	9,120	9,064	8,950	8,785
Commercial	894	890	852	852	851
Industrial	8	9	10	12	12
Other	82	82	82	82	82
Total	10,193	10,101	10,008	9,896	9,730
Revenues from sale of energy (000s)					
Residential	$ 13,870	$ 13,543	$ 13,647	$ 14,160	$ 13,096
Commercial	3,806	3,765	3,682	3,748	3,575
Industrial	23,707	23,551	35,676	21,052	3,597
Other	4,032	3,995	2,866	2,030	2,029
Total retail customer sales	45,415	44,854	55,871	40,990	22,297
Intersystem sales	194	158	222	193	164
Sales for resale	28,107	29,493	35,881	37,006	30,178
Total energy sales	73,716	74,505	91,974	78,189	52,639
Other operating revenues	4,143	5,487	2,591	2,280	1,506
Total	$ 77,859	$ 79,992	$ 94,565	$ 80,469	$ 54,145
Energy (MWh)					
Residential	154,770	157,751	161,460	164,534	153,417
Commercial	52,858	53,544	53,391	53,088	51,264
Industrial	437,353	414,927	478,154	266,432	67,194
Other	141	142	133	145	145
Total retail customer sales	645,122	626,364	693,138	484,199	272,020
Intersystem sales	2,116	1,767	2,055	2,109	1,647
Sales for resale	859,468	855,118	800,049	968,115	932,826
Total sales	1,506,706	1,483,249	1,495,242	1,454,423	1,206,493
Peak demand (MW)	125	120	135	153	76
Energy requirements (MWh)					
Retail sales	647,238	628,131	695,193	486,308	273,667
Sales for resale	859,468	855,118	800,049	968,115	932,826
Total sales	1,506,706	1,483,249	1,495,242	1,454,423	1,206,493
Electric System losses	22,180	19,479	18,134	26,337	27,653
Total energy requirements	1,528,886	1,502,728	1,513,376	1,480,760	1,234,146
Energy resources (MWh)					
Box Canyon Project	466,706	463,173	382,919	450,197	475,133
Boundary Project	382,757	384,421	382,709	382,741	353,935
Bonneville Power Administration	68,570	100,727	178,727	208,944	64,506
Other Sources	610,853	554,407	569,021	438,878	340,572
Total energy resources	1,528,886	1,502,728	1,513,376	1,480,760	1,234,146

Electric System - Senior lien parity debt service coverage for the years ended December 31,

	2025	2024	2023	2022	2021
Operating revenues (000s)					
Energy sales	$ 73,716	$ 74,505	$ 91,974	$ 78,189	$ 52,639
Other	4,143	5,487	2,591	2,280	1,506
Total operating revenues	77,859	79,992	94,565	80,469	54,145
Operating expenses (1)					
Power costs	53,441	51,779	63,791	53,289	31,931
Operations and maintenance	8,628	7,904	7,045	6,633	6,339
Administrative and general	4,488	4,458	3,609	3,554	3,452
Taxes	2,558	2,853	3,388	2,448	1,380
Pension expense	(611)	(677)	(846)	(744)	(1,739)
Total operating expenses	68,504	66,317	76,987	65,180	41,363
Investment income (2)	2,136	2,549	2,032	422	21
Net revenue available for debt service	11,491	16,224	19,610	15,711	3,329
Senior lien debt service	974	976	976	974	976
Net revenue available for capital	$ 10,517	$ 15,248	$ 18,634	$ 14,737	$ 2,353
Debt service coverage ratio (3)	11.79x	16.62x	20.09x	16.13x	3.41x

(1) Total operating expenses exclude depreciation for purposes of determining parity debt service coverage ratios.

(2) Investment income varies depending on many factors, including unrealized gains and losses on long-term investments.

(3) Debt service coverage ratio on senior lien debt service.

Box Canyon Production System - Senior lien parity debt service coverage for the years ended December 31,

		2025		2024		2023		2022		2021
Operating revenues (000s)										
Energy sales										
Electric System	$	20,964	$	18,976	$	19,501	$	17,020	$	13,846
Tribal use of lands		245		245		245		245		245
All other (1)		7		7		7		7		7
Total operating revenues		21,216		19,228		19,753		17,272		14,098
Operating expenses (2)										
Power costs		132		36		147		65		80
Operations and maintenance		9,258		8,476		8,599		7,357		6,017
Administrative and general		2,333		1,995		1,904		1,756		1,854
Taxes		105		105		87		103		108
Pension expense		(266)		(295)		(368)		(324)		(757)
Total operating expenses		11,562		10,317		10,369		8,957		7,302
Investment income		1,297		1,503		1,407		387		23
Other nonoperating (3)		320		384		446		507		568
Net revenue available for debt service (4)		11,271		10,798		11,237		9,209		7,387
Senior lien debt service (5)		9,968		10,039		10,025		10,091		10,167
Net revenue available for capital	$	1,303	$	759	$	1,212	$	(882)	$	(2,780)
Debt service coverage ratio (6)		1.13x		1.08x		1.12x		0.91x		0.73x

(1) "All other" includes miscellaneous revenue such as lease of project lands.

(2) Excludes depreciation for purposes of determining senior lien debt service coverage.

(3) Internal Revenue Service interest reimbursement for 2012 Taxable Clean Renewable Energy Bonds, Direct Payment.

(4) The District controls net revenue available by adjusting the power sales transfer price to the Electric System based on Box Canyon Production System cash flow requirements for debt service and capital investment.

(5) Senior lien debt service includes the 2012 CREB bonds, the 2018 bonds, and the 2019 bonds, as applicable.

(6) Debt service coverage ratio on senior lien debt service.

Supplemental Information (Unaudited)
Public Utility District No. 1 of Pend Oreille County

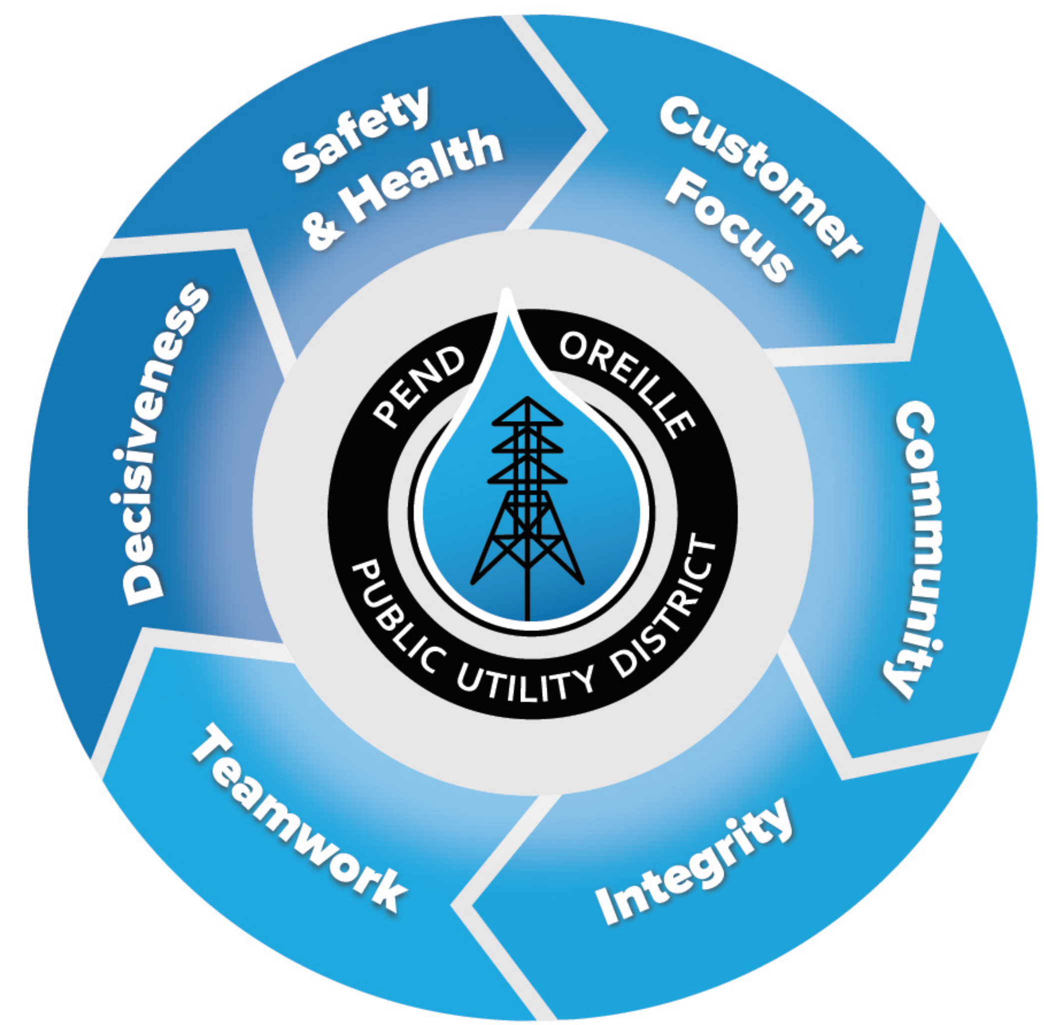
Community Network System - Senior lien parity debt service coverage for the years ended December 31,

		2025		2024		2023		2022		2021
Operating revenues (000s)										
Broadband Sales	$	2,720	$	2,780	$	2,710	$	2,604	$	2,573
Other		777		1,099		961		812		1,115
Total operating revenues		3,497		3,879		3,671		3,416		3,688
Operating expenses (1)										
Operations and maintenance		1,085		1,160		1,089		1,094		991
Administrative and general		674		682		600		415		261
Taxes		17		23		20		20		28
Pension expense		(69)		(76)		(95)		(84)		(196)
Total operating expenses		1,707		1,789		1,614		1,445		1,084
Investment income		206		222		177		31		1
Net revenue available for debt service		1,996		2,312		2,234		2,002		2,605
Senior lien debt service		420		420		419		420		420
Net revenue available for capital	$	1,576	$	1,892	$	1,815	$	1,582	$	2,185
Debt service coverage ratio (2)		4.75x		5.50x		5.33x		4.77x		6.20x

(1) Total operating expenses exclude depreciation for purposes of determining parity debt service coverage ratios.

(2) Debt service coverage ratio on senior lien debt service.

Date of organization	November 1936
Nature of business	A municipal corporation supplying public utility services in Pend Oreille County, Washington
Board of Commissioners	
President	David W. Rick
Vice President	Curtis J. Knapp
Secretary	J. Troy Moody
Key District Management	
General Manager	Chris Jones
Director of Finance/Auditor	April Owen
Director of Customer Services/Treasurer	Sarah Holderman
Director of Engineering and Operations	Michael Schleich
Director of Power Production	Bryant Kramer
Director of Human Resources	Katie Pfitzer
Corporate Office	P.O. Box 190 130 N. Washington Ave. Newport, Washington 99156 (509) 447-3137 www.popud.org
Paying Agent and Registrar Information	U.S. Bank National Association 111 Fillmore Avenue East St. Paul, Minnesota 55107-1402


Safety & Health
Customer Focus
Community
Integrity
Teamwork
Decisiveness
PEND OREILLE
PUBLIC UTILITY DISTRICT

2025 ANNUAL REPORT

Quality Service at Low Cost

PEND OREILLE PUBLIC UTILITY DISTRICT