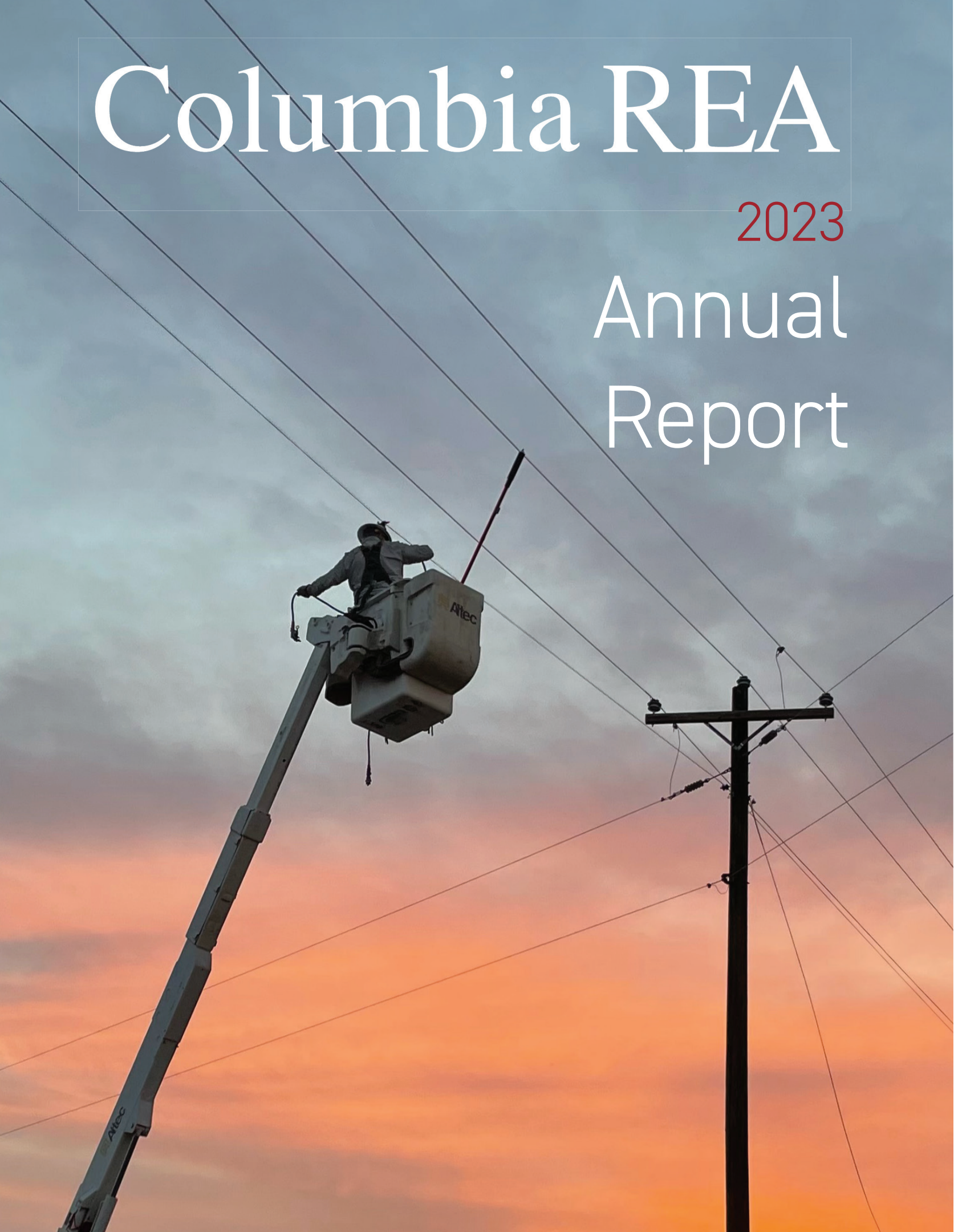


Columbia REA

2023

Annual Report





Columbia REA

ANNUAL MEETING NOTICE

Pursuant to the provisions of the bylaws, notice is hereby given that the Annual Meeting of the Members of Columbia REA will be held in the Warehouse at the Walla Walla Service Center, beginning at 4:30 p.m., Thursday, April 18, 2024, and will take action upon the following matters:

- Receive reports of officers, directors and committees.
- The election of three directors to serve three-year terms.
- The presentation of the 2024 Columbia REA scholarships.

Dated this 1st day of April 2024.

Dennis Munden
Secretary/Treasurer
Board of Directors

Herewith is the Annual Report of your Cooperative. According to the Cooperative's Bylaws and articles of incorporation for not-for-profit organizations, we are legally required to conduct an annual meeting of members.

The extra activities at the Annual Meeting are intended to encourage attendance. Your Annual Meeting is a balance of business and pleasure. Your Board of Directors wants you to be well informed. We believe this 2023 Annual Report will give you a summary of the past year's business activity.

In order to keep the business meeting progressing, copies of minutes, reports and other business items are printed in this Annual Report rather than presented from the platform. Please review the information at your convenience and bring it to the Annual Meeting for reference if you wish.



MORE POWERFUL TOGETHER

86TH ANNUAL MEETING OF COLUMBIA REA MEMBERS



Parking areas marked by 

PLEASE NOTE

Reservations to attend the Annual Meeting must be made by **Monday, April 15**, to ensure availability (members and immediate family only). Call **509-526-4041**, visit our website or visit us in person to make your reservations.

Parking will be available near the front entrance, including several handi-capped parking spots for valid handicap parking only. If you need special accommodations please arrive early for assistance.

THURSDAY, APRIL 18, 2024

Columbia REA Walla Walla
Service Center
2929 Melrose Street
Walla Walla, Washington

- 3:45 p.m. Transportation departs from Walla Walla County Fire District #5
460 W Humorist Road
Burbank, WA 99323
- 4:30-5:45 p.m. Registration opens.
Bucket truck rides in the parking lot starting at 4 o'clock!
- 6:00 p.m. Dinner buffet served.
- 6:45 p.m. Meeting called to order:
- Business reports
 - Announcement of election results
 - Unfinished business
 - New business
 - Announcement of the 2024 scholarship recipients
 - Door-prize drawings
 - Conclusion of meeting
- 8:30 p.m. Bus transportation to Burbank departs.

Transportation available from Burbank!

To reserve your seat on the van, please call 509-526-4041. Please reserve your seat early! Limited seating. Reservations must be made by Monday, April 15.

New Location!

The pick-up and drop-off location for Burbank transportation has moved!

The new address is:

**Walla Walla County Fire District #5
460 W Humorist Road
Burbank, WA 99323**



PRESIDENT'S MESSAGE

As President of the Board of Directors of Columbia REA, it is my privilege and pleasure to invite you to our annual membership meeting on Thursday, April 18, 2024, at 5:00 pm, at the Walla Walla Service Center Warehouse. I have always enjoyed coming to the Annual Meeting whenever I wasn't traveling, even before I joined the Board. It is an opportunity to see some of your friends, meet new people, enjoy a tasty meal, have a chance at winning something in the raffle, and participate in the governance of the REA. The event also includes presentation of the scholarships and the director election results.

In the meantime, I'd like to run down a few of the things that have been occupying the Board's attention over the past year or so.

Wildfire risk reduction. For a couple of years now we have had a tree-trimming contractor working year-round, including winter, to cut back limbs and remove trees that threaten the safety of our lines. We have also had our own crews doing this when they haven't been busy doing line work. In addition, we have been switching reclosers in high-risk areas to "one-shot" during fire season. Reclosers are devices like circuit breakers that cut off power in a line when a fault occurs, then attempt automatically to re-energize the line in case the fault is temporary, which is often true. But when fire danger is high, this can cause ignition of a fire if the line has come in contact with the ground or vegetation. On "one-shot", the automatic re-energizing is disabled. Then, if a fault occurs, a crew has to go out and inspect the line before manually re-energizing it. It means that temporary faults result in longer outages. But during fire season, the risk of wildfire is too great to leave the automatic feature enabled.

System upgrades. There is always work going on to upgrade our system somewhere, often in multiple locations. This is of course necessary to serve new loads. But we also do it to improve reliability. We have been replacing things that are at risk of failing because of their age, including old transformers at some of our substations in the western part of Walla Walla county and some overhead and underground distribution circuits. When we replace a line we also have the opportunity to increase its capacity to accommodate anticipated load growth. Another thing I think is cool is that when we extend a feeder to serve a new load, it sometimes affords us the opportunity to loop the line around to connect to another feeder. Then we have redundant paths by which to serve loads on both feeders,

increasing reliability.

Rates. Every couple of years we hire a consultant to do a "cost-of-service study." This divides our costs between service categories—residential, commercial, large irrigation, etc.—and drivers, per kWh of energy used, per kW of demand, and per meter. You may have noticed that when we adjust rates, they don't necessarily move in proportion. This is because we are attempting to nudge our rate structure incrementally to align better with the cost drivers.

Lower Snake River Dams. We are all concerned about the future of the dams. We know that they provide carbon-free energy. But I think something that is often overlooked in the conversation is that the dams have a significant amount of flexibility to balance the variability of wind and solar generation against loads. The Columbia River hydroelectric system has enabled the Pacific Northwest to absorb a lot more renewable generation than would be possible without the dams. At a time when Washington state policy is "decarbonization," we don't want to impair the capacity to absorb renewable generation. The alternative, battery energy storage systems, would be very expensive at the scale required to replace the dams.

This may be nerdier than the typical president's report. So, lest you get the impression that the Board micromanages the co-op, let me just add that the Board discusses the issues thoroughly to make sure we understand them in order to give general guidance that is well-informed, then leave it to our highly skilled and competent management and staff to run to business.

I hope to see you at the Annual Meeting. And ... don't forget to vote!

Doug Logan
President
Columbia REA
Board of Directors



CEO'S MESSAGE

I've always viewed our Annual Meeting as a chance to get together, enjoy a meal, catch up with other members that you haven't seen in a while and then for the cooperative to share a little bit of important information regarding major issues. This year is no different, but it is your Annual Meeting and if you ever want more information (or less) on anything all you need to do is call and ask. And I do hope that everyone will take time and join us on April 18th at our office for this year's Annual Meeting.

I'll start off with good news: 2023 was a very good year for your Cooperative. We had solid membership growth, financial success across the board, completed numerous projects to improve service reliability and had the best up-time that I have seen in the 16 years I have been at Columbia REA, at 99.982%. That means that, on average, a member experienced right at 94 minutes of total outage time over the entire year.

In 2024, we'll be dealing with many of the same issues that have been high on our list recently. The supply chain in the electric industry still hasn't returned to normal. We're seeing wildly increasing costs and lead times of a year or more for materials we used to be able to get in a few months. Wildfire risk mitigation isn't going away anytime soon and will continue to receive additional funding and attention at all levels. We completed a very thorough cyber and physical security audit by outside experts last year. Overall, we are doing great but there is always room, not to mention a constantly evolving need, to improve in this area and now we have a priority list to focus on.

Emerging as an even bigger issue this year is our next contract with BPA that will begin in 2028. Over the

last two years we have worked on many of the issues. This year it is the details like cost and where energy for growing utilities will come from that will get our focus. Meeting the requirements of the Washington Clean Energy Transformation Act (CETA requires that Washington state be at zero coal generation by 2025; be greenhouse gas neutral by 2030; and be 100% clean energy with no off-sets allowed by 2045) makes that an even more challenging issue for us and we will continue to work with Energy Northwest as they pursue the Small Modular Reactor project at Hanford.

The huge new issue that we weren't expecting is the six-sovereign (4 Native American tribes and the states of Washington and Oregon) agreement with DOE and BPA regarding the Lower Snake River Dams (LSRD). The agreement was crafted behind closed doors with no input from public power. This agreement, while not specifically removing the dams, provides a costly road-map for dam removal eventually. It's a blank check that we must make sure isn't cashed out of BPA rate-payer pockets. The LSRD issue isn't just about reliable energy, it's important to our region for transportation, irrigation, food security, and recreation.

Columbia REA is busy. We are thriving, and we are working together as a team with our democratically elected Board of Directors to provide you with safe, reliable electric service now and well into the future.

Scott Peters
CEO
Columbia REA



MINUTES FROM THE 85TH ANNUAL MEETING OF THE MEMBERS

April 20, 2023

The Annual Meeting of the Members of Columbia Rural Electric Association was held pursuant to Notice at the Columbia REA Headquarters at 2929 Melrose, Walla Walla, Washington on April 20, 2023. A quorum was in attendance: 145 memberships were represented at the meeting, and a total of 732 ballots were received.

Attendees were welcomed by Elizabeth Chamberlain, the city manager for Walla Walla. The invocation was given by Doug Case.

President Neil Carpenter called the meeting to order at 6:51 p.m. and introduced special guests in attendance. President Carpenter appointed General Counsel Chris Varallo to serve as parliamentarian. President Carpenter acknowledged former Director Vic Parks, thanked him for his service and presented him with a special plaque. President Carpenter then introduced the other board members; Patrick Dennis, Jay DeWitt, Dennis Munden, Philip Mehlenbacher, Katie Wooldridge, Glen Shipley (in absentia), Doug Logan (in absentia), Greg Knowles and CEO Scott Peters.

On a motion duly made and seconded from the floor, the minutes of the April 21, 2022 Annual Membership Meeting were approved.

Jay DeWitt, secretary/treasurer of the Cooperative, introduced Mike DeCoria and Brandon Blair, of the certified public accounting firm, DeCoria, Blair & Teague, who gave the financial report. CPA Blair reported on the audit process and that the auditor's responsibility is reporting to the board and to express an opinion on the financials. Mr. Blair thanked CREA for management support and reported that the financial statements are fairly stated in all material respects and Columbia REA's records are thorough and there are no suggested audit adjustments, with the cooperative in good financial condition. On a motion duly made and seconded from the floor, the audited financial report for the year ending December 31, 2022, was approved. President Carpenter addressed the membership and acknowledged the hard work and dedication of everyone at the association to ensure reliable and safe electric service to the membership. President Carpen-

ter also discussed EV charging stations, fire mitigation, substation security measures and return of capital credits.

CEO Scott Peters welcomed members to the 85th Annual Meeting, and paid tribute to the dedicated team of employees and retirees. CEO Peters spoke to the membership and welcomed them back to the CREA headquarters. CEO Peters discussed challenges with supply chain, diversifying load, growth, reliability, solar, power supply, EV charging stations and reviewed total kilowatt hours sold, revenue, capital credits disbursements, fuel mix, monthly residential usage and meters per mile. Scott Peters recognized the members of the nominating committee; Mike McCubbins, John Miller, John Cress, Duane Depping, Darren Goble, Eric Cockran and Trent Leseman. CEO Peters also recognized the Elections and Credentials Committee; Alan Mehlenbacher, Craig Christenson, Owen Frost, Tom Maycumber, Sue Zimmerman and Chuck Reeves.

Parliamentarian Varallo thanked the nominating committee for its work to nominate candidates to fill three positions on the board of directors. Mr. Varallo introduced Duane Depping, chairman of the nominating committee, who read the nominating committee report. Duane Depping then introduced the nominees presented for election:

District 1 - Greg Knowles and Tim Ruybalid
District 2 - Philip Mehlenbacher and Wayne Langford
District 3 - Neil Carpenter and Chuck Amerein

Parliamentarian Varallo reported that an elections and credentials committee was appointed from the membership to oversee the election. Attorney Varallo was available for legal expertise during the committee's activities, and he reported the committee met via telephone conference on April 20, 2023 to review and certify the results of the election. Parliamentarian Varallo advised that all voting was done per the bylaws.

Parliamentarian Varallo reviewed the operating authority of Columbia Rural Electric Association, state non-profit statutes, articles of incorporation and

MORE POWERFUL TOGETHER

bylaws; and then announced and confirmed that the following directors were duly elected:

District 1 – Greg Knowles
District 2 – Philip Mehlenbacher
District 3 – Neil Carpenter

Parliamentarian Varallo then reviewed the purpose of the proposed bylaw amendments that were mailed to all members.

CEO Peters reviewed the scholarships to be awarded. CEO Peters presented three 2023 Academic Scholarships, named in honor of former Columbia REA General Manager Clark A. Brewington and each worth \$3,000 per year for up to 4 years, to:

Isaac Creason
Zoe Dexter
Chris Norris

With assistance from the scholarship winners, employees Doug Case, Charlie DeSalvo and Steve Owens conducted the drawings for prizes and bill credits donated by Columbia REA.

President Carpenter announced that a reorganizational meeting for all directors will immediately follow adjournment of the Annual Membership Meeting.

There being no further business to come before the meeting, President Carpenter declared the meeting adjourned at 7:50 p.m.



Jay DeWitt, Secretary/Treasurer



REPORT OF INDEPENDENT AUDITOR

Board of Directors Columbia Rural Electric Association and Subsidiary Walla Walla, Washington

We have audited the accompanying consolidated financial statements of Columbia Rural Electric Association and Subsidiary (collectively, the Association), which are comprised of the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of revenues, expenses and patronage capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Columbia Rural Electric Association and Subsidiary as of December 31, 2023 and 2022, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 opinion. 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 generally accepted 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Association'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

consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information accompanying the consolidated financial statements is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

DeCoria, Blair & Teague, P.S.

DeCoria, Blair & Teague, P.S.
Spokane, Washington

March 4, 2024

2023 Financial Information

Columbia Rural Electric Association and Subsidiary Consolidated Balance Sheets December 31, 2023 and 2022

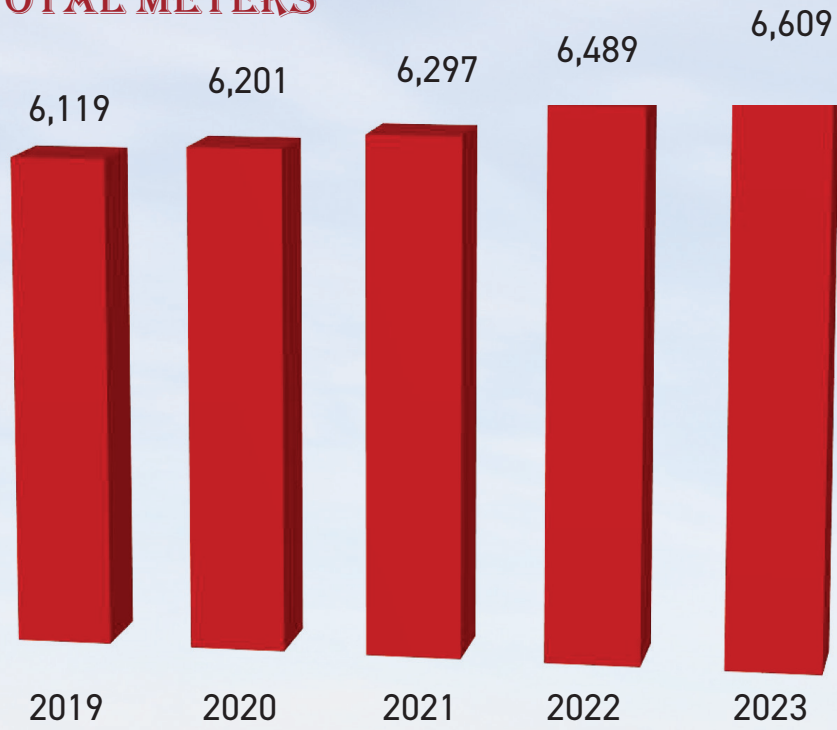
ASSETS	2023	2022
Noncurrent Assets		
Total utility plant, net	\$97,794,918	\$93,149,871
Investments	4,338,445	3,478,838
Non-utility property, net	9,881,162	6,610,756
Current Assets		
Cash and cash equivalents	555,010	614,491
Accounts receivable, net	2,957,523	3,130,141
Materials and supplies inventory	3,987,531	4,130,198
Other current assets	611,612	573,179
Deferred charges	<u>66,703</u>	<u>100,055</u>
Total assets	\$120,192,904	\$111,787,529
 MEMBERS' EQUITY AND LIABILITIES		
Equities and Margins		
Patronage capital	\$34,817,242	\$30,055,885
Other equities	11,723,341	10,404,193
Noncurrent Liabilities		
Long-term debt, due after one year	62,146,576	61,252,554
Accumulated provision for post retirement benefit obligation	6,455	9,003
Current Liabilities		
Long-term debt, due within one year	2,054,802	1,919,747
Note payable	6,265,000	4,325,000
Accounts payable	1,157,300	2,002,772
Consumer deposits	120,270	55,435
Other current liabilities	1,708,978	1,707,828
Deferred credits	<u>192,940</u>	<u>55,112</u>
Total members' equity and liabilities	\$120,192,904	\$111,787,529

**Columbia Rural Electric Association and Subsidiary
Consolidated Statements of Revenues, Expenses and Patronage Capital
Years Ended December 31, 2023 and 2022**

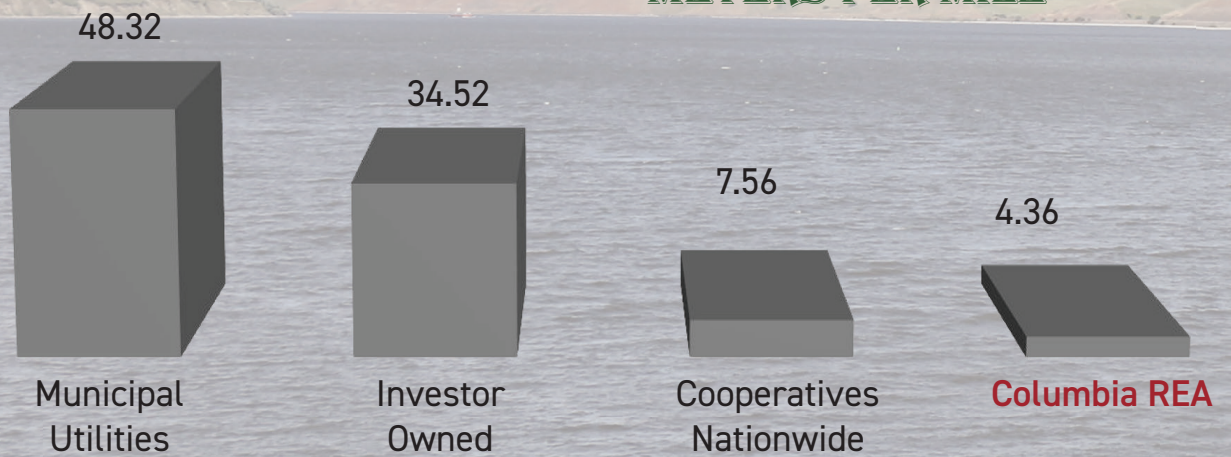
Operating revenue	2023	2022
Sales of Electricity	\$34,744,401	\$33,772,831
Telecommunication service revenue	2,384,166	2,299,956
Other Operating Revenue	<u>84,314</u>	<u>78,950</u>
Total operating revenues	37,212,881	36,151,737
Operating expenses		
Cost of power sold	10,630,298	13,467,008
Cost of telecommunication service	873,830	924,028
Transmission Expense	-	-
Distribution - operations	3,563,940	3,526,633
Distribution - maintenance	1,836,269	2,200,577
Consumer accounts	719,309	658,713
Consumer service and information	1,021,658	818,058
Administration and general expense	3,573,024	3,332,563
Depreciation and amortization expense	4,310,690	4,034,951
Taxes	1,637,011	1,553,324
Interest on long-term debt	3,052,866	2,840,943
Other interest charges	295,462	127,939
Total operating expenses	<u>\$31,514,357</u>	<u>\$33,487,931</u>
Net operating margins	\$5,698,524	\$2,663,806
Non-operating margins		
Capital credits from associated organizations	304,352	295,916
Interest income	103,247	81,733
Gain(loss) on disposal of general plant	304,067	45,164
Other non-operating expense, net	188,807	334,420
Total non-operating margins	<u>\$900,473</u>	<u>\$757,233</u>
Net margins	\$6,598,997	\$3,421,039

2023 Financial Information

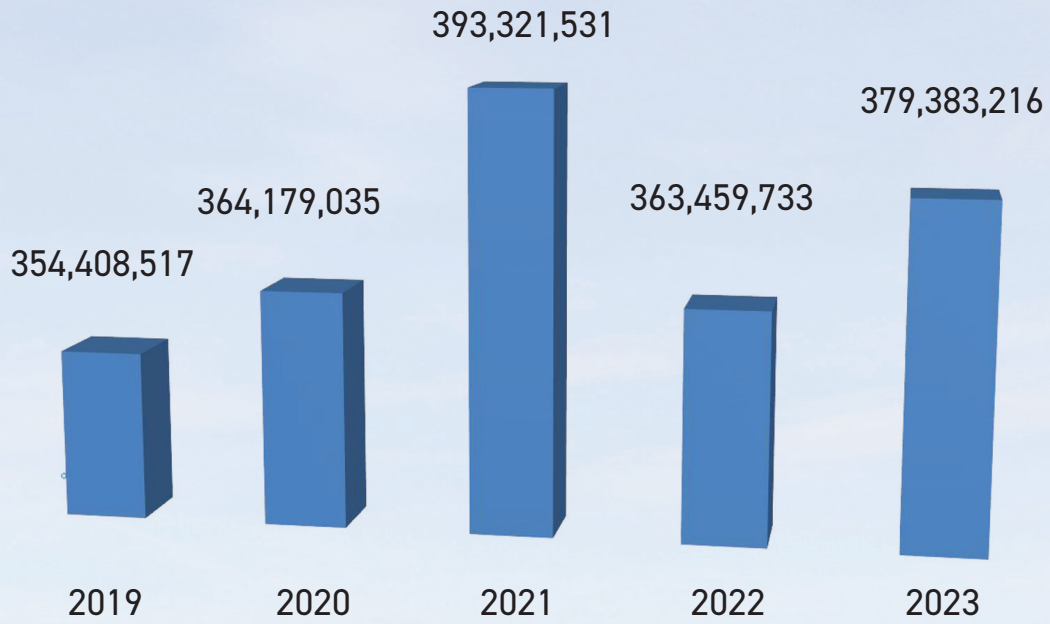
TOTAL METERS



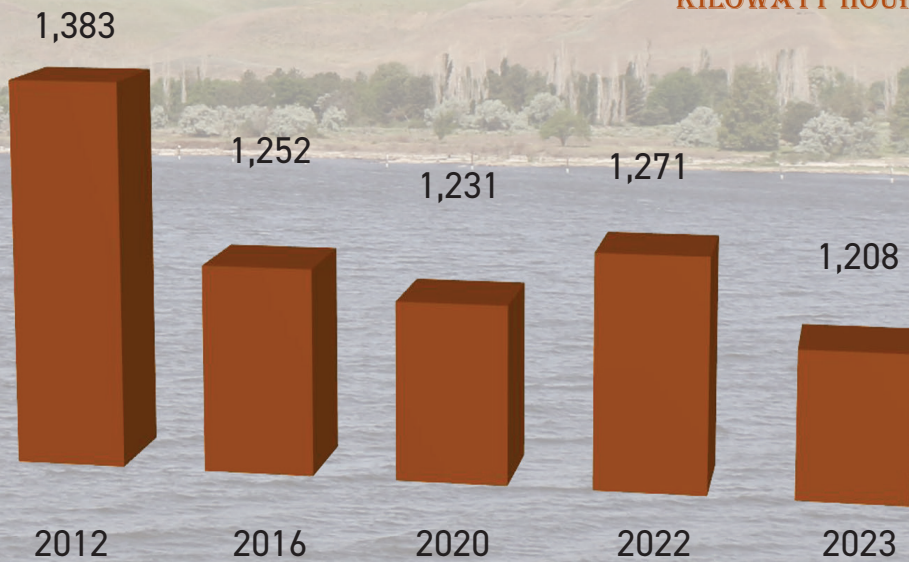
METERS PER MILE



TOTAL KILOWATT HOURS SOLD



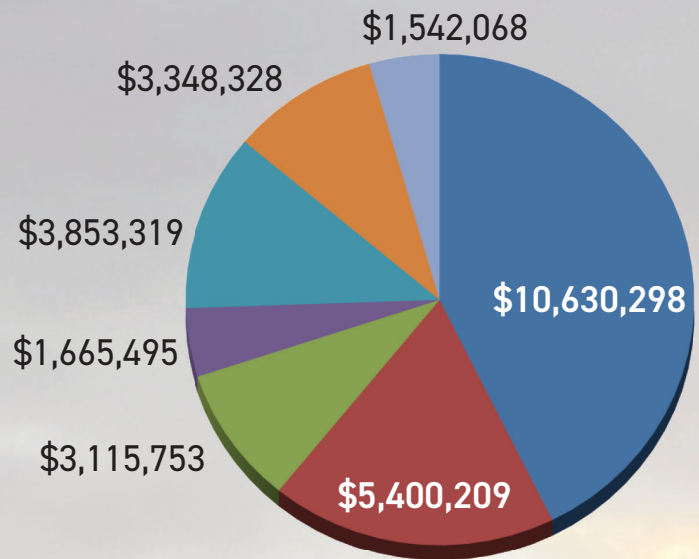
AVERAGE MONTHLY RESIDENTIAL USAGE KILOWATT HOURS



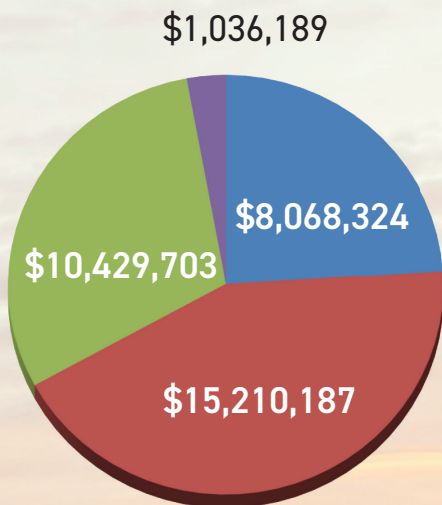
2023 Financial Information

EXPENSES

Cost of Power	36%	■
Maintenance & Operations	18%	■
Depreciation	13%	■
General Administrative	11%	■
Interest	11%	■
Customer Accounts	6%	■
Taxes & Miscellaneous	5%	■







REVENUE

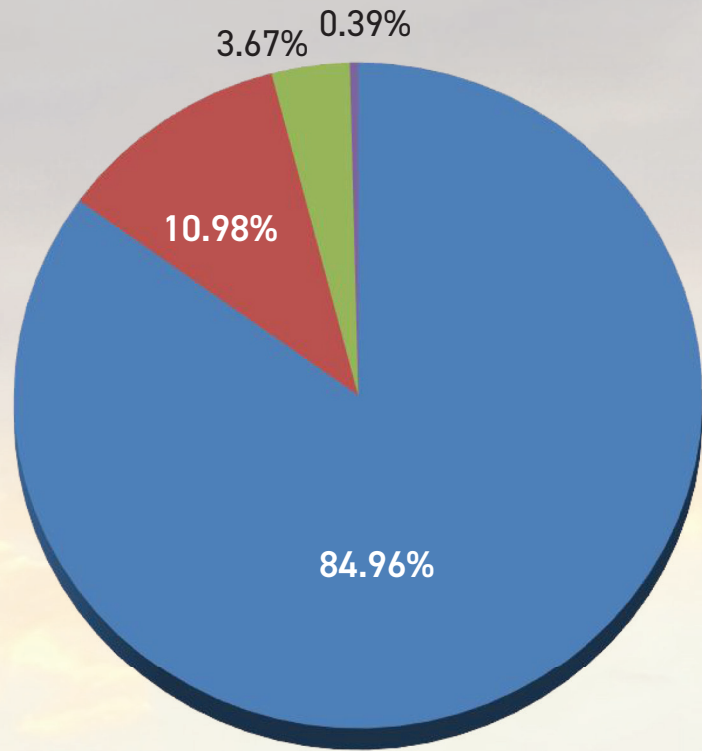


Irrigation Sales	43.8%	■
Commercial Sales	30.0%	■
Residential/Seasonal Sales	23.2%	■
Other Sales	3.0%	■

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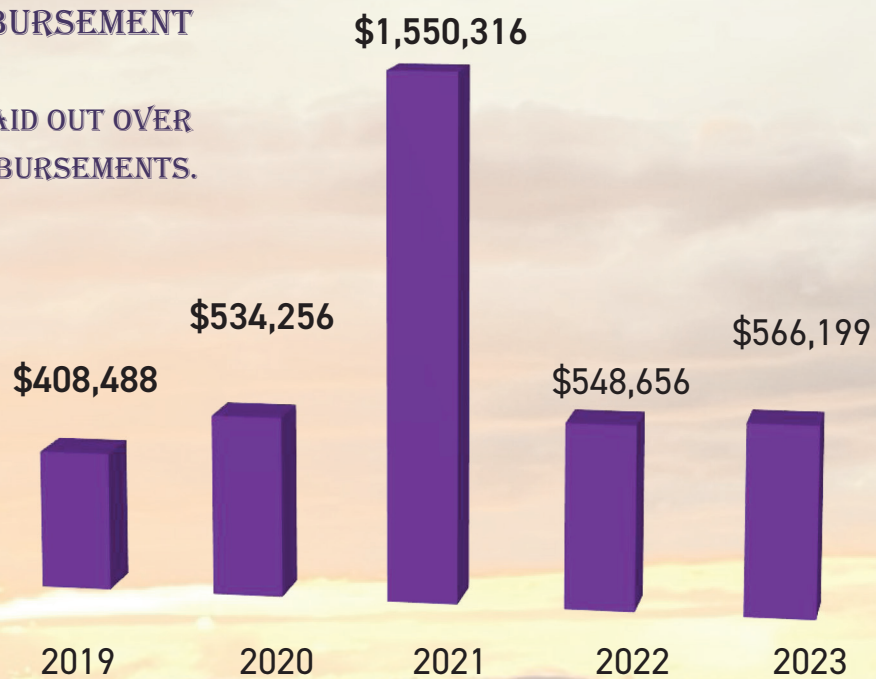
FUEL MIX

Hydroelectric	84.96%	
Nuclear	10.98%	
Natural Gas	3.67%	
Wind	0.39%	



CAPITAL CREDITS DISBURSEMENT TO MEMBERS

THE COOPERATIVE HAS PAID OUT OVER \$21 MILLION IN TOTAL DISBURSEMENTS.





Ken



Tom



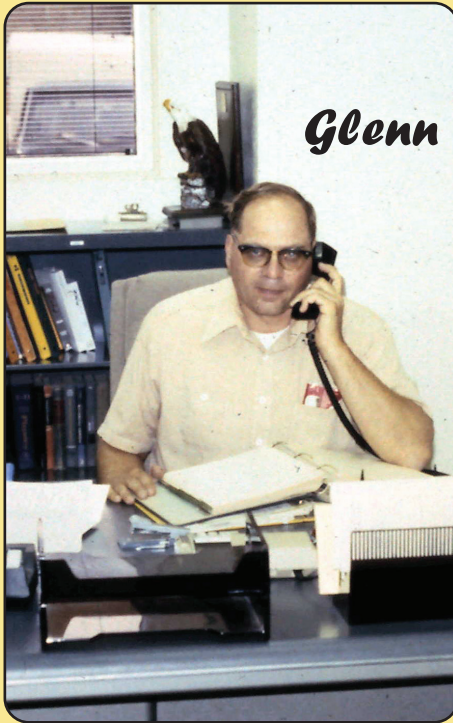
Janet



Jack



Dave



Glenn

To all of our wonderful retirees, thank you for your 500 (or so... for real!) years of service to Columbia REA!



Amy



Rick



Clay & Trent



Marc



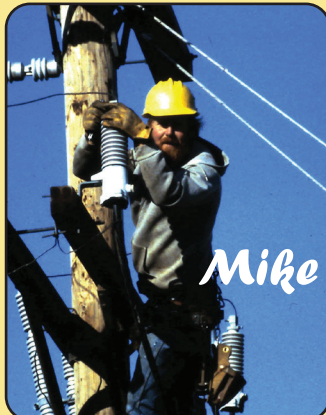
Les



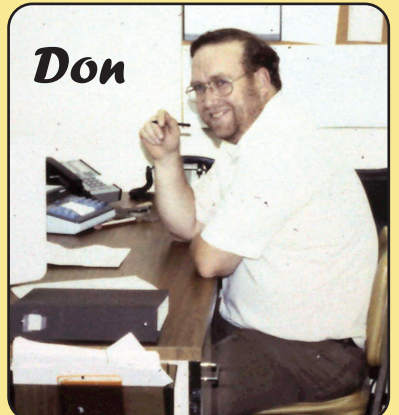
Patty



Jeff



Mike



Don