

**A G E N D A**  
**GRANT COUNTY PUBLIC UTILITY DISTRICT**  
**30 C Street SW – Commission Meeting Room**  
**Ephrata, Washington**  
**COMMISSION MEETING**  
**Tuesday, July 23, 2024**

An Executive Session may be called at any time for purposes authorized  
by the Open Public Meetings Act

- 8:30 a.m.** Executive Session
- 9:00 a.m.** Commission Convenes  
Review and Sign Vouchers  
Calendar Review
- 9:30 a.m.** Reports from staff
- 12:00 Noon** Lunch
- 1:00 p.m.** Safety Briefing  
Pledge of Allegiance  
Attendance  
Public requests to discuss agenda items/non-agenda items  
Correspondence – *(Does not include anonymous letters)*  
Business Meeting

**1. Consent Agenda**

Approval of Vouchers

Meeting minutes of July 9, 2023

**2. Regular Agenda**

9058 – Resolution Amending Grant PUD’s Rate Schedule 100.

9059 – Resolution Amending Grant PUD’s Rate Schedule 120.

Motion authorizing the creation of a new restricted fund and the transfer of the Cap and Investment Auction of Climate Commitment Act (CCA) Credits received to date out of the R&C fund and recorded in the newly created fund. Furthermore, this motion authorizes any future proceeds received from the Climate Commitment Act Auctions to also be placed in the new fund going forward. (3483)

Motion authorizing Interlocal Agreement 130-12389 with Washington State Department of Commerce, providing Grant PUD with grant funding in the amount of \$1,100,000.00 to participate in the Home Electrification and Appliance Rebates (HEAR) Program (Commerce Contract no. 24-92701-018. (3484)

**3. Review Items For Next Business Meeting**

XXXX – Resolution of the Commission of the Public Utility District No. 2 of Grant County, Washington, Providing for the Issuance of One or More Series of Priest Rapids Hydroelectric Revenue Refunding Bonds of the District in Aggregate Principal Amount Not to Exceed \$375,000,000 for the Purpose of Refinancing Certain Outstanding Priest Rapids Project Revenue Bonds; Delegating Authority to the Designated Representatives to Approve Refinancings through a Refunding and/or a Tender Offer Transaction, Approve the Number of Series, the Series Designation, Final Principal Amounts, Dates, Interest Rates, Payment Dates, Redemption Provision, Tax Status, and Maturity Dates for Such Bonds, and to Determine the Outstanding Obligations to be Refunded or Acquired Under the Terms and Conditions Set Forth Herein; and Approving Other Matters Related Thereto.

**4. Integrated Resource Plan (IRP) Presentation and Public Hearing**

**5. Reports from Staff (if applicable)**

**Adjournment**

# **CONSENT AGENDA**

# Draft – Subject to Commission Review

REGULAR MEETING  
OF PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY

July 9, 2024

The Commission of Public Utility District No. 2 of Grant County, Washington, convened at 8:30 a.m. at Grant PUD’s Main Headquarters Building, 30 C Street SW, Ephrata, Washington and via Microsoft Teams Meeting / +1 509-703-5291 Conference ID: 614 157 417# with the following Commissioners present: Tom Flint, President; Terry Pyle, Vice-President; Larry Schaapman, Secretary; Judy Wilson, Commissioner and Nelson Cox, Commissioner.

The Commission convened to review vouchers and correspondence.

The Commission calendar was reviewed.

The Commission recessed at 9:08 a.m.

The Commission resumed at 9:30 a.m.

A round table discussion was held regarding the following topics: high daily weather peaks due to hot weather temperature; input on Rate target dates expectation for 2025 and attendance of WPUA Association meeting next week.

Dmitriy Turchik, Senior Manager of Internal Audit shared the Internal Audit Program Report.

Glen Pruitt, Reliability Compliance Manager, provided the NERC/WECC R&C program report.

Terry McKenzie, Senior Manager of Wholesale gave the Wholesale Fiber Business Report.

Trade association and committee reports were reviewed.

Chris Buchman, Customer Service Program Supervisor, provided the Home Electrification and Appliance Rebate Program review.

The Commission recessed at 11:55 a.m.

An executive session was announced at 12:00 a.m. to last until 12:55 p.m. to review performance of a public employee with legal counsel present pursuant to RCW 42.30.110(1)(g), to discuss pending litigation with legal counsel present pursuant to RCW 42.30.110(1)(i) and to discuss lease or purchase of real estate if disclosure would increase price with legal counsel pursuant to RCW 42.30.110(1)(b). The executive session concluded at 12:55 p.m. and the regular session resumed.

Consent agenda motion was made Commissioner Cox and seconded by Commissioner Wilson to approve the following consent agenda items:

Payment Number	144411	through	144958	\$59,111.135.09
Payroll Direct Deposit	20240626A	through	20240626B	\$1,146,965.80
Payroll Tax and Garnishments	240362	through	241202	\$2,589,740.00

Meeting minutes of June 25, 2024.

After consideration, the above consent agenda items were approved by unanimous vote of the Commission.

Resolution No. 9056 relative to the District’s Priest Rapids Hydroelectric Project Junior Lien Revenue Bonds was presented to the Commission. Motion was made by Commissioner Schaapman and seconded by Commissioner Cox to approve Resolution No. 9056. After consideration, the motion passed by unanimous vote of the Commission.

RESOLUTION NO. 9056

RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON, AUTHORIZING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF THE DISTRICT’S PRIEST RAPIDS HYDROELECTRIC PROJECT JUNIOR LIEN REVENUE BONDS, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$350,000,000 TO FINANCE IMPROVEMENTS TO THE DISTRICT’S PRIEST RAPIDS HYDROELECTRIC PROJECT; AND DELEGATING AUTHORITY TO APPROVE THE FINAL TERMS OF EACH SERIES OF BONDS.

Resolution No. 9057 relative to accepting a bid and awarding a contract was presented to the Commission. Motion was made by Commissioner Cox and seconded by Commissioner Schaapman to approve Resolution No. 9057. After consideration, the motion passed by unanimous vote of the Commission.

RESOLUTION NO. 9057

A RESOLUTION ACCEPTING A BID AND AWARDING CONTRACT 170-11949, FOR SUPPLYING POLE MOUNTED DISTRIBUTION TRANSFORMERS

Recitals

1. Bids were publicly opened on May 22, 2024 for Contract 170-11949, for Supplying Pole Mounted Distribution Transformers;
2. Bid proposals were received from the following suppliers/contractors and evaluated by Grant PUD’s staff;
  - Stuart C Irby Co. dba Irby Electrical Utilities \$3,103,215.00
  - Anixter/Wesco \$3,322,655.00
  - General Pacific \$4,199,250.00
3. The low bid, submitted by Stuart C Irby Co. dba Irby Electrical Utilities is both commercially and technically compliant with Grant PUD’s contract requirements;
4. The bid is less than the Engineer’s Estimate of \$3,023,650.00 plus 15%; and
5. Grant PUD’s Senior Manager of Power Delivery and Managing Director of Power Delivery concur with staff and recommend award to Stuart C Irby Co. dba Irby Electrical Utilities as the lowest responsible and best bid based on Grant PUD’s plan and specifications.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington, that the General Manager is authorized to enter into a contract, Contract 170-11949, for Supplying Pole Mounted Distribution Transformers with Stuart C Irby Co. dba Irby Electrical Utilities of Portland, Oregon in the amount of \$3,103,215.00 plus applicable sales tax, upon receipt of the required payment and performance bond in a manner satisfactory to Grant PUD’s Counsel.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 9<sup>th</sup> day of July, 2024.

The Commissioners reviewed future agenda items.

There being no further business to discuss, the Commission adjourned at 1:20 p.m. on July 9 and reconvened on Thursday, July 11 at 8:15 a.m. at Big Bend Community College-ATEC Building, 7611 Bolling ST NE, Moses Lake, Washington for the purpose of attending a Leadership Summit and any other business that may come before the Commission with the following Commissioners present: Terry Pyle and Judy Wilson.

There being no further business to discuss, the Commission adjourned at 12:00 p.m. on July 11 and reconvened on Tuesday, July 16 at 8:00 a.m. at Grant PUD’s Main Headquarters Building, Conference Room E, 30 C Street SW, Ephrata, Washington for the purpose of holding a Commission Working Day and any other business that may come before the Commission with the following Commissioners present: Tom Flint, Terry Pyle, Larry Schaapman, Judy Wilson, and Nelson Cox.

There being no further business to discuss, the Commission adjourned at 10:30 a.m. on July 16 and reconvened on Tuesday, July 16 at 11:00 a.m. at Soap Lake Substation, 971 RD 20 NE, Soap Lake, Washington for the purpose of attending a tour of Soap Lake Substation and any other business that may come before the Commission with the following Commissioners present: Tom Flint, Terry Pyle, Larry Schaapman, Judy Wilson, and Nelson Cox. A copy of the notice of adjournment was posted to the Grant PUD website.

There being no further business to discuss, the July 9, 2024 meeting officially adjourned at 2:00 p.m. on July 16, 2024.

\_\_\_\_\_  
Tom Flint, President

ATTEST:

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Larry Schaapman, Secretary

\_\_\_\_\_  
Terry Pyle, Vice President

\_\_\_\_\_  
Judy Wilson, Commissioner

\_\_\_\_\_  
Nelson Cox, Commissioner

# **REGULAR AGENDA**

RESOLUTION NO. 9058

A RESOLUTION AMENDING GRANT PUD'S RATE SCHEDULE 100

Recitals

1. Grant PUD is authorized by RCW 54.16330 to operate and maintain telecommunications for Grant PUD's own internal telecommunication needs and for the provision of wholesale telecommunications services with Grant PUD; and
2. Grant PUD's Manager and staff are of the opinion that the revised Rate Schedule 100 attached as Exhibit A is in the best interest of Grant PUD.

NOW THEREFORE BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington that the changes to the basic and premium access fees and adding off-network services for wireless re-transmission as set forth in the attached Exhibit A are hereby approved and adopted, and the revised Rate Schedule 100 shall be effective August 1, 2024.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 23<sup>rd</sup> day of July, 2024.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Vice President

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner



**Public Utility District No. 2 of Grant County, Washington**  
**Product and Service Schedule 100**  
**Wholesale High Speed Network**  
**Resolution 9058**  
**Effective 08/01/2024**

- A. The products & services listed on this schedule are available to qualified Service Providers desiring to use Grant PUD's wholesale fiber optic and wireless network. Grant PUD reserves the right, at its sole option, to discontinue service(s) listed in this product & service schedule at any time.
- B. Prices listed in all tables below are monthly recurring charges unless otherwise noted.
- C. Grant PUD provisions VLAN's to connect a Service Provider to its subscribers (aka Customer VLAN). The Customer VLAN is to be used for connecting unrelated subscribers to the Service Provider's network. The number of Customer VLANs being used by any single Service Provider will be at Grant PUD's discretion.
- D. The Service Provider's physical interface(s) to the Customer VLAN(s) on Grant PUD's wholesale fiber network will be provided using the least cost method that provides necessary bandwidth for the Service Provider to have unimpeded traffic flow to subscribers provisioned on a particular VLAN. Any additional Service Provider interfaces will be charged at a Special VLAN fee.
- E. Standard subscriber premises units (gateways) used by Grant PUD provide multiple copper interfaces for connection(s) to the end-user. These units remain the property of Grant PUD and may be used to serve multiple unique premises in multi-tenant applications.
- F. Service Providers may request an account be added and a Customer VLAN port be provisioned on a gateway for the purposes of extending a single point-to-point connection to a single off-network premises. The Standard Ethernet Services pricing will apply. Customer VLAN ports used to extend services off-network to multiple end-users (i.e., wireless access points, multiple dwelling units, upstream internet service) will be charged port fees per the Customer VLAN Off-Network Services section of this Product and Service Schedule 100. All other re-transmission of Wholesale High Speed Network service is prohibited.
- G. Service Level Commitment: Grant PUD staff will only respond after-hours to tickets involving Premium Access subscribers or broader network problems. Basic Access subscriber trouble will be addressed during normal business hours.
- H. All wholesale fiber optic and wireless network services provided by Grant PUD are subject to the terms and conditions in the District's Telecommunications Policies, as the same may be amended from time-to-time.
- I. The amount of any tax levied by any governmental entity, in accordance with the laws of the State of Washington, will be added to the charges shown in this product & service schedule.
- J. After a six-month initial startup period, Service Providers will be charged a minimum monthly bill according to the following timeline:

- i. 1-6 Months No Minimum
  - ii. 7-18 Months \$1,000.00 Minimum
  - iii. 18+ Months \$1,500.00 Minimum
  
- K. Upstream Internet Wholesale pricing is based on cost per megabit Grant PUD pays at the time of billing (reviewed and subject to change annually). IP address space can be provided at cost per IP. Ethernet ports required to deliver the service are included in the monthly price.
  
- L. Wireless Subscriber Standard Ethernet Service requires each Service Provider to agree to the terms of the Wireless Service Provider Agreement.
  
- M. E-LAN service provides carrier-class support of traffic with additional tagging up to 9,000 byte maximum transmission unit (MTU). E-LAN service requires a contract for the initial service turn up for end-use sites.

**\*Note:** Service speeds are “up to”. Grant PUD will provision at the maximum speed it qualifies for based on the selected service. Actual speed varies based on a number of factors. See Telecommunications Customer Service Policies Section 2.0 for a complete depiction of District limitations & obligations.

<b>Set-up of new Service Provider</b>	\$2,000 (non-recurring cost) \$2,500 Security Deposit
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**Standard Ethernet Services:**

Basic Access 100x100 Mbps*  Tier 1 technical support provided 24/7, higher tiers of support available only during Grant PUD's normal business hours. Includes Ethernet ports for data and/or voice.	\$32.50
Enhanced Access 250x250 Mbps*  Tier 1 technical support provided 24/7, higher tiers of support available only during Grant PUD's normal business hours. Includes Ethernet ports for data and/or voice.	\$42.50
Gigabit Access* (Where available; provisioned on Service Provider's customer VLAN)  Tier 1 technical support provided 24/7, higher tiers of support available only during Grant PUD's normal business hours. Includes Ethernet ports for data and/or voice	\$52.50
Wireless Access (Where Available)	\$26
<i>In addition to the 100 Mbps, 250 Mbps, and Gigabit Access fee for each unique premises, the following products or services may be purchased:</i>	
Premium Support (per unique premises) All tiers of technical support provided 24/7 with priority restoration following network outages. Also includes Ethernet ports for data and/or voice.	\$10
Video VLAN Port	\$1.50
POTS Port	\$5
<b>Plant construction to provide service outside of an existing fiber service area</b>	Pre-payment of 100% of Grant PUD's estimated cost.

**Customer VLAN Off-Network Services:** (Includes premium support)

50 Mbps port	\$75
100 Mbps port	\$150
1000 Mbps port	\$500

**Upstream Internet Services – No Commit:**

Non-Recurring Cost: Upstream Setup Fee	\$500
Per Mbps calculated using 95% percentile method	Wholesale Plus 10%
Non-Recurring Cost: Setup IP Address Allocation Fee, if provided by Grant PUD	\$1,500
Per IP Address monthly recurring fee	Cost Plus 10%

**Advanced Transport Services:** *(Listed in tables below)*

Contracts are required for these services. Each service request will require pre-payment of 100% of Grant PUD's estimated cost for equipment, interfaces and/or fiber plant construction to accomplish the service connections.

**Wavelength Services:**

	1 Year	3 Year	5 Year
1G per span	\$1,050	\$875	\$750
OC48 per span	\$1,050	\$875	\$750
10G (LAN or WAN PHY) per span	\$4,200	\$3,500	\$3,000

**Special VLAN Ethernet Services:** *(Includes premium support, uses the customer NNI). Management VLAN is allowed on multiple locations.*

	Month to Month	3 Year
Set-up fee per port	\$100 non-recurring	\$100 non-recurring
50 Mbps port	\$100	N/A
50 Mbps port with Q-in-Q	\$150	N/A
100 Mbps Management VLAN	\$250	N/A
100 Mbps port	\$425	\$250
100 Mbps port with Q-in-Q	\$575	\$400
250 Mbps port	\$600	\$400
250 Mbps port with Q-in-Q	\$800	\$500
500 Mbps port	\$750	\$450
500 Mbps port with Q-in-Q	\$950	\$575
1000 Mbps port	\$1,250	\$900
1000 Mbps port with Q-in-Q	\$1,400	\$1,050

**E-LAN Carrier Ethernet Services:** *(Includes Premium support; only subscriber, end-use ports to terminate at NNI)*

	<b>1 Year Term</b>	<b>3 Year term</b>	<b>5 Year term</b>
End-Use Site 100 Mbps port	\$500	\$300	\$200
End-Use Site 1 Gbps port	\$1,150	\$900	\$650

<b><i>(Term pricing not available on NNI product)</i></b>	
NNI 1 Gbps port	\$720
NNI 10 Gbps port	\$1,840

Public Utility District No. 2 of Grant County, Washington  
**Product and Service Schedule 100**

**Wholesale High Speed Network**

**Resolution XXXX9043**

**Effective 083/01/2024**

- A. The products & services listed on this schedule are available to qualified Service Providers desiring to use Grant PUD's wholesale fiber optic and wireless network. Grant PUD reserves the right, at its sole option, to discontinue service(s) listed in this product & service schedule at any time.
- B. Prices listed in all tables below are monthly recurring charges unless otherwise noted.
- C. Grant PUD provisions VLAN's to connect a Service Provider to its subscribers (aka Customer VLAN). The Customer VLAN is to be used for connecting unrelated subscribers to the Service Provider's network. The number of Customer VLANs being used by any single Service Provider will be at Grant PUD's discretion.
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- E. Standard subscriber premises units (gateways) used by Grant PUD provide multiple copper interfaces for connection(s) to the end-user. These units remain the property of Grant PUD and may be used to serve multiple unique premises in multi-tenant applications.
- F. Service Providers may request an account be added and a Customer VLAN port be provisioned on a gateway for the purposes of extending a single point-to-point connection to a single off-network premises. The Standard Ethernet Services pricing will apply. Customer VLAN ports used to extend services off-network to multiple end-users (i.e., wireless access points, multiple dwelling units, upstream internet service) will be charged port fees per the Customer VLAN Off-Network Services section of this Product and Service Schedule 100. All other re-transmission of Wholesale High Speed Network service is prohibited.
- G. Service Level Commitment: Grant PUD staff will only respond after-hours to tickets involving Premium Access subscribers or broader network problems. Basic Access subscriber trouble will be addressed during normal business hours.
- H. All wholesale fiber optic and wireless network services provided by Grant PUD are subject to the terms and conditions in the District's Telecommunications Policies, as the same may be amended from time-to-time.
- I. The amount of any tax levied by any governmental entity, in accordance with the laws of the State of Washington, will be added to the charges shown in this product & service schedule.
- J. After a six-month initial startup period, Service Providers will be charged a minimum monthly bill according to the following timeline:

1-6 Months No Minimum  
7-18 Months \$1,000.00 Minimum  
18+ Months \$1,500.00 Minimum

- K. Upstream Internet Wholesale pricing is based on cost per megabit Grant PUD pays at the time of billing (reviewed and subject to change annually). IP address space can be provided at cost per IP. Ethernet ports required to deliver the service are included in the monthly price.
- L. Wireless Subscriber Standard Ethernet Service requires each Service Provider to agree to the terms of the Wireless Service Provider Agreement.
- M. E-LAN service provides carrier-class support of traffic with additional tagging up to 9,000 byte maximum transmission unit (MTU). E-LAN service requires a contract for the initial service turn up for end-use sites.

**\*Note:** Service speeds are “up to”. Grant PUD will provision at the maximum speed it qualifies for based on the selected service. Actual speed varies based on a number of factors. See Telecommunications Customer Service Policies Section 2.0 for a complete depiction of District limitations & obligations.



<b>Set-up of new Service Provider</b>	\$2,000 (non-recurring cost) \$2,500 Security Deposit
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**Standard Ethernet Services:**

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Enhanced Access 250x250 Mbps*  Tier 1 technical support provided 24/7, higher tiers of support available only during Grant PUD’s normal business hours. Includes Ethernet ports for data and/or voice.	\$42.50
Gigabit Access* (Where available; provisioned on Service Provider’s customer VLAN)  Tier 1 technical support provided 24/7, higher tiers of support available only during Grant PUD’s normal business hours. Includes Ethernet ports for data and/or voice	\$52.50
Wireless Access (Where Available)	\$26
<i>In addition to the 100 Mbps, 250 Mbps, and Gigabit Access fee for each unique premises, the following products or services may be purchased:</i>	
Premium Support (per unique premises) All tiers of technical support provided 24/7 with priority restoration following network outages. Also includes Ethernet ports for data and/or voice.	\$10
Video VLAN Port	\$1.50
POTS Port	\$5
<b>Plant construction to provide service outside of an existing fiber service area</b>	Pre-payment of 100% of Grant PUD’s estimated cost.

**Customer VLAN Off-Network Services:** *(Includes premium support)*

50 Mbps port	\$75
100 Mbps port	\$150
1000 Mbps port	\$500

**Special VLAN Ethernet Services:** *(Includes premium support, uses the customer NNI). Management VLAN is allowed on multiple locations.*

	Month to Month	3 Year
Set-up fee per port	\$100 non-recurring	\$100 non-recurring
50 Mbps port	\$100	N/A
50 Mbps port with Q-in-Q	\$150	N/A
100 Mbps Management VLAN	\$250	N/A
100 Mbps port	\$425	\$250
100 Mbps port with Q-in-Q	\$575	\$400
250 Mbps port	\$600	\$400
250 Mbps port with Q-in-Q	\$800	\$500
500 Mbps port	\$750	\$450
500 Mbps port with Q-in-Q	\$950	\$575
1000 Mbps port	\$1,250	\$900
1000 Mbps port with Q-in-Q	\$1,400	\$1,050

**Upstream Internet Services – No Commit:**

Non-Recurring Cost: Upstream Setup Fee	\$500
Per Mbps calculated using 95% percentile method	Wholesale Plus 10%
Non-Recurring Cost: Setup IP Address Allocation Fee, if provided by Grant PUD	\$1,500
Per IP Address monthly recurring fee	Cost Plus 10%

**Advanced Transport Services:** *(Listed in tables below)*

Contracts ~~are will be executed for required for these each services. -defining the price, term and service level agreement.~~ Each ~~service request contract~~ will require pre-payment of 100% of Grant PUD's the estimated Grant PUD's cost for equipment, interfaces and/or fiber plant construction to accomplish the service connections. ~~The maximum contract term including extensions shall not exceed 10 years.~~

**Wavelength Services:**

	1 Year	3 Year	5 Year
1G per span	\$1,050	\$875	\$750
OC48 per span	\$1,050	\$875	\$750
10G (LAN or WAN PHY) per span	\$4,200	\$3,500	\$3,000

**SONET Services – Linear or UPSR:** *No longer available for purchase. All SONET services must be transitioned to an alternative product by December 31, 2019.*

	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
DS-1 per span	\$60	\$50	\$45
STS-1 per span	\$230	\$192	\$179
STS-3 per span	\$360	\$300	\$250
STS-12 per span	\$1,200	\$1,000	\$820
STS-24 per span	\$1,450	\$1,200	\$1,000
<i>The following add-ons may be purchased for each advanced transport circuit:</i>			
Interface protection	50% adder to the monthly charge for one span		
Circuit protection	Monthly charge as listed above per additional span(s) required to accomplish requested protection		

**E-LAN Carrier Ethernet Services:** *(Includes Premium support; only subscriber, end-use ports to terminate at NNI)*

	<b>1 Year Term</b>	<b>3 Year term</b>	<b>5 Year term</b>
End-Use Site 100 Mbps port	\$500	\$300	\$200
End-Use Site 1 Gbps port	\$1,150	\$900	\$650

<i>(Term pricing not available on NNI product)</i>	
NNI 1 Gbps port	\$720
NNI 10 Gbps port	\$1,840

RESOLUTION NO. 9059

A RESOLUTION AMENDING GRANT PUD'S RATE SCHEDULE 120

Recitals

1. Grant PUD is authorized by RCW 54.16330 to operate and maintain telecommunications for Grant PUD's own internal telecommunication needs and for the provision of wholesale telecommunications services with Grant PUD; and
2. Grant PUD's Manager and staff are of the opinion that the revised Rate Schedule 120 attached as Exhibit A is in the best interest of Grant PUD.

NOW THEREFORE BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington that the changes to the basic and premium access fees and adding off-network services for wireless re-transmission as set forth in the attached Exhibit A are hereby approved and adopted, and the revised Rate Schedule 120 shall be effective August 1, 2024.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 23<sup>rd</sup> day of July, 2024.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Vice President

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

**RATE SCHEDULE 120**  
Wholesale Fiber Product and Service Schedule  
Resolution 9059 – Exhibit A  
Effective August 1, 2024

**AVAILABLE:** To qualified customers who have entered into an approved Telecommunications Facilities License Agreement with Grant PUD. This Rate Schedule 120 shall only be applicable to, and subject to review and availability of, Grant PUD's fiber facilities.

**EFFECTIVE:** The following rates shall be effective on the date shown above and shall supersede all prior dark fiber rates.

**DARK FIBER COMPONENTS:** Backbone fiber strands are between Grant PUD's facilities.

Service:	Non-Recurring Charge	Monthly Recurring Charge	Monthly Recurring Charge	Monthly Recurring Charge
		5 Year Term	10 Year Term	20 Year Term
Dark Fiber Components				
Final Mile Connections Non-Recurring Charge	\$2,500			
Backbone License Rate – Per Route Mile		\$55	\$50	\$45
Minimum Monthly Recurring Charge for Backbone Dark Fiber Component		\$2,000		

**ORDER AND SEGMENT DEFINITION:** Each order is defined as a continuous fiber path (segment) licensed under a single agreement. A segment shall originate and terminate at demarcation points as set forth in the applicable Telecommunications Facilities License Agreement.

**ROUTE MILES:** Determined by Grant PUD using exact light distance tested by an OTDR between locations rounded up to nearest full mile.

**FIBER CIRCUIT:** A collection of fiber strands which participate in establishing a link between two active devices in a system.

**SERVICE:** Service under this Rate Schedule 120 is subject to the terms and conditions in Grant PUD's Telecommunications Customer Service Policies, as may be amended from time to time.

**SERVICE LEVEL AGREEMENT:** Grant PUD's obligations will be to respond and commence restoration work within 2 hours of outage notification. Restore use of the fiber path within a reasonable time, normally eight hours from outage notification.

**TAX ADJUSTMENTS:** The amount of any tax levied by any governmental entity, in accordance with the Laws of the State of Washington, will be added to the above charges.

**MEMORANDUM**

**June 25, 2024**

**TO:** Rich Wallen, General Manager/Chief Executive Officer

**VIA:** Jeff Grizzel, Chief Operating Officer

**FROM:** Terry McKenzie, Senior Manager of Telecom & Fiber Services *Terry McKenzie*

**SUBJECT:** Update Rate Schedule 120

**Purpose:** To obtain Commission approval to update Grant PUD’s Rate Schedule 120 from its last version dated September 8, 2009 (Resolution 8407).

**Discussion:** The Wholesale Fiber Product and Service Schedule 120 are the rates applicable to retail and transport service providers utilizing Grant PUD’s fiber network. Modifications to product and service offerings outlined in this rate schedule will depend on the availability of Grant PUD’s fiber facilities. Rate adjustments will be subject to changes in revenue and market conditions.

The changes listed below were evaluated by CCG Consulting (Doug Dawson), which has assisted Grant PUD for over 15 years with wholesale fiber product and service modifications. Grant PUD has historically had the highest dark fiber rates. These changes allow Grant PUD to sell dark fiber but always maintain the ability to deny requests to allow Grant PUD to have enough for our own use. We also have discussed these changes with the service providers that currently have dark fiber agreements with Grant PUD.

Rate Schedule Section	Description
Wholesale Fiber Schedule 120	Change District to Grant PUD
Available	The current practice was to review the availability of the fiber facilities, we believe this should be in the Rate Schedule for clarity.
Billing Rates/Charges	The renewal language was removed from the Rate Schedule.
Dark Fiber Components	This language was added to define backbone fiber facilities.
Final Mile Connections	This is the work that is required to assure connectivity and mileage.
Non-Recurring Charge	Removed the charge for access to our dark fiber system.
License Rate	Clarity for the cost of each strand instead of fiber pairs.
Utilization	Removed this component for access to our dark fiber system.

A business that utilizes Grant PUD’s fiber infrastructure is required to be a service provider and sign Grant PUD’s Telecommunications Facilities License Agreement. To ensure consistency with the proposed rate schedule changes, our standard agreement will be revised accordingly. We will require all service providers that currently have such agreements with Grant PUD to execute the updated contract.

To ensure consistency between Rate Schedule 120 and 100, we have updated the following changes in Rate Schedule 100.

Rate Schedule Section	Description
Advanced Transport Services	For Advanced Transport Services will have Master Services Agreement with each service requested with a service order.

SONET Services	These services have been discontinued.
Special VLAN Ethernet Services	The Special VLAN Ethernet Services will be included in the Advanced Transport Services Section.

We are proposing an effective date of August 1, 2024, for the revised rate schedule to provide time for us to prepare our system and coordinate the execution of updated agreements with service providers.

**Recommendation:** Commission approval to update Grant PUD's Rate Schedule 120, effective August 1, 2024, as set forth in Exhibit A, superseding Resolution 8407.

**Legal Review:** See attached e-mail(s).



**RATE SCHEDULE 120**

Wholesale Fiber Product and Service Schedule

Resolution XXXX – Exhibit A

Effective August 1, 2024

**AVAILABLE:** To qualified customers who have entered into an approved Telecommunications Facilities License Agreement with the District Grant PUD. This Rate Schedule 120 shall only be applicable to, and subject to review and availability of, existing District fiber Grant PUD's fiber facilities. This Rate Schedule 120 shall not be construed to create any obligation on the part of the District to construct any new fiber facilities.

**EFFECTIVE:** The following rates shall be effective on the date shown above from the date of adoption and shall supersede all prior dark fiber rates.

**BILLING RATES/CHARGES:** Non-recurring charges will apply to new agreements, not renewals. Term of contract shall not exceed 60 months and may be renewed one time for up to the length of the initial term. Rates for the renewal period will be from the District's Rate Schedule 120 in effect 60 days prior to the beginning of the renewal period. **DARK FIBER COMPONENTS:** Backbone fiber strands are between Grant PUD's facilities.

Service:	Non-Recurring Charge	Monthly Recurring Charge	Monthly Recurring Charge	Monthly Recurring Charge
		5 Year Term	10 Year Term	20 Year Term
Dark Fiber Components				
<del>Dark Fiber Components – Minimum Order – 2 Strands; Maximum Order – 4 Strands</del>				
<del>Final Mile Connections Non-Recurring Charge – Per Strand Mile</del>	<del>\$750</del> <u>\$2,500</u>			
<del>Minimum Non-Recurring Charge Per Order</del>	<del>\$35,000</del>			
<del>Backbone License Rate – Strands 1 and 2 – Per Strand-Route Mile</del>		\$55	<u>\$50</u>	<u>\$45</u>
<del>License Rate – Strands 3 and 4 – Per Strand Mile</del>		<del>\$20</del>		
<del>Minimum Monthly Recurring Charge for Backbone Dark Fiber Component</del>		\$2,000		
<del>Utilization Component (per Fiber Circuit)</del>				
<del>Up to 40 Gigabits (Billed in increments of 10 Gigabits)</del>		<del>\$750/10 Gigabits</del>		
<del>Additional Gigabits (Billed in increments of 10 Gigabits)</del>		<del>\$500/10 Gigabits</del>		
<del>Minimum Monthly Recurring Charge for Utilization Component</del>		<del>\$750</del>		
<del>Maximum Monthly Recurring Charge for Utilization Component</del>		<del>\$6,000</del>		

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**ORDER AND ~~Order~~ SEGMENT DEFINITION** ~~Segment Definition~~: Each order is defined as a continuous fiber path (segment) licensed under a single agreement. A segment shall originate and terminate at demarcation points as set forth in the applicable Telecommunications Facilities License Agreement.

**ROUTE MILES** ~~Route Miles~~: Determined by Grant PUD using exact light distance tested by an OTDR between locations rounded up to nearest full mile.





Resolution 8407-0/8/09

**FIBER ~~iber~~ CIRCUI~~t~~ircuit:** A collection of fiber strands which participate in establishing a link between two active devices in a system.

**Utilization Charge:** ~~Each fiber circuit is subject to utilization fees based on provisioned capacity. Fees shall be charged in increments of 10 Gigabits as determined by periodic reporting and audits as set forth in the applicable Telecommunications Facilities License Agreement.~~

**SERVICE~~ervice~~ervice:** Service under this Rate Schedule 120 is subject to the terms and conditions in Grant PUD~~the District~~'s Telecommunications Customer Service Policies, as ~~the same~~ may be amended from time to time.

**SERVICE LEVEL AGREEMENT~~ervice Level Agreement~~ervice Level Agreement:** Grant PUD's obligations will be to respond and commence restoration work within 2 hours of outage notification. Restore use of the fiber path within a reasonable time, normally eight hours from outage notification.

**TAX ADJUSTMENT~~Sax Adjustments~~Sax Adjustments:** The amount of any tax levied by any governmental entity, in accordance with the Laws of the State of Washington, will be added to the above charges.

Motion authorizing the creation of a new restricted fund and the transfer of the Cap and Investment Auction of Climate Commitment Act (CCA) Credits received to date out of the R&C fund and recorded in the newly created fund. Furthermore, this motion authorizes any future proceeds received from the Climate Commitment Act Auctions to also be placed in the new fund going forward.

**MEMORANDUM**

**June 18, 2024**

**TO:** Bonnie Overfield, Chief Financial Officer/Treasurer

**VIA:** John Mertlich, Chief Commercial Officer  
Jennifer Sager, Senior Manager of Accounting/Controller  
Angelina Johnson, Senior Manager of Treasury & FP/Deputy Treasurer

**FROM:** Amy Thompson, Senior Financial Analyst *Amy Thompson*

**SUBJECT:** Proceeds from Cap and Investment Auction of Climate Commitment Act (CCA) Credits

**Purpose:** Request approval from the Commission to transfer proceeds received from the Cap and Investment Auction of CCA Credits out of the Electric System's Reserve and Contingency (R&C) Fund and into a newly restricted fund managed by Accounting, Energy Supply Management (ESM), and Treasury (collectively, Finance) for approved spend of the funds per the approval procedure and the CCA matrix.

**Discussion:** The R&C Fund was established by Resolution 4112 in 1982. The resolution directs the Treasurer/Controller to establish and maintain the R&C Fund, payments from the R&C Fund to be authorized by the Commission, and for parameters surrounding deposits to be established annually in the District's budget. The R&C Fund is a Commission-restricted fund and cannot be used without prior Commission approval. Due to the restricted nature of the R&C Fund, Finance is proposing the creation of a new restricted fund, 1004 Electric System CCA Credits. The new fund will have accounting restrictions (not Commission restricted) requiring a disbursement procedure to define how revenues and expenses are tracked, approved, and reconciled.

**Justification:** The District's CCA matrix has defined acceptable uses of the CCA credit auction proceeds. Finance is also working on a procedure to define the process for qualifying an expense to be covered by CCA proceeds.

**Financial Justification:** To date, the District has received \$60.89M in CCA auction proceeds. Per the Commission motion passed January 26, 2024, Finance has transferred the proceeds to the R&C Fund until guidance for appropriate usage could be determined. ESM has developed a matrix of acceptable uses and will be used to determine if proposed uses of the funds qualify and meet the requirements outlined by the Federal Government.

**Recommendation:** To seek authorization from the Commission to transfer CCA auction proceeds from the R&C fund to a new restricted fund. Any future proceeds received from CCA auctions would be deposited into the Electric System CCA Credits Fund.

Motion authorizing Interlocal Agreement 130-12389 with Washington State Department of Commerce, providing Grant PUD with grant funding in the amount of \$1,100,000.00 to participate in the Home Electrification and Appliance Rebates (HEAR) Program (Commerce Contract no. 24-92701-018).

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**MEMORANDUM**

July 9, 2024

**TO:** Rich Wallen, General Manager/Chief Executive Officer

**VIA:** Ty Ehrman, Chief Customer Officer *FTE*  
Cary West, Senior Manager Customer Solutions *CSW*

**FROM:** Christopher Buchmann, Customer Solutions Program Supervisor *CGOB*

**SUBJECT:** Interlocal Agreement 130-12389 with the WA State Department of Commerce

**Purpose:** To request Commission approval of Interlocal Agreement 130-12389 with the Washington State Department of Commerce, providing Grant PUD with grant funding in the amount of \$1,100,000 to participate in the Home Electrification and Appliance Rebates (HEAR) Program (Commerce Contract No. 24-92701-018).

**Discussion:** The Washington State Department of Commerce (“Commerce”) is offering grants to eligible entities to provide rebates and incentives to low-income households and small businesses to purchase and install high-efficiency electric equipment and appliances. The HEAR Program is supported with funding from Washington’s Climate Commitment Act. This is a state funding opportunity that is separate from the Federal home energy rebate program funded by the Inflation Reduction Act.

We applied in April 2024 and have received an award offer from Commerce in the amount of \$1,100,000 if we choose to proceed. We understand additional funding may become available later if other awards are not accepted or funding from other areas of the program remains unallocated.

The HEAR funds allocated to Grant PUD will provide energy efficient appliances or ductless heat pumps in the homes of income qualified, underserved, and vulnerable customers within Grant County, Washington, with no out-of-pocket expense to them. Our goal is to reach 8.5% of the approximately 4,781 low-income households in Grant County with this program (411 households). In addition, our goal is to serve 30 small businesses under the program.

The outcome of this is the reduction in energy bills for 8.5% of Grant County’s underserved and vulnerable community; the reduction in energy consumption due to the new energy efficient appliances; the potential for the energy savings to count towards Grant PUD’s I-937 biennial conservation targets to maintain compliance; the potential to leverage the HEAR program to become compliant with CETA; and improve our underserved and vulnerable customers’ quality of life, build a more sustainable future, and increase the capacity on Grant PUD’s electrical system. Please see the attached contract for more information.

**Recommendation:** Commission approval of Interlocal Agreement 130-12389 with the Washington State Department of Commerce, providing Grant PUD with grant funding in the amount of \$1,100,000 to participate in the Home Electrification and Appliance Rebates (HEAR) Program (Commerce Contract No. 24-92701-018).

**Legal Review:** See attached email.



**Interagency Agreement with**

**Public Utility District No. 2 of Grant County, Washington**

**through**

**State Home Electrification and Appliance Rebates Program**

**Contract Number:  
24-92701-018**

**For**

**Grant PUD - Electrification and Appliance Rebates Program**

**Dated:** Wednesday, May 1, 2024

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## Face Sheet

Contract Number: 24-92701-018

### Energy Division Clean Buildings Unit Home Electrification and Appliance Rebates Program

<b>1. Contractor</b> Public Utility District No. 2 of Grant County, Washington PO Box 878 30 C Street SW Ephrata, WA 98823		<b>2. Contractor Doing Business As (as applicable)</b>  	
<b>3. Contractor Representative</b> Christopher Buchmann CS Program Supervisor (509) 793-1573 cbuchmann@gcpud.org		<b>4. COMMERCE Representative</b> Aaron Dumas Program Manager (564) 999-1414 Aaron.dumas@commerce.wa.gov	
PO Box 878 30 C Street SW Ephrata, WA 98823		PO Box 42525 1011 Plum St. SE Olympia, WA 98504	
<b>5. Contract Amount</b> \$1,100,000	<b>6. Funding Source</b> Federal: <input type="checkbox"/> State: <input checked="" type="checkbox"/> Other: <input type="checkbox"/> N/A: <input type="checkbox"/>		<b>7. Start Date</b> 5/1/2024
<b>8. End Date</b> 6/30/2025			
<b>9. Federal Funds (as applicable)</b> N/A		<b>Federal Agency:</b> N/A	
<b>ALN:</b> N/A			
<b>10. Tax ID #</b> 91-6001033	<b>11. SWV #</b> SWV0032384	<b>12. UBI #</b> <Insert number>	<b>13. UEI #</b> <Insert number>
<b>14. Contract Purpose</b> To administer a program that provides rebates and incentives to low- and moderate-income households and small businesses to purchase and install high-efficiency electric equipment and appliances. For the Contractor's internal tracking purposes, the Contractor's contract number is 130-12389.			
COMMERCE, defined as the Department of Commerce, and the Contractor, as defined above, acknowledge and accept the terms of this Contract and Attachments and have executed this Contract on the date below and warrant they are authorized to bind their respective agencies. The rights and obligations of both parties to this Contract are governed by this Contract and the following documents incorporated by reference: Contractor Terms and Conditions including Attachment "A" – Scope of Work, Attachment "B" – Budget, Attachment "C" – Program Work Plan			
<b>FOR CONTRACTOR</b>  <b style="color: red;">NOT AUTHORIZED FOR SIGNATURE</b>  _____ <insert name>, <insert title>  _____ Date		<b>FOR COMMERCE</b>  _____ Michael Furze, Assistant Director Energy Division  _____ Date  <b>APPROVED AS TO FORM ONLY          BY ASSISTANT ATTORNEY GENERAL          APPROVAL ON FILE</b>	



## **Special Terms and Conditions**

### **1. AUTHORITY**

COMMERCE and Contractor enter into this Contract pursuant to the authority granted by Chapter 39.34 RCW.

### **2. ACKNOWLEDGEMENT OF CLIMATE COMMITMENT ACT FUNDING**

If this Agreement is funded in whole or in part by the Climate Commitment Act, Grantee agrees that any website, announcement, press release, and/or publication (written, visual, or sound) used for media-related activities, publicity, and public outreach issued by or on behalf of Grantee which reference programs or projects funded in whole or in part with Washington's Climate Commitment Act (CCA) funds under this Grant, shall contain the following statement:

“The Home Electrification and Appliance Rebates Program is supported with funding from Washington's Climate Commitment Act. The CCA supports Washington's climate action efforts by putting cap-and-invest dollars to work reducing climate pollution, creating jobs, and improving public health. Information about the CCA is available at [www.climate.wa.gov](http://www.climate.wa.gov).”

The Grantee agrees to ensure coordinated Climate Commitment Act branding on work completed by or on behalf of the Grantee. The CCA logo must be used in the following circumstances, consistent with the branding guidelines posted at [CCA brand toolkit](#), including:

- A. Any project related website or webpage that includes logos from other funding partners;
- B. Any publication materials that include logos from other funding partners;
- C. Any on-site signage including pre-during Construction signage and permanent signage at completed project sites; and
- D. Any equipment purchased with CAA funding through a generally visible decal.

### **3. CONTRACT MANAGEMENT**

The Representative for each of the parties shall be responsible for and shall be the contact person for all communications and billings regarding the performance of this Contract.

The Representative for COMMERCE and their contact information are identified on the Face Sheet of this Contract.

The Representative for the Contractor and their contact information are identified on the Face Sheet of this Contract.

### **4. COMPENSATION**

COMMERCE shall pay an amount not to exceed \$1,100,000, for the performance of all things necessary for or incidental to the performance of work under this Contract as set forth in the Scope of Work.

### **5. BILLING PROCEDURES AND PAYMENT**

COMMERCE will pay Contractor upon acceptance of services provided and receipt of properly completed invoices, which shall be submitted to the Representative for COMMERCE not more often than monthly nor less than quarterly.

The invoices shall describe and document, to COMMERCE's satisfaction, a description of the work performed, the progress of the project, and fees. The invoice shall include the Contract Number 24-92701-018. If expenses are invoiced, provide a detailed breakdown of each type. A receipt must accompany any single expenses in the amount of \$50.00 or more in order to receive reimbursement. Payment shall be considered timely if made by COMMERCE within thirty (30) calendar days after receipt of properly completed invoices. Payment shall be sent to the address designated by the

Contractor.

COMMERCE may, in its sole discretion, terminate the Contract or withhold payments claimed by the Contractor for services rendered if the Contractor fails to satisfactorily comply with any term or condition of this Contract.

No payments in advance or in anticipation of services or supplies to be provided under this Agreement shall be made by COMMERCE.

#### Invoices and End of Fiscal Year

Invoices are due on the 20th of the month following the provision of services.

Final invoices for a state fiscal year may be due sooner than the 20th and Commerce will provide notification of the end of fiscal year due date.

The Contractor must invoice for all expenses from the beginning of the contract through June 30, regardless of the contract start and end date.

#### Duplication of Billed Costs

The Contractor shall not bill COMMERCE for services performed under this Agreement, and COMMERCE shall not pay the Contractor, if the Contractor is entitled to payment or has been or will be paid by any other source, including grants, for that service.

#### Disallowed Costs

The Contractor is responsible for any audit exceptions or disallowed costs incurred by its own organization or that of its subcontractors.

COMMERCE may, in its sole discretion, withhold ten percent (10%) from each payment until acceptance by COMMERCE of the final report (or completion of the project, etc.).

### **6. SUBCONTRACTOR DATA COLLECTION**

Contractor will submit reports, in a form and format to be provided by Commerce and at intervals as agreed by the parties, regarding work under this Contract performed by subcontractors and the portion of Contract funds expended for work performed by subcontractors, including but not necessarily limited to minority-owned, woman-owned, and veteran-owned business subcontractors. "Subcontractors" shall mean subcontractors of any tier.

### **7. INSURANCE**

Each party certifies that it is adequately insured to the degree necessary to cover all activities in Attachment A, Scope of Work, and shall be responsible for losses for which it is found liable.

### **8. FRAUD AND OTHER LOSS REPORTING**

Contractor shall report in writing all known or suspected fraud or other loss of any funds or other property furnished under this Contract immediately or as soon as practicable to the Commerce Representative identified on the Face Sheet.

### **9. OWNERSHIP (THIS SECTION SUPERCEDES GENERAL TERM AND CONDITION #20)**

The parties agree that the Grantee owns the property and assets purchased under this Contract.

### **10. ORDER OF PRECEDENCE**

In the event of an inconsistency in this Contract, the inconsistency shall be resolved by giving precedence in the following order:

- Applicable federal and state of Washington statutes and regulations
- Special Terms and Conditions
- General Terms and Conditions
- Attachment A – Scope of Work
- Attachment B – Budget
- Attachment C – Program Work Plan

## **General Terms and Conditions**

### **1. DEFINITIONS**

As used throughout this Contract, the following terms shall have the meaning set forth below:

- A. "Authorized Representative" shall mean the Director and/or the designee authorized in writing to act on the Director's behalf.
- B. "COMMERCE" shall mean the Washington Department of Commerce.
- C. "Contract" or "Agreement" or "Grant" means the entire written agreement between COMMERCE and the Contractor, including any Attachments, documents, or materials incorporated by reference. E-mail or Facsimile transmission of a signed copy of this contract shall be the same as delivery of an original.
- D. "Contractor" or "Grantee" shall mean the entity identified on the face sheet performing service(s) under this Contract, and shall include all employees and agents of the Contractor.
- E. "Personal Information" shall mean information identifiable to any person, including, but not limited to, information that relates to a person's name, health, finances, education, business, use or receipt of governmental services or other activities, addresses, telephone numbers, social security numbers, driver license numbers, other identifying numbers, and any financial identifiers, and "Protected Health Information" under the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA).
- F. "State" shall mean the state of Washington.
- G. "Subcontractor" shall mean one not in the employment of the Contractor, who is performing all or part of those services under this Contract under a separate contract with the Contractor. The terms "subcontractor" and "subcontractors" mean subcontractor(s) in any tier.

### **2. ALL WRITINGS CONTAINED HEREIN**

This Contract contains all the terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this Contract shall be deemed to exist or to bind any of the parties hereto.

### **3. AMENDMENTS**

This Contract may be amended by mutual agreement of the parties. Such amendments shall not be binding unless they are in writing and signed by personnel authorized to bind each of the parties.

### **4. ASSIGNMENT**

Neither this Contract, work thereunder, nor any claim arising under this Contract, shall be transferred or assigned by the Contractor without prior written consent of COMMERCE.

### **5. CONFIDENTIALITY AND SAFEGUARDING OF INFORMATION**

- A. "Confidential Information" as used in this section includes:
  - i. All material provided to the Contractor by COMMERCE that is designated as "confidential" by COMMERCE;
  - ii. All material produced by the Contractor that is designated as "confidential" by COMMERCE; and

- iii. All Personal Information in the possession of the Contractor that may not be disclosed under state or federal law.
- B. The Contractor shall comply with all state and federal laws related to the use, sharing, transfer, sale, or disclosure of Confidential Information. The Contractor shall use Confidential Information solely for the purposes of this Contract and shall not use, share, transfer, sell or disclose any Confidential Information to any third party except with the prior written consent of COMMERCE or as may be required by law. The Contractor shall take all necessary steps to assure that Confidential Information is safeguarded to prevent unauthorized use, sharing, transfer, sale or disclosure of Confidential Information or violation of any state or federal laws related thereto. Upon request, the Contractor shall provide COMMERCE with its policies and procedures on confidentiality. COMMERCE may require changes to such policies and procedures as they apply to this Contract whenever COMMERCE reasonably determines that changes are necessary to prevent unauthorized disclosures. The Contractor shall make the changes within the time period specified by COMMERCE. Upon request, the Contractor shall immediately return to COMMERCE any Confidential Information that COMMERCE reasonably determines has not been adequately protected by the Contractor against unauthorized disclosure.
  - C. Unauthorized Use or Disclosure. The Contractor shall notify COMMERCE within five (5) working days of any unauthorized use or disclosure of any confidential information, and shall take necessary steps to mitigate the harmful effects of such use or disclosure.

## **6. COPYRIGHT**

Unless otherwise provided, all Materials produced under this Contract shall be considered "works for hire" as defined by the U.S. Copyright Act and shall be owned by COMMERCE. COMMERCE shall be considered the author of such Materials. In the event the Materials are not considered "works for hire" under the U.S. Copyright laws, the Contractor hereby irrevocably assigns all right, title, and interest in all Materials, including all intellectual property rights, moral rights, and rights of publicity to COMMERCE effective from the moment of creation of such Materials.

"Materials" means all items in any format and includes, but is not limited to, data, reports, documents, pamphlets, advertisements, books, magazines, surveys, studies, computer programs, films, tapes, and/or sound reproductions. "Ownership" includes the right to copyright, patent, register and the ability to transfer these rights.

For Materials that are delivered under the Contract, but that incorporate pre-existing materials not produced under the Contract, the Contractor hereby grants to COMMERCE a nonexclusive, royalty-free, irrevocable license (with rights to sublicense to others) in such Materials to translate, reproduce, distribute, prepare derivative works, publicly perform, and publicly display. The Contractor warrants and represents that the Contractor has all rights and permissions, including intellectual property rights, moral rights and rights of publicity, necessary to grant such a license to COMMERCE.

The Contractor shall exert all reasonable effort to advise COMMERCE, at the time of delivery of Materials furnished under this Contract, of all known or potential invasions of privacy contained therein and of any portion of such document which was not produced in the performance of this Contract. The Contractor shall provide COMMERCE with prompt written notice of each notice or claim of infringement received by the Contractor with respect to any Materials delivered under this Contract. COMMERCE shall have the right to modify or remove any restrictive markings placed upon the Materials by the Contractor.

## **7. DISPUTES**

In the event that a dispute arises under this Agreement, it shall be determined by a Dispute Board in the following manner: Each party to this Agreement shall appoint one member to the Dispute Board. The members so appointed shall jointly appoint an additional member to the Dispute Board. The Dispute Board shall review the facts, Agreement terms and applicable statutes and rules and make a determination of the dispute. The Dispute Board shall thereafter decide the dispute with the majority

prevailing. The determination of the Dispute Board shall be final and binding on the parties hereto. As an alternative to this process, either of the parties may request intervention by the Governor, as provided by RCW 43.17.330, in which event the Governor's process will control.

**8. GOVERNING LAW AND VENUE**

This Contract shall be construed and interpreted in accordance with the laws of the state of Washington, and the venue of any action brought hereunder shall be in the Superior Court for Thurston County.

**9. INDEMNIFICATION**

Each party shall be solely responsible for the acts of its employees, officers, and agents.

**10. LICENSING, ACCREDITATION AND REGISTRATION**

The Contractor shall comply with all applicable local, state, and federal licensing, accreditation and registration requirements or standards necessary for the performance of this Contract.

**11. RECAPTURE**

In the event that the Contractor fails to perform this Contract in accordance with state laws, federal laws, and/or the provisions of this Contract, COMMERCE reserves the right to recapture funds in an amount to compensate COMMERCE for the noncompliance in addition to any other remedies available at law or in equity.

Repayment by the Contractor of funds under this recapture provision shall occur within the time period specified by COMMERCE. In the alternative, COMMERCE may recapture such funds from payments due under this Contract.

**12. RECORDS MAINTENANCE**

The Contractor shall maintain books, records, documents, data and other evidence relating to this contract and performance of the services described herein, including but not limited to accounting procedures and practices that sufficiently and properly reflect all direct and indirect costs of any nature expended in the performance of this contract.

The Contractor shall retain such records for a period of six years following the date of final payment. At no additional cost, these records, including materials generated under the contract, shall be subject at all reasonable times to inspection, review or audit by COMMERCE, personnel duly authorized by COMMERCE, the Office of the State Auditor, and federal and state officials so authorized by law, regulation or agreement.

If any litigation, claim or audit is started before the expiration of the six (6) year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.

**13. SAVINGS**

In the event funding from state, federal, or other sources is withdrawn, reduced, or limited in any way after the effective date of this Contract and prior to normal completion, COMMERCE may suspend or terminate the Contract under the "Termination for Convenience" clause, without the ten calendar day notice requirement. In lieu of termination, the Contract may be amended to reflect the new funding limitations and conditions.

**14. SEVERABILITY**

The provisions of this contract are intended to be severable. If any term or provision is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the contract.

## **15. SUBCONTRACTING**

The Contractor may only subcontract work contemplated under this Contract if it obtains the prior written approval of COMMERCE.

If COMMERCE approves subcontracting, the Contractor shall maintain written procedures related to subcontracting, as well as copies of all subcontracts and records related to subcontracts. For cause, COMMERCE in writing may: (a) require the Contractor to amend its subcontracting procedures as they relate to this Contract; (b) prohibit the Contractor from subcontracting with a particular person or entity; or (c) require the Contractor to rescind or amend a subcontract.

Every subcontract shall bind the Subcontractor to follow all applicable terms of this Contract. The Contractor is responsible to COMMERCE if the Subcontractor fails to comply with any applicable term or condition of this Contract. The Contractor shall appropriately monitor the activities of the Subcontractor to assure fiscal conditions of this Contract. In no event shall the existence of a subcontract operate to release or reduce the liability of the Contractor to COMMERCE for any breach in the performance of the Contractor's duties.

Every subcontract shall include a term that COMMERCE and the State of Washington are not liable for claims or damages arising from a Subcontractor's performance of the subcontract.

## **16. SURVIVAL**

The terms, conditions, and warranties contained in this Contract that by their sense and context are intended to survive the completion of the performance, cancellation or termination of this Contract shall so survive.

## **17. TERMINATION FOR CAUSE**

In the event COMMERCE determines the Contractor has failed to comply with the conditions of this contract in a timely manner, COMMERCE has the right to suspend or terminate this contract. Before suspending or terminating the contract, COMMERCE shall notify the Contractor in writing of the need to take corrective action. If corrective action is not taken within 30 calendar days, the contract may be terminated or suspended.

In the event of termination or suspension, the Contractor shall be liable for damages as authorized by law including, but not limited to, any cost difference between the original contract and the replacement or cover contract and all administrative costs directly related to the replacement contract, e.g., cost of the competitive bidding, mailing, advertising and staff time.

COMMERCE reserves the right to suspend all or part of the contract, withhold further payments, or prohibit the Contractor from incurring additional obligations of funds during investigation of the alleged compliance breach and pending corrective action by the Contractor or a decision by COMMERCE to terminate the contract. A termination shall be deemed a "Termination for Convenience" if it is determined that the Contractor: (1) was not in default; or (2) failure to perform was outside of his or her control, fault or negligence.

The rights and remedies of COMMERCE provided in this contract are not exclusive and are, in addition to any other rights and remedies, provided by law.

## **18. TERMINATION FOR CONVENIENCE**

Except as otherwise provided in this Contract, COMMERCE may, by ten (10) business days' written notice, beginning on the second day after the mailing, terminate this Contract, in whole or in part. If this Contract is so terminated, COMMERCE shall be liable only for payment required under the terms of this Contract for services rendered or goods delivered prior to the effective date of termination.

## **19. TERMINATION PROCEDURES**

Upon termination of this contract, COMMERCE, in addition to any other rights provided in this contract, may require the Contractor to deliver to COMMERCE any property specifically produced or acquired for the performance of such part of this contract as has been terminated. The provisions of the "Treatment of Assets" clause shall apply in such property transfer.

COMMERCE shall pay to the Contractor the agreed upon price, if separately stated, for completed work and services accepted by COMMERCE, and the amount agreed upon by the Contractor and COMMERCE for (i) completed work and services for which no separate price is stated, (ii) partially completed work and services, (iii) other property or services that are accepted by COMMERCE, and (iv) the protection and preservation of property, unless the termination is for default, in which case the Authorized Representative shall determine the extent of the liability of COMMERCE. Failure to agree with such determination shall be a dispute within the meaning of the "Disputes" clause of this contract. COMMERCE may withhold from any amounts due the Contractor such sum as the Authorized Representative determines to be necessary to protect COMMERCE against potential loss or liability.

The rights and remedies of COMMERCE provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

After receipt of a notice of termination, and except as otherwise directed by the Authorized Representative, the Contractor shall:

- A. Stop work under the contract on the date, and to the extent specified, in the notice;
- B. Place no further orders or subcontracts for materials, services, or facilities except as may be necessary for completion of such portion of the work under the contract that is not terminated;
- C. Assign to COMMERCE, in the manner, at the times, and to the extent directed by the Authorized Representative, all of the rights, title, and interest of the Contractor under the orders and subcontracts so terminated, in which case COMMERCE has the right, at its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts;
- D. Settle all outstanding liabilities and all claims arising out of such termination of orders and subcontracts, with the approval or ratification of the Authorized Representative to the extent the Authorized Representative may require, which approval or ratification shall be final for all the purposes of this clause;
- E. Transfer title to COMMERCE and deliver in the manner, at the times, and to the extent directed by the Authorized Representative any property which, if the contract had been completed, would have been required to be furnished to COMMERCE;
- F. Complete performance of such part of the work as shall not have been terminated by the Authorized Representative; and
- G. Take such action as may be necessary, or as the Authorized Representative may direct, for the protection and preservation of the property related to this contract, which is in the possession of the Contractor and in which COMMERCE has or may acquire an interest.

**20. TREATMENT OF ASSETS (REPLACED BY SPECIAL TERMS AND CONDITIONS #9)**

**21. WAIVER**

Waiver of any default or breach shall not be deemed to be a waiver of any subsequent default or breach. Any waiver shall not be construed to be a modification of the terms of this Contract unless stated to be such in writing and signed by Authorized Representative of COMMERCE.



## Attachment A: Scope of Work

### Purpose

Engrossed Substitute Senate Bill 5200 Section 1008 Subsection 1 states:

Home Electrification and Appliance Rebates (HEAR) Program

For the department (Commerce) to administer grants to eligible third-party administrators for heat pump and other high-efficiency electric equipment rebates, with a focus on low/moderate income households and small businesses. State incentives and rebates for installation of high efficiency electric equipment, including electrical panel upgrades, provide a benefit to the public consistent with the state's energy strategy and climate mandates by reducing greenhouse gas emissions from the built environment.

- (a) \$75,000,000 of the climate commitment account-state appropriation is provided solely for the department to administer ESSB 5200.PL grants to low/moderate income households and small businesses.

Commerce shall implement a statewide high efficiency electric equipment program consistent with the following:

- (a) Aid the transition of residential and commercial buildings away from fossil fuels by providing education and outreach resources for the installation of high efficiency electric heat pumps and other high efficiency electric equipment;
- (b) Provide grants, coordination, and technical assistance to eligible third-party administrators to promote the adoption of high efficiency electric heat pump equipment for space and water heating; and
- (c) Develop strategies to ensure that the program serves low income households, vulnerable populations, and overburdened communities, including dedicating a portion of the program funding for this purpose.

### Tasks and Deliverables

#### Task 1: Funding Priorities

Third-party administrators that receive funding through HEAR, must meet the following funding priorities:

1. **Provide rebates and incentives that serve the following populations:**
  - a. Low-income single- and multifamily households with household income of 80% or less of Area Median Income.
  - b. Moderate-income single- and multifamily households with household income between 80% and 150% of Area Median Income.
  - c. Small businesses with fifty (50) employees or less, or otherwise meet the definition in RCW 39.26.010(22)
2. Rebates and incentives must be for the purchase or installation of high-efficiency electric equipment, including, but not limited to:

**Table 1: Eligible High-Efficiency Electric Equipment**

Upgrade Type	Eligible Equipment
Appliance	Electric Heat Pump Water Heater
	Electric Air-source or Ground source Heat Pump for Space Conditioning
	Commercial or Residential Induction Kitchen Equipment
	Electric Heat Pump Clothes Dryer

Electric Service necessary for the installation of high-efficiency electric equipment	Electrical Service and Panel Upgrade
	Electric Wiring

- (a) All equipment must meet the following requirements:
- Remove all fossil fuel equipment where technically and economically feasible.
  - All air-source heat pumps must be listed on the Northeast Energy Efficiency Partnership's (NEEP) Cold Climate Air Source Heat Pump (ccASHP) Product List, or meet the most recent ENERGY STAR Cold Climate product criteria.
  - All equipment must be ENERGY STAR Certified or CEE North Region Certified.
  - All equipment that uses refrigerants must follow the statutory global warming potential (GWP) limits from the Washington State Department of Ecology and the U.S. Environmental Protection Agency (EPA), and where technically and economically feasible, must use low GWP refrigerants listed by the EPA's Significant New Alternatives Policy (SNAP) Program, or the California Air Resources Board (CARB).
- (b) Mechanical, electrical, and plumbing (MEP) equipment may be eligible if necessary for the installation of eligible high-efficiency electric equipment listed in Table 1.
- (c) Education and outreach resources to promote the adoption of high-efficiency electric equipment and build workforce capacity.
- (d) Program administration costs not to exceed 15 percent of grant funds.

## **Task 2: Program Work Plan and Outcomes**

Grantees must provide a work plan to COMMERCE. Work plans must address the following:

1. High-level description of the program, including goals and outcomes.
2. Description of the jurisdiction that the program will serve. This may include information on rural status, median income, and population demographics.
3. Total funding for the program – Commerce grant funds plus matching funds – and an anticipated budget that must include at a minimum:
  - a. Costs for rebates and incentives for eligible high-efficiency electric equipment
    - i. Costs should be categorized into the funding allocated to household and small business rebates and incentives, and subsequently by the eligible equipment rebates and incentives the program is providing (as described in Task 1).
  - b. Costs for outreach and education, if applicable.
  - c. Administrative costs.
4. Grantees must ensure that their program only provides rebates and incentives to the eligible rebate recipients listed in Task 1.
  - a. What populations or subsets of the listed eligible rebate recipients, does this program primarily serve? How will your jurisdiction prioritize the populations that will receive rebates and incentives?
  - b. How will the program qualify eligible households and small businesses to receive rebates or incentives? Possible methods for verifying eligibility of households may include participation in other income-qualified benefits programs (LIHEAP, SNAP, etc), tenancy in income-qualified housing units, or other methods, which verify income against the thresholds described in Task 1.
5. Describe how your jurisdiction, and any partners or subcontractors will, provide outreach and education about the program, and resources for the installation of high efficiency electric equipment.
  - a. What strategies will this program use to reach low-income households, vulnerable populations, and overburdened communities?
6. Describe the process for distributing rebates and incentives, including any application process that rebate recipients or contractors must follow.

7. Describe partnerships or subcontracts that the Grantee will use to complete the proposed scope of work of the program.

### **Task 3: Expenditure Reporting**

1. All Grantees are required to submit Project and Expenditure Reports
  - a. Grantees must provide COMMERCE quarterly reports with an official expenditure report/ledger from their general ledger for all expenses claimed for COMMERCE funding from the program and any backup invoice documentation requested from COMMERCE. The expenditure report/ledger must include:
    - i. Number of households and small businesses that were provided rebates and incentives to purchase or install high-efficiency electric equipment and appliances
    - ii. Site information for households and small businesses that received rebates and incentives:
      1. Address, city, and zip code
      2. Date rebate or incentive claimed or issued
      3. Household income or small business size verification
      4. Pre-rebate fuel type of the household or small business
      5. Technical specifications of the equipment and appliances purchased or installed through the program, including, but not limited to the equipment brand, certifications, efficiency (SEER/HSPF/EER/COP), and cost
      6. Amount of the rebate or incentive claimed or issued
      7. Applicable building and electrical permit numbers
2. Grantees must provide COMMERCE an official final/close out expenditure report/ledger from their general ledger for all expenses claimed for COMMERCE funding from the program.
3. Grantees shall also provide information for any subawards, contracts, transfers, and direct payments made using funding from the program.
4. COMMERCE will withhold 2% of the total reimbursable amount for each item listed in Attachment B: Budget until the Grantee provides the official report/ledger from their general ledger for all expenses claimed for COMMERCE funding from the program.

### Attachment B: Budget

Item	Description	Amount
1	Grant to administer a rebates and incentives program for high-efficiency electric equipment and appliances	\$1,100,000.00
	<b>Total Grant Amount</b>	<b>\$1,100,000.00</b>

## **Attachment C: Program Work Plan**

### **1. High-level description of the program, including goals and outcomes.**

The HEAR funds allocated to Grant PUD will provide energy efficient appliances or ductless heat pumps in the homes of income qualified, underserved, and vulnerable customers within Grant County, Washington, with no out-of-pocket expense to them. Our goal is to reach 8.5% of the approximately 4,781 low-income households in Grant County with this program. That is 411 households. In addition, our goal is to serve 30 small businesses under the program.

#### Low-income Household Goals

- Install energy efficient appliances in 381 homes, for approximately \$535,000.
- Install ductless heat pumps in 30 homes, for approximately \$300,000.
- Installation and delivery costs, for approximately \$100,000.

#### Small Business Goals

- Assist 30 small businesses with energy efficient appliance upgrades, or ductless heat pumps, for approximately \$100,000.
- Contractor fees, for approximately \$65,000.

The outcome of this is the reduction in energy bills for 8.5% of Grant County's underserved and vulnerable community; the reduction in energy consumption due to the new energy efficient appliances; the potential for the energy savings to count towards Grant PUD's I-937 biennial conservation targets to maintain compliance; the potential to leverage the HEAR program to become compliant with CETA; and improve our underserved and vulnerable customers' quality of life, build a more sustainable future, and increase the capacity on Grant PUD's electrical system.

### **2. Description of the jurisdiction that the program will serve. This may include information on rural status, median income, and population demographics.**

Grant PUD's HEAR program will be open to income eligible customers in our service territory. Our service territory is all of Grant County, with small pockets of customers in Lincoln County and Adams County.

#### Grant County Demographics

- In 2021, Grant County's population was 97,874, with a median age of 33.2 and a median household income of \$63,566. Between 2020 and 2021, there was a 1.27% population increase, and a 7.44% median household income increase, from \$59,165 to \$63,566. (From the datausa.io website)
- According to the HUD website, 80% of the annual median income for a single person household in Grant County in 2023 is \$47,250.
- Per the Washington State Department of Health Fact Sheet, using Census 2000 and Census 2010 SF 1, 47.3% of residents in Grant County are rural and 38.7% are urban.
- According to the Current Population Survey (CPS), the unemployment rate in Grant County as of February 2024 was 8.5%. This places Grant County 4<sup>th</sup> out of 39 counties in the State for the highest unemployment rate.

### **3. Total funding for the program – Commerce grant funds plus matching funds – and an anticipated budget that must include at a minimum:**

#### **a. Costs for rebates and incentives for eligible high-efficiency electric equipment**

**i. Costs should be categorized into the funding allocated to household and small business rebates and incentives, and subsequently by the eligible equipment rebates and incentives the program is providing (as described in Task 1).**

Grant PUD has been extended an offer of \$1,100,000 in funding from the HEAR program. If accepted, we anticipate spending \$100,000 on eligible small businesses (likely ductless heat pumps) and \$835,000 on eligible residential households. The HEAR grant program allows for 15% of the award (\$165,000) to go towards installation and contractor fees. We have identified the following list of eligible appliances and their anticipated cost (excluding taxes, fees, and installation):

- Ductless heating/cooling pump, \$10,000
- Heat pump water heater, 50 gallon, \$1,950.00
- Energy Star induction stove, \$1,099.00
- Energy Star refrigerator, 20.2 cf, \$649.00
- Energy Star dishwasher, \$349.00
- Energy Star clothes washer and dryer, \$1,596.00
- Energy Star ventless heat pump dryer, \$898.00
- Electric panel and wiring upgrades when required for new electric equipment installation, TBD

**b. Costs for outreach and education, if applicable.**

There will be no additional costs for outreach, education, or marketing. Nothing will be 'charged back' to the HEAR program for reimbursement of education and outreach. Grant PUD will absorb any of these additional costs if they occur.

**c. Administrative costs.**

Grant PUD will absorb all the cost of PUD staff when administering the HEAR program.

**4. Grantees must ensure that their program only provides rebates and incentives to the eligible rebate recipients listed in Task 1.**

**a. What populations or subsets of the listed eligible rebate recipients, does this program primarily serve? How will your jurisdiction prioritize the populations that will receive rebates and incentives?**

Similar to CETA programs we are developing, Grant PUD's HEAR program will serve any income qualified household in our service territory. We have data that identifies our customers currently on our senior/disabled low-income discount. In addition to any general marketing we perform, we will be able to contact customers with the highest energy burden. The more customers we can get below a 6% energy burden, the better. We can partner with local agencies to share the HEAR program qualifications and they can refer customers to Grant PUD. We will be at community outreach events, *i.e.*, community senior picnic, food distribution events, and the county fair, to promote the HEAR program. We will work with our Public Affairs department to develop marketing strategies utilizing bill inserts, social media, our website, etc. And, our Customer Service Representatives are the front line employees who can promote the HEAR program with potentially eligible customers.

**b. How will the program qualify eligible households and small businesses to receive rebates or incentives? Possible methods for verifying eligibility of households may include participation in other income-qualified benefits programs (LIHEAP, SNAP, etc.), tenancy in income-qualified housing units, or other methods, which verify income against the thresholds described in Task 1.**

Grant PUD will qualify residential customers similar to the way we do with our current discount programs. Customers who have previously qualified for our discount programs within the past 12 months will not need to reapply, unless their income has changed. Customers will provide us the following:

- Name
- Spouse Name
- Account Number
- Physical Address
- Phone Number
- Email Address
- Own or Rent
- Number of people in the household
- Three months of income (by showing Social Security, award letter, bank statements, child support, TANIF, W2/Tax return, pay stubs, retirement, unemployment)
- Photo identification

Staff then calculates their average monthly income and verifies they qualify. Low-income customers qualify at or below 80% of Area Median Income (AMI). Moderate-income customers qualify at 80% to 150% of AMI.

In accordance with the Agreement (Contract No. 24-92701-018) between Commerce and Grant PUD and RCW 39.26.010(22), Grant PUD will verify small business eligibility by confirming the following:

- A. The business is an in-state business, including a sole proprietorship, corporation, partnership, or other legal entity, that:
    1. Certifies, under penalty of perjury, that it is owned and operated independently from all other businesses and has either:
      - a. Fifty or fewer employees; or
      - b. A gross revenue of less than seven million dollars annually as reported on its federal income tax return or its return filed with the department of revenue over the previous three consecutive years; or
  - B. Is certified with the office of women and minority business enterprises under chapter 39.19 RCW.
- 5. Describe how your jurisdiction, and any partners or subcontractors will, provide outreach and education about the program, and resources for the installation of high efficiency electric equipment.**
- a. **What strategies will this program use to reach low-income households, vulnerable populations, and overburdened communities?**

Grant PUD will utilize our current social media platforms to share program information. In addition, we will update our website. We can use bill inserts and update the messaging customers hear when on hold to educate about the program. Grant PUD can create advertising and signage for all our local office locations within the service territory. Our presence in the community will also allow us to inform customers of the program. Currently, we have scheduled a community senior picnic, a food distribution event, and the county fair.

Additionally, we will directly call customers who are currently on our discount programs or have received bill assistance and have the highest energy burden percentage. If we can utilize the HEAR program to also comply with CETA, it would be a success.

Grant PUD also has a new position coming on board in May. This Residential Customer Strategist will be focused on improving the customer experience and advocating the voice of the customer. We can partner with that employee and educate them about the HEAR program so they can spread the word.

We are also looking at creative ways to connect with our underserved, vulnerable, and non-English speaking customers. We are exploring how to better meet our customers where they are.

If Grant PUD chooses to partner with local helping agencies, we will inform them of the program basics and request they send all customers directly to us.

**6. Describe the process for distributing rebates and incentives, including any application process that rebate recipients or contractors must follow.**

Customers will contact Energy Services and complete an application. If they qualify, customers can choose one (1) eligible appliance from the list. Grant PUD will purchase the full price of the appliance, including tax, delivery, installation, and arrange for delivery to the customer's address. The vendor will contact the customer directly and communicate the delivery date and time. The appliance will be delivered to the customer, and the vendor will be responsible for providing proof of delivery, installation, and receipt to Grant PUD.

Grant PUD will track the dates of each step in the process to ensure completion of the process, and that no step is left undone. We will also separately track each qualified customer's information, including which appliance they chose, the energy and cost savings outcome, and the total of the vendor invoice for reporting purposes to Commerce and Grant PUD's leadership.

**7. Describe partnerships or subcontracts that the Grantee will use to complete the proposed scope of work of the program.**

Pursuant to all applicable state and federal procurement laws and Grant PUD governance, Grant PUD will utilize a competitive procurement process to select a local contractor for the purchase and installation of the ductless heating and cooling units. A separate but similar process will be used to select a local vendor for purchasing and delivering appliances. We will engage Grant PUD procurement staff to assist in this process and find the most qualified and most economical option. All other work will be done internally by Grant PUD staff.

In accordance with the Agreement (Contract No. 24-92701-018), Grant PUD will submit reports, in a form and format to be provided by Commerce and at intervals as mutually agreed, regarding contracted work performed, including, but not limited to minority-owned, woman-owned, and veteran-owned business subcontractors.



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    - a. Fifty or fewer employees; or
    - b. A gross revenue of less than seven million dollars annually as reported on its federal income tax return or its return filed with the department of revenue over the previous three consecutive years; or

B. Is certified with the office of women and minority business enterprises under chapter 39.19 RCW.

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*PRIEST RAPIDS HYDROELECTRIC PROJECT  
REVENUE REFUNDING BONDS, 2024 SERIES B  
BOND RESOLUTION*

**For Commission Review – 07/23/2024**

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

RESOLUTION NO. XXXX

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE OF ONE OR MORE SERIES OF PRIEST RAPIDS HYDROELECTRIC PROJECT REVENUE REFUNDING BONDS OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$375,000,000 FOR THE PURPOSE OF REFINANCING CERTAIN OUTSTANDING PRIEST RAPIDS PROJECT REVENUE BONDS; DELEGATING AUTHORITY TO THE DESIGNATED REPRESENTATIVES TO APPROVE REFINANCINGS THROUGH A REFUNDING AND/OR A TENDER OFFER TRANSACTION, APPROVE THE NUMBER OF SERIES, THE SERIES DESIGNATION, FINAL PRINCIPAL AMOUNTS, DATES, INTEREST RATES, PAYMENT DATES, REDEMPTION PROVISIONS, TAX STATUS, AND MATURITY DATES FOR SUCH BONDS, AND TO DETERMINE THE OUTSTANDING OBLIGATIONS TO BE REFUNDED OR ACQUIRED UNDER THE TERMS AND CONDITIONS SET FORTH HEREIN; AND APPROVING OTHER MATTERS RELATED THERETO.

PASSED: August 13, 2024

PREPARED BY:

PACIFICA LAW GROUP LLP  
Seattle, Washington

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WHEREAS, Public Utility District No. 2 of Grant County, Washington (the “District”), owns and operates the Priest Rapids Development and the Wanapum Development, which in 2010 were consolidated into a single electric utility system known as the “Priest Rapids Hydroelectric Project” pursuant to Resolution No. 8475, for the generation and transmission of electric energy (as further defined herein, the “Priest Rapids Project”); and

WHEREAS, the District has issued and has outstanding certain senior parity lien obligations of the Priest Rapids Project described herein (as defined herein, the “Outstanding Parity Bonds”); and

WHEREAS, the resolutions authorizing the Outstanding Parity Bonds authorize the District to issue Future Parity Bonds (as hereinafter defined) for the purpose of refinancing Outstanding Parity Bonds and purchasing Outstanding Parity Bonds if certain conditions are met; and

WHEREAS, the District’s Priest Rapids Hydroelectric Project Revenue Bonds, 2010 Series L (Taxable Build America Bonds – Direct Payment) (the “2010-L Bonds”), issued pursuant to District Resolution No. 8475 (the “2010 Resolution”), are subject to extraordinary optional redemption at any time prior to maturity at the option of the District, in whole or in part, upon the occurrence of an Extraordinary Event (as defined below), at the Extraordinary Optional Redemption Price (as defined in the 2010 Resolution); and

WHEREAS, an “Extraordinary Event” will have occurred with respect to the 2010-L Bonds if (a) Section 54AA of the Internal Revenue Code of 1986, as amended (the “Code”) (as such Section was added by Section 1531 of the American Recovery and Reinvestment Act of 2009

pertaining to “Build America Bonds”) is modified or amended in a manner pursuant to which the District’s applicable cash subsidy payments from the United States Treasury are reduced or eliminated, or (b) guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections places one or more substantive new conditions on the receipt by the District of such applicable cash subsidy payments and such condition(s) are unacceptable to the District; and

WHEREAS, certain federal budget control legislation enacted after the District issued the 2010-L Bonds as Build America Bonds modified and amended Section 54AA and Section 6431 of the Code previously enacted by Section 1531 of the America Recovery and Reinvestment Act of 2009 (as confirmed by recent federal court decisions) in a manner pursuant to which the District’s cash subsidy payments from the United States Treasury have been reduced due to sequestration (reduction and permanent cancellation) in various percentage amounts, as also reflected in and implemented by guidance published by the Internal Revenue Service or the United States Treasury since 2013, and this has resulted in an aggregate amount of reductions in federal credit payments with respect to the 2010-L Bonds to date and projected reductions at the current sequestration rate to the maturity date of the 2010-L Bonds of approximately \$4.26 million; and

WHEREAS, therefore the District has determined that an Extraordinary Event has occurred with respect to the 2010-L Bonds; and

WHEREAS, the District now desires to refund the outstanding 2010-L Bonds (the “Refunding Candidates”) at the Extraordinary Optional Redemption Price as provided herein; and

WHEREAS, the District has been advised that debt service savings may be obtained by purchasing through a tender transaction certain of the District’s Priest Rapids Hydroelectric Project Revenue Refunding Bonds, 2020 Series Z (Taxable) (the “2020-Z Bonds”) and 2020 Series Z-2 (Taxable) (the “2020-Z-2 Bonds” and together with the 2020-Z Bonds, the “2020 Bonds” or “Target Bonds”) authorized by District Resolution No. 8934; and

WHEREAS, the Commission of the District (the “Commission”) deems it in the best interest of the District to issue one or more series of Priest Rapids Project revenue refunding bonds in the aggregate principal amount not to exceed \$375,000,000 (the “Bonds”) to be used, with available funds of the District, to defease and/or redeem all of the Refunding Candidates, to purchase through a tender offer (the “Tender Transaction”) a portion of the Target Bonds, and to pay costs of issuing the Bonds and accomplishing the refunding and Tender Transaction; and

WHEREAS, the Commission wishes to delegate authority to the designated District representatives identified herein for a limited time, to approve a refunding plan, approve and accept an offer pursuant to a Tender Transaction, to approve the number of series, the series designation, the final principal amounts, the dated date, the interest rates, the payment dates, the tax status, the redemption provisions, and the maturity dates for the Bonds, and to select the Refunding Candidates and the Target Bonds to be refunded or acquired, as applicable, as provided by this resolution; and

WHEREAS, the Bonds shall be sold by negotiated sale as set forth herein;

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington:

ARTICLE I  
DEFINITIONS

Section 1.1 Definitions. Capitalized terms not otherwise defined herein, including in the recitals, which are incorporated herein by this reference, shall have the following meanings:

**“Acquired Obligations”** means the Government Obligations, if any, acquired by the District under the terms of this resolution and one or more Escrow Agreements to effect the defeasance and/or refunding or acquisition of one or more of the Refunding Candidates and/or Target Bonds, but only to the extent that the same are acquired at Fair Market Value.

**“Annual Debt Service”** for any Fiscal Year means the sum of the amounts required to be paid in such Fiscal Year to pay:

- (a) the interest due in such Fiscal Year on all Parity Bonds then Outstanding, excluding interest to be paid from the proceeds of the sale of Parity Bonds; and
- (b) the principal of all Outstanding Serial Bonds due in such Fiscal Year; and
- (c) the Sinking Fund Requirement, if any, for any Term Bonds for such Fiscal Year (reduced by any credits made pursuant to any resolution authorizing the issuance of Parity Bonds); and
- (d) any regularly scheduled District Payments, adjusted by any regularly scheduled Reciprocal Payments, during such Fiscal Year.

When calculating Annual Debt Service, the District may exclude the direct payment the District is expected to receive in respect of any Parity Bonds for which the federal government will provide the District with a direct payment of a portion of the interest from the interest portion of Annual Debt Service.

**“Beneficial Owner”** means any person that has or shares the power, directly or indirectly to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

**“Bond Counsel”** means Pacifica Law Group LLP or an attorney at law or firm of attorneys, selected by the District, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions.

**“Bond Fund”** means the Priest Rapids Project Revenue Bond Fund created by Resolution No. 8475.

**“Bond Purchase Contract”** means the contract for the purchase of the Bonds between the Underwriter and District.

**“Bond Register”** means the records kept by the Registrar on behalf of the District containing the name and mailing address of each Registered Owner of the Bonds or nominee of such Registered Owner, and such other information as the Registrar shall determine.

**“Bondowners’ Trustee”** means a trustee appointed pursuant to this resolution.

**“Bonds”** mean the Priest Rapids Hydroelectric Project Revenue Refunding Bonds, 2024 Series B of the District issued pursuant to this resolution.

**“Chief Financial Officer/Treasurer”** or **“Treasurer”** means the duly appointed and acting Chief Financial Officer/Treasurer of the District or any successor in function.

**“Closing Memorandum”** means the closing memorandum prepared by the Underwriter and delivered on the date of issuance of the Bonds.

**“Code”** means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

**“Commission”** means the general legislative authority of the District, as duly constituted from time to time.

**“Continuing Disclosure Certificate”** means a written undertaking for the benefit of the Registered Owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

**“Coverage Requirement”** means (a) 1.15 times the Annual Debt Service in a Fiscal Year, plus (b) any money required by Sections 5.2 and 7.3 to be deposited into the Reserve Account in the Bond Fund and payments required under Section 5.2 in that Fiscal Year, less (c) any amounts transferred into the Bond Fund or the Subordinate Lien Bond Fund as surplus money as of the end of the preceding Fiscal Year pursuant to Section 5.3.

**“Current Power Sales Contracts”** means the contracts entered into in December 2001 between the District and other electric utilities for the sale of power and energy from the Priest Rapids Project and as such contracts have been and may be amended or supplemented from time to time.

**“Dealer Managers”** mean one or more dealers selected from time to time by a Designated Representative to serve as dealer for Bonds pursuant to a Dealer Manager Agreement.

**“Dealer Manager Agreement”** means an agreement with the Dealer Managers related to Bonds in connection with an Offer to tender Target Bonds between the District and any Dealer, or any similar agreement, as it may be amended or supplemented from time to time in accordance with its terms.

**“Derivative Facility”** means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for the District’s obligations under one or more Derivative Products.

**“Derivative Payment Date”** means any date specified in the Derivative Product on which a District Payment is due and payable under the Derivative Product.

**“Derivative Product”** means a written contract or agreement between the District and the Reciprocal Payor that has (or whose obligations are unconditionally guaranteed by a party that has) as of the date of the Derivative Product at least an investment grade rating from a rating agency, which provides that the District’s obligations thereunder will be conditioned on the performance by the Reciprocal Payor of its obligations under the agreement; and

(a) under which the District is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the District Payments in exchange for the Reciprocal Payor’s obligation to pay or to cause to be paid to the District, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;

(b) for which the District’s obligations to make District Payments may be secured by a pledge of and lien on the Gross Revenues on an equal and ratable basis with the Parity Bonds then Outstanding;

(c) under which Reciprocal Payments are to be made directly into the Bond Fund;

(d) for which the District Payments are either specified to be one or more fixed amounts or are determined as provided by the Derivative Product; and

(e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined as set forth in the Derivative Product.

**“Designated Representative”** means the General Manager/Chief Executive Officer, the Chief Financial Officer/Treasurer, and the Senior Manager of Treasury and Financial Planning/Deputy Treasurer and any successor to the functions of such offices. The signature of one Designated Representative shall be sufficient to bind the District.

**“District”** means Public Utility District No. 2 of Grant County, Washington, a municipal corporation duly organized and existing under the laws of the State.

**“District Payment”** means any regularly scheduled payment designated as such by resolution and required to be made by or on behalf of the District under a Derivative Product and which is determined according to a formula set forth in the Derivative Product.

**“DTC”** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to this resolution.

**“Electric System”** means the electric utility and telecommunications properties, rights and assets, real and personal, tangible and intangible, now owned and operated by the District and used or useful in the generation, transmission, distribution and sale of electric energy, telecommunication services, and the business incidental thereto, and all properties, rights and assets, real and personal, tangible and intangible, hereafter constructed or acquired by the District as additions, betterments, improvements or extensions to said electric utility and

telecommunications properties, rights and assets, including, but not limited to, the contract interest of the District in the P.E.C. Headworks Powerplant Project and in the Quincy Chute Project, but shall not include the Priest Rapids Project or any additions thereto, or any other generating, conservation, transmission or distribution facilities which heretofore have been or hereafter may be acquired or constructed by the District as a utility system that is declared by the Commission, at the time of financing thereof, to be separate from the Electric System, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire or expand such separate utility system or are otherwise pledged to the payment of the bonds of another such separate utility system of the District other than the Electric System. The Electric System does not include any interest of the District in the Power Sales Contracts, but does include the right of the District to receive power and energy from the Priest Rapids Project.

**“Escrow Agent”** means the escrow agent, if any, selected by a Designated Representative to perform the duties described herein and under the Escrow Agreement.

**“Escrow Agreement”** means one or more Escrow Deposit Agreements, if any, between the District and the Escrow Agent, executed pursuant to this resolution to accomplish the refunding or acquisition of the Refunded Bonds.

**“Event or Events of Default”** means those events described as Events of Default in this resolution.

**“Fair Market Value”** means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm’s-length transaction, except for specified investments as described in Treasury Regulation § 1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.

**“Federal Tax Certificate”** means the certification of the District executed and delivered in connection with the issuance of Tax-Exempt Bonds.

**“FERC License”** means the license granted by the Federal Power Commission to develop the Priest Rapids site on the Columbia River, which development consisted of two stages designated the Priest Rapids Development and the Wanapum Development, as such license has been amended and may be amended from time to time.

**“Fiscal Year”** means the Fiscal Year used by the District at any time. At the time of the adoption of this resolution, the Fiscal Year is the 12-month period beginning January 1 of each year.

**“Future Parity Bonds”** means any note, bonds or other obligations for borrowed money of the District issued after the date of issuance of the Bonds which will have a lien upon the Gross Revenues of the Priest Rapids Project for the payment of the principal thereof and interest thereon equal to the lien upon the Gross Revenues of the Priest Rapids Project for the payment of the principal of and interest on the Bonds and the Outstanding Parity Bonds.

**“Government Obligations”** mean those obligations now or hereafter defined as such in chapter 39.53 RCW constituting direct obligations of the United States or obligations unconditionally guaranteed by the United States, as such chapter may be hereafter amended or restated.

**“Gross Revenues”** mean all income, revenues, receipts and profits derived by the District through the ownership and operation of the Priest Rapids Project, together with the proceeds received by the District directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Priest Rapids Project, and together with the investment income earned on money held in any fund or account of the District, including any bond redemption funds and the accounts therein and federal credit payments for interest on bonds, in connection with the ownership and operation of the Priest Rapids Project, exclusive of insurance proceeds and income derived from investments irrevocably pledged to the payment of any specific revenue bonds of the District, such as bonds heretofore or hereafter refunded, or any Bonds defeased pursuant to this resolution or other bonds defeased, or the payment of which is provided for, under any similar provision of any other bond resolution of the District, and exclusive of investment income earned on money in any arbitrage rebate fund established for any Parity Bonds.

**“Interest Account”** means the Interest Account created in the Bond Fund pursuant to this resolution.

**“Letter of Representation”** means a blanket issuer letter of representations from the District to DTC, as amended from time to time.

**“Maximum Interest Rate”** means, with respect to any particular Variable Rate Bond, a numerical rate of interest, which shall be set forth in any Parity Bond Resolution authorizing such bond, that shall be the maximum rate of interest such bond, including any bond registered in the name of the liquidity provider, may at any time bear.

**“Minimum Interest Rate”** means, with respect to any particular Variable Rate Bond, a numerical rate of interest, which shall be set forth in any Parity Bond resolution authorizing such bond, that shall be the minimum rate of interest such bond may at any time bear.

**“MSRB”** means the Municipal Securities Rulemaking Board or any successors to its functions.

**“Net Revenue”** means, for any period, the excess of Gross Revenues over Operating Expenses for such period, excluding from the computation of Gross Revenues any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of properties, rights or facilities of the Priest Rapids Project, or resulting from the early extinguishment of debt.

**“Offer”** means any offer to tender any Target Bonds.

**“Official Statement”** means the final official statement delivered in connection with the sale of the Bonds.

**“Operating Expenses”** means the District’s expenses for operation and maintenance of the Priest Rapids Project, and ordinary repairs, renewals of and replacements to the Priest Rapids

Project, including payments into working capital reserves in the Revenue Fund for items of Operating Expenses the payment of which is not immediately required, and shall include, without limiting the generality of the foregoing, operation and maintenance expenses; rents; administrative and general expenses; engineering expenses; legal and financial advisory expenses; required payments to pension, retirement, health and hospitalization funds; insurance premiums; and any taxes, assessments, payments in lieu of taxes or other lawful governmental charges, all to the extent properly allocable to the Priest Rapids Project; and the fees and expenses of the Registrar. Operating Expenses shall not include any costs or expenses for new construction, interest, amortization or any allowance for depreciation.

**“Outstanding”** when used with respect to the Parity Bonds means, as of any date, any Parity Bonds issued pursuant to a resolution of the Commission except (a) any Parity Bonds cancelled by the Registrar or paid at or prior to such date, (b) Parity Bonds in lieu of or in substitution for which other Parity Bonds have been delivered, and (c) Parity Bonds deemed no longer outstanding under the resolution authorizing their issuance.

**“Outstanding Parity Bond Resolutions”** mean the resolutions authorizing the Outstanding Parity Bonds, as applicable.

**“Outstanding Parity Bonds”** mean the Outstanding 2010 Bonds, 2012 Bonds, 2015 Bonds, 2017 Bond, 2020 Bonds and 2023 Bonds:

**“Parity Bonds”** mean the Outstanding Parity Bonds, the Bonds, and any Future Parity Bonds.

**“Permitted Investments”** mean any investments or investment agreements permitted under the laws of the State as amended from time to time, but only to the extent that the same are acquired at Fair Market Value.

**“Power Sales Contracts”** means the Current Power Sales Contracts, and any other contracts entered into by the District for the sale of power and energy from the Priest Rapids Project, and as such contracts may be amended and supplemented from time to time.

**“Preliminary Official Statement”** means the preliminary official statement prepared and delivered in connection with the negotiated sale, issuance and delivery of the Bonds.

**“Priest Rapids Development”** means the utility system of the District acquired and constructed pursuant to the provisions of Resolution No. 313, adopted by the Commission on June 19, 1956, including a dam at the Priest Rapids Development, all generating and transmission facilities associated therewith, and all additions, betterments and improvements to and extensions of such system, but shall not include any additional generation, transmission and distribution facilities hereafter constructed or acquired by the District as a part of the Electric System or the Wanapum Development, or any other utility properties of the District acquired as a separate utility system, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire such separate utility system.



**“Priest Rapids Project”** means the Priest Rapids Development and the Wanapum Development, which were consolidated pursuant to Resolution No. 8475.

**“Principal and Bond Retirement Account”** means the Principal and Bond Retirement Account created in the Bond Fund pursuant to Resolution No. 8475.

**“Professional Utility Consultant”** means the independent person(s) or firm(s) selected by the District having a favorable reputation for skill and experience with generation, transmission and distribution systems of comparable size and character to the Priest Rapids Project in such areas as are relevant to the purposes for which they are retained: (a) engineering and operations and (b) the design of rates.

**“Qualified Insurance”** means any municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), which insurance company or companies, as of the time of issuance of such policy or surety bond, are currently rated in the highest rating category (one of the two highest rating categories if the conditions of Section 5.2(b) are met) by Moody's Investors Service or S&P Global Ratings or their comparably recognized business successors or both Moody's Investors Service and S&P Global Ratings or their comparably recognized business successors if such institution is rated by both.

**“Qualified Letter of Credit”** means any irrevocable letter of credit issued by a financial institution for the account of the District on behalf of the Registered Owners of the Parity Bonds, which institution maintains an office, agency or branch in the United States and, as of the time of issuance of such letter of credit, is currently rated in the highest rating category (one of the two highest rating categories if the conditions of Section 5.2(b) are met) by Moody's Investors Service or S&P Global Ratings or their comparably recognized business successors or both Moody's Investors Service and S&P Global Ratings or their comparably recognized business successors if such institution is rated by both.

**“Rebate Amount”** means the amount, if any, determined to be payable with respect to the Tax-Exempt Bonds by the District to the United States of America in accordance with Section 148(f) of the Code.

**“Reciprocal Payment”** means any payment, designated as such by resolution, to be made to, or for the benefit of, the District under a Derivative Product by the Reciprocal Payor.

**“Reciprocal Payor”** means a party to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.

**“Record Date”** means the close of business for the Registrar that is 15 days preceding any interest and/or principal payment or redemption date.

**“Refunded Bonds”** mean all or a portion of the Refunding Candidates and/or the Target Bonds selected by a Designated Representative to be refunded or acquired with proceeds of the Bonds pursuant to this resolution and set forth in the Bond Purchase Contract.

**“Refunding Candidates”** mean the 2010-L Bonds.

**“Registered Owner”** means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC (or its nominee) shall be deemed to be the sole Registered Owner.

**“Registrar”** means the registrar, authenticating agent, paying agent and transfer agent appointed pursuant to Section 4.1 hereof, its successor or successors and any other entity which may at any time be substituted in its place pursuant to this resolution.

**“Reserve Account”** means the Reserve Account created in the Bond Fund as provided in this resolution.

**“Reserve Account Requirement”** means (a) with respect to the Outstanding Parity Bonds other than the 2023 Bonds, the maximum amount of interest due in any Fiscal Year on such Parity Bonds computed as of the date of closing of such issue, (b) with respect to all Outstanding Parity Bonds then Outstanding, other than the 2023 Bonds, the sum of all amounts computed under (a) above, (c) with respect to the Bonds, the amount, if any, determined by a Designated Representative and set forth in the Bond Purchase Contract, and (d) with respect to an issue of Future Parity Bonds, the amount set forth in the resolution authorizing such Future Parity Bonds.

The Reserve Account Requirement for the 2023 Bonds is zero (\$0.0).

The resolution authorizing Future Parity Bonds may establish a separate reserve account for any such Future Parity Bonds or provide that some or all of such Future Parity Bonds be secured by a common reserve account.

In the case of Variable Interest Rate Bonds, the interest rate thereon shall be calculated on the assumption that such Bonds will bear interest at a rate equal to the rate most recently reported by The Bond Buyer as The Bond Buyer's index for long-term revenue bonds; provided that if on such date of calculation the interest rate on such Parity Bonds shall then be fixed to maturity, the interest rate used for such specified period for the purpose of the foregoing calculation shall be such actual interest rate.

**“Revenue Fund”** means the Priest Rapids Project Revenue Fund created pursuant to Resolution No. 8475.

**“RR&C Fund”** means the Priest Rapids Project Repair, Renewal and Contingency Fund created pursuant to Resolution No. 8475.

**“Rule”** means the SEC’s Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

**“SEC”** means the Securities and Exchange Commission.

**“Serial Bonds”** mean Parity Bonds other than Term Bonds.

**“Sinking Fund Requirement”** means, for any Fiscal Year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed or paid at maturity in such

Fiscal Year as established by the resolution of the District authorizing the issuance of such Term Bonds.

**“State”** means the State of Washington.

**“Subordinate Lien Bond Fund”** means the fund created by the District to pay the principal of and interest on the Subordinate Lien Debt.

**“Subordinate Lien Debt”** means bonds, notes, warrants or other obligations of the District payable from and secured by a lien and charge on Gross Revenues of the Priest Rapids System subordinate to the lien and charge thereon of the Parity Bonds.

**“Supplemental Resolution”** means any resolution amending, modifying or supplementing the provisions of this resolution.

**“Target Bonds”** means all or a portion of the 2020 Bonds identified as Target Bonds by a Designated Representative.

**“Taxable Bonds”** means any Bonds determined to be issued on a taxable basis pursuant to Section 11.1 of this resolution.

**“Tax-Exempt Bonds”** means any Bonds determined to be issued on a tax-exempt basis under the Code pursuant to Section 11.1 of this resolution.

**“Tender Transaction”** means the purchase of the Target Bonds pursuant to this resolution.

**“Term Bonds”** means Parity Bonds of any principal maturity which are subject to mandatory distribution or redemption or for which mandatory sinking fund payments are required.

**“Underwriter”** means J.P. Morgan Securities LLC and Goldman Sachs & Co. LLC, and their successors.

**“Variable Rate”** means a variable interest rate or rates to be borne by a series of Parity Bonds or any one or more maturities within a series of Parity Bonds. The method of computing such variable interest rate shall be specified in the bond resolution authorizing such series of Parity Bonds; provided that such variable interest rate shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such resolution. Such resolution shall also specify either (a) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (b) the time or times upon which any change in such variable interest rate shall become effective.

**“Variable Rate Bonds”** means, for any period of time, Parity Bonds that during such period bear a Variable Rate, provided that Parity Bonds the interest rate on which shall have been fixed for the remainder of the term to the maturity thereof shall no longer be Variable Rate Bonds.

**“Wanapum Development”** means the second stage of the Priest Rapids Hydroelectric Project (F.P.C. (or FERC) Project No. 2114), as more fully described in Section 2.2 of Resolution

No. 474 adopted by the Commission on June 30, 1959, or as the same may be modified in accordance with Section 2.3 of Resolution No. 474, but shall not include any generation, transmission and distribution facilities hereafter constructed or acquired by the District as a part of the Electric System, or any other utility properties of the District acquired as a separate utility system, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire such separate utility system.

**“2010 Bonds”** means the Priest Rapids Hydroelectric Project Revenue and Refunding Bonds, 2010 Series L (Taxable Build America Bonds – Direct Payment) and M (Taxable New Clean Renewable Energy Bonds – Direct Payment) authorized by Resolution No. 8475.

**“2012 Bonds”** means the Priest Rapids Hydroelectric Project Revenue Bonds, 2012 M (Taxable New Clean Renewable Energy Bonds – Direct Payment) authorized by Resolution No. 8625.

**“2015 Bonds”** means the Priest Rapids Hydroelectric Project Revenue Bonds, 2015 Series M (Taxable New Clean Renewable Energy Bonds) authorized by Resolution No. 8789.

**“2017 Bond”** means the Priest Rapids Hydroelectric Project Revenue Refunding Bond, 2017 Series B (AMT).

**“2020 Bonds”** mean the Priest Rapids Hydroelectric Project Revenue Refunding Bonds, 2020 Series Z (Taxable) and Z-2 (Taxable) authorized by Resolution No. 8934.

**“2023 Bonds”** mean the Priest Rapids Hydroelectric Project Revenue and Refunding Bonds, 2023 Series A authorized by Resolution No. 9020.

**Rules of Interpretation.** In this resolution, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this resolution; and

(b) Words of any gender shall mean and include correlative words of any other genders and words importing the singular number shall mean and include the plural number and vice versa; and

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons; and

(d) Any headings preceding the text of the several articles and Sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect; and

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(f) Words importing the singular number include the plural number and vice versa.

## ARTICLE II FINDINGS

Section 2.1 Compliance with Parity Conditions. In accordance with the Outstanding Parity Bond Resolutions, which permit the issuance of Future Parity Bonds upon compliance with the conditions set forth therein, the District hereby finds and determines, as follows:

(a) The Bonds are being issued for the purpose of providing funds to refund and/or purchase for debt service savings and/or restructuring the debt service obligations for the Refunded Bonds, certain Outstanding Parity Bonds;

(b) There is not now and there will not be, at the time of the issuance of a series of Bonds, any deficiency in the Bond Fund or in any of the accounts therein, and no Event of Default has occurred and is continuing;

(c) This resolution contains the covenants and representations required by the Outstanding Parity Bond Resolutions; and

(d) Prior to the delivery of a series of Bonds, the District shall have on file a certificate meeting the requirements of the Outstanding Parity Bond Resolutions.

As set forth above, the applicable parity conditions required by the Outstanding Parity Bond Resolutions have been or will be satisfied, and the Bonds shall be issued on a parity of lien with the Outstanding Parity Bonds.

The District hereby covenants and agrees that the Bonds will not be issued and delivered to the purchasers thereof as bonds on a parity with the Outstanding Parity Bonds until the certificate required herein, in form and contents satisfactory to the District and its counsel, has been filed with the District.

Section 2.2 Best Interests of the District; Findings. The Commission hereby finds and determines that it is in the best interests of the District and its customers that the District issue the bonds authorized herein to provide for the defeasance and/or redemption or acquisition or to otherwise implement the refinancing of, one or more of the Refunding Candidates and/or Target Bonds, or any portion thereof, to achieve debt service savings or to restructure the District’s debt obligations, upon the terms and conditions set forth in this resolution. The District hereby confirms the findings made in the recitals of this resolution as if fully set forth herein.

Section 2.3 Gross Revenues Sufficient. The Commission hereby finds and determines that the Gross Revenues to be derived by the District from the operation of the Priest Rapids Project at the rates to be charged for the electricity furnished thereby will be sufficient, in the judgment of the Commission, to meet all expenses of operation and maintenance, and to make all necessary repairs, replacements and renewals thereof, and to permit the setting aside out of such Gross

Revenues and money in the Revenue Fund into the Bond Fund of such amounts as may be required to pay the principal of and interest on the Parity Bonds as the same become due and payable.

Section 2.4 Due Regard. The Commission hereby finds and determines that due regard has been given to the Operating Expenses of the Priest Rapids Project and that it has not obligated the District to set aside into the Bond Fund for the account of the Parity Bonds a greater amount of the revenues and proceeds of the Priest Rapids Project than in its judgment will be available over and above such Operating Expenses.

### ARTICLE III AUTHORIZATION, ISSUANCE AND REDEMPTION OF BONDS

Section 3.1 Authorization of Issuance and Sale of the Bonds. For the purposes of defeasing and/or redeeming the Refunding Candidates, purchasing through a Tender Transaction a portion of the Target Bonds, and paying costs of issuing the Bonds and accomplishing the refunding and Tender Transaction, the District is hereby authorized to issue and sell one or more series of its Priest Rapids Project revenue refunding bonds in the aggregate principal amount not to exceed \$375,000,000 (the “Bonds”).

Each series of the Bonds shall be designated as the “Priest Rapids Hydroelectric Project Revenue Refunding Bonds, 2024 Series B,” with additional series designation, designation regarding tax status, or other designation as set forth in the Bond Purchase Contract and approved by a Designated Representative.

The Bonds of each series shall be dated as of the date of initial delivery, shall be fully registered as to both principal and interest, shall be in the denomination of \$5,000 each or any integral multiple thereof within a series and maturity, shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification and control, and shall bear interest payable on the dates set forth in the Bond Purchase Contract. The Bonds shall bear interest at the rates set forth in the Bond Purchase Contract and shall mature on the dates and in the principal amounts set forth in the Bond Purchase Contract and as approved by a Designated Representative pursuant to Section 11.1 of this resolution.

The Bonds shall be special obligations of the District payable only from the Bond Fund and shall be payable and secured as provided herein. The Bonds shall not be general obligations of the District, the State, or any political subdivision thereof.

Section 3.2 Reservation of Right to Purchase. The District reserves the right to use money in the Revenue Fund or any other funds legally available therefor at any time to purchase any of the Bonds if such purchase shall be found by the District to be economically advantageous and in the best interest of the District. Any purchases of Bonds may be made with or without tenders of Bonds and at either public or private sale in such amount and at such price as the District shall, in its discretion, deem to be in its best interest. Any money which is to be applied to the purchase or redemption of Bonds shall, prior to such purchase or redemption, be transferred to and deposited in the Bond Fund to the credit of the appropriate account therein. Purchases of Term Bonds may be credited against the Sinking Fund Requirement for such Term Bonds, and the District may allocate the principal amount of the purchased Term Bonds to the scheduled principal

amortization of those Terms Bonds. Bonds purchased pursuant to this Section 3.2 shall be cancelled.

Section 3.3    Redemption of Bonds.

(a)    *Mandatory Redemption of Term Bonds and Optional Redemption, if any.* The Bonds of each series shall be subject to optional redemption on the dates, at the prices and under the terms set forth in the Bond Purchase Contract approved by a Designated Representative pursuant to Section 11.1. The Bonds of each series shall be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract approved by a Designated Representative pursuant to Section 11.1 of this resolution.

(b)    *Selection of Bonds for Redemption.* If the District redeems at any one time fewer than all of the Bonds of a series having the same maturity date, the particular Bonds or portions of Bonds of such series and maturity to be redeemed shall be selected by lot (or in such manner determined by the Registrar or as set forth in the Bond Purchase Contract) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the District and the Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of Bonds by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the designated office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like series, maturity and interest rate in any of the denominations herein authorized. Notwithstanding the foregoing, as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a series and maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC.

(c)    *Notice of Redemption.*

(1)    *Official Notice.* Unless waived by any Registered Owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Registrar on behalf of the District by mailing a copy of an official redemption notice by first-class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. Notwithstanding anything herein to the contrary, so long as the Bonds are held in book-entry form, notice of redemption will be given in accordance with the operational arrangements in effect at DTC, and neither the District nor the Registrar will provide any notice of redemption to any Beneficial Owners.

All official notices of redemption shall be dated and shall state:

- (i)    the redemption date,
- (ii)   the redemption price,

(iii) if fewer than all Outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(iv) that unless conditional notice of redemption has been given and such conditions have not been satisfied or waived or such notice has been rescinded, on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and if the Registrar then holds sufficient funds to pay such Bonds at the redemption price, interest thereon shall cease to accrue from and after said date,

(v) any conditions to redemption, and

(vi) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Registrar.

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or notice of such redemption has been rescinded, the District shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date. The District retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected Registered Owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain Outstanding.

(2) *Effect of Notice; Bonds Due.* If an unconditional notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and, if the Registrar then holds sufficient funds to pay such Bonds at the redemption price, then from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled by the Registrar and shall not be reissued.

(3) *Additional Notice.* In addition to the foregoing notice, further notice shall be given by the District as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to a Continuing Disclosure



Certificate and with such additional information as the District shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(d) *Amendment of Notice Provisions.* The foregoing notice provisions of this Section 3.3, including, but not limited to, the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

#### ARTICLE IV REGISTRATION, FORM AND GENERAL TERMS

##### Section 4.1    Registrar; Exchanges and Transfers.

(a) *Registrar/Bond Register.* The District hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of a State fiscal agent, and appoints the fiscal agent of the State, U.S. Bank Trust Company, National Association, as the Registrar. The District shall cause a Bond Register to be maintained by the Registrar. So long as any Bonds of a series remain Outstanding, the Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its principal office. The Registrar may be removed at any time at the option of the District upon prior notice to the Registrar and a successor Registrar appointed by the District. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder.

(b) *Registered Ownership.* The District and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as otherwise provided in this resolution or in the Continuing Disclosure Certificate of the District), and neither the District nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in subsection (h) below, but such Bond may be transferred as herein provided. All such payments made as described in herein shall be valid and shall satisfy and discharge the liability of the District upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds of each series initially shall be held in book-entry form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the District has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the District nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the District to the Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in book-entry form, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes

hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of “Cede & Co.,” as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds of each series in a denomination corresponding to the total principal therein within a series to mature on such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except (i) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute depository appointed by the District pursuant to subsection (2) below or such substitute depository’s successor; or (iii) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the District to discontinue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the District may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (i) or (ii) of subsection (1) above, the Registrar shall, upon receipt of all Outstanding Bonds of a series, issue a single new Bond for each series and maturity then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the District.

(4) In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the District determines that it is in the best interest of the Beneficial Owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in book-entry form. The District shall deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Registrar of all then Outstanding Bonds together with a written request of the District to the Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The Registrar is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this resolution, to serve as the District’s paying agent for the Bonds and to carry out all of the Registrar’s powers and duties under this resolution and resolutions of the District establishing a system of registration for the District’s bonds and obligations. The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner’s duly authorized agent in a manner satisfactory to the Registrar. Upon such

surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, series, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, series, maturity and interest rate, in any authorized denomination. The Registrar shall not be obligated to register the transfer or to exchange any Bond during the period from the Record Date to the redemption or payment date.

(f) *Registrar's Ownership of Bonds.* The Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Registration Covenant.* The District covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and 12 30-day months. For so long as all Bonds are in book-entry form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer held in book-entry form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Registrar at least 10 days prior to the applicable payment date), such payment shall be made by the Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Registrar.

If any Bond shall be duly presented for payment and funds have not been duly provided by the District on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until it is paid.

Section 4.2 Form of Bonds. The Bonds shall be in substantially the form set forth in Appendix A, which is incorporated herein by this reference.

Section 4.3 Execution and Authentication of Bonds. The Bonds shall be executed on behalf of the District with the manual or facsimile signature of the President or Vice President of the Commission and attested with the manual or facsimile signature of the Secretary of the Commission and the seal of the District shall be imprinted or impressed on each of the Bonds. The Bonds shall bear thereon a certificate of authentication, executed manually by the Registrar. Only

such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Registrar. Such certificate of the Registrar upon any Bond executed on behalf of the District shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this resolution and that the Registered Owner thereof is entitled to the benefits of this resolution.

In case any of the officers who shall have signed, attested, or sealed any of the Bonds shall cease to be such officers before the Bonds so signed, attested, authenticated, registered or sealed shall have been actually issued and delivered, such Bonds shall be valid nevertheless and may be issued by the District with the same effect as though the persons who had signed, attested, authenticated, registered or sealed such Bonds had not ceased to be such officers.

## ARTICLE V SPECIAL FUNDS AND DEFEASANCE

Section 5.1 Revenue Fund. A special fund of the District, known as the “Columbia River-Priest Rapids Hydroelectric Development Revenue Fund,” was created by Resolution No. 313. A special fund of the District, known as the “Columbia River-Wanapum Hydroelectric Development Revenue Fund” was created by Resolution No. 474. A special fund of the District, known as the “Priest Rapids Project Revenue Fund” (the “Revenue Fund”), which is held in trust by the District, was created by Resolution No. 8475. The Columbia River-Priest Rapids Hydroelectric Development Revenue Fund and the Columbia River-Wanapum Hydroelectric Development Revenue Fund were merged into the Revenue Fund by Resolution No. 8475.

The District covenants and agrees that so long as any of the Parity Bonds are Outstanding and unpaid it will continue to pay into the Revenue Fund all Gross Revenues, exclusive of earnings on money on hand in the RR&C Fund and the Bond Fund, which may be retained in such funds or transferred to other funds as required by this resolution and the resolutions authorizing the Outstanding Parity Bonds and the Subordinate Lien Debt.

(a) The District hereby creates a charge and obligation against the Revenue Fund, which charge and obligation shall remain in effect so long as any Parity Bonds are Outstanding, in an amount equal to the Coverage Requirement. The District shall pay from the Revenue Fund, after paying or making provision for the payment of Operating Expenses, the Coverage Requirement. The Coverage Requirement shall be disbursed as follows:

(1) The payments into the Bond Fund required by subsections 5.2(a), 5.2(b) and 5.2(c) shall be made.

(2) The deposits into the Reserve Account required by Sections 5.2 and 7.3 and other payments required by Section 5.2 shall be made.

(3) An amount equal to 0.0125 of Annual Debt Service shall be deposited into the RR&C Fund on or prior to the 25th day of each month, to the extent there is not the required amount in the RR&C Fund, and applied to the purposes set forth in Sections 5.2 and 5.3.

(4) Any required deposits to the Subordinate Lien Bond Fund shall be made.

(b) The amounts on deposit in the Revenue Fund shall be used only for the following purposes and in the following order of priority:

- (1) to pay or provide for Operating Expenses;
- (2) to make all payments required to be made into the Interest Account in the Bond Fund and to make any District Payments;
- (3) to make all payments required to be made into the Principal and Bond Retirement Account in the Bond Fund and to make all payments required to be made into the Bond Retirement Account in the Bond Fund;
- (4) to make all payments required to be made into the Reserve Account in the Bond Fund and to make all payments required to be made pursuant to a reimbursement agreement or agreements (or other equivalent documents) in connection with Qualified Insurance or a Qualified Letter of Credit obtained for the Reserve Account; provided that if there is not sufficient money to make all payments under such reimbursement agreements, the payments will be made on a pro rata basis;
- (5) to make all payments required to be made into the RR&C Fund to the extent such amount is not on deposit; and
- (6) to make all payments required to be made into any special fund or account created, including the Subordinate Lien Bond Fund, to pay or secure the payment of any subordinate lien obligations, including the Subordinate Lien Debt.

After all of the above payments and credits have been made, amounts remaining in the Revenue Fund may be used for any other lawful purpose of the District relating to the Priest Rapids Project.

Section 5.2 Bond Fund; Reserve Account.

(a) *Bond Fund.* A special fund of the District, known as the “Priest Rapids Development Second Series Bond Fund,” was created by Resolution No. 5403, and was renamed the “Priest Rapids Development Revenue Bond Fund” pursuant to Resolution No. 7901. A special fund of the District, known as the “Wanapum Development Second Series Bond Fund,” was created by Resolution No. 5404, and was renamed the “Wanapum Development Revenue Bond Fund” pursuant to Resolution No. 7777. A special fund of the District, known as the “Priest Rapids Project Revenue Bond Fund” (the “Bond Fund”), was created by Resolution No. 8475. The Priest Rapids Development Revenue Bond Fund and the Wanapum Development Revenue Bond Fund were merged into the Bond Fund by Resolution No. 8475. The Bond Fund contains three accounts: the Interest Account, the Principal and Bond Retirement Account, and the Reserve Account.

The Bond Fund is held in trust by the District and shall be used for the purpose of paying the principal of, premium, if any, and interest on all Parity Bonds and for the purpose of purchasing Parity Bonds prior to maturity. The District holds the Interest Account, the Principal and Bond Retirement Account and the Reserve Account.

At the option of the District, separate accounts may be created in the Bond Fund for the purpose of paying or securing the payment of the principal of, premium, if any, and interest on any series of Parity Bonds and of calculating and paying the Rebate Amount. District Payments shall be made from, and Reciprocal Payments shall be made into, the Interest Account. The District hereby obligates and binds itself irrevocably to set aside and pay into the Bond Fund out of the Gross Revenues certain fixed amounts, without regard to any fixed proportion of such Gross Revenues, sufficient (together with other available funds on hand and paid into the Bond Fund) to pay the principal of, premium, if any, and interest on all Parity Bonds from time to time Outstanding as the same become due and payable. Such fixed amounts shall be as follows:

(1) On or prior to each date interest on the Parity Bonds becomes due, the District shall transfer from the Revenue Fund into the Interest Account in the Bond Fund the amount sufficient (together with such other money as is on hand and available in such account) to pay the interest on all Parity Bonds then Outstanding becoming due on such date.

(2) On or prior to each date principal of the Parity Bonds becomes due, the District shall transfer from the Revenue Fund into the Principal and Bond Retirement Account in the Bond Fund the amount sufficient (together with such other money as is on hand and available in such account) to pay the principal of all Parity Bonds then Outstanding becoming due on such date and on or prior to the due date of each Sinking Fund Requirement, the District shall transfer from the Revenue Fund into the Principal and Bond Retirement Account in the Bond Fund the amount sufficient (together with such other money as is on hand and available in such account) to pay the Sinking Fund Requirement (reduced by any credits made pursuant to any of the resolutions authorizing the Parity Bonds) for such date. If authorized by the Chief Financial Officer or Treasurer, the District may make sinking fund installment payments for the Series M Bonds as provided herein.

The District shall apply the money paid into the Bond Fund for credit to the Principal and Bond Retirement Account to the redemption of Term Bonds on the next ensuing Sinking Fund Requirement due date (or may so apply such money prior to such Sinking Fund Requirement due date), pursuant to the terms of this resolution or of the resolution authorizing the issuance thereof. The District may also apply the money paid into the Bond Fund for credit to the Principal and Bond Retirement Account for the purpose of retiring Term Bonds by the purchase of such Bonds at a purchase price (including any brokerage charge) not in excess of the principal amount thereof. The District shall apply such money to the redemption or purchase of Term Bonds in an amount such that the aggregate principal amount of Bonds so purchased or redeemed is at least equal to such next ensuing Sinking Fund Requirement. Any such purchase of Bonds by the District may be made with or without tenders of Bonds in such manner as the District shall, in its discretion, deem to be in its best interest.

(3) *Reserve Account.* The District has previously established a common debt service reserve account and Reserve Account Requirements with respect to the Outstanding Parity Bonds. Each Designated Representative is authorized to determine the Reserve Account Requirement, which may be zero (\$0.00), with respect to the Bonds. Any such determination shall be set forth in the Bond Purchase Contract. The District hereby covenants that on the date of delivery of the Bonds to the initial purchasers thereof, if necessary it will deposit Bond proceeds

or other available funds of the District into the Reserve Account in an amount sufficient, together with money and investments deposited therein, to meet the Reserve Account Requirement.

The Reserve Account shall be maintained in an amount equal to the Reserve Account Requirement by additional payments to the Reserve Account in the manner provided below until such time as all of the Parity Bonds secured by the Reserve Account and the interest thereon are retired and paid. Notwithstanding the foregoing provisions of this paragraph (3), any resolution providing for the issuance of Parity Bonds may provide for payments into the Bond Fund for credit to the Reserve Account from any other money lawfully available therefor (in which event, in providing for deposits and credits required by the foregoing provisions of this paragraph (3), allowance shall be made for any such amounts so paid into such Account) or may provide for the District to obtain Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to Section 5.2 hereof to be paid out of the Reserve Account. The face amount of any such Qualified Insurance or Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Account by this Section 5.2 to the extent that such payments and credits to be made are insured by an insurance company or guaranteed by a letter of credit from a financial institution. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five years notice. In the event of any cancellation, the Reserve Account shall be funded in accordance with the provisions of this section providing for payments to the Reserve Account in the event of a deficiency therein so that within six months from the date of such cancellation, the Reserve Account Requirement is met for the Parity Bonds that were secured by such Qualified Letter of Credit or Qualified Insurance.

If the amount in the Reserve Account is less than the Reserve Account Requirement for the Parity Bonds secured by the Reserve Account, the District shall transfer from the Revenue Fund, the RR&C Fund or the Project Account for credit to the Reserve Account on or before the 25th day of each of the six succeeding calendar months one-sixth of the amount necessary to restore the Reserve Account to the applicable Reserve Account Requirement. If the amount in the Reserve Account is greater than the Reserve Account Requirement, then and only then may the District withdraw at any time prior to the next date of valuation from the Reserve Account the difference between the amount in the Reserve Account and the applicable Reserve Account Requirement and deposit such difference in the Revenue Fund.

(4) Money in the Bond Fund and the accounts therein may, at the option of the District, be invested and reinvested as permitted by law in Permitted Investments maturing, or which are retireable at the option of the Registered Owner, prior to the date needed or prior to the maturity date of the final installment of principal of the Parity Bonds payable out of the Bond Fund, but only to the extent that the same are acquired and disposed of at Fair Market Value. Earnings on investments in the Bond Fund shall be transferred to the Revenue Fund, except that earnings on investments in the Reserve Account shall first be applied to remedy any deficiency in such account.

For the purpose of determining the amount credited to the Reserve Account, obligations in which money in the Reserve Account shall have been invested shall be valued at the market value thereof. The term "market value" shall mean, in the case of securities which are not then currently redeemable at the option of the Registered Owner, the current bid quotation for such securities, as reported to the District by such source as it selects, and the current redemption value in the case of securities that are then redeemable at the option of the holder. For obligations that mature within

six months, the market value shall be the par value thereof. The valuation shall include accrued interest thereon. The valuation of the amount in the Reserve Account shall be made by the District as of the close of business on each December 31 (or on the preceding business day if December 31 does not fall on a business day) and after any withdrawal pursuant to this resolution and may be made on each June 30 (or on the preceding business day if June 30 does not fall on a business day). In calculating the amount required to be on hand in the Reserve Account at any time, the election by the District to make payments therein pursuant to Section 7.3 shall be taken into account.

(5) Money in the Interest Account and Principal and Bond Retirement Account shall be transmitted by the District to the Registrar for the Parity Bonds secured by the Reserve Account in amounts sufficient to meet the next maturing installments of principal and interest and premiums, if any, and Sinking Fund Installments at or prior to the time upon which any interest, principal or premium, if any, is to become due. In the event there is a deficiency in the Interest Account or the Principal and Bond Retirement Account for such purpose, the District shall make up any such deficiency from the Reserve Account by the withdrawal of cash therefrom for that purpose, and, if necessary, by sale or redemption of any authorized investments in such amount as will provide cash in the Reserve Account sufficient to make up any such deficiency. If a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the District shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other credit enhancement instrument. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. The District shall pay any reimbursement obligation as a result of a draw under a Qualified Letter of Credit or Qualified Insurance from the Revenue Fund as provided in Section 5.1(b)(4). The District shall deposit Gross Revenues into the Revenue Fund sufficient to meet such reimbursement obligation and all other obligations of the Revenue Fund.

Whenever and so long as amounts on deposit in the Bond Fund, including the Reserve Account, are sufficient to provide money to pay the Parity Bonds then Outstanding, including such interest as may thereafter become due thereon and any premiums upon redemption, no payments need be made into the Bond Fund pursuant to this resolution.

Money transferred from the Bond Fund to the Registrar for the Parity Bonds and the interest thereon shall be held in trust for the Registered Owners of such Parity Bonds. Until so set aside for the retirement of principal, payment of sinking fund installments, payment of interest and premium, if any, as aforesaid, money in the Bond Fund shall be held in trust for the benefit of the Registered Owners of the Parity Bonds then Outstanding and payable equally and ratably and without preference or distinction as between different installments or maturities.

In the event that a Bond is not presented to the Registrar within two years from the date of its maturity or redemption, the money held in the Bond Fund for the payment of the principal of and interest on such Bond shall be returned to the District. If a Bond is presented for payment any time after two years from its maturity or redemption date, the District shall be responsible for paying the principal of and interest on such Bond, and all liability of the Registrar for such amount shall cease. Before repaying the unclaimed money to the District pursuant to this paragraph, the Registrar may publish a notice or notices, at the expense of the District, relating to such repayment. In the event money is paid to the District, the Registered Owners of the Bonds in respect of which



such money was paid shall be deemed to be unsecured creditors of the District for amounts equal to the principal of and interest on such Bonds so repaid to the District (without interest thereon).

Section 5.3 RR&C Fund. A special fund of the District known as the “Supplemental Repair and Renewal Fund” was created by Resolution No. 5403. A special fund of the District known as the “Supplemental Renewal and Contingency Fund” was created by Resolution No. 5404. A special fund of the District, known as the “Priest Rapids Project Repair, Renewal and Contingency Fund” (the “RR&C Fund”), which is held in trust by the District, was created by Resolution No. 8475. The Supplemental Repair and Renewal Fund and the Supplemental Renewal and Contingency Fund were merged into the RR&C Fund by Resolution No. 8475. The initial amount in the RR&C Fund was \$12,000,000 (as such amount may be revised, the “RR&C Fund Cap”). The amount in the RR&C Fund shall not exceed the RR&C Fund Cap as of the last day of any Fiscal Year. The District may increase or decrease the amount of the RR&C Fund Cap from time to time by resolution of the Commission, pursuant to which the Commission finds that the proposed revised RR&C Fund Cap is both necessary and adequate to maintain the Priest Rapids Project in good operating condition.

Any money representing earnings on investments in the RR&C Fund may be transferred to the Revenue Fund to the extent not required to maintain in the RR&C Fund an amount equal to the RR&C Fund Cap. To the extent that the money on hand in the RR&C Fund at the end of any Fiscal Year, after making transfers into the Revenue Fund as provided in the preceding sentence, exceed the RR&C Fund Cap, such excess shall be transferred to the Bond Fund as surplus money.

If so required by contract with the purchasers of power and energy from the Priest Rapids Project, the District may rebate money on hand in the RR&C Fund to these purchasers. Such a rebate may be paid to the Electric System on the same basis as to these other purchasers. Following any such rebate, the District may again establish in such Fund an amount equal to the RR&C Fund Cap, from the proceeds of Parity Bonds, from Gross Revenues, or from any combination of such sources or other sources. This paragraph shall not limit the District’s right to rebate money pursuant to Section 12.5.

Money in the RR&C Fund shall be used from time to time to make up any deficiency in the payments required to be made into the Bond Fund, and such money is hereby pledged as additional payments into the Bond Fund to the extent required to make up any such deficiencies.

To the extent not required to make up any deficiency in the Bond Fund, money in the RR&C Fund may be applied by the District to any one or more of the following purposes

- (a) to pay the cost of any project of repair, renewal, replacement, extraordinary maintenance, and safety improvement for the Priest Rapids Project;
- (b) to pay the cost of other improvements to and extensions of the Priest Rapids Project, including planning and design and feasibility studies for such improvements and extensions; and
- (c) to pay extraordinary operation costs.

No expenditure shall be made from proceeds of Parity Bonds deposited in the RR&C Fund for the purposes set forth in subparagraphs (b) or (c) above unless the District has obtained an opinion from Bond Counsel or Special Tax Counsel that such expenditure will not adversely affect the exemption from federal income tax of the interest on any Parity Bonds then Outstanding.

Money held for the credit of the RR&C Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested by the District solely in, and obligations deposited in such accounts shall consist of, Permitted Investments, but only to the extent that the same are acquired and disposed of at Fair Market Value. For the purpose of determining the amount credited to the RR&C Fund, obligations in which money in the RR&C Fund shall have been invested shall be valued at the actual cost of such obligations. The valuation shall include accrued interest thereon. The valuation of the amount in the RR&C Fund shall be made by the District as of the close of business on each December 31 (or on the next preceding business day if December 31 does not fall on a business day) and may be made on each June 30 (or on the next preceding business day if June 30 does not fall on a business day).

Section 5.4 Defeasance. In the event that money and/or Government Obligations maturing or having guaranteed redemption prices at the option of the holder at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of the Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Bond Fund or any account therein for the payment of the principal of and interest on the certain Bonds so provided for and such Bonds shall then cease to be entitled to any lien, benefit or security of this resolution, except the right to receive the funds so set aside and pledged, and such Bonds shall no longer be deemed to be Outstanding hereunder, or under any resolution authorizing the issuance of bonds or other indebtedness of the District.

Within 10 business days of defeasance of any Bonds, the Registrar shall provide notice of defeasance of Bonds to Registered Owners of the Bonds being defeased in accordance with a Continuing Disclosure Certificate.

## ARTICLE VI APPLICATION OF BOND PROCEEDS; PLAN OF REFUNDING

### Section 6.1 Application of Bond Proceeds; Plan of Refunding.

(a) *Reserve Account.* The District is hereby authorized to deposit available funds of the District and/or a portion of the proceeds of the Bonds, and/or purchase Qualified Insurance or a Qualified Letter of Credit and pay the associated policy premium, to satisfy the Reserve Account Requirement, if any, at the time of issuance of the Bonds.

(b) *Costs of Issuance.* The District may allocate a portion of proceeds of the Bonds, net of any Underwriter's discount, and/or available funds of the District to the payment of costs of issuance of the Bonds. Costs of issuance may include legal fees, underwriting fees, any Dealer Manager fees, municipal advisor fees, rating fees, and other costs associated with the issuance of the Bonds and the refunding and/or acquisition of any Refunded Bonds, as set forth in the Closing

Memorandum for the Bonds. The District may pay such costs of issuance directly or contract with the Escrow Agent to pay costs of issuance of the Bonds on its behalf.

(c) *Refunding Plan.* A portion of the proceeds of the Bonds shall be disbursed as provided in the Closing Memorandum or Escrow Agreement to defease and/or redeem the Refunded Bonds on their call date and/or acquire the Refunded Bonds, including through a Tender Transaction and/or the application of proceeds of the Bonds to acquire Acquired Obligations for deposit, together with cash, as provided in such Closing Memorandum or Escrow Agreement, as applicable.

The Escrow Agreement, if any, shall authorize and direct the Escrow Agent to provide notice of the defeasance, redemption, or acquisition of the Refunded Bonds in accordance with the terms thereof. Such Escrow Agreement shall authorize and direct the Escrow Agent to pay to the paying agent for the Refunded Bonds, sums sufficient to pay, when due, the payments specified in the Escrow Agreement. All such sums shall be paid from the moneys and Acquired Obligations, if any, deposited with the Escrow Agent, and the income therefrom and proceeds thereof. All moneys and Acquired Obligations deposited with the Escrow Agent and any income therefrom shall be held, invested and applied in accordance with the provisions of this resolution and the Escrow Agreement and with the laws of the State for the benefit of the District and owners of the Refunded Bonds. Any proceeds of the Bonds remaining after the accomplishment of this refunding plan shall be applied to pay interest on the Bonds.

## ARTICLE VII COVENANTS TO SECURE BONDS

Section 7.1 Security for Parity Bonds. All Parity Bonds are special limited obligations of the District payable from and secured solely by a pledge and lien set forth in the next sentence. There are hereby pledged as security for the payment of the principal of, premium, if any, and interest on all Parity Bonds in accordance with the provisions of this resolution, subject only to the provisions of this resolution restricting or permitting the application thereof for the purposes and on the terms and conditions set forth in this resolution: (a) the Gross Revenues and (b) the money and assets, if any, credited to the Revenue Fund, the Bond Fund, the RR&C Fund, the Project Account, and the income therefrom. The Gross Revenues and other money and assets hereby pledged shall immediately be subject to such lien and charge under this resolution without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the District regardless of whether such parties have notice thereof.

All Parity Bonds now or hereafter Outstanding shall be equally and ratably payable and secured hereunder without priority by reason of date of adoption of the resolution providing for their issuance or by reason of their series, number or date of sale, issuance, execution or delivery, or by the liens, pledges, charges, trusts, assignments and covenants made herein, except as otherwise expressly provided or permitted in this resolution and except as to insurance which may be obtained by the District to insure the repayment of one or more series or maturities within a series.

The pledge set forth above is hereby declared to be a prior lien and charge on the Gross Revenues and the money and assets in such funds and accounts superior to all other liens and charges of any kind or nature, subject to prior application as set forth in Section 5.1 hereof.

Parity Bonds shall not in any manner or to any extent constitute general obligations of the District or of the State, or any political subdivision of the State, or a charge upon any general fund or upon any money or other property of the District or of the State, or of any political subdivision of the State, not specifically pledged thereto by this resolution.

Section 7.2 General Covenants. The District covenants with the Registered Owners of the Parity Bonds as follows:

(a) *Rate Covenant.* The District shall establish, maintain and collect rates and charges in connection with the ownership and operation of the Priest Rapids Project that shall be fair and nondiscriminatory and adequate to provide Gross Revenues sufficient for the payment of the principal of and interest on all Parity Bonds and the Subordinate Lien Debt then Outstanding, all amounts that the District is obligated to set aside in the Bond Fund and the Subordinate Lien Bond Fund, the payment of all Operating Expenses of the Priest Rapids Project, and the payment of any and all amounts that the District may now or hereafter become obligated to pay from the Gross Revenues, including, inter alia, payments to providers of Qualified Insurance and Qualified Letters of Credit in accordance with this resolution.

(b) Such rates or charges in connection with the ownership and operation of the Priest Rapids Project shall be sufficient to provide Net Revenues in any Fiscal Year hereafter in an amount that is at least equal to the Coverage Requirement, and such amounts as are required to pay the principal of and interest on any Subordinate Lien Debt, excluding any capitalized interest thereon in such Fiscal Year.

The failure to collect Gross Revenues in any Fiscal Year sufficient to comply with the covenants contained in this section shall not constitute an Event of Default if the District, before the 90th day of the following Fiscal Year, both:

(1) Employs a Professional Utility Consultant to recommend changes in the District's rates that are estimated to produce Gross Revenues sufficient (once the rates recommended by the Professional Utility Consultant have been imposed by the District) to meet the requirements of Section 7.2; and

(2) Imposes rates at least as high as those recommended by such Professional Utility Consultant at the time or times so recommended.

The calculation of the Coverage Requirement set forth above, and the District's compliance therewith, may be made solely with reference to this resolution without regard to future changes in generally accepted accounting principles. If the District has changed one or more of the accounting principles used in the preparation of its financial statements, because of a change in generally accepted accounting principles or otherwise, then an event of default relating to this section shall not be considered an Event of Default if the Coverage Requirement ratio would have been complied with had the District continued to use those accounting principles employed at the date of the most recent audited financial statements prior to the date of this resolution.

(c) *Maintenance and Repair.* The District will at all times maintain, preserve and keep the Priest Rapids Project in good repair, working order and condition, and will from time to time make all necessary and proper repairs, renewals, replacements, extensions and betterments thereto so that at all times the business carried on in connection therewith shall be properly and advantageously conducted, and the District will at all times operate such properties and the business in connection therewith in an efficient manner and at reasonable cost.

(d) *Disposal of Properties.* The District will not sell or otherwise dispose of the Priest Rapids Project in its entirety unless simultaneously with such sale or other disposition, provision is made for the payment of cash into the Bond Fund sufficient to pay the principal of and interest on all Parity Bonds then Outstanding and any premium upon the retirement thereof in full and in accordance with the requirements of the resolutions authorizing the issuance of such bonds, nor will it sell or otherwise dispose of any part of the useful operating properties of the Priest Rapids Project if such sale or disposition would result in a reduction of Net Revenues below the amounts required in subsection (a) above.

The District may sell or otherwise dispose of any of the properties of the Priest Rapids Project or any real or personal property comprising a part of the same which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Priest Rapids Project or no longer necessary, material to or useful in such operation. The proceeds of any such sale or disposition of a portion of the properties of the Priest Rapids Project shall be deposited in any construction fund heretofore or hereafter created, and may be used for any purposes for which Parity Bonds may be issued. Such proceeds shall be transferred to the Reserve Account to the extent that such transfer shall be necessary to make up any deficiency in the Reserve Account. The balance, if any, shall, at the option of the District, be used for repairs, renewals, replacements, or additions to or extensions of the Priest Rapids Project or be used in the retirement of Parity Bonds prior to maturity, either by purchase at prices not to exceed the next applicable redemption price or by call for redemption.

If the FERC License is awarded to another party, the District shall deposit into the Bond Fund, promptly following receipt, any compensation received from the new licensee or otherwise up to the amount necessary to pay or provide for the payment of principal of and interest on the Parity Bonds then Outstanding

(d) *Insurance.* The District will keep the works, plants, properties and facilities comprising the Priest Rapids Project insured, and will carry such other insurance, with responsible insurers, with policies payable to the District, against risks, accidents or casualties, at least to the extent that insurance is usually carried by municipal corporations operating like properties; provided, however, that the District may, if deemed necessary and advisable by the Commission, institute or continue a self-insurance program with respect to any or all of the aforementioned risks. In the event of any loss or damage, the District will promptly deposit the insurance proceeds into any construction fund heretofore or hereafter created, and use such funds to repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy or self-insurance funding for that purpose; or in the event the District should determine not to repair or reconstruct such damaged portion of the properties of the District, the proceeds of such insurance or self-insurance funding shall be transferred to the Reserve Account to the extent that such transfer shall be necessary to make up any deficiency in the Reserve Account and the balance, if

any, shall, at the option of the District, be used for repairs, renewals, replacements, or additions to or extensions of the Priest Rapids Project or be used in the retirement of Parity Bonds prior to maturity, either by purchase at prices not to exceed the next applicable redemption price or by call for redemption.

(e) *Books and Records.* The District shall keep proper books of account, showing as a separate utility system the accounts of the Priest Rapids Project, in accordance with the rules and regulations prescribed by the State Auditor's office of the State, or other State department or agency succeeding to such duties of the State Auditor's office, and if no such rules or regulations are prescribed as aforesaid, then in substantial accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission or other federal agency having jurisdiction over public electric utility companies owning and operating properties similar to the properties of the District, whether or not the District is at the time required by law to use such system of accounts. The District shall cause its books of account to be audited annually by the State Auditor's office or other State department or agency as may be authorized and directed by law to make such audits, or if such an audit shall not be completed and the audit report presented within 12 months after the close of any Fiscal Year of the District, by independent certified public accountants. In keeping such books of account, the District shall accrue depreciation monthly thereon on its depreciable properties in accordance with the accounting practice prescribed by the public departments or agencies above mentioned. Any Registered Owner of any Bond may obtain at the office of the District, copies of the balance sheet and statements of revenues, expenses and changes in net assets showing in reasonable detail the financial condition of the Priest Rapids Project as of the close of each Fiscal Year, and the income and expenses of such year, including the amounts paid into the Revenue Fund, the Bond Fund, and in any and all special funds created pursuant to the provisions of this resolution, and the amounts expended for maintenance, renewals, replacements, and gross capital additions to the Priest Rapids Project. All calculations, classifications and other financial determinations required by this resolution shall be made in accordance with the accounting practices then being observed by the District.

(f) *Make Only Economically Sound Improvements.* The District shall not expend any of the revenues derived by it from the operation of the Priest Rapids Project or the proceeds of Parity Bonds or other obligations for any extensions, betterments and improvements to the Priest Rapids Project which will not properly and advantageously contribute to the conduct of the business of the Priest Rapids Project.

(g) *Merger or Consolidation.* The District shall not dissolve or terminate its existence without paying or providing for the payment of all Parity Bonds then Outstanding.

(h) *Obligation of the Electric System.* The District covenants to (1) pay to the Priest Rapids Project from the Electric System that portion of the annual costs of the Priest Rapids Project for such Fiscal Year, including without limitation for Operating Expenses and Annual Debt Service on the Parity Bonds, that is not otherwise paid or provided for from payments received by the Priest Rapids Project from the sale of power and energy and related products from the Priest Rapids Project to purchasers other than the District and (2) to establish, maintain and collect rates or charges for electric power and energy and related products sold through the Electric System sufficient to make any such payments to the Priest Rapids Project. The Electric System shall be

obligated to pay as provided in this section whether or not the Priest Rapids Project has produced or is capable of producing power and energy in a Fiscal Year.

Except as provided in the following sentence, the obligation to pay such amounts shall rank as a lien and charge against the revenues of the Electric System subordinate in rank to all other obligations of the Electric System. Payments made by the Electric System for the costs of purchased power and energy shall be an operating expense of the Electric System.

(i) *FERC License.* The District hereby covenants to use its best efforts to retain the FERC License for the Priest Rapids Project and to renew the FERC License when it expires.

(j) *Enforcement of Power Sales Contracts.* The District hereby covenants to enforce its rights and the obligations of power purchasers under the Power Sales Contracts.

Section 7.3 Future Parity Bonds. The District hereby covenants and agrees with the Registered Owner of each of the Bonds for as long as any of the same remain Outstanding that the District shall not issue additional bonds or other obligations with a lien on Gross Revenues prior to the lien of the Parity Bonds and that it will not issue any Parity Bonds, except, upon the conditions provided below, the District reserves the right to issue Future Parity Bonds. Future Parity Bonds may be issued from time to time as may be required for any lawful purpose of the District relating to the Priest Rapids Project, including, but not limited to, acquiring, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary renewals, replacements or repairs and capital improvements to the Priest Rapids Project, refunding any Outstanding indebtedness, and funding the RR&C Fund.

(a) The District covenants that Future Parity Bonds shall be issued only upon compliance with the following conditions:

(1) That at the times of the issuance of such Future Parity Bonds there is no deficiency in the Bond Fund or in any of the accounts therein.

(2) That there shall have been delivered to the District a report of a Professional Utility Consultant to the effect that (i) the plan pursuant to which proceeds of such Future Parity Bonds are to be expended is consistent with prudent utility practice and will not materially adversely interfere with operation of the Priest Rapids Project, and (ii) in the opinion of the Professional Utility Consultant, based upon such assumptions as he/she believes to be reasonable, such plan will not result in Net Revenues below the amounts covenanted in Section 7.2(a) to be maintained; provided, however, no such report of a Professional Utility Consultant shall be required where contracts with the Electric System (which may include a resolution of the District with respect to such obligation of the Electric System) and/or other purchasers are in effect for a term at least as long as the term of the proposed Future Parity Bonds and require the Electric System and/or other purchasers to purchase 100% of the power from and to pay 100% of the costs of the Priest Rapids Project, including the cost of maintaining Net Revenues in the amounts required under Section 7.2(a).

In making any calculations required to be made by the Professional Utility Consultant above, in the case of Variable Interest Rate Bonds, the interest rate thereon shall be calculated on

the assumption that such Variable Interest Rate Bonds will bear interest at a rate equal to the rate most recently reported by The Bond Buyer as The Bond Buyer's index for long-term revenue bonds. If such index is no longer published, a comparable index designated by the District shall be utilized in lieu thereof.

(3) That the resolution authorizing the issuance of the Future Parity Bonds shall require that there shall be paid into the Reserve Account in the Bond Fund (a) from the proceeds of such Future Parity Bonds an amount such that the amount on deposit in the Reserve Account is equal to the Reserve Account Requirement or (b) from Gross Revenues (I) in not more than five equal annual installments commencing one year from the date of issuance of such Future Parity Bonds or (II) on the date of issuance of such Future Parity Bonds, or (c) by deposit of a Qualified Letter of Credit or Qualified Insurance in the manner specified herein. Upon the issuance of any series of Future Parity Bonds, the District shall recalculate the applicable Reserve Account Requirement, which recalculated Reserve Account Requirement shall become effective as of such date of recalculation.

(4) That the resolution authorizing the issuance of the Future Parity Bonds shall contain covenants and provisions substantially the same as Sections 5.1 through 5.4, 7.1 through 7.5, and 8.1 through 8.10 hereof.

(b) *Refunding Bonds.* In the event that any Future Parity Bonds are issued for refunding purposes and the issuance of such refunding Future Parity Bonds results in a present value monetary saving to the District and such refunding Future Parity Bonds will not require a greater amount (exclusive of costs incidental to such refunding, any call premium or premiums, and except as necessary to round out maturities to the nearest \$5,000) to be paid in any Fiscal Year thereafter than would have been required to be paid in the same Fiscal Year for Annual Debt Service on the bonds being refunded, then subsection (2) of subsection (a) need not be complied with to permit such refunding Future Parity Bonds to be issued, although the provisions of subsections (1) and (3) of subsection (a) of this Section 7.3 must still be complied with.

(c) *Subordinate Lien Obligations.* The District may issue bonds, notes, warrants or other obligations payable from and secured by a lien and charge subordinate to the lien and charge created by Section 7.1 and may create a special fund or funds for payment of such subordinate obligations; provided, however, that such obligations and the resolutions authorizing the same shall expressly state that the lien and charge securing such obligations is subordinate to the lien and charge created herein and by the resolutions authorizing Parity Bonds. Any such subordinate lien obligations shall not be subject to acceleration.

Section 7.4 Derivative Products. To the extent permitted by State law, the District may enter into Derivative Products on a parity with the Parity Bonds subject to the conditions provided in this section. The following shall be conditions precedent to the use of any Derivative Product on a parity with any Bonds under this resolution:

(a) *General Parity Tests.* The Derivative Product (and the obligations to which it relates) must satisfy the requirements for Future Parity Bonds described in Section 7.3 of this resolution taking into consideration District Payments and Reciprocal Payments under the



Derivative Product. Termination payments owed pursuant to a Derivative Product shall not be on a parity with the Parity Bonds.

(b) *Opinion of Bond Counsel.* The District shall obtain an opinion of Bond Counsel or Special Tax Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by this resolution and will not adversely affect the excludability for federal income tax purposes of the interest on any Parity Bonds then Outstanding, as applicable.

(c) *Payments.* Each Derivative Product shall set forth the manner in which the District Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

(d) *Supplemental Resolutions to Govern Derivative Products.* Prior to entering into a Derivative Product, the District shall adopt a Supplemental Resolution, which shall:

(i) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and

(ii) set forth such other matters as the District deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of this resolution.

Section 7.5 Tax Covenants. The District will take all actions necessary to assure the exclusion of interest on the Tax-Exempt Bonds from the gross income of the Owners of the Tax-Exempt Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Tax-Exempt Bonds, including but not limited to the following:

(a) The District will assure that the proceeds of the Tax-Exempt Bonds are not used so as to cause such Tax-Exempt Bonds to satisfy the applicable private business use tests of Section 141(b) of the Code or the applicable private loan financing test of Section 141(c) of the Code.

(b) The District will not sell or otherwise transfer or dispose of (i) any personal property components of the project or projects refinanced with proceeds of Tax-Exempt Bonds (the “Tax-Exempt Projects”) other than in the ordinary course of an established government program under Treasury Regulation 1.141-2(d)(4) or (ii) any real property components of the Tax-Exempt Projects financed or refinanced with Tax-Exempt Bonds, unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the Tax-Exempt Bonds as excludable from gross income for federal income tax purposes.

(c) The District will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Tax-Exempt Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) The District will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Tax-Exempt Bonds.

(e) The District will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Tax-Exempt Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Tax-Exempt Bonds would have caused the Tax-Exempt Bonds to be “arbitrage bonds: within the meaning of Section 148 of the Code.

(f) The District will maintain a system for recording the ownership of each Tax-Exempt Bond that complies with the provisions of Section 149 of the Code until all Tax-Exempt Bonds have been surrendered and canceled.

(g) The District will retain its records of all accounting and monitoring it carries out with respect to the Tax-Exempt Bonds for at least three years after the Tax-Exempt Bonds mature or are redeemed (whichever is earlier); however, if the Tax-Exempt Bonds are redeemed and refunded, the District will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Tax-Exempt Bonds.

(h) The District will comply with the provisions of the Federal Tax Certificate with respect to the Tax-Exempt Bonds, which are incorporated herein as if fully set forth herein. In the event of any conflict between this Section and the Federal Tax Certificate, the provisions of the Federal Tax Certificate will prevail.

The covenants of this Section will survive payment in full or defeasance of the Tax-Exempt Bonds.

## ARTICLE VIII DEFAULTS AND REMEDIES

Section 8.1 Events of Default. The Commission hereby finds that the continuous operation of the Priest Rapids Project and the collection, deposit and disbursement of the Gross Revenues in the manner provided in this resolution are essential to the payment and security of the Bonds, and the failure or refusal of the District to perform the covenants and obligations contained in this resolution will endanger the necessary continuous operation of the Priest Rapids Project and the application of the Gross Revenues to the purposes set forth in this resolution.

The District hereby covenants and agrees with the Registered Owners from time to time of the Bonds, in order to protect and safeguard the covenants and obligations undertaken by the District securing the Bonds, that the following shall constitute “Events of Default”:

(a) If default shall be made in the due and punctual payment of the principal of and premium, if any, on any of the Parity Bonds when the same shall become due and payable, either at maturity or by proceedings for mandatory distribution or otherwise;

(b) If default shall be made in the due and punctual payment of interest on any Parity Bond when the same shall be due and payable;

(c) If the District shall fail to purchase or redeem Term Bonds in an aggregate principal amount at least equal to the Sinking Fund Requirement for the applicable Fiscal Year;

(d) If the District shall default in the observance and performance of any other of the covenants, conditions and agreements on the part of the District contained in this resolution and such default or defaults shall have continued for a period of 90 days after the District shall have received from the Bondowners' Trustee or from the Registered Owners of not less than 66% in principal amount of any series of Parity Bonds then Outstanding, a written notice specifying and demanding the cure of such default; or

(e) If the District shall: (1) admit in writing its inability to pay its debts generally as they become due; (2) file a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law; (3) make an assignment for the benefit of its creditors; (4) consent to the appointment of a receiver of the whole or any substantial part of the Priest Rapids Project; or (5) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the District or of the whole or any substantial part of the Priest Rapids Project.

Section 8.2 Books of District Open to Inspection. The District covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the District and all other records relating to the Priest Rapids Project shall at all times be subject to the inspection and use of any persons owning at least 66% of the principal amount of any series of Parity Bonds Outstanding and their respective agents and attorneys.

The District covenants that if an Event of Default shall happen and shall not have been remedied, the District will continue to account, as a trustee of an express trust, for all Gross Revenues and other money, securities and funds pledged under this resolution.

Section 8.3 Bondowners' Trustee. If an Event of Default has occurred, is continuing, and has not been remedied, the owners of 25% in principal amount of Parity Bonds then Outstanding may appoint a bondowners' trustee (the "Bondowners' Trustee") by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the District. That appointment shall become effective immediately upon acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under the provisions of this section shall be a bank or trust company organized under the laws of the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the Registered Owners of a majority in principal amount of Parity Bonds Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners of the Parity Bonds or by their attorneys-in fact-duly authorized. The Bondowners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

The Bondowners' Trustee may resign upon 60 days' notice and a new Bondowners' Trustee appointed by the Registered Owners of at least 25% in principal amount of Parity Bonds; provided, however, that no such resignation or removal shall be effective until a successor Bondowners' Trustee shall have been appointed and shall have delivered a written instrument of acceptance of the duties and responsibilities of the Bondowners' Trustee under this resolution to the District and the Registered Owners of the Parity Bonds then Outstanding.

In the event that any Event of Default in the sole judgment of the Bondowners' Trustee is cured and the Bondowners' Trustee furnishes to the District a certificate so stating, that Event of Default shall be conclusively deemed to be cured, and the District, the Bondowners' Trustee and the Registered Owners of Parity Bonds then Outstanding shall be restored to the same rights and position which they would have held if no Event of Default had occurred.

The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is declared to be a trustee for the Registered Owners of all Parity Bonds then Outstanding and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

Section 8.4 Suits at Law or in Equity. Upon the happening of an Event of Default and during the continuance thereof, the Bondowners' Trustee may, and upon the written request of the Registered Owners of not less than 25% in principal amount of the Parity Bonds then Outstanding shall, take such steps and institute such suits, actions or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the Registered Owners of the Parity Bonds, to collect any amounts due and owing to or from the District, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this resolution or in any of the Parity Bonds.

Nothing contained in this resolution shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of principal on the Parity Bonds, and the remedy of acceleration is expressly denied to the Registered Owners of the Parity Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default.

Any action, suit or other proceedings instituted by the Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Parity Bonds or the provisions of this resolution may be enforced by the Bondowners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any such suit, action or proceeding instituted by the Bondowners' Trustee shall be brought for the ratable benefit of all of the Registered Owners of those Parity Bonds, subject to the provisions of this resolution. The respective Registered Owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective Registered Owners of those Parity Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the Registered Owner himself or herself might have done in person. Nothing herein shall be deemed to authorize

or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any Registered Owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any Registered Owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the Registered Owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the District is a party.

Section 8.5 Application of Money Collected by Bondowners' Trustee. Any money collected by the Bondowners' Trustee at any time pursuant to this Article shall be applied in the following order of priority:

(a) first, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys; and

(b) second, to the payment to the persons entitled thereto first of required interest and then of unpaid principal amounts on any Parity Bonds which shall have become due (other than Parity Bonds previously called for redemption for the payment of which money is held pursuant to the provisions hereto), whether at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal amounts due on the same date, then to the payment thereof ratably, according to the principal amounts due thereon to the persons entitled thereto, without any discrimination or preference.

When the Bondowners' Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief.

Section 8.6 Duties and Obligation of Bondowners' Trustee. The Bondowners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. During an Event of Default, the Bondowners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bondowners' Trustee shall have no liability for any act or omission to act hereunder except for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be determined solely by the express provisions of this resolution, and no implied powers, duties or obligations of the Bondowners' Trustee shall be read into this resolution.

The Bondowners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bondowners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

The Bondowners' Trustee shall not be bound to recognize any person as a Registered Owner of any Bond until his or her title thereto, if disputed, has been established to its reasonable satisfaction.

The Bondowners' Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Bondowners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

Section 8.7 Suits by Individual Bondowners Restricted. Neither the Registered Owner nor the Beneficial Owner of any one or more of Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the same unless:

- (a) an Event of Default has happened and is continuing; and
- (b) a Bondowners' Trustee has been appointed; and
- (c) such owner previously shall have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted; and
- (d) the Registered Owners of 25% in principal amount of the Parity Bonds, after the occurrence of such Event of Default, has made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action or proceeding; and
- (e) there have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and
- (f) the Bondowners' Trustee has refused or neglected to comply with such request within a reasonable time.

No Registered Owner or Beneficial Owner of any Parity Bond shall have any right in any manner whatever by his or her action to affect or impair the obligation of the District to pay from the Net Revenues the principal of and interest on such Parity Bonds to the respective Registered Owner thereof when due.

Section 8.8 Waivers of Default. No delay or omission of the Bondowners' Trustee or of any Registered Owner or Beneficial Owner of Parity Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by this Article to the Bondowners' Trustee or to the Registered Owners of Parity Bonds may be exercised from time to time and as often as may be deemed expedient by the Bondowners' Trustee or by such Registered Owners.

The Bondowners' Trustee or the owners of not less than 50% in principal amount of the Parity Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the owners of all of the Parity Bonds waive any past default under this resolution and any resolution authorizing the issuance of other Parity Bonds and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any of the Parity Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto:

Section 8.9 Remedies Granted in Resolution Not Exclusive. No remedy conferred by this resolution upon or reserved to the Bondowners' Trustee or the owners of the Parity Bonds is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under this resolution or existing at law or in equity or by statute on or after the date of adoption of this resolution.

Section 8.10 Voting of Bonds Held by District. In determining whether the owners of the requisite aggregate amount of Parity Bonds have concurred in any demand, request, direction, consent or waiver under this resolution, Parity Bonds which are owned or held by or for the account of the District, or by any person or entity directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District on the Parity Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

## ARTICLE IX AMENDMENTS

Section 9.1 Amending and Supplementing Resolution Without Consent of Bondowners.

(a) The District from time to time and at any time may adopt a Supplemental Resolution or resolutions, which resolution or resolutions thereafter shall become a part of this resolution, for any one or more or all of the following purposes:

(1) To add to the covenants and agreements of the District contained in this resolution, other covenants and agreements thereafter to be observed, which shall not adversely affect the interest of the owners of any Parity Bonds in any material way, or to surrender any right or power herein reserved to or conferred upon the District.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provisions contained in this resolution or any resolution authorizing Future Parity Bonds in regard to matters or questions arising under such resolutions as the District may deem necessary or desirable and which shall not materially adversely affect the interest of the owners of such bonds in any material way.

(3) To change any provision of or to add any provision to this resolution if such change or addition will not materially adversely affect the interest of the owners of any Bonds.

Any such Supplemental Resolution of the District may be adopted without the consent of the owners of any Parity Bonds at any time Outstanding. Before any such Supplemental Resolution is adopted, the District shall obtain an opinion of nationally recognized bond counsel that approval of such resolution is not required pursuant to Section 9.2.

(b) Upon the adoption of any Supplemental Resolution pursuant to the provisions of this section, this resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the District under this resolution and all owners of Parity Bonds Outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all the terms and

conditions of any such Supplemental Resolution shall be deemed to be part of the terms and conditions of this resolution for any and all purposes.

Section 9.2 Amending and Supplementing Resolution With Consent of Bondowners.

(a) With the consent of the Registered Owners of not less than 66% in aggregate principal amount of the Parity Bonds then Outstanding, the District from time to time and at any time may adopt a resolution amendatory hereof or supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this resolution, or modifying or amending the rights and obligations of the District hereunder, or modifying in any manner the rights of the owners of the Parity Bonds then Outstanding and in determining whether the owners of not less than 66% in aggregate principal amount of the Parity Bonds then Outstanding consent thereto; provided, however, that, without the specific consent of the Registered Owner of each such Parity Bond that would be affected thereby, no such Supplemental Resolution amending or supplementing the provisions hereof shall: (i) change the fixed maturity date for the payment of the principal of any Parity Bond or the date for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Parity Bond or the rate of interest thereon or the redemption price (or the redemption premium) payable upon the redemption or prepayment thereof; (ii) reduce the aforesaid percentage of Parity Bonds the owners of which are required to consent to any Supplemental Resolution amending or supplementing the provisions of this resolution; (iii) give to any Parity Bond or Bonds any preference over any other Parity Bond or Bonds secured hereby; (iv) authorize the creation of any pledge of the Gross Revenues and other money pledged hereunder prior, superior or equal to the pledge of and lien and charge for the payment of the Parity Bonds; or (v) deprive any Registered Owner of the Parity Bonds of the security afforded by this resolution. (Nothing herein contained, however, shall be construed as making necessary the approval of the owners of the Bonds of the adoption of any Supplemental Resolution authorized by the provisions of Section 9.1.)

(b) It shall not be necessary that the consents of the owners of the Parity Bonds approve the particular form or wording of the proposed amendment or supplement or of the Supplemental Resolution effecting such amendment or supplement, but it shall be sufficient if such consents approve the substance of the proposed amendment or supplement. After the owners of the required percentage of Parity Bonds shall have filed their consents to the amending or supplementing hereof pursuant to this Section 9.2, the District may thereafter adopt such Supplemental Resolution and thereafter shall mail a copy of such notice, postage prepaid to each Registered Owner of Parity Bonds then Outstanding, at his/her address, if any, appearing upon the Bond Register, but failure of such registered owners to receive such notice or any defect therein shall not affect the validity of the Supplemental Resolution effecting such amendments or supplements or the consents thereto. (Nothing in this Section 9.2 contained, however, shall be construed as requiring the giving of notice of any amending or supplementing of this resolution authorized by Section 9.1.) A record, consisting of the papers required by this Section 9.2, shall be filed with the District and shall be proof of the matters therein stated until the contrary is proved. No action or proceeding to set aside or invalidate such Supplemental Resolution or any of the proceedings for its adoption shall be instituted or maintained unless such action or proceeding is commenced within 60 days after the mailing of the notice required by this Section 9.2.



Section 9.3 Endorsement of Amendment on Parity Bonds. Parity Bonds delivered after the effective date of any action amending this resolution taken as hereinabove provided may bear a notation by endorsement or otherwise as to such action, and in that case, upon demand of the Registered Owner of any Parity Bond Outstanding at such effective date and presentation of his or her Parity Bond for the purpose at the designated office of the Registrar, suitable notation shall be made on such Parity Bond by the Registrar as to any such action. If the District shall so determine, new Parity Bonds so modified as in the opinion of the District and its counsel to conform to such action shall be prepared, delivered and, upon demand of the Registered Owner of any Parity Bond then Outstanding, shall be exchanged without cost to such Registered Owner for Parity Bonds then Outstanding hereunder, upon surrender of such Parity Bonds.

## ARTICLE X ONGOING DISCLOSURE

Section 10.1 Undertaking to Provide Ongoing Disclosure. The District covenants to execute and deliver on the date of issuance of the Bonds a Continuing Disclosure Certificate, and hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate. The Designated Representatives are each hereby authorized and directed to execute and deliver a Continuing Disclosure Certificate upon the issuance, delivery and sale of the Bonds with such terms and provisions as such officer shall deem appropriate and in the best interests of the District, upon consultation with counsel to the District. Notwithstanding any other provision of this resolution, failure of the District to comply with a Continuing Disclosure Certificate shall not be considered an Event of Default as to the Bonds and shall not be deemed to create any monetary liability on the part of the District to any other persons, including the Registered Owners of the Bonds, or result in acceleration of the Bonds.

## ARTICLE XI SALE OF THE BONDS

Section 11.1 Sale of the Bonds. The Bonds shall be sold at negotiated sale to the Underwriter pursuant to the terms of the Bond Purchase Contract. The Commission has determined that it would be in the best interest of the District to delegate to the Designated Representatives for a limited time the authority to approve the solicitation of offers for a Tender Transaction, to select the Refunding Candidates and/or Target Bonds to be defeased and/or refunded or acquired, to determine whether to issue the Bonds as Taxable Bonds or Tax-Exempt Bonds, to determine the Reserve Account Requirement for the Bonds, and to approve the final interest rates, aggregate principal amount, principal amounts of each maturity, and redemption rights for the Bonds. The final determination of the terms for the Bonds shall be set forth in a Bond Purchase Contract to be signed by a Designated Representative.

Subject to the terms and conditions set forth in this Section, each Designated Representative is hereby authorized to negotiate and execute at the Designated Representative's discretion, one or more Offers for a Tender Transaction, Escrow Agreement, Dealer Manager Agreement, and other documents in connection with the defeasance and/or refunding of the Refunding Candidates or acquisition of a Target Bond. Each Designated Representative is hereby authorized to acquire tendered Target Bonds and to negotiate and approve terms for the purchase of Target Bonds tendered pursuant to any Offer.

The Designated Representatives are each hereby authorized to make such determinations with respect to the Bonds so long as:

- (a) the aggregate principal amount of all Bonds issued under this resolution does not exceed \$375,000,000;
- (b) the final maturity date for each series of Bonds is no later than January 1, 2044;
- (c) the Bonds of each series are sold (in the aggregate) at a price not less than 90%;
- (d) the true interest cost for each series of Bonds (in the aggregate) does not exceed 5.00%;
- (e) the aggregate debt service to be paid on any Bonds shall be less than the aggregate debt service on the Refunded Bonds to be refunded or acquired; and
- (f) the Bonds conform to all other terms of this resolution.

The Bonds shall be sold by negotiated sale to the Underwriter selected by a Designated Representative. Subject to the terms and conditions set forth in this Section 11.1, the Designated Representatives are each hereby authorized to execute the Bond Purchase Contract.

Following the sale of the Bonds and the execution of a Bond Purchase Contract, a Designated Representative shall provide a report to the Commission describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Representatives by this Section 11.1 shall expire June 1, 2025. If the Bonds authorized herein have not been sold by June 1, 2025, and a Bond Purchase Contract has not been executed by such date, the Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by resolution of the Commission. The resolution re-authorizing the issuance and sale of such Bonds may be in the form of a new resolution repealing this resolution in whole or in part or may be in the form of an amendatory resolution approving a bond purchase contract or establishing terms and conditions for the authority delegated under this Section 11.1.

#### Section 11.2 Preliminary and Final Official Statements; Tender Offers.

(a) *Preliminary Official Statement.* The Designated Representatives are each hereby authorized, empowered and directed to approve one or more solicitations for the tender of outstanding Target Bonds, to approve the preparation and distribution of one or more Offers, to approve the information contained in each Preliminary Official Statement pertaining to the Bonds, to “deem final” each Preliminary Official Statement, if any, as of its date, except for the omission of information on offering prices, interest rates, selling compensation, delivery dates and any other terms or provisions of the Bonds dependent on such matters, for the sole purpose of the Underwriter’s compliance with the Rule and to authorize the distribution thereof to the Underwriter.

(b) *Official Statement.* The Designated Representatives are each hereby authorized, empowered and directed to execute and deliver a final Official Statement, including any

amendments or supplements thereto, with such changes therein from the Preliminary Official Statement as such officer shall deem appropriate and in the best interests of the District, as conclusively evidenced by execution thereof. The Underwriter for the Bonds is hereby authorized to distribute the Official Statement in connection with the offer and sale of such Bonds.

(c) *Dealer Managers.* Each Designated Representative is authorized to negotiate a fee with the Dealer Manager that is in the best interest of the District.

## ARTICLE XII MISCELLANEOUS

Section 12.1 Resolution a Contract. This resolution and the provisions of Title 54 RCW shall constitute a contract with the Registered Owners of each of the Bonds, enforceable by any Registered Owner of any Bond by mandamus or any other appropriate suit or action in any court of competent jurisdiction subject to the provisions of limitations on remedies contained in this resolution.

Section 12.2 Benefits of Resolution Limited to District, Bondowners, Registrar, and Bondowners' Trustee. Nothing in this resolution, expressed or implied, is intended or shall be construed to confer upon or give to any person or corporation other than the District, the Registrar, the Bondowners' Trustee and the Registered Owners from time to time of the Bonds any rights, remedies or claims under or by reason of this resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this resolution contained by or on behalf of the District shall be for the sole and exclusive benefit of the District, the Registrar, the Bondowners' Trustee and the Registered Owners from time to time of the Bonds.

Section 12.3 Severability. If any one or more of the covenants or agreements provided in this resolution on the part of the District to be performed shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this resolution or of the Bonds issued hereunder.

Section 12.4 General Authorization. The General Manager/Chief Executive Officer, the Chief Financial Officer/Treasurer, and the Senior Manager of Treasury and Financial Planning/Deputy Treasurer, and the President, Vice President and Secretary of the Commission and each of the other appropriate officers of the District are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this resolution. Such documents may include, but are not limited to, documents related to Qualified Insurance and/or a municipal bond insurance policy delivered by an insurer to insure the payment when due of the principal of and interest on all or a portion of a series of Bonds as provided therein, if such insurance is determined by a Designated Representative to be in the best interest of the District.

Section 12.5 Rebates to Purchasers. If so required by contract with the purchasers of power and energy from the Priest Rapids Project, the District may rebate money on hand in any fund, except the Bond Fund, relating to the Priest Rapids Project to such purchasers. Such a rebate may be paid to the Electric System on the same basis as to the other purchasers.

Section 12.6 Prior Acts. All acts taken pursuant to the authority of this resolution but prior to its effective date are hereby ratified and confirmed.

Section 12.7 Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 13th day of August, 2024.

PUBLIC UTILITY DISTRICT NO. 2 OF  
GRANT COUNTY, WASHINGTON

By \_\_\_\_\_  
President and Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Secretary of the Commission

**APPENDIX A:  
Bond Form**

Each series of Bonds shall be in substantially the following form, with additions and deletions as permitted by the Resolution.

NO. \_\_\_\_\_ \$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF WASHINGTON

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON  
PRIEST RAPIDS HYDROELECTRIC PROJECT REVENUE REFUNDING BOND, 2024  
SERIES B

INTEREST RATE: %                      MATURITY DATE:                      CUSIP NO.:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, a municipal corporation of the state of Washington (the "District"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest from the date of delivery, or the most recent date to which interest has been paid or duly provided for, until payment of this bond at the Interest Rate set forth above, payable on \_\_\_\_\_, and semiannually thereafter on the first days of each succeeding \_\_\_\_\_ and \_\_\_\_\_. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in book-entry form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations from the District to DTC.

Principal of and interest and premium, if any, on this bond are payable solely out of the special fund of the District known as the "Priest Rapids Project Revenue Bond Fund" (the "Bond Fund"). This bond is not a general obligation of the District.

This bond is one of a duly authorized series of bonds aggregating [\$\_\_\_\_\_] in principal amount and designated as "Priest Rapids Hydroelectric Project Revenue Refunding Bonds, 2024 Series B." This bond and the bonds of the series of which it is a part (the "Bonds") are issued under and pursuant to Resolution No. \_\_\_\_\_ of the District adopted on July \_\_\_\_\_, 2024 (the "Bond Resolution"), and under the authority of and in full compliance with the Constitution and laws of the state of Washington, including Title 54 of the Revised Code of Washington. The Bonds are issued for the purpose of refunding (including through tender for purchase) certain revenue bonds of the District, and paying costs of issuance for the Bonds. Terms not otherwise defined herein shall have the meanings set forth in the Bond Resolution.

The Bonds are being issued on a parity of lien on Gross Revenues of the Priest Rapids Project with the District's Outstanding Parity Bonds, subject only to the prior payment of Operating Expenses. The District has reserved the right in the Bond Resolution to issue additional bonds ("Future Parity Bonds") on a parity with the Bonds and the Outstanding Parity Bonds. The Outstanding Parity Bonds, the Bonds and any Future Parity Bonds are referred to herein as the "Parity Bonds."

Under the Bond Resolution, the District is obligated to set aside and pay into the Bond Fund out of the Gross Revenues of the Priest Rapids Project, certain fixed amounts sufficient to pay the principal of and interest and premium, if any, on all Parity Bonds as the same become due and payable, all as is more fully provided in the Bond Resolution. The pledge of Gross Revenues securing payment of the principal of and premium, if any, and interest on the Parity Bonds is a lien and charge on the Gross Revenues superior to all other liens and charges of any kind or nature, subject to prior application of Gross Revenues for payment of Operating Expenses.

Copies of the Bond Resolution are on file at the office of the District, and reference thereto, and to any and all modifications and amendments thereof, is hereby made for a more complete description of the Gross Revenues available for the payment of the principal of, premium, if any, and interest on the Bonds and the rights and remedies of the Registered Owners of the Bonds with respect thereto, the terms and conditions upon which the Bonds have been issued, and the terms and conditions upon which this bond shall no longer be secured by the Bond Resolution or deemed to be Outstanding thereunder if money or certain specified securities sufficient for the payment of this bond shall have been set aside in a special account and held in trust for the payment thereof.

In the Bond Resolution, the District covenants to establish, maintain and collect rates or charges in connection with the ownership and operation of the Priest Rapids Project that shall be fair and nondiscriminatory and adequate to provide Gross Revenues sufficient for the payment of all Parity Bonds then Outstanding and any other indebtedness of the Priest Rapids Project, all payments that the District is obligated to set aside in the Bond Fund and for the proper operation and maintenance of the Priest Rapids Project, all necessary repairs thereto and replacements and renewals thereof and all other costs of the Priest Rapids Project.

This bond is subject to redemption prior to maturity as provided in the Bond Resolution and Bond Purchase Contract.

This bond shall be transferable by the Registered Owner at the designated office of the Registrar upon surrender and cancellation of this bond, and thereupon a new registered Bond of the same principal amount and interest rate and maturity will be issued to the transferee as provided in the Bond Resolution. The District, the Registrar, and any other person may treat the person in whose name this bond is registered as the absolute Registered Owner hereof for the purpose of receiving payment hereof and for all purposes.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by the Registrar.

It is hereby certified, recited and declared that all acts, conditions and things essential to the validity of this bond and the Bonds of this series, required by the Constitution and statutes of the state of Washington do exist, have happened and have been performed.

IN WITNESS WHEREOF, Public Utility District No. 2 of Grant County, Washington, by its Commission, has caused this bond to be executed in its name with the manual or facsimile signature of the President of its Commission, and attested by the manual or facsimile signature of the Secretary of the Commission and the seal of said District to be impressed or imprinted hereon, all as of the 13<sup>th</sup> day of August, 2024.

PUBLIC UTILITY DISTRICT NO. 2 OF  
GRANT COUNTY, WASHINGTON

(SEAL)

\_\_\_\_\_  
President of the Commission

Attest:

\_\_\_\_\_  
Secretary of the Commission

CERTIFICATE OF AUTHENTICATION

Date of Authentication: \_\_\_\_\_

This bond is one of the revenue bonds described in the within mentioned Bond Resolution and is one of the Priest Rapids Hydroelectric Project Revenue Refunding Bonds, 2024 Series B, of Public Utility District No. 2 of Grant County, Washington.

WASHINGTON STATE FISCAL  
AGENCY, Registrar

By \_\_\_\_\_  
Authorized Signer

CERTIFICATE

I, the undersigned, Secretary of the Board of Commissioners of Public Utility District No. 2 of Grant County, Washington, and keeper of the records of said Commission (herein called the "Commission"), DO HEREBY CERTIFY:

1. That the attached is a true and correct copy of Resolution No. XXXX (herein called the "Resolution") of the Commission, duly passed at a regular meeting thereof held on the 13<sup>th</sup> day of August, 2024.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the passage of said Resolution; that all other requirements and proceedings incident to the proper passage of said Resolution have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

DATED this 13<sup>th</sup> day of August, 2024.

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Secretary, Board of Commissioners




**MEMORANDUM**

**July 10, 2024**

**TO:** Richard Wallen, General Manager/Chief Executive Officer

**VIA:** Bonnie Overfield, Chief Financial Officer/Treasurer  
Angelina Johnson, Senior Manager of Treasury and FP/Deputy Treasurer

**FROM:** Amy Thompson, Senior Financial Analyst   
Cesar Castro-Leon, Financial Analyst

**SUBJECT:** 2010-L BABs, 2020-Z, and 2020-Z2 Refunding Resolution

**Purpose:** To request Commission review and approval of the bond resolution for the refunding of the Priest Rapid Project's (PRP) 2010-L Build America Bonds (BABs) and tendering of the eligible 2020-Z and 2020-Z2 to tax-exempt bonds.

**Discussion:** The District issued the 2010-L BABs (originally \$173.9 million par) in April 2010. BABs were authorized to be issued under the American Recovery and Reinvestment Act of 2009. BABs are taxable bonds that are eligible for an interest rate subsidy payment paid from the U.S. Treasury equal to 35% of the interest due on each interest payment date. BABs could be issued to finance projects that would have otherwise qualified for tax-exempt financing under the federal tax code. Due to the interest subsidy payment, however, BABs were expected to result in an overall lower cost of borrowing. The District issued its 2010-L BABs with the assurance that the Federal government would subsidize the interest payments. A federal subsidy payment that the District should have received with respect to these bonds has been reduced as a result of federal sequestration (the current sequestration rate is 5.7%).

The 2010-L BABs are subject to extraordinary optional redemption at any time prior to maturity at the option of the District, in whole or in part, upon the occurrence of an "Extraordinary Event." Under the bond documents for the 2010-L BABs, an "Extraordinary Event" will have occurred if (a) Section 54AA of the Internal Revenue Code is modified or amended in a manner pursuant to which the District's applicable cash subsidy payments from the U.S. Treasury are reduced or eliminated, or (b) guidance published by the Internal Revenue Service or the U.S. Treasury with respect to such sections places one or more substantive new conditions on the receipt by the District of such applicable cash subsidy payments and such condition(s) are unacceptable to the District.

District staff believes that an Extraordinary Event has occurred because certain federal budget control legislation enacted after the District issued the 2010-L BABs modified and amended the relevant sections of the Federal Tax Code in a manner pursuant to which the District's cash subsidy payments from the U.S. Treasury have been reduced due to sequestration (reduction and permanent cancellation) in various percentage amounts, as also reflected in and implemented by guidance published by the Internal Revenue Service or the United States Treasury since 2013, and this has resulted in an aggregate amount of reductions in federal credit payments with respect to the 2010-L BABs to date and projected reductions at the current sequestration rate to the maturity date of the 2010-L BABs of approximately \$4.26 million.



RESOLUTION NO. XXXX

A RESOLUTION SUPERSEDING RESOLUTION NO. 9039 AND  
SETTING RATE POLICY

WHEREAS, Public Utility District No. 2 of Grant County, Washington (Grant PUD) is authorized to regulate and control the use, distribution, rates, service, charges, and price of electric energy pursuant to RCW 54.16.040.

WHEREAS, Grant PUD's Board of Commissioners have the sole authority and responsibility to set electric rates.

WHEREAS, the Priest Rapids Project (PRP) was built by Grant PUD to benefit the citizens of the county.

WHEREAS, Grant County PUD electric retail rates shall be designed to preserve and protect the preferential access to the PRP power for all core customers.

WHEREAS, as a customer-owned public power utility, Grant PUD shall prioritize the affordability of its rates for its core customers.

WHEREAS, the amount of PRP generation available for use in Grant County, Washington is limited.

WHEREAS, Resolution No. 9039 that was approved December 12<sup>th</sup>, 2023 previously had set components of rate policy.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington that Grant PUD's staff is hereby directed to prepare and present draft retail electric rate schedules for the Commission's consideration at least every two years in accordance with the following principles and objectives:

Section 1. Rate schedules shall comply with all applicable laws and regulations.

Section 2. Rate schedules shall be straightforward and understandable by customers and staff. Grant PUD staff will make their best efforts to place each retail customer in the most advantageous schedule they qualify for at the time retail service is established or at the customers' request.

Section 3. Combined total of all rate schedules shall capture all actual or projected electric retail costs borne by Grant PUD for each corresponding Test Period as reflected in the corresponding cost-of-service study and/or annual budget process, unless recovered through an alternative or non-traditional rate mechanism. The recovery of the electric retail costs shall target a Revenue Requirement level that will allow the utility to maintain acceptable financial metrics that can sustain the current and future financial needs while minimizing the overall financing costs for all customers. The rate recovery of these revenue requirements shall be referred to as Standard Retail Service.

Section 4. For the determination of the Standard Retail Service, Grant PUD may use historical or forecast data to determine its annual Revenue Requirements as recommended by staff and it shall plan to implement rate level changes in small, predictable increases in any given year, as directed by the

Commission. In determining the annual Revenue Requirements, staff shall consider the use of traditional ratemaking mechanisms, such as the use of an embedded class cost-of-service study and following industry accepted techniques, principles, and methodologies for the allocation of costs.

Section 5. All Standard Retail Service schedules, or any alternative rate recovery mechanisms shall be designed to provide Core Customer with preferential access to the low-cost embedded power supply resources from the Priest Rapids Project in place as of the year 2013. Core Customers shall be defined as all retail customers taking service under: Rate Schedule 1-Residential, Rate Schedule 2-General Service (Small Commercial), Rate Schedule 3-Irrigation, Rate Schedule 3B-Agriculture and Rate Schedule 7-Large General Service (Large Commercial) customers. Additionally, all customers' first 7,300,000 monthly kwh consumption (10 MW x 1,000 x 8,760/12) will be treated likewise; being considered as preferential access. Preferential access shall provide for "first in line" access to Priest Rapids Project power supply.

Section 6. Proposed changes for any retail rates as described in Section 3 above should be designed to limit the impact to customers due to a substantial structure change, aka "rate shock". In any given year, the total Revenue Requirement level increase approved for any rate class shall be no less than 0.5x of the average total system Revenue Requirement level increase and no more than 2.0x the average total Revenue Requirement level increase approved for that year. In a year when no general retail rate increase is put into effect, no increase will be applied to the core customer classes. The revenue requirement increases used to assess the impact of "rate shock" shall not consider any alternative or non-traditional cost recovery mechanism approved by the Commission for any non-core rate class or customer.

Section 7. The determination of each rate class Revenue Requirement and the resulting rates shall be informed by cost-of-service analysis, but they may be adjusted during the approval process to accomplish any societal goals and policies as determined by the Commission. The cost-of-service analysis shall be only one factor taken into consideration by the Commission when determining rates.

Section 8. Rate schedules shall be set by Commission directive and may take into consideration load growth, business sustainability, cost to serve, potential fuel costs, new regulatory requirements, business risk as well as other factors. The Commission has discretionary authority in setting rate components for all retail schedules and meeting the overall revenue requirements.

Section 9. At least every two years, staff will analyze and compare the existing rates and cost recovery levels and the estimated cost to serve each of the rate schedules and present this information to the Commission for their review as part of the annual budget approval process. The Commission will evaluate and, if appropriate, adjust the existing rates to meet their established targets / policies.

Section 10. Any rate adjustments established in Section 9 above to meet Commission's goals and policies shall be solved to allow the greatest economic benefit among core customers served under Rate Schedule 1-Residential, Rate Schedule 3-Irrigation and Rate Schedule 3B- Agriculture. These schedules shall receive the largest revenue-cost benefit among the core customer classes. .

Section 11. Grant PUD shall utilize alternative or non-traditional revenue recovery options such as rate contracts or usage caps as discussed in Section 12 below, for non-core customers where there is a significant risk of stranded costs to be borne by the core customers, for new or incremental distribution, transmission or generation assets or expenses. Any rate structures or cost recovery mechanisms approved for this purpose will ensure that non-core customers pay their share of any new or

incremental costs necessary to provide them with electric service including but not limited to upfront capital charges.

Section 12. Grant PUD may consider establishing a cap or limit on the amount of power, measured in MVA, supplied to any large non-core customer through the applicable Standard Retail Service schedule. Grant PUD shall establish the necessary non-traditional rates or mechanisms to recover the cost of providing electric service in excess of the maximum allowed capacity. The cost assigned and recovered through these alternative mechanisms will be excluded from the determination of rate increases described in Section 6 above.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this XX<sup>th</sup> day of December, 2024.

ATTEST: \_\_\_\_\_  
Secretary  
\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
President  
\_\_\_\_\_  
Vice President  
\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

*For Discussion  
Purposes Only*

RESOLUTION NO. 9039XXXX

A RESOLUTION SUPERSEDING RESOLUTION NO. 8768-9039 AND  
SETTING RATE POLICY

WHEREAS, Public Utility District No. 2 of Grant County, Washington (Grant PUD) is authorized to regulate and control the use, distribution, rates, service, charges, and price of electric energy pursuant to RCW 54.16.040.

WHEREAS, Grant PUD's Board of Commissioners have the sole authority and responsibility to set electric rates.

WHEREAS, the Priest Rapids Project (PRP) was built by Grant PUD to benefit the citizens of the county.

WHEREAS, Grant County PUD electric retail rates shall be designed to preserve and protect the preferential access to the PRP power for all core customers.

WHEREAS, as a customer-owned public power utility, Grant PUD shall prioritize the affordability of its rates for its core customers.

WHEREAS, the amount of PRP generation available for use in Grant County, Washington is limited.

WHEREAS, Resolution No. 8768-9039 that was approved May-December 12<sup>th</sup>, 2015 previously had set components of rate policy.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington that Grant PUD's staff is hereby directed to prepare and present draft retail electric rate schedules for the Commission's consideration at least every two years in accordance with the following principles and objectives:

Section 1. Rate schedules shall comply with all applicable laws and regulations.

Section 2. Rate schedules shall be straightforward and understandable by customers and staff. Grant PUD staff will make their best efforts to place each retail customer in the most advantageous schedule they qualify for at the time retail service is established or at the customers' request.

Section 3. Combined total of all rate schedules shall capture all actual or projected electric retail costs borne by Grant PUD for each corresponding Test Period as reflected in the corresponding cost-of-service study and/or annual budget process, unless recovered through an alternative or non-traditional rate mechanism. The recovery of the electric retail costs shall target a Revenue Requirement level that will allow the utility to maintain acceptable financial metrics that can sustain the current and future financial needs while minimizing the overall financing costs for all support-support customers. The rate recovery of these revenue requirements shall be referred to as Standard Retail Service.

Section 4. For the determination of the Standard Retail Service, Grant PUD may shall use historical or forecast data to determine its annual Revenue Requirements as recommended by staff in advance and it shall plan to implement rate level changes in small, predictable increases in any given year, as directed

by the Commission. In determining the annual Revenue Requirements, staff shall consider the use of traditional ratemaking mechanisms, such as the use of an embedded class cost-of-service study and following industry accepted techniques, principles, and methodologies for the allocation of costs.

Section 5. ~~All Rate Standard Retail Service schedules, or any alternative rate recovery mechanisms shall be designed to provide for Core Customers with preferential access to the low-cost embedded power supply resources from the Priest Rapids Project in place as of the year 2013. Core Customers shall be defined as all retail customers taking service under: Rate Schedule 1-Residential, Rate Schedule 2-General Service (Small Commercial), Rate Schedule 3-Irrigation, Rate Schedule 3B-Agriculture and Rate Schedule 7-Large General Service (Large Commercial) customers. Additionally, all customers' first 7,300,000 monthly kwh consumption (10 MW x 1,000 x 8,760/12) will be treated likewise; being considered as preferential access. Preferential access shall provide for "first in line" access to Priest Rapids Project power supply.~~

Section 6. ~~Proposed Changes in for any rate schedules retail rates as described in Section 3 above should be designed to limit the impact to customers due to a substantial structure change, aka "rate shock". In any given year, Rate class specific limits set at not less than 0.25x the the average total Revenue Requirement level increase approved for any rate class shall be no less than 0.5x of the average total system Revenue Requirement level increase and not more than 2.50x the average total Revenue Requirement level increase on an annual increase basis approved for that year. In a year that when no general retail rate increase is put into effect, no increase will be applied to any schedule the core customer classes. The revenue requirement increases used to assess the impact of "rate shock" shall not consider any alternative or non-traditional cost recovery mechanism approved by the Commission for any non-core rate class or customer.~~

Section 7. ~~The determination of each Rate class Revenue Requirement and the resulting rates shall be guided/informed by cost-of-service analysis, but they may be adjusted during the approval process to accomplish any societal goals and policies as determined by the Commission. The cost-of-service analysis shall be only one factor taken into consideration by the Commission when determining rates.~~

Section 8. Rate schedules shall be set by Commission directive and may take into consideration load growth, business sustainability, cost to serve, potential fuel costs, new regulatory requirements, business risk as well as other factors. The Commission has discretionary authority in setting rate components for all retail schedules and meeting the overall revenue requirements.

Section 9. ~~At least every two years, staff will analyze and compare the existing rates and cost recovery levels and the estimated cost to serve each of the rate schedules and present this information to the Commission for their review as part of the annual budget approval process. By December 31, 2024, the rate schedules may be designed such that the differential between the estimated "cost to serve" and the "expected class revenue recovery" for each Rate Class may not exceed +15%/ -20.0%. Annually the long-term plan The Commission will be evaluated and, if appropriate, updated to stay on adjust the existing rates course to meet their established targets / policies.~~

Section 10. ~~Any Rate targets/adjustments as established in Section 9 above to meet Commission's goals and policies shall be solved to allow the greatest economic benefit to the among core customers as defined in Section 5 above and to first allocate the largest negative revenue to cost differential to those classes that represent the largest population of the rate base, served under -Rate Schedule 1- Residential, and Rate Schedule 3-Irrigation and Rate Schedule 3B- Agriculture. These schedules shall receive the largest revenue-cost benefit among the core customer classes at 20%. General Service~~

~~(Small Commercial) and Large General Service (Large Commercial) shall be allocated any remaining economic benefit.~~

~~Section 11. Grant PUD shall explore utilize alternative or non-traditional revenue recovery options such as rate contracts or usage caps as discussed in Section 12 below, for non-core customers where there is a significant risk of stranded costs to be borne by the core customers, for new or incremental distribution, transmission or generation assets or expenses. ~~when potential for District benefit may exist.~~ Any rate structures or cost recovery mechanisms approved for this purpose will ensure that non-core customers pay their share of any new or incremental costs necessary to provide them with electric service including but not limited to upfront capital charges.~~

~~Section 12. Grant PUD may consider establishing a cap or limit on the amount of power, measured in MVA, supplied to any large non-core customer through the applicable Standard Retail Service schedule. Grant PUD shall establish the necessary non-traditional rates or mechanisms to recover the cost of providing electric service in excess of the maximum allowed capacity. The cost assigned and recovered through these alternative mechanisms will be excluded from the determination of rate increases described in Section 6 above.~~

~~Section 12. A separate rate design protocol document will be developed and serve as guidance on inter-class design goals and criteria.~~

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this ~~12<sup>th</sup>-XX<sup>th</sup>~~ day of December, 2024~~3~~.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Vice President

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner