FYI Items
MEMORANDUM

TO: Kevin Nordt, General Manager/Chief Executive Officer

VIA: Dave Churchman, Chief Customer Officer

FROM: Darla Stevens, Senior Manager, Human Resources

SUBJECT: Notification of edits to Short-Term Disability Policy

Purpose: To provide the Commission information regarding changes to the Short-Term Disability (STD) policy associated with Resolution 8911. The resolution provides that the General Manager is authorized to modify the policies related to Grant PUD’s benefits from time to time subject to the following limitations:

A. the policy shall at all times be subject to and consistent with the requirements of all applicable laws and regulations; and

B. Any proposed changes to these policies shall be submitted to Grant PUD’s Commission and General Counsel at least twenty (20) days prior to being put into effect.

Most of the changes associated with these policy updates are to remain in compliance with Washington State’s new law for Paid Family and Medical Leave.

Discussion: The Washington State’s Paid Family & Medical Leave (PFML) Act provides for paid leave when an employee is unable to work due to his/her own serious illness, or to take care of a seriously ill family member. Funding of the PFML program began in January 2019 and premiums became payable for non-bargaining unit employees. Bargaining unit employees were exempt from the rights and responsibilities under the PFML until the Collective Bargaining Agreement expired March 31, 2020. Premiums for the medical leave component of the PFML are shared between the employer and the employee; premiums for the family leave component are paid in full by the employee.

Prior to the implementation of the PFML Act the utility offered a STD benefit, providing paid disability leave benefits for employees who suffered a serious health condition. STD benefits are similar, but not equal in all areas to the medical leave benefits offered thru the PFML. Since 2019, the Central Washington Public Utility (CWPU) Unified Insurance Program (UIP) Trust has been reviewing and considering alternatives under the State law for an approach that provided:

- Alignment with already bargained benefits
- Greatest value for the cost
- Ease of administration

Based on these constraints and input from each General Manager within the CWPU group, it was decided that the group would pursue developing a voluntary medical plan that would align with our current STD program but also meet the state requirements for compliance with the PFML.

On January 22, 2020, the UIP Trustees adopted a voluntary medical plan description meeting state requirements and Grant PUD filed an application for a voluntary medical plan with Washington State. On
June 9, 2020, Grant PUD received notice that our voluntary medical plan had been accepted. This approval came after the plan had been rejected once despite our efforts to have a timely implementation with our newly settled Collective Bargaining Agreement that went into effect on April 1, 2020. The plan was revamped to include more plain language to ensure end-user understanding and acceptance as advised by Washington State. Voluntary plans can only be implemented at the beginning of calendar quarters, and therefore the voluntary medical plan became effective July 1, 2020, a three-month delay of our intended path. Employers with approved voluntary medical plans are not subject to PFML premiums for the medical leave component. Therefore, the utility and employees stopped paying applicable premiums funding the medical leave component of the PFML, effective July 1, 2020.

**Justification:** As stated earlier, the effort was to align the well-established STD benefit with Washington State’s requirements. Here is a brief summary of the changes:

<table>
<thead>
<tr>
<th>Expanded the list of eligible employees:</th>
<th>Full-time, part-time, limited assignment, and seasonal employees.</th>
<th>Full-time, part-time, limited assignment, seasonal employees <strong>AND</strong> Commissioners, temporary and on-call employees.</th>
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<tr>
<td>Expanded the disability definition:</td>
<td>You are disabled if you are unable to work for 40 consecutive, regularly scheduled hours, as certified by a licensed, competent medical authority and Symetra.</td>
<td>You are pregnant or you have a serious medical condition as certified by your health care provider. You suffer from a serious medical condition if you are hospitalized or your illness involves continued treatment and includes a period of incapacity of more than 3 consecutive days, or your medical condition is chronic, permanent, long-term, or requires multiple treatments.</td>
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<td>Expanded disability leave types:</td>
<td>Your disability leave must be concurrent.</td>
<td>For up to 12 weeks (14 weeks if your leave is pregnancy related) you can take your disability leave concurrently or for intermittent or episodic leave periods, depending on your disability.</td>
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<td>Shortened the waiting period:</td>
<td>Your disability benefit starts from the 41st regularly scheduled hour of inability to work.</td>
<td>Your disability starts after meeting an 8-hour waiting period, once per benefit year (12 months measured forward since your last serious illness/injury). The waiting period is waived if your leave is pregnancy related.</td>
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<tr>
<td>Increased benefit amount (for some):</td>
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Benefits are paid at 70% of your regular, straight-time base pay. You may use accrued leave to make up the difference between the benefit payment and 100% of your regular wages.

You are covered under short term disability until you either recover and return to work or complete the waiting period required for the long-term disability insurance (26 weeks of continuous disability).

For Regular full-time, part-time, limited assignment and seasonal employees:

For up to 12 weeks (14 weeks if your leave is pregnancy related), benefits are paid at 70% of your regular, straight-time base pay, or as calculated in accordance with PFML, whichever is greater. After the 12 (14) weeks, and if your disability is concurrent, 70% of your regular, straight-time base pay for a maximum of 26 weeks of continuous disability.

You may use accrued leave to make up the difference between the benefit payment and 100% of your regular wages.

For Commissioners, temporary and on-call employees:

For up to 12 weeks (14 weeks if your leave is pregnancy related), benefits are paid as calculated in accordance with PFML.

Financial Considerations:

In general, the total Paid Family and Medical leave premium costs equal 0.4% of employees gross wages annually; the employer portion is equal to 36.67% of the total premium and the employee portion 63.33%. While Short-Term Disability costs do vary from year to year, we do not anticipate a large increase to overall costs for short-term disability because of the adopted changes, due to:

1. An additional 58 employees will become eligible for STD benefits as part of the new classifications required for compliance (Commissioners 5, On Call 15, and Temporary 38). By comparison, 6 – 8% of full-time, regular employees utilize the benefit on an annual basis. Please note that this does not include those that make Worker’s Compensation claims.

2. These additional classifications are only eligible for twelve weeks of STD benefits as opposed 26 weeks for full-time regular employees).

Additional Facts:

- The amount of employer PFML premiums paid in 2019 for non-bargaining unit employees was $46,925. By choosing the voluntary plan, Grant PUD no longer pays these medical premiums. Premiums must still be paid for the Family portion of the PFML.

- In 2019, we had 35 STD cases that averaged about 96 days of leave. The cost of STD in 2019 was approximately $359,500. Also, Grant PUD offers modified duty when reasonable for employees.
(subject to medical provider approval) thereby often reducing the amount of overall absenteeism.

**Recommendation:** Commission to review the changes made to the Short-Term Disability program that meet state requirements for Washington State Paid Family and Medical Leave legislation.

The supporting documentation included in this packet includes the following:

1. Commission Memo
2. Legal Review
3. A copy of Resolution #8911
4. A clean copy of the updated STD policy
5. A red-lined copy of the STD policy to identify the edits
6. A summary of the STD plan changes that will be used as a communication piece with employees
7. The Grant PUD Short Term Disability Program Plan Document – this document meets the standards for having a formal documentation of the Short-Term Disability plan (similar to plan documents that you might have for other benefits). This document differs from the policy as it focuses solely on how STD will be administered; whereas the policy identifies how the plan will function at Grant PUD (and other ancillary benefits).
8. The Short-Term Disability Program Extension is similar to the STD Program Plan Document, but this document was used at the CWPU level as part of our negotiations with IBEW, Local 77. This plan has been formally adopted by the UIP Trustees. This adoption means that all 7 PUDs that participate in the CWPU have adopted this same program.

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

1. Scope

This policy applies to all Full-Time, Part-Time, Limited Assignment, and Seasonal, Regular Grant PUD employees. Additionally, Commissioners, temporary and on-call employees are covered by this policy at a reduced benefit.

2. Policy Statement

Grant PUD provides Short-Term Disability (STD) leave in recognition of a non-work-related illness or injury as set forth in this policy. Grant PUD recognizes the requirements of the State of Washington’s Paid Family and Medical Leave (WA PFML) law and offers a qualified voluntary medical plan in compliance with RCW 50A.04.600. Additional information about the plan can be found in Grant PUD’s Short-Term Disability Plan document.

3. Eligible employees that meet the disability definition will be provided Short-Term Disability benefits after meeting the requisite waiting period.

Employees that are pregnant or have serious medical condition as certified by a health care provider may meet the definition of a disability. Employees that suffer medical conditions if they are hospitalized or their illness involves continued treatment and includes a period of incapacity of more than 3 consecutive days, or the medical condition is chronic, permanent, long-term, or requires multiple treatments.

The disability starts after meeting an 8-hour waiting period, once per benefit year (12 months measured forward since the employee’s last serious injury or illness). The waiting period is waived if your leave is pregnancy related. Should Grant PUD use a third-party administrator (TPA) in the future for administering STD leave, the leave must be approved by the TPA as well.

Grant PUD or the TPA, as applicable, has the right to require a second medical opinion from a licensed, competent medical authority selected by Grant PUD and/or TPA, at Grant PUD’s expense. As a general rule, the
decision of the second medical opinion provided will be used to determine benefit eligibility, though Grant PUD and/or TPA have the authority to secure a third opinion from a third qualified medical authority at Grant PUD’s expense.

4. **No STD benefits will be provided for any disability resulting from occupational injury or disease, even if the employee fails to file for and/or comply with the requirements to determine eligibility for Workers’ Compensation.**

5. **STD may last up to 180 calendar days, as certified by a licensed, competent medical authority.**

   For up to 12 weeks (14 weeks if the employee’s leave is pregnancy related) the employee can take their disability leave concurrently or for intermittent or episodic leave periods, depending on the nature of the disability. The Elimination Period, the period of time between an illness or injury is recognized and documented by a healthcare professional and the receipt of benefits for STD is 8 consecutive hours, which counts towards the 180 days.

   After the Elimination Period is met, the STD minimum benefit period is eight consecutive hours per claim week (Sunday through Saturday). For example, if your disability qualifies for intermittent leave, you must miss 8 consecutive hours in a claim week before you receive a STD benefit.

   STD (180 days) is considered the Elimination Period for Long-Term Disability.

   For Commissioners, temporary and on-call employees, the maximum STD leave is limited to 12 weeks (14 weeks if the leave is pregnancy related).

6. **STD benefits are paid based on your eligibility.**

   For regular, full-time, part-time, limited assignment and seasonal employees up to 12 weeks (14 weeks if the leave is pregnancy related) the benefit amount will be paid at 70% of the employee’s regular, straight-time wages, or as calculated under PFML, whichever is greater. After the 12 (14) weeks, and if your disability is concurrent, 70% of your regular base pay on the forty-first (41st) regularly scheduled hour.
regular, straight-time base pay for a maximum of 26 weeks (180 days) of continuous disability. A 40-hour waiting period may apply. You may use accrued leave to make up the difference between the benefit payment and 100% of your regular wages.

For Commissioners, temporary and on-call employees up to 12 weeks (14 weeks if your leave is pregnancy related) your benefit payment is paid as calculated under PFML. You may use accrued sick leave to make up the difference between the benefit payment and 100% of regular wages.

7. **STD leave will be counted as medical leave toward the employee’s entitlement under the Family and Medical Leave Act (FMLA).**

   If the employee is eligible for protection under FMLA, FMLA leave will run concurrently with STD leave (see HR-BEP-POL-310 for Administering Family and Medical Leave). This means that the period of STD leave counts against, and draws down, any available FMLA leave. The leave qualifies as both STD leave and FMLA leave simultaneously.

8. **Return to work after STD is conditioned on certification by licensed, competent medical authority.**

   The employee must be released fully to perform the duties of their job (fit for duty) or may be returned to a modified duty (see HR-BEP-POL-520, Administering Modified Duty). The employee may be eligible for a pro-rated benefit if the employee returns with a temporarily reduced work schedule.

9. **An employee who returns to work after STD, but works less than 30 days, and becomes disabled because of a relapse, may receive the STD benefit immediately upon relapse, provided the 180-day Elimination Period has not already been met.**

10. **Full-Time, Part-Time, Limited Assignment, and Seasonal, Regular employees may be reimbursed the cost of the employer contributions associated with the cost of purchasing service credit when an employee returns to work after being on STD.**

   Employees must meet the standards required under WAC 415-02-175 to be eligible to purchase service credit. Once full payment has been
received and verified by the Department of Retirement Services, the employee will be reimbursed the employer portion of the service credit cost. Grant PUD will not pay for interest related charges associated with purchasing the service credit over time. This option is only available to employees participating in PERS 2 and PERS 3 plans. All applicable taxes will apply.

11. Employees receiving STD benefits that recover damages from a third party shall reimburse Grant PUD the lessor of the STD payments received, or the amount of the damages recovered.

12. Review/Revision History

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<th>Date</th>
<th>Description</th>
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<tr>
<td>6/1/2015</td>
<td>Initial Effective Date</td>
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<tr>
<td>2/12/2019</td>
<td>Updated and converted to new format (HR140050-POL)</td>
</tr>
<tr>
<td>11/07/2019</td>
<td>Updated document numbering.</td>
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<tr>
<td>08/03/2020</td>
<td>Updated for WA State PFML Qualified Voluntary Medical Plan Changes</td>
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</table>
Your Short Term Disability Plan provides you with a paid benefit when you are unable to work due to your own serious health condition that is not work related. To comply with the medical leave component of the Washington State Paid Family & Medical Leave program (PFML), your Short Term Disability Plan was revised and will take effect July 1, 2020.

### CHANGES

**Expanded the list of eligible employees:**

- Full-time, part-time, limited assignment, and seasonal employees.

**Expanded the disability definition:**

- You are disabled if you are unable to work for 40 consecutive, regularly scheduled hours, as certified by a licensed, competent medical authority and Symetra.

**Expanded disability leave types:**

- Your disability leave must be concurrent.

**Shortened the waiting period:**

- Your disability benefit starts from the 41st regularly scheduled hour of inability to work.

**BENEFIT SUMMARY**

If you are seriously ill, as defined by the Short Term Disability plan document and certified by your doctor, you are eligible for benefits after meeting an 8-hour waiting period, once per benefit year (12 months measured forward since your last serious illness/injury). The waiting period is waived if your leave is pregnancy related. Depending on your disability, the disability leave can be taken concurrently, intermittently or for episodic leaves.

For Regular full-time, part-time, limited assignment and seasonal employees:

- For up to 12 weeks (14 weeks if your leave is pregnancy related) your benefit payment is 70% of your regular, straight-time wages, or as calculated under PFML, whichever is greater.

After you have exhausted 12 weeks of disability leave (14 weeks if your leave is pregnancy related), and your disability leave is concurrent, you may apply for an extended disability benefit until you have met the long term disability waiting period of 26 weeks of continuous disability.

For Commissioners, temporary and on-call employees:

- For up to 12 weeks (14 weeks if your leave is pregnancy related) your benefit payment is paid as calculated under PFML.
Increased benefit amount (for some):

Benefits are paid at 70% of your regular, straight-time base pay. You may use accrued leave to make up the difference between the benefit payment and 100% of your regular wages.

You are covered under short term disability until you either recover and return to work or complete the waiting period required for the long term disability insurance (26 weeks of continuous disability).

For Regular full-time, part-time, limited assignment and seasonal employees:

For up to 12 weeks (14 weeks if your leave is pregnancy related), benefits are paid at 70% of your regular, straight-time base pay, or as calculated in accordance with PFML, whichever is greater. After the 12 (14) weeks, and if your disability is concurrent, 70% of your regular, straight-time base pay for a maximum of 26 weeks of continuous disability. A 40-hour waiting period may apply. You may use accrued leave to make up the difference between the benefit payment and 100% of your regular wages.

For Commissioners, temporary and on-call employees:

For up to 12 weeks (14 weeks if your leave is pregnancy related), benefits are paid as calculated in accordance with PFML. You may use accrued sick leave to make up the difference between the benefit payment and 100% of your regular wages.

For more detailed information, please refer to your Short Term Disability plan description. The plan description determines how the benefit is paid.

HOW TO APPLY?
Your HR department will provide you with a medical certification form to be completed by you and your health care provider. Please return to your HR department as soon as possible.

WE WANT TO HEAR FROM YOU!
Please let us know as soon as you find out that you will need time off due to your serious medical condition. A 30-day advance notice assures that your disability benefit is in place by the time you need to miss work and it helps us plan. If your leave is not foreseeable, please let us know as soon as you can.

QUESTIONS?
Please contact your HR department.
Public Utility District #2 of Grant County ("Grant PUD") recognizes the requirements of the State of Washington’s Paid Family and Medical Leave (WA PFML) law, RCW 50A, and desires to offer a qualified voluntary medical plan under RCW 50A.04.600, hereafter called “the Short Term Disability Program ("Program")” to eligible employees.

The Program provides eligible employees of Grant PUD with short-term benefits if they become disabled from a non-work related illness or injury. The Program description was revised to ensure it qualifies as a viable voluntary plan by meeting or exceeding the paid medical leave benefits of the WA PFML plan, effective for not less than one year, beginning July 1, 2020.

The Program is funded by Grant PUD and employee premiums do not apply. The Program is a governmental plan and, therefore, is exempt from rules of the Employee Retirement Income Security Act (ERISA).

“Benefit year”: 52 consecutive weeks measured forward from the Sunday prior of the day you became disabled.
“Claim Week”: Sunday through Saturday.
“Qualifying period”: The first four of the last five completed calendar quarters or, if eligibility is not established, the last four completed calendar quarters immediately preceding the application of leave.
“Serious health condition”: An illness, injury, impairment, or physical or mental condition that involves inpatient care or involves continued treatment that includes one or more of the following: 1) a period of incapacity of more than three consecutive calendar days, 2) pregnancy, 3) chronic conditions, 4) conditions that are permanent/long-term due to a condition for which treatment may not be effective, or 5) require multiple treatments as defined by RCW 50A.05.10 (see Appendix A).
“Third party”: Any person or legal entity whose act or omission, in full or in part, causes you to suffer a disability for which benefits are paid or payable under the Program.

All current and future employees are eligible for coverage under the Program and will be automatically enrolled:

Regular full-time, part-time, seasonal, or limited assignment employees:
You are covered immediately upon being hired or promoted into a regular full-time, part-time, seasonal or limited assignment full-time position.

Temporary or on-call employees and Commissioners:
You will be covered when you have worked 820 hours for any Washington employer during the qualifying period and you have worked 340 of those hours for Grant PUD; or you were covered under a voluntary plan by your most recent previous employer.
**Waiting Period**

You meet the waiting period for medical leave if you become unable to work for at least eight consecutive hours because of a non-work related serious health condition as certified by a licensed, competent healthcare provider. Please see Appendix A for a complete description of a serious health condition.

You are only required to fulfill one waiting period per benefit year. If your leave is pregnancy related, the waiting period does not apply.

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**Leave Duration**

The Program minimum benefit period is eight consecutive hours per claim week. The leave can be taken for qualified medical intermittent leave, episodic leave, or concurrent leave.

The Program maximum benefit period, including the waiting period per benefit year, is twelve times the typical workweek hours or fourteen times the typical workweek hours if the leave is due to pregnancy complications.

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**Regular full-time, part-time, seasonal, or limited assignment employees:**

Following the waiting period, your benefit will be calculated in accordance with the WA PFML, RCW 50A.15.020 and will be paid in the amount equal to the WA PFML benefit, or at seventy percent (70%) of your regular straight-time base pay, whichever is greater.

**Temporary or on-call employees and Commissioners:**

Following the waiting period, your benefit will be calculated in accordance with the WA PFML, RCW 50A.15.020 and will be paid in the amount equal to the WA PFML benefit.

**Other provisions:**

You may be eligible for a pro-rated benefit if you return to work on a temporary modified duty work capacity or temporarily modified duty work schedule.

Accrued leave is designated as a supplemental benefit payment. You may use accrued leave to make up the difference between the Program benefit payment and 100% of gross, straight-time base pay. In no case will your combined earnings exceed 100% of your regular, straight-time base pay.

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**Benefit Payments**

Approved benefits are paid following the waiting period until you either recover and return to work or have reached the maximum duration of the Program benefit.

You will receive your first benefit payment within 30 calendar days of the first day of leave, or the receipt of a properly completed application for benefits, whichever is later. Subsequent payments will follow the established regular pay schedule.
The Program does not cover any disability that is due to the following:

- An injury or illness arising out of, or in the course of, your engagement in an illegal act.
- An illness for which you are entitled to benefits under any Workers’ Compensation Act, occupational disease law, Compulsory Benefit Act or law or similar law;
- Cosmetic or reconstructive surgery, except for complications arising from any such surgery or for surgery necessary to correct a deformity caused by accidental injury or illness.

**Regular full-time, part-time, seasonal, or limited assignment employees:**
You may be covered under the Program from the time of work related injury until eligible to receive an occupational disability allowance, provided you file for and/or comply with requirements to determine eligibility for worker’s compensation.

Your benefits end on the earliest of the following dates:

- The date your medical certification ends.
- The end of the maximum benefit period.
- If you established an employment termination date prior to the Program waiting period, the date you reach your established termination date.
- The date of your death.

Your coverage under the Program will end on the earliest of the following dates:

- The date your employment ends.
- The date the Program is cancelled.
- The last day you are in active employment.
- The date you cease to be an eligible employee.
- The date of your death.

Your job and benefits are protected if you worked for Grant PUD for at least 965 hours within the 12 months preceding the date your leave begins. When you return from leave you are entitled to a) return to a position of employment held by you when your leave commenced; or return to an equivalent position with equivalent employment benefits, pay and other terms and conditions of employment. Using benefits under the Program will not result in the loss of employment benefits accrued before leave begins, or any other right, benefit or condition of employment you would have been entitled to if you had not taken the leave. Exception: You may be denied job protection if you are a salaried employee who is among the highest ten (10) percent of employees within seventy-five (75) miles of the facility you work in if a) denial is necessary to prevent substantial and grievous economic injury to the operations of Grant PUD; and b) Grant PUD notifies you of the intent of Grant PUD to deny restoration on this basis at the time Grant PUD learns that the injury would occur; and c) the leave has commenced and you elect not to return to employment after receiving the notice.
Grant PUD has the right to recover any benefits it has overpaid. Grant PUD may use any or all of the following to recover an overpayment:

- Request a lump sum payment of the overpaid amount;
- Reduce any amounts payable under the Program; or
- Take any appropriate collection activity available to it.

If you recover damages from any third party for the illness or injury that made you eligible for the Program benefit, you shall reimburse Grant PUD for the lesser of Program benefits payments received or the amount of damages recovered. You may be eligible to buy back any personal leave used in connection with the receipt of the Program benefit.

Grant PUD will be subrogated to any rights you may have against a third party and may, at Grant PUD’s option, bring legal action against the third party to recover any payments made by Grant PUD in connection with the Program, if you:

- Suffer a disability because of the act or omission of a third party;
- Become entitled to and are paid benefits under the Program in compensation for lost wages; and
- Do not initiate legal action for the recovery of such benefits from the third party in a reasonable period of time.

Whenever a claim is denied in whole or in part, you have the right to appeal the decision. You (or your duly authorized representative) must make a written request to appeal the decision within 40 days from the date you receive the denial. If you do not make this request within that time, you will have waived your right to appeal. Contact your Human Resources department to file an appeal.

Please contact your Human Resources Department as soon as you learn of your need to take time off due to a serious medical condition to apply for benefits. Please provide 30 days’ notice to Grant PUD if your leave is foreseeable.

To claim disability benefits under the Program, you must first complete Grant PUD’s claim form. You may request the claim form by contacting your Human Resources Department.

Your claim for disability benefits under the Program must include:

- A completed Employee Application
- A completed Physician Form

Once completed, claim forms must be submitted to Human Resources at the following address:

Human Resources
Leave Administration
P.O. Box 878
Ephrata, WA 98823
Or via Secure Fax Line: (509) 754-6848
(20)(a) "Serious health condition" means an illness, injury, impairment, or physical or mental condition that involves:

(i) Inpatient care in a hospital, hospice, or residential medical care facility, including any period of incapacity; or

(ii) Continuing treatment by a health care provider. A serious health condition involving continuing treatment by a health care provider includes any one or more of the following:

(A) A period of incapacity of more than three consecutive, full calendar days, and any subsequent treatment or period of incapacity relating to the same condition, that also involves:

(I) Treatment two or more times, within thirty days of the first day of incapacity, unless extenuating circumstances exist, by a health care provider, by a nurse or physician's assistant under direct supervision of a health care provider, or by a provider of health care services, such as a physical therapist, under orders of, or on referral by, a health care provider; or

(II) Treatment by a health care provider on at least one occasion which results in a regimen of continuing treatment under the supervision of the health care provider;

(B) Any period of incapacity due to pregnancy, or for prenatal care;

(C) Any period of incapacity or treatment for such incapacity due to a chronic serious health condition. A chronic serious health condition is one which:

(I) Requires periodic visits, defined as at least twice a year, for treatment by a health care provider, or by a nurse under direct supervision of a health care provider;

(II) Continues over an extended period of time, including recurring episodes of a single underlying condition; and

(III) May cause episodic rather than a continuing period of incapacity, including asthma, diabetes, and epilepsy;

(D) A period of incapacity which is permanent or long term due to a condition for which treatment may not be effective. The employee or family member must be under the continuing supervision of, but need not be receiving active treatment by, a health care provider, including Alzheimer's, a severe stroke, or the terminal stages of a disease; or

(E) Any period of absence to receive multiple treatments, including any period of recovery from the treatments, by a health care provider or by a provider of health care services under orders of, or on referral by, a health care provider, either for:

(I) Restorative surgery after an accident or other injury; or

(II) a condition that would likely result in a period of incapacity of more than three consecutive, full calendar days in the absence of medical intervention or treatment, such as cancer, severe arthritis, or kidney disease.

(b) The requirement in (a)(i) and (ii) of this subsection for treatment by a health care provider means an in-person visit to a health care provider. The first, or only, in-person treatment visit must take place within seven days of the first day of incapacity.

(c) Whether additional treatment visits or a regimen of continuing treatment is necessary within the thirty-day period shall be determined by the health care provider.
(d) The term extenuating circumstances in (a)(ii)(A)(i) of this subsection means circumstances beyond the employee's control that prevent the follow-up visit from occurring as planned by the health care provider. Whether a given set of circumstances are extenuating depends on the facts. For example, extenuating circumstances exist if a health care provider determines that a second in-person visit is needed within the thirty-day period, but the health care provider does not have any available appointments during that time period.

(e) Treatment for purposes of (a) of this subsection includes, but is not limited to, examinations to determine if a serious health condition exists and evaluations of the condition. Treatment does not include routine physical examinations, eye examinations, or dental examinations. Under (a)(ii)(A)(ii) of this subsection, a regimen of continuing treatment includes, but is not limited to, a course of prescription medication, such as an antibiotic, or therapy requiring special equipment to resolve or alleviate the health condition, such as oxygen. A regimen of continuing treatment that includes taking over-the-counter medications, such as aspirin, antihistamines, or salves, or bed rest, drinking fluids, exercise, and other similar activities that can be initiated without a visit to a health care provider, is not, by itself, sufficient to constitute a regimen of continuing treatment for purposes of this title.

(f) Conditions for which cosmetic treatments are administered, such as most treatments for acne or plastic surgery, are not serious health conditions unless inpatient hospital care is required or unless complications develop. Ordinarily, unless complications arise, the common cold, the flu, ear aches, upset stomach, minor ulcers, headaches other than migraines, routine dental or orthodontia problems, and periodontal disease are examples of conditions that are not serious health conditions and do not qualify for leave under this title. Restorative dental or plastic surgery after an injury or removal of cancerous growths are serious health conditions provided all the other conditions of this section are met. Mental illness resulting from stress or allergies may be serious health conditions, but only if all the conditions of this section are met.

(g)(i) Substance abuse may be a serious health condition if the conditions of this section are met. However, leave may only be taken for treatment for substance abuse by a health care provider or by a licensed substance abuse treatment provider. Absence because of the employee's use of the substance, rather than for treatment, does not qualify for leave under this title.

(ii) Treatment for substance abuse does not prevent an employer from taking employment action against an employee. The employer may not take action against the employee because the employee has exercised his or her right to take medical leave for treatment. However, if the employer has an established policy, applied in a nondiscriminatory manner that has been communicated to all employees, that provides under certain circumstances an employee may be terminated for substance abuse, pursuant to that policy the employee may be terminated whether or not the employee is presently taking medical leave. An employee may also take family leave to care for a covered family member who is receiving treatment for substance abuse. The employer may not take action against an employee who is providing care for a covered family member receiving treatment for substance abuse.

(h) Absences attributable to incapacity under (a)(ii)(B) or (C) of this subsection qualify for leave under this title even though the employee or the family member does not receive treatment from a health care provider during the absence, and even if the absence does not last more than three consecutive, full calendar days. For example, an employee with asthma may be unable to report for work due to the onset of an asthma attack or because the employee's health care provider has advised the employee to stay home when the pollen count exceeds a certain level. An employee who is pregnant may be unable to report to work because of severe morning sickness.
Short Term Disability Program Extension

Recognizing the requirements of the State of Washington’s Paid Family and Medical Leave law, RCW 50A, member utilities of the Central Washington Public Utilities Unified Insurance Program (UIP) implemented a qualified voluntary medical plan (“STD Program”) under RCW 50A.04.600. The STD Program provides eligible employees of the UIP member utilities (“District”) with short-term benefits if they become disabled from a non-work related illness or injury (please see the Short Term Disability Program description for more information).

Purpose

In recognition of extended illness, injury, or disability, the Short Term Disability Program Extension (“STD Program Extension”) provides extended short term disability benefits for regular full-time, part-time, limited assignment, and benefits-eligible seasonal employees after benefits under the STD Program have been exhausted. Benefits under the STD Program Extension description will become effective July 1, 2020.

The STD Program Extension is a governmental plan and, therefore, is exempt from rules of the Employee Retirement Income Security Act (ERISA).

The District reserves the right to engage with a third-party claims administrator (TPA) whose primary responsibility is to review medical claims on behalf of the District. In the event such agreement is severed, the duties and responsibilities of the TPA will revert back to the District.

“Disability”: You are disabled when you are unable to perform the material and substantial duties of your regular occupation due to your illness or injury. Material and substantial duties are normally required for the performance of the occupation and cannot be reasonable omitted or changed.

“Concurrent disability”: You experience a concurrent disability if you have been on medical leave without interruption, or if you experience a recurrent disability.

“Recurrent disability”: Your disability is recurrent if you returned from the STD Program or STD Program Extension and worked less than 30 calendar days because of a relapse of the same illness, injury or disability as certified by a licensed, competent healthcare provider and the District’s TPA.

“Healthcare provider”: Your treating provider must be licensed to practice medicine, be practicing within the scope of his or her license, have a doctoral degree in psychology, or who is a legally qualified medical practitioner according to the laws and regulations in the jurisdiction in which regular care is given, and may not be you, your spouse, domestic partner, child, parent or sibling. You must be under the care of a medical provider whose specialty or experience is appropriate for treatment of the disabling condition.

“Regular occupation”: The occupation that you are routinely performing at the time your disability begins.

“Third party”: Any person or legal entity whose act or omission, in full or in part, causes you to suffer a disability for which benefits are paid or payable under the STD Program Extension.
Class 1 coverage: All active full-time, non-commissioner employees scheduled to work a minimum of forty (40) hours per week on an ongoing basis are eligible for Class 1 coverage.

Class 2 coverage: All Benton PUD, Douglas PUD, Ferry PUD, Franklin PUD, Grant PUD and Pend Oreille PUD active part-time, non-commissioner employees scheduled to work a minimum of eighty (80) hours per month on an ongoing basis are eligible for Class 2 coverage.

Eligibility

Class 3 coverage: All Benton PUD, Douglas PUD, Ferry PUD, Franklin PUD, Grant PUD and Pend Oreille PUD seasonal or limited assignment full-time employees scheduled to work an average of 1,000 hours per year and in an assignment intended to last more than six (6) months on an ongoing basis are eligible for Class 3 coverage.

Temporary or on-call employees and Commissioners are not eligible for benefits under the STD Program Extension.

Benefits under the STD Program must have been exhausted to be eligible for benefits under the STD Program Extension.

Coverage Begin

If you are eligible for Class 1, Class 2 or Class 3 coverage, your coverage will begin immediately upon being hired or promoted into an eligible class. You will be automatically enrolled in the STD Program Extension when you are eligible for coverage.

Waiting Period

You meet the waiting period for the STD Program Extension if you have become unable to work for at least 40 consecutive regularly scheduled hours, including holidays, because of a non-work related illness, injury, or disability as certified by a licensed, competent healthcare provider and the District’s TPA.

Unless the waiting period is met while receiving benefits under the STD Program, you will be required to use accrued personal leave, if available. You may use your supplemental leave benefit once during the term of the collective bargaining agreement, if available.

You may return to coverage by the STD Program Extension without meeting the waiting period if you have a recurrent disability. Your second absence may count against the STD Program Extension maximum benefit.

Leave Duration

The STD Program Extension maximum benefit period is 26 weeks of concurrent disability. The maximum benefit period includes the waiting period and may include concurrent disability leave taken under the STD Program. Disability leave taken under the STD Program counts against the STD Program Extension maximum benefit period if the disability leave is concurrent and is taken immediately prior to coverage begin under the STD Program Extension.
The District’s TPA has up to 45 days from the date your claim is filed, and necessary documentation has been furnished by you and your provider to determine whether or not benefits are payable to you in accordance with the terms and provisions of the STD Program Extension. If more time is needed to review your claim due to circumstances beyond the TPA’s control, the TPA must notify you in writing that the review period has been extended. In order to decide your claim, the District’s TPA may require you to submit to a medical examination, at the TPA’s expense. If a medical examination is required, the District’s TPA will notify you of the date and time of the examination and the physician’s name and location.

**Benefit Approval**

The District or the District’s TPA has the right to request a second medical opinion from a licensed, competent medical authority at the District’s expense, to be selected by the District or the District’s TPA. The decision of the second medical opinion provider will be used to determine benefit eligibility.

If a third and final medical opinion is requested, it shall be at the expense of the District. The medical opinion will be provided by a licensed, competent medical authority agreed to by both the employee and the District or the District’s TPA, and the decision rendered by the third medical opinion shall be binding on the parties without any additional recourse.

If your claim is approved, you will receive the appropriate benefit. If your claim is denied, in whole or in part, you will receive a written notice from the District’s TPA.

**Benefit Amount**

Following the waiting period, and after your claim has been approved, your benefit will be paid at seventy percent (70%) of your regular straight-time base pay. You may use accrued leave or supplemental leave benefit to make up the difference between the STD Program Extension benefit payment and 100% of gross, straight-time base pay. In no case will your combined earnings exceed 100% of your regular, straight-time base pay.

**Other provisions:**
You may be eligible for a pro-rated benefit if you return to work on a temporary modified duty work capacity or temporarily modified duty work schedule.

**Benefit Payments**

Approved STD Program Extension benefits are paid following the waiting period until you either recover and return to work or have completed the elimination period required for long term disability insurance benefits, whichever is earlier (please refer to the long term disability insurance policy for additional information). The STD Program Extension benefit is paid per established regular pay schedule.

The STD Program does not cover any disability that is due to the following:

**Benefit Exclusions**

- An injury or illness arising out of, or in the course of, your engagement in an illegal act.
- An illness for which you are entitled to benefits under any Workers’ Compensation Act, occupational disease law, Compulsory Benefit Act or law or similar law;
• Cosmetic or reconstructive surgery, except for complications arising from any such surgery or for surgery necessary to correct a deformity caused by accidental injury or illness.

**Exception:**
You may be covered under the STD Program Extension from the time of work related injury until eligible to receive an occupational disability allowance, provided you file for and/or comply with requirements to determine eligibility for worker’s compensation benefits.

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**Your benefits end on the earliest of the following dates:**

• The date you are no longer considered disabled under the STD Program Extension.
• The date you fail to provide adequate evidence of your continued disability as requested by the District’s TPA.
• The end of the maximum benefit period.
• If you established an employment termination date prior to the STD Program or STD Program Extension waiting period, the date you reach your established termination date.
• The date of your death.
• The date you cease to be under the regular care of a medical provider or refuse to undergo, at our expense an examination or testing by a medical provider; or undergo vocational, rehabilitation or health assessment testing when the TPA requires such examination or testing.
• The date you refuse to receive medical treatment for which you are claiming benefits under the STD Program Extension.
• The date you refuse to make a good faith effort to adhere to necessary wellness programs that your medical provider has recommended and that are generally acknowledged by medical providers and/or medical policies to cure or improve the illness or injury for which you are claiming benefits under the STD Program Extension so as to reduce its disabling effect.
• The date you refuse to try or attempt to work with the assistance of:
  - Modifications made to your work environment, functional job elements or work schedule.
  - Adaptive equipment or devices, that a qualified medical provider has indicated will accommodate the limiting factors of the illness or injury for which you are claiming benefits under the STD Program Extension and will enable you to perform the material and substantial duties of an occupation from which you must be considered disabled in order to receive disability benefits.

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**Your coverage under the STD Program Extension will end on the earliest of the following dates:**

**Coverage End**

• The date your employment ends.
• The date you are no longer employed in an eligible class.
• The date the STD Program Extension is cancelled.
• The date your eligible class is no longer covered.
Your job and benefits are protected if you worked for the District for at least 1250 hours within the 12 months preceding the date your leave begins. When you return from leave you are entitled to a) return to a position of employment held by you when your leave commenced; or return to an equivalent position with equivalent employment benefits, pay and other terms and conditions of employment. Using benefits under the STD Program Extension will not result in the loss of employment benefits accrued before leave begins, or any other right, benefit or condition of employment you would have been entitled to if you had not taken the leave.

Exception: You may be denied job protection if you are a salaried employee who is among the highest ten (10) percent of employees within seventy-five (75) miles of the facility you work in if a) denial is necessary to prevent substantial and grievous economic injury to the operations of the District; and b) the District notifies you of the intent of the District to deny restoration on this basis at the time the District learns that the injury would occur; and c) the leave has commenced and you elect not to return to employment after receiving the notice.

The District has the right to recover any benefits it has overpaid. The District may use any or all of the following to recover an overpayment:

- Request a lump sum payment of the overpaid amount;
- Reduce any amounts payable under the STD Program Extension; or
- Take any appropriate collection activity available to it.

In the event that you recover damages from any third party for the illness or injury that made you eligible for the STD Program Extension benefit, you shall reimburse the District for the lesser of STD Program Extension benefits payments received or the amount of damages recovered. You may be eligible to buy back any personal leave used in connection with the receipt of the STD benefit.

The District will be subrogated to any rights you may have against a third party and may, at the District’s option, bring legal action against the third party to recover any payments made by the District in connection with the STD Program Extension, if you:

- Suffer a disability because of the act or omission of a third party;
- Become entitled to and are paid benefits under the STD Program Extension in compensation for lost wages; and
- Do not initiate legal action for the recovery of such benefits from the third party in a reasonable period of time.
| **Appeal** | Whenever a claim is denied in whole or in part, you have the right to appeal the decision. You (or your duly authorized representative) must make a written request to appeal the decision within 40 days from the date you receive the denial. If you do not make this request within that time, you will have waived your right to appeal. Contact your Human Resources department to file an appeal. |
| **Filing a claim** | Contact your HR department as soon as you learn of your need to take time off due to a serious medical condition to apply for benefits. Please provide 30 days' notice to the District if your leave is foreseeable. |
Paid time off.
Peace of mind.

Paid Family and Medical Leave provides paid time off when a serious health condition prevents you from working, when you need to care for a family member or a new child, or for certain military-related events. It's here for you when you need it most, so you can focus on what matters.

How it works

Nearly every Washington worker—whether you work full time or part time in a small to large business—is eligible for up to 12 weeks of Paid Family and Medical Leave. You need to work 820 hours in Washington, or about 16 hours per week, over the course of about a year. You can get up to 16 weeks if you have family and medical events in the same year, or up to 18 weeks in some cases. Leave doesn't have to be taken all at once. You can use these weeks within your "claim year," which starts when you apply and then runs for the next 52 weeks. When that claim year expires you can then be eligible for leave again.

You apply for leave with the Employment Security Department and will get partial wage replacement, up to 90 percent of your typical pay, capped at $1,000 per week.

Your rights

If you meet the requirements, you have the right to take paid time off using Paid Family and Medical Leave.

If you qualify for Paid Family and Medical Leave, your employer cannot prevent you from taking it. Your employer also cannot require you to use other types of leave, such as sick or vacation days, before or after taking Paid Family and Medical Leave. The program is funded by premiums shared between workers and many employers. The premium is 0.4% of your wage. You may pay about 2/3 of that total, and your employer (if they have 50 or more employees) pays the rest. A calculator to estimate premiums is available on our website.

To file a complaint against your employer about Paid Family and Medical Leave, email or call our Customer Care Team at paidleave@esd.wa.gov or (833) 717-2273.

You may also contact the Office of the Paid Family and Medical Leave Ombuds. The Ombuds is appointed by the governor and serves as a neutral, independent third party to help workers and employers in their dealings with the Department. The Office of the Ombuds investigates, reports on and helps settle complaints about service deficiencies and concerns with the Paid Family and Medical Leave program. Learn more at www.paidleaveombuds.wa.gov or call the Ombuds' office at 844-395-6697.

Learn more and apply at paidleave.wa.gov
BE THERE FOR CARE
WASHINGTON’S PAID FAMILY & MEDICAL LEAVE PROGRAM
EMPLOYER TOOLKIT
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About this toolkit

This toolkit is intended to help anyone with employees in Washington know how to prepare for this new program and to help you inform your employees about what to expect.

Some program details are still under development and this toolkit will be updated to reflect the most current information available. Our anticipated update schedule is below, however dates are subject to change based on program development and rulemaking.

UPDATE SCHEDULE
Version 1.1: October 26, 2018
Version 2.1: November 14, 2018
Version 3.1: December 6, 2018
Version 4.1: March 18, 2019
Version 5.1: July 1, 2019
Version 6.1: August 13, 2019
Version 7.1: November 22, 2019
Version 8.1: December 19, 2019
Version 9.1: January 3, 2020
Version 10.1: March 3, 2020
Version 11.1: April 17, 2020

We are committed to giving you accurate information and the best tools we have as soon as they are available. Please go to paidleave.wa.gov for updates and check the file name in the footer of this document to make sure you're looking at the most current version.

About the program
We know that the most important things in life happen outside the workday. People we care about become ill. Families welcome new members. Big moments that require extra attention come along for all of us.

Support in these times means we can be stronger both at home and at work. Paid Family and Medical Leave is an essential benefit that strengthens companies by ensuring every employee can take paid time for care when needed. This new statewide insurance program will make Washington an even better place to live, work and do business.

In 2020, our program will be the strongest in the nation and a model for other states looking to implement this benefit.

*To build the program, requirements for employers began on Jan. 1, 2019.*
Employer responsibilities

Which employers and employees does this involve?

Almost every Washington employer must participate in this program, and almost every Washington employee will be eligible to receive benefits. This includes businesses of all sizes and non-profits, charities and faith organizations. If you are a public or private business with even one employee in Washington, you'll very likely be a part of Paid Family and Medical Leave.

Exceptions are:
- Federally recognized tribes (may opt in; see paidleave.wa.gov/elective-coverage)
- Federal employees
- Self-employed individuals (may opt in; see paidleave.wa.gov/elective-coverage)
- Some employees subject to collective bargaining agreements (see below)
- Individuals who perform "casual labor" as defined by law (may not opt-in)

How is the program funded?

A shared premium of 0.4 percent of employee wages will fund the program (learn more on page 10).

What do employers need to do?

- Report employee wages, hours, and more to ESD (learn more on page 14).
- Collect premiums from employee paychecks (or choose to cover part or all of the employee premium themselves) and remit payment to the Employment Security Department.
- Provide notice of this program to employees (required poster and sample employee notification are available at paidleave.wa.gov/employers).

Self-employed individuals and federally recognized tribes are not required to participate in Paid Family and Medical Leave but may opt-in to the program to receive access to benefits. Get more information about elective coverage at paidleave.wa.gov/elective-coverage.

How do existing collective bargaining agreements figure in?

Nothing in the Paid Family and Medical Leave law requires any party to a collective bargaining agreement (CBA) in existence on October 19, 2017, to reopen negotiations of the agreement or to apply any of the rights and responsibilities under the law unless and until the existing agreement is reopened or renegotiated by the parties or expires. This is outlined in RCW 50A.05.090 and is covered in further detail in WAC 192-520-010.
How does Paid Family and Medical Leave work for employees covered by a CBA?

If you have employees covered by a collective bargaining agreement that was in effect before Oct. 19, 2017, unless and until the agreement expires, is reopened, or renegotiated:

- Do not withhold premiums from these employees.
- Do not pay the employer share of the premium for these employees.
- Do not include these employees on your quarterly reports.

What happens when the CBA is reopened, renegotiated, or expires?

You must inform us immediately upon the reopening, renegotiation, or expiration of a CBA that was in effect prior to Oct. 19, 2017, and:

- Either begin withholding premiums from covered employees or choose to pay some or all of the premium on their behalf.
- Begin including covered employees in your quarterly report.

However, for the purposes of Paid Family and Medical Leave, only CBAs that have been renegotiated in their entirety meet the definition of reopened, renegotiated, or expired; A memorandum of understanding (MOU) covering a narrow or specific section of a CBA does not constitute a reopening or renegotiation.

For example, MOUs to accommodate the new paid sick leave law are not considered a reopening or renegotiation. This includes MOUs to expand the collectively bargained definition of family, accrual rates, and reasons for usage under the new paid sick leave law. Negotiations of future contracts do not constitute a reopening or renegotiation either.

For more information on CBAs, including what to do when some of your employees are covered and others aren’t, and details on whether your CBA covered employees are eligible to take leave, visit paidleave.wa.gov/employers.

Can I opt out?

After Jan. 1, 2020, all eligible employees in Washington must have access to paid family and medical leave benefits either through the state program or an employer-funded program. Employer-funded programs are called voluntary plans and may be provided for family leave, medical leave or both. The benefits offered to employees under a voluntary plan must meet or exceed the benefits of the state plan. To get more information about voluntary plans and whether it is right for your business, download the voluntary plan guide at paidleave.wa.gov/voluntary-plans.

The voluntary plan application is available at paidleave.wa.gov/voluntary-plan-application.

What is the difference between Paid Family and Medical Leave and FMLA?

Paid Family and Medical Leave is a state program. The Family and Medical Leave Act (FMLA) is a federal program. In short, Paid Family and Medical Leave does not replace FMLA.
While there are some similarities between the programs, there are also notable differences such as:

- The state program (Paid Family and Medical Leave) provides paid leave. FMLA is unpaid leave.
- Paid Family and Medical Leave is based on typical workweek hours, not to exceed 12 times the typical workweek hours during the claim year. An employee may take up to 12 workweeks of leave with FMLA.
- Paid Family and Medical Leave includes grandchildren, grandparents, sons and daughters-in-law and siblings as qualifying family members, in addition to parents, spouses and children.
- Paid Family and Medical Leave is funded through premiums paid by employers and workers.
- There is no 75-mile radius component to Paid Family and Medical Leave job protection.

Businesses with fewer than 50 employees do not have requirements under FMLA, but they must collect and remit employee premiums and complete required reporting for Paid Family and Medical Leave.

**Small business employer responsibilities**

Unlike the federal unpaid Family and Medical Leave Act (FMLA), small businesses are required to participate in this program. However, there is financial help for small business built into the program:

1. **Businesses with fewer than 50 employees are exempt from the employer portion of the premium.** Employees at small businesses pay 63.333 percent of the total premium, just like employees at large businesses, but their employers are not assessed the employer portion. Employers must still remit the employee portion of the premium, and the employees are fully eligible to receive paid leave. Small business employers may withhold the employee share of the premium or opt to cover that premium as an added benefit.

2. **Small business assistance grants are available to employers with 150 or fewer employees.** These grants provide up to $3,000 to help cover costs associated with employees on leave. An employer may apply for up to 10 of these grants each year, with one per employee on leave. Employers with fewer than 50 employees that choose to pay the employer portion of the premium can also be eligible for these grants.

**How is business size calculated?**

ESD will calculate your business’s size on an annual basis Sept. 30 of each year. It is based on your average employee headcount over the previous four quarters as reflected in the reports you submit to ESD. It is not calculated by FTE positions.
Premiums

Employers started collecting premiums for Paid Family and Medical Leave on Jan. 1, 2019. For 2019, the premium is 0.4 percent of each employee’s gross wages, minus tips. Detailed information on calculating premiums, including a calculator you can use to estimate your premiums, is available on our website at paidleave.wa.gov/premiums.

What are gross wages?

In Paid Family and Medical Leave, wages are generally referred to as gross wages without tips.

Wages are defined in statute (RCW 50A.04.010) as the remuneration paid by an employer to an employee (up to the Social Security cap for premium assessment).

Premium assessments must include gross wages such as:

- Salary or hourly wages
- Cash value of goods or services given in the place of money
- Commissions or piecework
- Bonuses
- Cash value of gifts or prizes
- Cash value of meals and lodging when given as compensation
- Holiday pay
- Paid time off (vacation, sick leave, associated cash outs)
- Bereavement leave
- Separation pay such as severance pay, termination pay, or wages in lieu of notice
- Value of stocks at the time of transfer to the employee (if part of a compensation package)
- Compensation for use of specialty equipment, performance of special duties or working particular shifts
- Stipends and per diems (unless provided to cover a past or future cost incurred by the worker as a result of the worker’s expected job functions)

Wages may not include:

- Supplemental benefit payments
- Payments provided to cover a past or future cost incurred by the worker as a result of the worker’s expected job functions
- Payment into retirement or disability plans

How should the employer report hours worked?

Employers must report the number of hours each employee works each quarter, rounded up to the nearest whole number.

Generally, hours worked should include:
Paid Family & Medical Leave

- **Hourly employees.** Report the total number of hours worked by each employee.
- **Employees on salary.** Report 40 hours for each week in which a full-time salaried employee worked.
- **Vacation pay, sick leave pay, paid time off.** Report the number of hours an employee is on paid leave. Do not report hours for a cash-out of leave.
- **Overtime.** Report the number of hours actually worked for which overtime pay or compensatory time is provided, without regard to the amount of wages or compensation paid.
- **Wages in lieu of notice.** Report the actual number of hours for which an employee was paid.
- **Severance pay.** Do not report hours for severance pay.
- **Payment in kind.** Report the actual hours worked for performing services which are compensated only by payment in kind.
- **On-call and standby hours.**
  - Report the number of actual hours for which an employee receives wages for being on call or on standby with the employer. Do not report hours for which an employee is scheduled to check in before work, and if not required to work, has no further obligations.
  - For the purpose of this section, "on-call" and "standby" hours are defined as paid hours when employees must comply with employer requirements, such as maintaining physical or mental status, remaining in a specified location, or being required to report to work within a specific time frame.

Specific details for faculty, piecework or commissioned employees, practice and rehearsal time, and more are defined in [WAC 192-510-025](https://apps.leg.wa.gov/wac/docketedRule/192-510-025).

**How do I calculate premiums?**

**Businesses of all sizes calculate premiums using the same formula.**

**Step one**

Calculate the total premium amount for each of your employees. The premium for 2019 is 0.4% of an employee's gross wages, so:

\[
\text{Gross Wages} \times 0.004 = \text{Total Premium}
\]

**Step two**

Calculate the employee and employer shares. Under the law, employers may split the cost of the program with employees by withholding up to 63.333% of the premium.

\[
\text{Total Premium} \times 0.6333 = \text{Maximum Employee Share}
\]

\[
\text{Total Premium} \times 0.3667 = \text{Minimum Employer Share}
\]
All employers, regardless of size, are responsible for remitting the employee share of the premium to ESD on a quarterly basis. You can choose to withhold the entire 63.33 percent from your employee’s paycheck, or you can cover all or some of the premium on your employee’s behalf.

Important details:

- If you are using a voluntary plan for family or medical leave, your calculations may be different. Visit paidleave.wa.gov/voluntary-plans for more.
- Premium withholdings are capped at the Social Security cap, which is updated annually. It is $132,900 for 2019 and $137,700 in 2020.

I am a small business owner. How much do my employees pay?

Businesses of all sizes calculate premiums the same way and you may collect up to 63.33 percent of the total premium from your employees in paycheck withholdings.

- **If you have fewer than 50 employees**, you will only be assessed the employee portion of the premium. As of Jan. 1, 2019, you must withhold that portion of the premium from your employees or opt to cover that portion yourself. If you do not withhold that portion from your employees’ paychecks, you will be responsible for paying it yourself. Premiums should be withheld from each paycheck. Employers cannot collect missed premiums in later pay periods.
- **If you have 50 or more employees**, you will be assessed both the employee and employer portions of the total premium. If you do not withhold the employee portion from paychecks, you will be responsible for paying both portions yourself. Premiums should be withheld from each paycheck. Employers cannot collect missed premiums in later pay periods.

What if I didn’t start withholding premiums Jan. 1, 2019?

If you did not start collecting premiums from employees on Jan. 1, there is no penalty and you can begin withholding at any time provided you give your employees notice one pay period in advance. However, you cannot retroactively withhold premiums from employees, and you will be responsible for paying any missed premiums on their behalf. You should remit your premiums to the Employment Security Department in July or August of 2019 when your quarterly reports are due.

**Reporting**

Reporting fields:

- UBI number
- Business name
- Total premiums collected from employees
- Name of the report preparer
Then, for each employee:

- SSN or ITIN
- Last name
- First name
- Middle initial
- Wages paid in the reporting quarter and associated hours

Reporting periods follow calendar quarters and are aligned with the reporting periods for Unemployment Insurance (UI). However, this report is separate from UI and the two cannot be reported together. Please note: The quarterly reports referenced in WAC 192-540-030 must be submitted by the last day of the month following the end of the calendar quarter being reported. If a reporting date falls on a Saturday, Sunday, or a legal holiday, the reports will be due on the next business day.

<table>
<thead>
<tr>
<th>Reporting quarter</th>
<th>Report due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1: January, February, March</td>
<td>April 30</td>
</tr>
<tr>
<td>Q2: April, May, June</td>
<td>July 31</td>
</tr>
<tr>
<td>Q3: July, August, September</td>
<td>October 31</td>
</tr>
<tr>
<td>Q4: October, November, December</td>
<td>January 31</td>
</tr>
</tbody>
</table>

**Reporting process**

Starting July 1, 2019, employers can file reports and pay premiums online with a new Paid Leave account.

Like most Washington state agencies, Paid Family and Medical Leave uses SecureAccess Washington (SAW) to manage access to customer accounts. You will need an active SAW account to log-in to Paid Family and Medical Leave and establish your account. If you do not have a SAW account, create one at secureaccess.wa.gov.

Visit paidleave.wa.gov/reporting for how-to videos and more information about setting up an account and filing reports.

We will offer two reporting methods:

1. **Manual filing.** You will manually enter the name, SSN or ITIN, hours worked and wages paid separately for each employee. You can do this for up to 50 employees.
2. **Single filing.** You will compile the name, SSN or ITIN, hours worked and wages paid of each employee into a single CSV file (like an Excel spreadsheet). Instructions for creating a CSV file and the required file specifications are posted on our website at paidleave.wa.gov/reporting.
Additionally, employer agents (like payroll companies, CPAs and other third-party administrators) can report using an ICESA file. This is the method you will use if you need to report for multiple UBI numbers in a single report. More information on the ICESA format, including a test site where employer agents can test their ICESA files, is on our website at paidleave.wa.gov/bulk-filing.

Benefits

Paid Family and Medical Leave typically allows employees to take up to 12 weeks, as needed, if they:

- Welcome a child into their family (through birth, adoption or foster placement).
- Experience a serious illness or injury.
- Need to care for a seriously ill or injured relative.
- Need time to prepare for a family member’s pre- and post-deployment activities, as well as time for childcare issues related to a family member’s military deployment.

If employees face multiple events in a year, they may be eligible to receive up to 16 weeks, and up to 18 weeks if they experience a serious health condition during pregnancy that results in incapacity.

What happens when my employee uses leave? What notifications will I receive?

When a worker chooses to use Paid Family and Medical Leave, they must provide 30 days’ notice to you when they are able to. When 30 days’ notice is not possible, they must give notice when practical. As an employer, you can waive this requirement for whatever reason you see fit.

You will receive two notifications from us when a current employee applies for Paid Family and Medical Leave. The first is when they initially apply for benefits – you will have 18 days to contest their claim after receiving this notice. If you do not contest in this timeframe, you are waiving your objection to the application. This notice will include:

- Current employee’s name
- Last four digits of their Social Security number
- Paid Family and Medical Leave customer ID
- Anticipated leave dates
- The date they provided you notice, or if no notice was given

The second notification will let you know if your current employee was approved or denied for benefits. This will include:

- Current employee’s name
Washington
Paid Family & Medical Leave

- Last four digits of their Social Security number
- Paid Family and Medical Leave customer ID
- Whether they were denied or approved for benefits
- If their claim was approved: Their leave start date, and the leave end date (if known)

While the worker is on leave, they are required to complete a weekly claim and report hours they have worked or received paid time off for to the department. It is the worker’s responsibility to accurately report this information and they may need to coordinate with you to ensure they are not receiving wages during their period of leave.

You cannot discriminate or retaliate against an employee for requesting or taking paid leave.

Can an employee exhaust their FMLA leave and then take additional leave through Paid Family and Medical Leave?

An employee’s use of FMLA, or other available leave, does not diminish their available Paid Family and Medical Leave benefit. It is possible for an employee to use multiple leave options consecutively.

You may not require an employee to use other leave before using Paid Family and Medical Leave. There are consequences for wrongfully terminating an employee who uses Paid Family and Medical Leave, or for interfering with their use of the benefit.

Can my employee receive short term disability and Paid Family and Medical Leave at the same time?

A worker can receive short-term disability at the same time as Paid Family and Medical Leave. If a worker receives wages or paid time off at the same time as Paid Family and Medical Leave it will reduce their benefit payment, unless it is designated a “supplemental benefit.” Supplemental benefits are payments you make to your employees, for example in the form of designated PTO, that will not affect their Paid Family and Medical Leave benefit payment. Your employee’s benefit payment will be affected if they use paid time off or receive wages not designated a supplemental benefit by you while they are also using Paid Family and Medical Leave. Please see the “Supplemental Benefits” section below for details.

Am I required to hold an employee’s job when they use Paid Family and Medical Leave?

Employees who return from leave under this law must be restored to a same or equivalent job if they work for an employer with 50 or more employees*, have worked for this employer for at least 12 months, and have worked 1,250 hours* in the 12 months before taking leave (about 24 hours per week, on average).

An employee may also be protected under other local, state, and federal laws.
Am I required to continue an employee's health benefits when they are on leave?

The department is continuing to develop administrative rules around this topic and will have more information soon. Nothing prevents an employer from maintaining a worker’s benefits while they take Paid Family and Medical Leave so workers should ask their employer if they will continue their health coverage while on leave. If a worker is responsible for paying some of the health insurance premium, you can require that they continue to pay their share.

Guidance around the continuation of health care coverage will be provided in the near future.

My employee had a child in 2019, can they use this in 2020?

Workers have 12 months from the date of a child’s birth, adoption or placement to take paid leave. That means that if their child was born or placed in their family after January 2, 2019, they can still take leave in 2020, but they may not qualify for the full 12 to 16 weeks of paid leave.

For example, if their child was born February 1, 2019, they qualified for paid leave from January 1 until January 31, 2020. But if their child joined their family on May 25, 2019, they can apply for benefits and take their full leave any time before May 25, 2020.

What notification do I need to provide my employees about this program?

A new workplace poster is required to be posted in the workplace. The department will release this poster later in 2019, and employers will be able to find it on paidleave.wa.gov.

You must notify your employees in a timely manner of Paid Family and Medical Leave when they are on leave for reasons that could be covered by the program. When an employee has been away from work for 7 consecutive days and for reasons that could be covered by this program, you have 5 days to provide this notice.

This notice, created by the department, is available to download on our website at paidleave.wa.gov/employers.

Supplemental benefits

Can I pay my employees while they are using Paid Family and Medical Leave to make them whole?

A supplemental benefit is a payment from an employer to an employee to make up the difference between their regular wage and the benefit paid by Paid Family and Medical Leave.
This could be salary continuation, or paid time off (PTO). These payments must be in addition to any paid family or medical leave benefits the employee is receiving.

Paid time off is vacation leave, personal leave, medical leave, sick leave, compensatory leave or any other paid leave offered by an employer under their established policy.

It is your choice to offer supplemental benefits and you are not required to do so. If you choose to offer these benefits, it is also an employee’s choice to accept them.

**Key information about supplemental benefits:**

- An employer can offer supplemental benefits in a variety of ways, including drawing down a bank of paid time off (PTO) to use as a supplemental benefit in order to “top off” their employee’s benefit payment. However, there are no limits on supplemental benefits, so you may also provide your employees a supplemental benefit that takes them beyond their usual wage.
- Please make it clear to your employees if and what payments are a supplemental benefit, and not regular PTO. Your employee should not report supplemental benefits on their weekly claim as doing so will reduce their benefit amount.
- Management of supplemental benefits is entirely between you and your employees. It is only important to let them know if you offer them and when so they don’t report it on their weekly claim.
- For privacy reasons, the department does not provide an employee’s benefit amount to employers. If you wish to offer a supplemental benefit and would like to know how much an employee is receiving from Paid Family and Medical Leave in order for you to “top off” their payment, please ask your employee for that information. It is included in the approval letter your employee will receive in the mail from the department.
- All supplemental benefits are not considered gross wages and do not need to be included in quarterly reporting.

**Supplemental benefits and application processing**

As of March 2, 2020, application processing times are up to 10 weeks due to the tremendous volume of applications we have received after the launch of this new program. We know these processing times are unacceptable, and we are working hard to get these times down as quickly as possible. What this means for employers:

- All benefit payments are made from the approved leave start date, not the date from which the application is processed. When your employee is approved for Paid Family and Medical Leave they will file all missed weeks retroactively.
- Employees may take PTO while they are on their “waiting week” for medical or family leave. An employee will need to report on their weekly claims all other PTO or wages paid that are not considered a supplemental benefit while they wait for their application to process. The employee’s benefit amount will be pro-rated unless the PTO or wages are a supplemental benefit.
- More information and updates around processing times are on our website at paidleave.wa.gov/about-the-program.
Sample employee communications

Employers, HR or payroll are the first place most people will go when they notice new deductions from their paycheck. To help assist you in informing your employees of this new program, we’ve provided sample communications for you to share with your employees, including:

- Sample employee handbook materials
- Sample text for a blog, newsletter or email
- Sample paystub insert/attachment

Note: These materials are not offered, nor should they be construed, as legal advice. It is strongly advised that you have your company attorney review the draft before preparing your final copy.

Under the law, you are required to inform your employees about their rights under Paid Family and Medical Leave by posting a notice in a place customarily used to post other employment-related notices. This notice is available at paidleave.wa.gov.

Sample employee handbook materials

Paid Family and Medical Leave overview

Paid Family and Medical Leave is a mandatory statewide insurance program that will provide almost every Washington employee with paid time off to give or receive care.

If you qualify, this program will allow you to take up to 12 weeks, as needed, if you:

- Welcome a child into your family (through birth, adoption or foster placement)
- Experience a serious illness or injury
- Need to care for a seriously ill or injured relative
- Need time to prepare for a family member’s pre- and post-deployment activities, as well as time for childcare issues related to a family member’s military deployment. For specifics on military-connected paid leave, visit
  www.dol.gov/whd/regs/compliance/whdfs28mc.pdf

If you face multiple events in a year, you might be eligible to receive up to 16 weeks, and up to 18 weeks if you experience a serious health condition during pregnancy that results in incapacity.

Payment of premiums

The program is funded by premiums paid by both employees and employers. It will be administered by the Employment Security Department (ESD).
Premium collection started on Jan. 1, 2019. In 2019, the premium is 0.4 percent of wages. Employers can either pay the full premium or withhold a portion of the premium from their employees. Employers who choose to withhold premiums from their employees may withhold up to about 63 percent of the total premium, or $2.44 per week for an employee making $50,000 annually. The employer is responsible for paying the other 37 percent. Businesses with fewer than 50 employees are exempt from the employer portion of the premium but must still collect or opt to pay the employee portion of the premium.

Premium collection began Jan. 1, 2019. Your employer will calculate and withhold premiums from your paycheck and send both your share and theirs to ESD on a quarterly basis.

**Taking leave**

Starting Jan. 1, 2020, employees who have worked 820 hours in the qualifying period (equal to 16 hours a week for a year) will be able to apply to take paid medical leave or paid family leave. The 820 hours are cumulative, regardless of the number of employers or jobs someone has during a year. All paid work over the course of the year counts toward the 820 hours, including part-time, seasonal and temporary work.

While on leave, you are entitled to partial wage replacement. That means you will receive a portion of your average weekly pay. The benefit is generally up to 90 percent of your weekly wage, with a minimum of $100 per week and a maximum of $1,000 per week. You will be paid by the Employment Security Department rather than your employer.

Unlike the federal Family and Medical Leave Act (FMLA), employees of small businesses may take Paid Family and Medical Leave if they meet the standard eligibility requirements.

More information on applying for benefits will come in 2019. Please go to [paidleave.wa.gov](http://paidleave.wa.gov) for more information.

**What protections are there for me?**

Employees who return from leave under this law will be restored to a same or equivalent job if they work for an employer with 50 or more employees, have worked for this employer for at least 12 months, and have worked 1,250 hours in the 12 months before taking leave (about 24 hours per week, on average).

You can keep your health insurance while on leave. If you contribute to the cost of your health insurance, you must continue to pay your portion of the premium cost while on leave.

Your employer is prohibited from discriminating or retaliating against you for requesting or taking paid leave.

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**Sample text for a workplace blog, newsletter or employee email**
Starting in 2020, Washington will be the fifth state in the nation to offer paid family and medical leave benefits. This benefit offers partially paid leave to care for yourself or a loved one in times of serious illness or injury, to bond with a new child joining your home through birth, adoption or foster placement and for certain military-connected events if you have a family member in active duty service.

As a worker in Washington, you will experience a few changes in 2019. In your first paycheck of 2019, you might have noticed a new deduction. For example, if your gross wages are $50,000 per year, you may pay up to about $2.44 per week. Employers contribute to this program too, so we’re in this together.

In 2020, you will be able to apply for leave when you experience a qualifying event and have worked 820 hours (about 16 hours a week, on average) in the year leading up to your date of leave.

This isn’t like paid sick leave; you will file your claim with the Employment Security Department (ESD), and your payment will come from ESD. You can learn more at paidleave.wa.gov/find-out-how-paid-leave-works.

Do you have questions? Ask your HR representative or ask your questions directly to the Paid Family and Medical Leave program at paidleave@esd.wa.gov. You can also find them on Twitter, Instagram and Facebook @PaidLeaveWA.
If you choose to deduct premiums from your employee’s paycheck, you may want to share the paystub insert with them to explain the new withholding.

Visit paidleave.wa.gov/paystub to download the full-page English and Spanish versions, as well as additional translations in:

- Arabic
- Chinese
- Japanese
- Khmer
- Korean
- Laotian
- Punjabi
- Russian
- Somali
- Tagalog
- Ukrainian
- Vietnamese
Document change log

**November 14, 2018**
- Updated employer reporting requirements and deadlines (p 9)
- Updated Social Security cap for 2019 (p 9)

**November 19, 2018**
- Updated timeline for ESD’s release of the required employee notification poster (p 12)

**December 5, 2018**
- Updated description of calculating business size (p 6)
- Updated definition of gross wages (p 8)
- Expanded the explanation of calculating premiums (p 9 and 10)

**December 11, 2018**
- Removed stipends and per diem from the definition of gross wages (p 8)

**March 22, 2019**
- Updated reporting deadlines (p 5 and 11)
- Expanded details about report filing options and formats (p 12)
- Added small business section (p 8)

**July 1, 2019**
- Updated information about CBAs (p 6)
- Expanded description of wages and hours (p 11, 12 and 13)
- Added information about reporting process resources (p 16)

**August 13, 2019**
- Added information to the reporting periods chart (p 14)

**November 22, 2019**
- Added information about benefits (p 15)

**December 19, 2019**
- Updated list of information employers receive in notifications (p 15)
- Updated information about continuation of healthcare benefits (p 17)

**January 3, 2020**
- Updated information about continuation of healthcare benefits (p 17)
March 2, 2020

- Added information about premium withholding (p 5 and 7)
- Expanded definition of supplemental benefits (p 17)
- Added links to Paid Family and Medical Leave website (p 15, 18)

April 17, 2020

- Added casual labor to the list of exempt workers (p 5)
- Added son-in-law and daughter-in-law to the definition of family (p 7)
- Updated list of reportable hours (p 9)
- Added language about employer appeal rights (p 12)
- Expanded definition of supplemental benefits and paid time off (p 15)
Grant County Public Utility District No. 2, Washington

New Issue Summary
Series: Electric System Revenue Refunding Bonds Series 2020-R (mandatory put bonds) and Series 2020-S (index bonds).
Purpose: The bonds are being issued to refinance outstanding electric system short-term bonds and pay the costs of issuance.
Security: The electric system bonds are payable from the electric system revenues after payment of distribution system operating expenses, inclusive of Priest Rapids Project (PRP) resource costs.

The ‘AA’ Issuer Default Rating and bond ratings reflect Grant County Public Utility District No. 2’s very strong financial performance and exceptionally robust liquidity. The district benefits from its sizable hydroelectric generating resources, collectively the PRP, which produce very low-cost power in excess of the district’s retail needs. The excess capacity and energy is sold in the wholesale market.

The ratings factor in the risks and benefits of surplus energy sold into the wholesale energy market under short- and medium-term contracts and a concentrated industrial customer base. The rating also considers the district’s various strategies to mitigate these risks. As tremendous growth occurred in the district’s retail system (peak load increased to 813MW in 2019, up 22% from 2013), the financial risk of wholesale sales decreased, both through the electric system’s growing use of the excess capacity for retail load and through the district’s hedging strategy, which produces strong and consistent financial results.

Key Rating Drivers
Revenue Defensibility: ‘a’; Significant Wholesale Sales Supported by Various Contracts; Very Low Retail Rates: A majority of the district’s ample hydroelectric generation capacity is used to meet its domestic retail energy needs, with the remainder sold under a mix of take-or-pay contracted sales at cost, market priced auctions, and pooling and slice agreements.

The district manages wholesale contracts and hedging agreements to insulate the district from price and hydrological variability, but the district’s margins remain exposed to a level of wholesale sales risk that, combined with the service area characteristics, constrains Fitch Ratings’ assessment of revenue defensibility to ‘a’. Retail rates are very competitive and rate affordability is considered high.

Operating Risk: ‘aa’; Ample, Very Low-Cost Hydro Resources: The operating risk assessment reflects the district’s valuable hydropower generation resources that provide exceptionally low-cost electric power, calculated at approximately 3.0 cents/kWh in 2019. Operating costs are not expected to experience upward pressure. The district’s capital plans continue to increase as modernization investments are made and the full amount of future capex due to Federal Energy Regulatory Commission (FERC)-required relicensing is determined.

Financial Profile: ‘aa’; Very Strong Financial Profile: The district’s financial profile is very strong, with robust liquidity and coverage of full obligations (COFO) consistently above 2.0x. Capital spending and borrowing increased in recent years, and outstanding debt is $1.2 billion. Leverage nonetheless remains low for the risk profile at around 4.0x and is expected to remain below 6.0x through Fitch’s stress scenarios. The district’s cash reserves offset outstanding fixed obligations included in Fitch’s leverage ratio.

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Rating Sensitivities

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- While considered unlikely in the current recessionary environment, consistently higher funding in rates to support capex that produces a materially lower leverage profile could result in upward rating movement.

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- The district’s ability to effectively manage its operations, including the various hedging agreements, will be key to maintaining a strong revenue defensibility assessment.
- Unexpected sizable increases for capital spending or higher borrowing requirements that reduce financial margins and raise leverage consistently above 6.0x.

Coronavirus Considerations

The recent outbreak of the coronavirus and the related government containment measures creates an uncertain environment in the near term. Washington’s governor enacted a stay-at-home, stay-healthy order in mid-March and the state is reopening slowly. The district implemented an array of operational and safety precautions at the hydroelectric plants and district facilities. Financial impacts to date at the district have been limited and do not indicate credit impairment. While retail energy sales to date in 2020 are lower than budget, consolidated revenue performance is less affected because reductions to retail energy sales were partially mitigated through higher wholesale energy sales. The district revised its future load forecast downward as a result of lower retail demand and a slower pace of industrial load growth.

The district enacted a moratorium on residential disconnections for nonpayment in March 2020. Residential customers account for only approximately 21% of electric system revenues and the district has not observed any increase in its uncollected receivables. The district is considering the implementation of customer-assistance programs for certain residential customers affected by the effects of the coronavirus, but the district has robust liquidity reserves in place for contingencies. The district did not raise retail rates in 2020 and no increases are planned in 2021.

Credit impacts are limited to date, but material changes in revenue and cost profiles are occurring across the public power sector and may worsen in the coming months as economic activity suffers and government restrictions are potentially maintained or expanded. Fitch’s ratings are forward looking, and Fitch will monitor developments related to the severity and duration of the virus outbreak, and incorporate revised expectations for future performance and assessment of key rating drivers.

Credit Profile

The district is a vertically integrated electric utility serving retail customers throughout Grant County, WA, with a retail customer base of approximately 52,200. The district maintains and accounts for two operating systems: the electric distribution system comprising 4,381 miles of transmission and distribution lines, and the generating assets. The Priest Rapids and the Wanapum hydroelectric development generating assets, collectively the PRP, have a nameplate generating capacity of 2,157MW.

The district historically issued separate debt payable from the electric system and each of the two generating projects’ net revenues. However, the district consolidated the developments into one system called the PRP in 2010, and now issues PRP debt payable from the combined developments. The PRP hydro developments were combined under a new power sales contract, effective Nov. 1, 2009, that extends through the life of the FERC license expiring April 1, 2052. Under the FERC license, the district’s distribution system is entitled to 63.3% of the total physical output of the PRP, and is required to sell 30% of the output within the region, based on market prices.
Fitch rates the electric distribution system, PRP debt and the remaining amount of debt issued prior to 2010 and secured individually by the hydro developments as a single, integrated system. PRP debt is secured entirely by unconditional payments from the electric distribution system, reduced by any revenues the PRP collects from other wholesale counterparties, making the electric distribution system the ultimate obligor on the PRP bonds. The electric system makes payments to the PRP as an operating expense, therefore prior to payments on the electric system debt. However, if the PRP were to become inoperable or not provide any energy, the electric system payments to the PRP would become subordinate to the electric system bonds.

**Revenue Defensibility**

A majority of the district’s total operating revenue (65% in 2019) is generated from domestic retail sales Fitch considers exhibiting monopolistic demand characteristics, but a meaningful portion (25% in 2019) is from competitive revenue sources, both wholesale energy sales (22%) and fiber optic network sales (3%). The district continues to gradually build out its fiber optic network availability across the service area at a measured pace, although recent working from home trends increased the take rate — the number of customers opting for service from the district where the infrastructure is available — to 60%. The remainder of district revenues is sales under long-term contracts at cost, or derived from transmission and other miscellaneous sources.

**The Distribution System’s Physical Rights to 63.3% of PRP Hedged to Remove Hydrology Risk**

The district is entitled to a 63.3% portion of PRP output to provide retail service to the electric distribution system. The district proactively hedged its share of the output against hydrological variability through two short-term hedging agreements. A five-year energy pooling agreement with Shell Energy North America L.P. (SENA) provides SENA with 53.3% of the distribution system’s entitlement to the output from PRP. In exchange, SENA provides firm power sufficient to satisfy 100% of the district’s unmet retail load forecast through the life of the contract expiring September 2020, regardless of the project’s actual energy output. In a low water year, such as occurred in 2019, SENA provided more energy to the district’s retail load than was produced by the 53.3% share of the PRP.

Conversely, the agreement provides the upside financial potential associated with above average water conditions to SENA, which reduced the district’s overall wholesale revenues from levels exhibited prior to 2015 when the contract began. A second hedging agreement for the remaining 10% slice of the district’s PRP output is hedged under an agreement with Avangrid Renewables, LLC through December 2021.

The hedging strategy effectively limits the district’s hydrological risk and protects revenue stability, although the district has increased counterparty risk. The district and SENA both have collateral posting requirements if their ratings fall below investment grade, and the collateral posting is based on 12-month forward-looking rolling mark-to-market, not balance of contract. The district negotiated a similar pooling agreement for 33.3% of the PRP to take effect once the SENA contract expires for another five years. Management expects the remaining 20% to be replaced with agreements similar to that with Avangrid as part of a proposal process initiated in April. Fitch expects the district to continue pursuing its hedging strategy using pooling agreements and slice sales similar to the SENA and Avangrid agreements to mitigate water volume and market price risk on a rolling basis.

**Rights to Remaining 36.7% of PRP sold through Take-or-Pay Power Sales Contracts**

The competitive portion of the district’s consolidated revenues is generated by the district’s excess generating resources relative to its domestic retail energy needs and the FERC license requirements to sell 6.7% of the PRP at cost and 30% at market-based prices. The FERC license requirement stems from federal legislation adopted in 1954 — Public Law 83-544 — requiring the district to sell a FERC-established reasonable portion (30%) of the region’s PRP energy output under market rates. An annual auction is held to sell at least 3% of PRP output on a slice basis that establishes the price for the full 30% reasonable portion.

This 36.7% of PRP output is sold to 17 power purchasers under take-or-pay contracts expiring in 2052 that require the purchasers to pay their proportionate share of all costs of the PRP.

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**Outstanding Debt**

<table>
<thead>
<tr>
<th>Description</th>
<th>Rating</th>
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<tr>
<td>(Priest Rapids Hydroelectric Development) Revenue and Refunding Bonds</td>
<td>AA</td>
</tr>
<tr>
<td>(Priest Rapids Hydroelectric Project) Revenue Refunding Bonds</td>
<td>AA</td>
</tr>
<tr>
<td>(Wanapum Hydroelectric Development) Revenue and Refunding Bonds</td>
<td>AA</td>
</tr>
<tr>
<td>Electric System Revenue Refunding Bonds</td>
<td>AA</td>
</tr>
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</table>

Source: Fitch Ratings.
regardless of the revenues produced from the reasonable portion auction or whether or not the PRP is producing power. While these payments are contracted to cover, at a minimum, operating expenses and debt service, there is volatility in the level of sales. The 6.7% portion is a physical share of the asset at cost.

The other 30% is priced at market rates, as the district's retail load grows, retail load can be served from this 30% reasonable portion, or specifically, the financial benefits from these market sales can be used by the district to purchase energy for retail needs. This ability allows the district to access PRP energy at cost-based rates from this 30% portion. If district load declines, this share of the 30% being used by the district is purchased by the power purchasers at cost. The district's significant growth in new industrial customers is served from this share given the very low cost of the energy.

The table below shows the district's share of the overall PRP output increased to 82.6% in 2019, up from approximately 60% in 2010. At the pace the district's retail load is growing, management expects the district may consume the financial benefits related to the full reasonable portion within the next five years. However, 3% would still be required to be sold at auction to establish the value of the financial benefit.

### Priest Rapids Project — Percentage Purchases of Project Output

<table>
<thead>
<tr>
<th>(% )</th>
<th>2010</th>
<th>2013</th>
<th>2016</th>
<th>2019</th>
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<td><strong>Total</strong></td>
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<td><strong>100.00</strong></td>
<td><strong>100.00</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

*City of Forest Grove, City of McMinnville, City of Milton-Freewater, Kittitas County PUD, Snake River Power, Clearwater Power, Idaho County Light, Kootenai Electric Cooperative and Northern Lights.

PUD – Public Utility District.
Source: Grant County Public Utility District No. 2, Washington.

### Mixed Service Area Characteristics

Grant County encompasses a sizable 2,681 square miles along the Columbia River in central Washington. The county's economy is historically agricultural based. However, a relatively recent influx of tech companies (data centers) and energy-intensive industrial manufacturing firms (chemical and aluminum processors) helped diversify the economy and bring additional jobs into the area. Very low retail power costs create a strong environment for industrial growth.

Favorable demand characteristics, including retail customer growth of 1.9% per year over the prior five years and retail electric load growth near 4% per year, are strengths of the district's service area. Fitch expects this to continue in the medium term as the district expects continued strong load growth approximating 24% over the next five years, driven primarily by industrial growth. It is unknown how the ongoing coronavirus pandemic may affect the future growth plans of existing and potential industrial customers. However, a number of the new entrants in the region are data centers. The district continues to actively recruit data centers to its service area given its very low cost of power.

Other service area characteristics in the county, such as economic and demographic characteristics, are not as strong. Median household income and unemployment still reflect the agricultural base of the job market, with midrange income levels at 91% of the national average and weaker unemployment at 186% of the national level in 2019.
Very Low Retail Rates

The district is governed by an elected five-member board of commissioners, serving four- and six-year staggered terms. The board of commissioners has the exclusive authority to set rates and charges for the district’s services. No outside regulatory approval is required.

The exceptionally low cost of power from PRP allows the system to keep retail electric rates similarly exceptionally low, with retail rates among the lowest in the country. The district average retail revenue/kWh as reported by the U.S. Energy Information Administration in 2018 was well below the state average, at 51% of the average. Rate affordability is very high, as measured by average annual residential energy costs in relation to median household income, with an affordability ratio of 2.1%. The district increased retail rates by a modest 2% annually between 2014 and 2018. Rates were not increased in 2019 and 2020, and no increases are anticipated over the next four years.

Asymmetric Rating Factor Consideration — Customer Concentration

The district’s retail sales are concentrated with several large industrial customers. The 10 largest retail customers accounted for 38% of retail revenue in 2019 and the two largest accounted for 22% of electric system revenues. However, these revenues are a smaller portion of the district’s overall combined operating revenues, including wholesale. The largest customers are somewhat diversified in agriculture and manufacturing, but also include several large data centers. Fitch does not constrain the revenue defensibility assessment as a result of this concentration, largely due to the district’s below-market cost of power, which provides the option to readily sell excess power into the wholesale markets and reduces the potential financial impact from the departure of a large customer. Industrial rates are below market pricing.

Operating Risk

One of the district’s key credit strengths is the PRP’s exceptionally low-cost hydropower production. Fitch calculates a very low operating cost burden for the district at or below 3 cents/kWh over the past five years, anchoring the ‘aa’ operating risk assessment. The district calculated the PRP power production at a combined average cost of $18.60/MWh in 2018 and $22.80/MWh in 2019. The higher cost in 2019 reflected the below average water years; costs remain relatively consistent from year to year, but lower water results in lower energy production and a higher per-MWh cost. Even in low water conditions, PRP’s power cost continues to compare favorably with the region’s largest power supplier, Bonneville Power Administration, which provided wholesale power to preference customers an average cost of $35.6/MWh in 2019.

Operating Cost Flexibility

Fitch assesses the district’s operating cost flexibility as weaker due to the lack of resource diversity outside hydropower and susceptibility to variable water conditions. However, this risk is largely offset by the benefits of inexpensive power and the more than ample resources. The weaker assessment does not constrain the operating risk assessment from ‘aa’. The distribution system is entitled to physical rights to 63.3% of the PRP’s physical output and financial rights up to an additional 30% of the PRP’s output available for purchase by the electric distribution system to meet its estimated load requirements, which is sufficient to meet its current and anticipated retail customer load through 2028.

PRP’s operational flexibility provides significant additional value beyond the low energy cost of the power produced; value monetized both in the pooling and slice contracts the district uses for its physical share of the project and in the auction prices realized for the 30% share. Fitch expects the cost of the project’s hydropower to remain competitive despite large capital needs for turbine replacement, licensing and powerhouse improvements.

Environmental Considerations

Under the state’s renewable portfolio standards (RPS), utilities serving 25,000 customers or more, such as the district, are required to obtain 15% of their load from renewable resources by 2020. Eligible resources include incremental hydro, wind, solar or renewable energy credits (RECs). The district’s existing resources are sufficient to meet compliance for 2020, as provided from incremental PRP hydro generation and its share of the Nine Canyon Wind
Grant County Public Utility District No. 2, Washington
New Issue | August 13, 2020

Project. Under the pooling agreement with SENA, the district is allowed to take the environmental attributes in an amount sufficient to meet RPS requirements, with the remaining RECs going to SENA. Management expects the replacement contract to have similar terms. The district’s RPS requirements increase as its retail load grows, and management estimates a minimal level of qualifying REC purchases may be required beginning in the mid-2020s.

Washington also passed the Clean Energy Transformation Act in 2019, which requires the state to achieve a power supply free of carbon emissions by 2045. The district is well positioned given its carbon-free power supply. Once the PRP is no longer sufficient to meet the full retail load, the district anticipates using solar or other noncarbon resources.

Capital Planning and Management
Fitch calculates the average age of plant at 15 years, and capital management appears adequate. Capex to depreciation favorably totaled nearly twice depreciation over the last five years, related to both its generating assets and its distribution system. The 2021–2025 capital improvement plan (CIP) totals $739 million, with a majority dedicated to PRP investments and the remainder going toward the electric distribution system. The CIP will be funded at an estimated 25% from additional debt, with the remaining amounts funded from ongoing revenues.

Generating system replacement and investment is sizable and ongoing. Work completed to date includes the full replacement of all turbines and generators at Wanapum. All 10 turbines were replaced by 2013 and the district completed the process of replacing and upgrading all 10 generators in 2020. The incremental additional capacity gained through such investment is considered renewable under Washington’s RPS. The new turbine design also satisfies FERC license requirements to provide greater protection of healthy fish passage through the dams. A similar investment at Priest Rapids Dam that includes replacing the remaining turbines and generator upgrades is ongoing, with estimated costs of $307.4 million, including labor, for 2019–2028. The electric distribution system investments include substation work and the completion of its advanced metering rollout in 2019.

Seismic and Other Remediation
Both the Wanapum and Priest Rapids Dams need work to remedy potential exposure to seismic risk. Only the Priest Rapids Dam is being modified, at an estimated cost of just under $50 million. The Wanapum Dam potentially needs remediation and is the subject of an engineering analysis in progress. The analysis is scheduled to be complete by early 2022. A fracture discovered in the Wanapum Dam in 2014 was repaired for roughly $62 million, with a portion covered by insurance. The dam was back to full operation in 2015.

Financial Profile
The district’s consolidated financial profile is very strong. Fitch-calculated COFO was consistently over 2.0x over the past five years, including 2019, which included below average water conditions to the region, which is a stress scenario for many electric utilities in the northwest. The district insulated its financial performance from hydrology risk through the terms of the power supply contracts for the reasonable portion of the PRP project and the slice and pooling arrangements in place for the district’s physical share. The operating margin in 2019 continued to be strong at over 30% in 2019, as it had been the four years prior.

Liquidity is robust, with unrestricted cash balances above $245 million in 2018 and 2019, which amounts to over 600 days cash on hand given the district’s relatively low operating expenses. Fitch’s calculation of unrestricted cash balances includes the electric system reserve and contingency fund, which totaled $128.8 million at the end of 2019. Cash is well above the district’s targets of $105 million and 250 days cash on hand for the electric system. Approximately $28 million in reserves were used in January 2020 to defease debt.

The district’s leverage profile is considered very low, given its revenue defensibility and operating risk assessments, and remained relatively consistent over the past four years between 4.4x and 5.8x. Fitch’s net leverage calculation includes cash balances in bond sinking funds and debt service reserve funds. The district has sizable balances in these funds — $218 million at the end of 2019 — which helps offset fixed obligations, including outstanding debt and pension obligations.
Fitch Analytical Stress Test (FAST)

Fitch’s analysis considered the district’s financial forecast as a starting point for the FAST. The district’s forecast assumes continued strong growth in retail energy sales. Despite following 1Q20 results, the load forecast was revised downward from prior levels to include a slight decline in retail sales in 2020 and 5% growth in subsequent years. The forecast assumes no retail rate increases and consolidated capex of $739 million over the next five years, funded 25% from debt proceeds. The forecast includes wholesale revenues in line with prior years because the district reduced its financial exposure to market price and hydrology fluctuations.

In Fitch’s standard base case FAST, key financial ratios remain supportive of the rating. Leverage remains consistently around 4.0x, and COFO and liquidity closely track 2019, with a potential slight decline in liquidity but continued at robust levels. Fitch’s stress case assumes 7.0% decline in retail sales in year one and further 3.9% decrease in year two before resuming growth and recovery in the remaining three years. In this stress scenario, leverage remains solidly below 6.0x, and COFO and liquidity remain supportive of the rating.

Fitch also considered a coronavirus-sensitized downside case in our analysis that modeled a 9% decline in retail sales in year one, with a recovery occurring over the following four years. While this demand decline is well above what the district is experiencing, the downside case is designed to evaluate the potential credit impact of major setbacks in containing the virus and the possibility of the extension of re-imposition of societal lockdowns. Key ratios in this downside scenario appear similar to the stress case results noted above and all key ratios remain supportive of the rating.

Debt Profile

The district has total consolidated debt outstanding of approximately $1.2 billion. The majority of debt is outstanding for the PRP system. PRP revenue bonds issued in 2010 and later account for $787.6 million of total debt, and Wanapum Development and Priest Rapids Development debt specific to each project, issued prior to 2010, account for a total of $128.4 million in remaining debt. No additional debt will be issued on a project-specific basis. All debt related to the generation projects is paid as an operating expense of the electric system, or from proceeds under the power supply contracts with 17 power purchasers. The purchasers are obligated to pay the full cost of project, including 115% of the debt service each year.

Remaining debt consists of senior and subordinate debt secured by electric system revenues, including the new series 2020-R and series 2020-S bonds that will refund outstanding debt in like amounts. Following the refunding, the district will only have $50 million in subordinate-lien electric system debt. The majority of the district’s consolidated debt is fixed rate, except for approximately $150 million.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of Environmental, Social and Governance (ESG) credit relevance is a score of ‘3’ — ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity.

For more information on Fitch’s ESG Relevance Scores, visit www.fitchratings.com/esi.
Financial Summary — Grant County Public Utility District No. 2, Washington

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td>Net Adjusted Debt to Adjusted FADS (x)</td>
<td>6.67</td>
<td>5.38</td>
<td>5.78</td>
<td>4.63</td>
<td>4.39</td>
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<td>Total Current Maturities of Long-Term Debt</td>
<td>30,915</td>
<td>32,075</td>
<td>31,635</td>
<td>29,240</td>
<td>80,580</td>
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<td>Total Long-Term Debt</td>
<td>1,321,778</td>
<td>1,333,458</td>
<td>1,340,124</td>
<td>1,306,064</td>
<td>1,221,069</td>
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<td>Total Debt</td>
<td>1,352,693</td>
<td>1,365,533</td>
<td>1,371,759</td>
<td>1,335,304</td>
<td>1,301,649</td>
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<tr>
<td>Total Operating Revenue</td>
<td>313,169</td>
<td>286,316</td>
<td>293,909</td>
<td>311,270</td>
<td>321,174</td>
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<tr>
<td>Total Operating Expenses</td>
<td>217,077</td>
<td>187,574</td>
<td>198,812</td>
<td>202,707</td>
<td>220,344</td>
</tr>
<tr>
<td>Operating Income</td>
<td>96,092</td>
<td>98,742</td>
<td>95,097</td>
<td>108,563</td>
<td>100,830</td>
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<tr>
<td>+ Adjustment for Deferred and Subsidy Revenue</td>
<td>8,214</td>
<td>10,545</td>
<td>10,556</td>
<td>10,552</td>
<td>10,545</td>
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<tr>
<td>+ D&amp;A</td>
<td>56,985</td>
<td>61,956</td>
<td>66,206</td>
<td>73,234</td>
<td>76,050</td>
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<tr>
<td>+ Interest Income</td>
<td>4,600</td>
<td>10,008</td>
<td>12,833</td>
<td>11,391</td>
<td>22,324</td>
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<td>FADS</td>
<td>165,891</td>
<td>181,251</td>
<td>184,692</td>
<td>203,740</td>
<td>209,749</td>
</tr>
<tr>
<td>+ Adjustment for Purchased Power</td>
<td>8,290</td>
<td>0</td>
<td>423</td>
<td>1,339</td>
<td></td>
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<tr>
<td>+ Pension Expense</td>
<td>2,993</td>
<td>4,325</td>
<td>2,850</td>
<td>2,34</td>
<td>2,35</td>
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<tr>
<td>Coverage of Full Obligations (x)</td>
<td>2.08</td>
<td>2.13</td>
<td>2.02</td>
<td>2.34</td>
<td>2.35</td>
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<tr>
<td>FADS</td>
<td>165,891</td>
<td>181,251</td>
<td>184,692</td>
<td>203,740</td>
<td>209,749</td>
</tr>
<tr>
<td>+ Adjustment for Purchased Power</td>
<td>8,290</td>
<td>0</td>
<td>423</td>
<td>1,339</td>
<td></td>
</tr>
<tr>
<td>Total Annual Debt Service</td>
<td>75,289</td>
<td>85,191</td>
<td>91,424</td>
<td>87,138</td>
<td>89,309</td>
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<tr>
<td>+ Adjustment for Purchased Power</td>
<td>8,290</td>
<td>0</td>
<td>423</td>
<td>1,339</td>
<td></td>
</tr>
<tr>
<td>Liquidity Cushion (Days)</td>
<td>455</td>
<td>817</td>
<td>578</td>
<td>790</td>
<td>621</td>
</tr>
<tr>
<td>Unrestricted Cash (Days)</td>
<td>455</td>
<td>817</td>
<td>578</td>
<td>790</td>
<td>621</td>
</tr>
<tr>
<td>Liquidity Calculation</td>
<td>199,550</td>
<td>281,128</td>
<td>209,984</td>
<td>280,057</td>
<td>245,465</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>217,077</td>
<td>187,574</td>
<td>198,812</td>
<td>202,707</td>
<td>220,344</td>
</tr>
<tr>
<td>- D&amp;A</td>
<td>56,985</td>
<td>61,956</td>
<td>66,206</td>
<td>73,234</td>
<td>76,050</td>
</tr>
<tr>
<td>Cash Operating Expenses</td>
<td>160,092</td>
<td>125,618</td>
<td>132,606</td>
<td>129,473</td>
<td>144,294</td>
</tr>
</tbody>
</table>

FADS = Funds available for debt service. PBO = Pension benefit obligation. D&A = Depreciation and amortization.
Source: Fitch Ratings; Fitch Solutions; Lumesis; EIA; Grant County Public Utility District No. 2, Washington.
### Key Definitions

<table>
<thead>
<tr>
<th>Terms</th>
<th>Definition</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer Default Rating (IDR)</td>
<td>An expression of overall enterprise risk and relative vulnerability to default.</td>
<td>Provides an opinion of the relative ability of an entity to meet financial commitments, expressed as an ordinal measure of credit risk.</td>
</tr>
<tr>
<td>Net Adjusted Debt</td>
<td>Adjusted debt - unrestricted cash - funds restricted for debt service</td>
<td>Provides an inclusive evaluation of long-term liabilities offset by funds available for debt service.</td>
</tr>
<tr>
<td>Adjusted FADS</td>
<td>EBITDA + interest income + 30% of purchase power expense + operating lease expense + pension expense</td>
<td>Provides an indication of cash flow available for the payment of debt service, adjusting for purchased power, operating lease and pension obligations.</td>
</tr>
<tr>
<td>Net Adjusted Debt to Adjusted FADS</td>
<td>Net adjusted debt/adjusted FADS</td>
<td>Provides an indication of net total leverage position against available operating cash flow.</td>
</tr>
<tr>
<td>Full Obligations</td>
<td>Cash interest paid + scheduled long-term principal payments + 30% of purchase power expense</td>
<td>Provides an indication of inclusive fixed and debt service obligations.</td>
</tr>
<tr>
<td>Coverage of Full Obligations</td>
<td>(EBITDA + interest income + 30% of purchase power expense + operating lease expense - transfers/distributions)/full obligations</td>
<td>Provides an indication of the relative cushion of operating cash flow to fixed charges.</td>
</tr>
<tr>
<td>Base Case</td>
<td>The expected forward-looking case in the current macroeconomic environment.</td>
<td>Provides the analytical starting point in the forward-looking analysis, and also informs the rating case.</td>
</tr>
<tr>
<td>Rating Case</td>
<td>The potential performance under a common set of assumptions.</td>
<td>Illustrates how cycles affect individual issuers differently, and informs the level of rating stability and credit resiliency.</td>
</tr>
</tbody>
</table>
The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.
Grant County Public Utility District No. 2, Washington; Retail Electric

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Paul J Dyson, San Francisco (1) 415-371-5079; paul.dyson@spglobal.com

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Doug Snider, Centennial + 1 (303) 721 4709; doug.snider@spglobal.com

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Enterprise Risk Profile: Very Strong
Financial Risk Profile: Extremely Strong
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Credit Profile

<table>
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<tr>
<th>Bond Details</th>
<th>Rating</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$50.3 mil elec sys rev rfdg bnds (Sifma Index) ser 2020-S due 01/01/2044</td>
<td>AA+/Stable</td>
<td>New</td>
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<tr>
<td>US$41.025 mil elec sys rev rfdg bnds (Mandatory Put Bnds) ser 2020-R due 01/01/2044</td>
<td>AA+/Stable</td>
<td>New</td>
</tr>
<tr>
<td>Grant Cnty Pub Util Dist #2 elec sys revenue and rfdg bnds</td>
<td>AA+/Stable</td>
<td>Affirmed</td>
</tr>
</tbody>
</table>

Rating Action

S&P Global Ratings assigned its 'AA+' long-term rating to Grant County Public Utility District No. 2 (Grant PUD, or the district), Wash.'s proposed $41.0 million series 2020-R (mandatory put bonds) and $50.3 million series 2020-S (SIFMA index) electric system revenue refunding bonds. At the same time, we affirmed our 'AA+' long-term rating on the district's previously issued electric system revenue bonds. The outlook is stable.

The bonds are secured by net revenue of the district's electric system, and proceeds will refund the district's series 2017-M and 2017-N bonds.

The series 2020-R bonds will be issued in a fixed-term rate until the mandatory tender date of Dec. 1, 2025, at which point they are subject to mandatory tender for purchase and conversion to a new term rate or to a daily, weekly or index floating rate. No liquidity facility is in place as security for the purchase price of the bonds; in the event that funds are insufficient to meet the mandatory tender, the bonds will bear interest at a stepped interest rate (determined at final pricing) until successfully remarketed. A failure to pay the purchase price on the mandatory tender date is not an event of default.

The 2020-S bonds will bear interest at the adjusted SIFMA rate not to exceed a maximum rate of 12% for the initial index floating-rate period ending on Dec. 1, 2023, subject to prior optional redemption or conversion to a new index floating rate or to another interest rate mode, as described herein. The adjusted SIFMA rate is the SIFMA index plus the index floating-rate spread. At the end of the initial index floating-rate period, the 2020-S bonds are subject to mandatory purchase, and the bonds may be redeemed or converted to a new index floating rate or another interest rate mode. As with the series 2020-R bonds, the series 2020-S bonds have no liquidity facility in place as security of the purchase price of the bonds; in the event that funds are insufficient to meet the mandatory tender, the bonds will bear interest at a stepped interest rate (determined at final pricing) until successfully remarketed. A failure to pay the purchase price on the mandatory tender date is not an event of default.

As of Dec. 31, 2019, the district had $232 million in electric system debt and $1.3 billion in project debt at its Priest Rapids Project (PRP), including subordinate intersystem loans from the electric system; the district's approximate
share of PRP debt is about $1.1 billion. The PRP consists of the Wanapum and Priest Rapids developments, and PRP off-takers, including the district itself, under take-or-pay, cost-of-service contracts, service a large portion of project debt. In addition to direct electric system debt and PRP debt, the district is responsible for approximately $4.6 million of off-balance-sheet debt attributable to its share of Nine Canyon Wind Phase I project debt.

A rate covenant requires net revenue sufficient to provide 1.25x annual debt service coverage, and the district may issue additional bonds if net revenue for any 12 consecutive months of the previous 24 months provide 1.25x maximum annual debt service coverage. Net revenue may be adjusted for adopted rate increases, system improvements, and new customers. Management may use transfers from the reserve and contingency fund to meet the rate covenant, but not to meet the additional bonds test.

Separately, with regard to the PRP bonds outstanding, the electric system is obligated, whether or not the PRP is producing power or capable of doing so, to pay all project costs, including its share of debt service, not otherwise paid by other purchasers, and this obligation is payable as an operating expense prior to electric system direct debt service. The electric system covenants to set rates as it deems necessary to make such payments, in the event that required payments are not otherwise made.

Credit overview
Grant PUD, a vertically integrated public utility located in central Washington, serves about 41,000 electric customers and about 51,600 active meters. It operates its electric system independently of its two hydroelectric developments, the Priest Rapids development and the Wanapum development, together known as PRP.

Thus far, the COVID-19 pandemic’s overall effect on the district has been relatively minor and we believe the district’s key financial metrics will remain near historically robust levels for the near future. The district initiated its already-established Incident Command System in formal response to the pandemic on Mar. 4; the system is designed to guide the district through an emergency by adjusting operations quickly while managing risk, and the district has implemented safe working practices as well as continuity of operations plans. The district also has an employee sequestration plan that it can implement, if needed.

On March 23, the governor of Washington issued Proclamation 20-23, which prohibits electric utilities from disconnecting or refusing to reconnect residential customers who may be affected by COVID-19 and cannot pay their utility bills. It also prohibits utilities from charging late or reconnection fees, and encourages utilities to set up flexible payment plans for delinquent accounts. Despite this, the district reports no material change in aged receivables, and estimated unbillable late fees for 2020 of $620,000 are just 0.2% of total forecast revenue. According to management, there has been no indication as to when Proclamation 20-23 might be lifted. While energy sales in March 2020 were down 14% on the year, temperatures were milder; energy sales in April and May 2020 were up 2% and 9% year over year, respectively, with June energy sales down 8%. Overall through June, energy sales in 2020 were down just 2% from 2019 levels. The district reports no significant business closures or large-scale layoffs in its service territory, and the increase in residential usage has helped offset declines in commercial and industrial loads. Nonetheless, in our view, the ongoing pandemic and related recessionary pressures could weigh more heavily on the rating as time passes, especially to the extent to which the crisis deepens or extends. For more information, see our report "COVID-19's Potential Effects In U.S. Public Finance Vary By Sector," published March 5, 2020, on RatingsDirect.
The rating reflects our opinion of the district's very strong enterprise risk profile mainly based on our view of its exceptional market position and very strong operational management assessment, and our view of the district's extremely strong financial risk profile given the district's track record of maintaining very robust fixed-charge coverage (FCC) and liquidity.

The very strong enterprise risk profile further reflects our view of the district's:

- Very strong operational and management assessment, highlighted by strong, non-carbon-emitting operational assets, very strong environmental compliance, extremely strong management, policies, and planning, and very strong rate-setting practices;
- Adequate service area economic fundamentals, with a growing customer base that has generated very strong demand growth in recent years, especially the industrial sector, but with unemployment rates exceeding the national rate; and
- Extremely strong market position as a result of rates that are among the lowest in the nation at slightly more than 4 cents per kilowatt-hour according to our calculations.

The financial risk profile reflects our view of the district's:

- Extremely strong coverage metrics, with FCC of 2.1x in audited fiscal 2019;
- Extremely strong liquidity and reserve position, with $203 million in available reserves, or 414 days' cash, as of fiscal 2019, projected at no less than $150 million, or 263 days' cash, through fiscal 2024; and
- Very strong debt and liabilities profile, suggested by the district's debt to capitalization of just 20% as of fiscal 2019 but a higher 53% when including debt and equity related to the district's share of the PRP.

The stable outlook reflects our assessment of the district's extremely low-cost power supply resulting in market prices that are substantially below the prevailing market. The outlook also reflects our view of the absence of significant additional debt needs, the district's exceptionally strong financial position, and our expectation that management will continue to implement budget adjustments or enter into hedging agreements that promote revenue predictability and stability.

**Environmental, social, and governance factors**

The district sources almost 100% of its power through non-carbon-emitting hydroelectric, nuclear, and wind resources, significantly shielding the district from the uncertainty, costs, and operational challenges of legislative and regulatory initiatives to reduce greenhouse gas emissions. Management has taken several measures to minimize the impact of the ongoing COVID-19 pandemic on staff and operations. Nevertheless, we believe the electric system faces social risk related to COVID-19, as efforts to protect the health and safety of the community may affect the system's financial metrics. We believe the district's exceptional coverage and liquidity metrics combined with its significant rate competitiveness offset these risks. We view the utility's governance factors as credit supportive, as they include full rate-setting autonomy as well as strong policies, forecasting, and planning practices.
Stable Outlook

Downside scenario
We don't expect to lower the rating during our two-year outlook period given the district's significant rate flexibility resulting from its extremely low-cost power supply, and our view that the utility has considerable cushion for erosion in FCC and liquidity while sustaining extremely strong metrics.

Upside scenario
We don't expect to raise the rating over the next two years given Grant's moderate concentration in leading customers and industrial sales, relatively high unemployment, asset concentration, and exposure to variable hydrology.

Credit Opinion

Enterprise Risk Profile: Very Strong

Operational Management Assessment: Very strong
In our opinion, the district's operational management is very strong, highlighted by its strong operational assets, extremely strong management, policies, and planning, very strong environmental compliance, and very strong rate-setting practices.

The district's primary competitive strength is its preferential access to abundant low-cost hydroelectric power, most of it from owned PRP hydro generation. In addition, the district has minimal reliance on Bonneville Power Administration (BPA) power compared with most electric utilities in the region, purchasing only 1% of its power from BPA to serve loads in the Grand Coulee area because this region is not easily served from district resources. Each PRP development has 10 turbines, giving it shaft diversity, but we believe that reliance on hydrology for a significant portion of supply is a moderate credit risk, even if the supply is partly hedged. Given that the electric system is the largest PRP off-taker at 82.6% of project output (physical and financial) as of 2019, it is also indirectly funding a large portion of the PRP's capital needs, which remain high as a result of turbine-related projects.

We view the district's environmental regulation and compliance assessment as very strong. The district does not face looming greenhouse gas compliance costs that owners of conventional power plants do. Also, it is in compliance with the state's renewable energy mandate known as I-937. The district expects to meet all future requirements, utilizing existing incremental hydro and Nine Canyon Wind Project output. Subject to the final official rule-making process, the district also anticipates being compliant through 2045 under the Washington Clean Energy Act, which requires 100% clean (carbon-free) energy by 2045. Although not subject to external rate oversight, the district's hydroelectric dam operations are subject to federal and state regulation. Such regulation includes relicensing and operating requirements that the Federal Energy Regulatory Commission has imposed to achieve compliance with the Endangered Species Act, which protects several local fish species that the projects have been shown to affect adversely. As the operator and an off-taker of the projects, the district is exposed to noncompliance-related regulatory and legal risks, which primarily manifest as increased production costs. The district projects that regulatory compliance requirements are likely to
result in increased production costs at its projects, but we believe these costs will remain competitive.

We view the district's management, policies, and planning as extremely strong. Management is especially proactive when it comes to management of generation, wholesale revenue volatility, and counterparty credit risk. This is key to mitigating price, stream flow, and operational risk. District financial policies include an internal goal of no less than 1.8x debt service coverage on a consolidated basis, $100 million in the reserve and contingency fund, and $5 million in the electric revenue fund, which the district has achieved. As of fiscal 2019, the fund held $130 million in cash. In our view, strong financial reserves are essential for stabilizing the district's financial position during unanticipated events or for other financial exposures, but power supply volatility over the next few years has largely been contained as a result of the district's expanded slice strategy (discussed below). Other significant financial policies and parameters include a minimum working capital balance of $35 million and funding of no less than 50% of capital from current revenue, excluding generation projects.

The district's rate-setting practices are very strong, in our view, reflecting our view of its demonstrated ability and willingness to adjust rates, with annual base rate increases in fiscal years 2010 to 2018 of 2% to 8%. No rate increase was made in fiscal 2019, and none is anticipated in fiscal 2020. The district's multilayered comprehensive approach to power supply management offsets the absence of a power cost adjustment mechanism. The district's elected five-member commission establishes rates, with full rate autonomy. Management plans additional base rate increases of 0.1% annually in fiscal years 2021 to 2024 effective April 1 of each year. These rate increases are designed to fund electric system capital needs, maintain or increase reserves, and address increasing generation costs at PRP, but also to allow the district to meet financial planning parameters. In our view, these rate increases will serve to provide the district with continued strong margins and liquidity, consistent with a 'AA+' rated municipal electric system.

**Economic fundamentals: Adequate**

We view the district's economic fundamentals as adequate, characterized by an economic base that continues to produce strong load growth, especially from commercial and industrial customers, but with relatively high unemployment and median household effective buying income that is below the national average. The district's extremely low-cost power—whereby if the district experienced customer loss and were required to sell the power on the market, it would likely do so at a profit—also supports our economic fundamentals assessment.

Grant PUD's retail load growth was robust at about 20% on a gross basis during fiscal years 2014 to 2019. While the district anticipates additional 24% load growth over the next five years, mainly as a result of the industrial sector, we believe the ongoing COVID-19 pandemic could limit load growth, especially during 2020 and 2021. The local economic base, though historically based on agriculture and food processing, now has large industrial users representing a diverse mix of sectors, including a growing number of high-tech firms and data centers, chemical manufacturers, manufacturing, and silicon/silane gas production. While we view this growth as favorable, we do note that growing reliance on inherently more volatile industrial loads poses a credit risk. Demographic indicators are average-to-below-average, with 2019 median household effective buying income 91% of the national average and unemployment at 7.2% versus 3.6% for the U.S. We believe the ongoing COVID-19 pandemic's recessionary pressures introduce economic uncertainty for the district. See the report "U.S. Faces A Longer And Slower Climb From The Bottom," published June 25, 2020.
Residential customers constituted just 22% of total retail operating revenue, versus industrial customers at 48%, irrigation customers at 12%, and commercial customers at 17%. Off-system sales accounted for 16% of all operating revenue in 2019, the lowest level in at least 10 years, partly as a result of below-average (84% of normal) runoff, but also because of the district's expanded slice strategy. The leading 10 retail customers, which accounted for 38% of retail revenue in 2019, remain primarily in the materials/chemicals and food processing industries, and in the rapidly expanding technology sector (three data centers). Retail loads grew 4% in 2019 following 7% growth in both 2017 and 2018; load growth has averaged a moderately high 6% annually since 2009. Grant PUD will continue to meet additional load growth with an increased portion of output from PRP (physical and financial up to 93.3%), incremental hydroelectric resources and efficiency upgrades, conservation, and other resources to be determined. The district's share of PRP generation grew to almost 83% as of fiscal 2019 from 60% in 2010. The district does not anticipate needing to purchase additional resources for the next few years; Grant will likely exhaust its owned hydroelectric resources by 2025.

**Market position: Extremely strong**

We consider the district's market position extremely strong, reflecting weighted average revenue per kilowatt-hour that is among the lowest in the country at just 4.2 cents, or a very economical 67% of the state average (weighted; according to Energy Information Administration data as of 2018). This is largely a result of superior project economics from its baseload units, the Priest Rapids and Wanapum Hydroelectric Developments. The district's average power cost was just $21 per megawatt-hour in 2019, well below the Bonneville preference rate of $36 per megawatt-hour and prevailing market prices and in line with previous years. The very low industrial rate that the district offers reduces competitive pressure from investor-owned utilities, but the district does compete with neighboring municipally owned utilities in whose service areas several of the district's large industrial customers operate. In our view, rates will remain very low during the next five years with planned rate increases of no more than 0.1% annually.

**Financial Risk Profile: Extremely Strong**

**Coverage metrics: Extremely strong**

The district has demonstrated robust financial performance for several years running, including in fiscal 2019. Actual FCC was 2.1x in fiscal 2019 and has averaged 2.2x over the past five years. FCC treats off-balance-sheet debt service (e.g., the system's share of the PRP and Nine Canyon Wind projects) as debt service rather than as operating expenses. In our view, the district's forecast assumptions are reasonable, especially given the district's recent track record. Forecast FCC through 2024 is no less than 2.2x and assumes minimal rate increases and minimal additional debt. We view the district's projections as reasonable, including assumptions on wholesale slice sales activity, customer growth, expense growth, and market prices.

Wholesale operations have historically represented a significant business segment, as the district is typically a net seller into the market. But as retail sales grow, wholesale opportunities decrease. Market prices also heavily influence wholesale sales, being generally lower in above-average water years, but volatility in hydrological conditions is also a major factor. The district's wholesale revenue was $41 million, or 16% of operating revenue, in 2019, and is forecast to represent about 25% of operating revenue over the next five years. As has been the case in 2018 and 2019, the district's wholesale sales will be remain relatively lower than historical levels but more predictable, largely removing
the upside and downside potential from year to year that can result from volatile hydrology. This strategy is known as
the district's expanded slice strategy.

The district, aiming to improve revenue predictability (and reduced volatility) from wholesale sales, engages in
wholesale sales hedging by selling its own slice product (not to be confused with BPA's Slice product), or energy from
the electric system's share of surplus PRP generation. Slice contracts are sold over market and are packaged with
simultaneous position buybacks. Nonetheless, in our view, the district's hydrology risk and revenue volatility risks
require the district to maintain a strong liquidity position. The district limits its commodity, market, and credit risks by
adhering to conservative risk management guidelines. In forecasting its long-term resource needs, the district budget
may use a "critical water" level of production assumption at its hydroelectric projects, to the extent a slice program is
not in place. The district entered into a contract to sell a 10.0% portion, or slice, of its 63.3% physical share of PRP
Avangrid receives 10% of actual PRP output, and the district, in return, enters into positional, firm fixed-price energy
buybacks, with the aim of hedging water volume and operational risks through greater portfolio diversification.

The district took its net revenue stability strategy an extra step in September 2015 and entered into a pooling
agreement with Shell Energy of North America (SENA) whereby it provided SENA with 43.3% of the capacity and
energy of PRP through June 30, 2016, stepping up to 53.3% from July 1, 2016 through Sept. 29, 2020. Under the
contract, SENA receives the right to the actual PRP variable generation, and in return the district receives firm power
(from a mix of resources) sufficient to meet its load. The firm power is without regard to actual generation or
streamflow conditions. Not only is the contract designed to improve the district's net revenue stability, but it enables
the district (and SENA) to satisfy variable peak load demands, diversify supply, and enhance reliability. Once the SENA
contract expires this fall, the district anticipates replacing it with two smaller, similar contracts with slices of 33.3% for
five-year terms and 20% for three-year terms.

In our view, these agreements add stability and predictability to the district's wholesale revenue given that the
purchasers assume hydro variability risk, but the purchasers also benefit from upside. At the same time, the district
avoids downside risk to wholesale sales revenue during low runoff years but cannot take advantage of above-average
runoff. Management reports that the SENA pooling agreement has worked as planned in terms of minimizing risk in
the district's load resource portfolio. In addition, thus far there have been no instances when SENA was unable to serve
the district's load, including this past year.

Liquidity and reserves: Extremely strong
We consider the district's liquidity and reserves extremely strong, with $203 million in available reserves, or 414 days'
cash, as of fiscal 2019 (cash balances plus balances in the district's renewal and contingency fund). The district's
internal policy requires it to maintain no less than 250 days' cash of operating expenses. Based on the district's
forecast, it anticipates generating significant cash flow that will significantly bolster liquidity, a portion of which it
intends to use for significant capital projects. The district projects total liquidity sources to remain at no less than about
$150 million, or no less than about nine months' worth of operating expenses, through 2024. In January 2019, the
district used excess operating and bond reserves available to pay down $91 million in debt; nonetheless, liquidity
remains at levels we believe are commensurate with the rating. According to the district, unrestricted cash at PRP
could also be used for electric system debt service if needed, but this is an unlikely scenario. In our view,
financial reserves are essential for stabilizing the district's financial position during unanticipated events or for other financial exposures, but power supply volatility over the next few years has largely been contained as a result of the district's expanded slice strategy.

**Debt and liabilities: Very strong**
In our opinion, the district's debt and liabilities profile is very strong, suggested by debt to capitalization of 20%, which we consider very low, as of fiscal 2019. Inclusive of the district's share of PRP debt and equity, we calculate an adjusted debt-to-capitalization ratio of about 53% for fiscal 2019. Given minimal additional debt issuances planned over the next several years for the electric system, we anticipate that debt balances will continue to decline. For fiscal years 2020 to 2024, the electric system has budgeted $321 million in capital spending, largely related to transmission, distribution, and fiber/broadband investments. Separately, capital spending at PRP over the next five years is budgeted at $417 million (funded mostly by the district), consisting largely of turbine and generator rehabilitation and other powerhouse projects.

**Related Research**
Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020
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## New Contract Requests - July 2020

<table>
<thead>
<tr>
<th>Grant Contract Number</th>
<th>Counterparty</th>
<th>Contract Title</th>
<th>Estimated Contract Value</th>
<th>Date Submitted To Procurement</th>
<th>District Representative</th>
<th>Procurement Officer</th>
<th>Contract Record Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>430-10573</td>
<td>IVOXY Consulting, Inc.</td>
<td>Annual VMware Maintenance Renewal</td>
<td>$115,000.00</td>
<td>07/02/2020</td>
<td>David Parkhurst, Kristin Fleisher</td>
<td>Services (Bid)</td>
<td></td>
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<tr>
<td>430-10561</td>
<td>Star Protection Agency, LLC</td>
<td>Professional Security and Security Patrol Services</td>
<td>$4,000,000.00</td>
<td>07/06/2020</td>
<td>Fallon Long, Guy Wanner</td>
<td>Professional Services</td>
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<tr>
<td>470-10606</td>
<td>NC Machinery</td>
<td>Purchase of Five Caterpillar 420 Backhoes</td>
<td>$400,000.00</td>
<td>07/07/2020</td>
<td>Brian Barrows, Nicona Butler</td>
<td>Material (Bid)</td>
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<tr>
<td>130-10598</td>
<td>TBD</td>
<td>Moses Lake Local Office Reroof</td>
<td>$300,000.00</td>
<td>07/14/2020</td>
<td>Greg Minden, Nicona Butler</td>
<td>Labor (Bid)</td>
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<td>430-10618</td>
<td>TBD</td>
<td>Carlton Domestic Well Development</td>
<td>$300,000.00</td>
<td>07/15/2020</td>
<td>Deanne Pavlik-Kunkel, Betty Snell</td>
<td>Labor (Bid)</td>
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<tr>
<td>430-10625</td>
<td>Canary Systems, Inc.</td>
<td>Canary Dam Safety Monitoring</td>
<td>$73,400.00</td>
<td>07/16/2020</td>
<td>Zach Ruby, Kristin Fleisher</td>
<td>Services (Non Bid)</td>
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<tr>
<td>470-10434</td>
<td>TBD</td>
<td>Granger KeepStock Program</td>
<td>$250,000.00</td>
<td>07/20/2020</td>
<td>Mike Harr, Nicona Butler</td>
<td>Material (Bid)</td>
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<tr>
<td>430-10615</td>
<td>TBD</td>
<td>Professional Engineering Services for Utility System Improvements</td>
<td>$4,000,000.00</td>
<td>07/20/2020</td>
<td>Tom Hardie, Nicona Butler</td>
<td>Services (Non Bid)</td>
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<tr>
<td>430-10632</td>
<td>CDW Government, Inc.</td>
<td>Microsoft Enterprise Agreement</td>
<td>$1,250,200.00</td>
<td>07/24/2020</td>
<td>Sam Lamb, Kristin Fleisher</td>
<td>Services (Bid)</td>
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<tr>
<td>430-10585</td>
<td>Contoural, Inc.</td>
<td>Contoural Information Governance 2</td>
<td>$216,000.00</td>
<td>07/27/2020</td>
<td>Beverly Peterson, Cindy Inch</td>
<td>Professional Services</td>
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<td>130-10466</td>
<td>TBD</td>
<td>MLSC Stormwater Drainage Rehab</td>
<td>$134,000.00</td>
<td>07/29/2020</td>
<td>Nick Bare, Nicona Butler</td>
<td>Labor (Bid)</td>
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<td>470-10623</td>
<td>TBD</td>
<td>Fleet Technician Tools</td>
<td>$388,246.82</td>
<td>07/30/2020</td>
<td>Brian Barrows, Nicona Butler</td>
<td>Material (Bid)</td>
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<td>430-10633</td>
<td>TBD</td>
<td>AGREEMENT FOR PROFESSIONAL SERVICES</td>
<td>$200,000.00</td>
<td>07/30/2020</td>
<td>Dustin Bennett, Nicona Butler</td>
<td>Professional Services</td>
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</tbody>
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## Contracts Executed - July 2020

<table>
<thead>
<tr>
<th>Grant Contract Number</th>
<th>Counterparty</th>
<th>Contract Title</th>
<th>Awarded Contract Price</th>
<th>Contract Executed Date</th>
<th>Completion Date</th>
<th>District Representative</th>
<th>Procurement Officer</th>
</tr>
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<tbody>
<tr>
<td>170-10025R</td>
<td>Delta Star, Inc.</td>
<td>Supplying Transformer Radiators</td>
<td>$230,520.00</td>
<td>07/02/2020</td>
<td>01/13/2021</td>
<td>William Coe</td>
<td>Patrick Bishop</td>
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<tr>
<td>140-10494</td>
<td>NextEra Energy Resources Interconnection Holdings, LLC</td>
<td>Interconnection Study Agreement</td>
<td>$(18,000.00)</td>
<td>07/02/2020</td>
<td></td>
<td>Rodney Noteboom</td>
<td>Leah Mauceri</td>
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<td>140-10552</td>
<td>Puget Sound Energy, Inc.</td>
<td>Interconnection Study Agreement</td>
<td>$(39,000.00)</td>
<td>07/08/2020</td>
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<td>Rodney Noteboom</td>
<td>Leah Mauceri</td>
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<tr>
<td>430-10573</td>
<td>IVOXY Consulting, Inc.</td>
<td>Annual VMware Maintenance Renewal</td>
<td>$109,216.89</td>
<td>07/08/2020</td>
<td>06/19/2021</td>
<td>David Parkhurst</td>
<td>Kristin Fleisher</td>
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<tr>
<td>140-10584</td>
<td>Aurora Solar LLC</td>
<td>Interconnection Study Agreement</td>
<td>$(14,000.00)</td>
<td>07/08/2020</td>
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<td>Rodney Noteboom</td>
<td>Leah Mauceri</td>
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<tr>
<td>470-10603</td>
<td>NC Machinery</td>
<td>Purchase of One Caterpillar 315F Trackhoe</td>
<td>$173,975.32</td>
<td>07/09/2020</td>
<td>07/31/2020</td>
<td>Brian Barrows</td>
<td>Nicona Butler</td>
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<td>470-10606</td>
<td>NC Machinery</td>
<td>Purchase of Five Caterpillar 420 Backhoes</td>
<td>$361,560.00</td>
<td>07/14/2020</td>
<td>09/30/2020</td>
<td>Brian Barrows</td>
<td>Nicona Butler</td>
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<tr>
<td>140-10583</td>
<td>Bonneville Power Administration</td>
<td>Vantage Substation and Wanapum Switchyard Access Road Improvement Project</td>
<td>$(305,000.00)</td>
<td>7/20/2020</td>
<td>12/31/2020</td>
<td>Greg Minden</td>
<td>Nicona Butler</td>
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<tr>
<td>430-10625</td>
<td>Canary Systems, Inc.</td>
<td>Canary Dam Safety Monitoring</td>
<td>$73,400.00</td>
<td>07/22/2020</td>
<td>12/31/2023</td>
<td>Zach Ruby</td>
<td>Kristin Fleisher</td>
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<td>Grant Contract Number</td>
<td>Counterparty</td>
<td>Contract Title</td>
<td>Current Contract Value</td>
<td>Closeout Date</td>
<td>District Representative</td>
<td>Procurement Officer</td>
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<td>430-09710</td>
<td>Blue Heron Consulting Corporation</td>
<td>Professional Services with Blue Heron Consulting Corporation</td>
<td>$40,000.00</td>
<td>07/30/2020</td>
<td>Paula Alley</td>
<td>Kristin Fleisher</td>
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<td>Grant Contract Order</td>
<td>CO No.</td>
<td>Event Change</td>
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<td>Counterparty</td>
<td>Contract Title</td>
<td>Description of Change</td>
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<td>130‐09124</td>
<td>1</td>
<td>$ 261,317.81</td>
<td>$ 2,393,340.95</td>
<td>Quanta Electric Power Construction, LLC</td>
<td>Grant County Load Growth Project</td>
<td>Increase the Contract Price to fund Design Builder procured long lead materials and revises Section 6.2.3, Design Builder’s Fee Percentage and Lump Sum Fee.</td>
<td>Managing Director</td>
</tr>
<tr>
<td>430‐09962</td>
<td>2</td>
<td>$ 60,000.00</td>
<td>$ 120,000.00</td>
<td>Antonio Segovia</td>
<td>Professional Services for Office 365 Migration</td>
<td>Increase the Contract Price.</td>
<td>Senior/Plant Manager</td>
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<tr>
<td>130‐09537</td>
<td>3</td>
<td>$ 33,678.71</td>
<td>$ 6,275,133.83</td>
<td>Oracle America, Inc.</td>
<td>Oracle America CCS Cloud Subscriptions and Implementation</td>
<td>Increase the Contract Price to add Additional Test Environment.</td>
<td>Dep. Manager</td>
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<tr>
<td>430‐06938</td>
<td>2</td>
<td>$      -</td>
<td>$ 200,000.00</td>
<td>Envysyntax Consultants</td>
<td>Board of Consultants Services</td>
<td>Extend the Contract completion date.</td>
<td>Dep. Manager</td>
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<td>430‐4182</td>
<td>2</td>
<td>$ 50,000.00</td>
<td>$ 250,000.00</td>
<td>Junior Castro PhD PE</td>
<td>Professional Services for Embankment Stability Board of Consultants</td>
<td>Increase the Contract Price and extend the Contract completion date.</td>
<td>Dep. Manager</td>
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<td>430‐4189</td>
<td>1</td>
<td>$      -</td>
<td>$ 100,000.00</td>
<td>CopperSmith Consulting, Inc.</td>
<td>ESMAC Seismic Evaluation Team Member</td>
<td>Extend the Contract completion date.</td>
<td>Dep. Manager</td>
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<td>430‐40528</td>
<td>2</td>
<td>$ 50,000.00</td>
<td>$ 250,000.00</td>
<td>Ross Boulanger PhD PE</td>
<td>Consultant for Embankment Seismic Stability and Sewage Basin</td>
<td>Increase the Contract Price, extend the Contract completion date and replace the Appendix “A” Rate Schedule.</td>
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<tr>
<td>430‐4190</td>
<td>1</td>
<td>$      -</td>
<td>$ 100,000.00</td>
<td>Edward Kavazanjian, Jr., P.E.</td>
<td>ESMAC Seismic Evaluation Team Member</td>
<td>Extend the Contract completion date.</td>
<td>Dep. Manager</td>
</tr>
<tr>
<td>130‐3620</td>
<td>4</td>
<td>$ 25,000.00</td>
<td>$ 110,000.00</td>
<td>Jennings Strouss Salmon PLLC</td>
<td>Legal Services Related to Energy Trading Operations</td>
<td>Increase the not-to-exceed contract price.</td>
<td>Executive Mgmt</td>
</tr>
<tr>
<td>430‐102915</td>
<td>2</td>
<td>$ 3,783.29</td>
<td>$ 67,841.29</td>
<td>Capstone Structures, LLC</td>
<td>Commercial Core Utility Extension and Surface Restoration Project at Crescent Bar</td>
<td>Increase the not-to-exceed Contract price.</td>
<td>Dept. Manager</td>
</tr>
<tr>
<td>370‐3084</td>
<td>6</td>
<td>$      -</td>
<td>$ 1,732,560.50</td>
<td>L &amp; S Electric, Inc.</td>
<td>Supplying Ten (10) Sets of Digital Hydraulic Governor Controls for Wanapum Dam Generators</td>
<td>Extend the Contract completion date.</td>
<td>Dept. Manager</td>
</tr>
<tr>
<td>230‐2583</td>
<td>26</td>
<td>$ 28,885.00</td>
<td>$ 98,145,802.00</td>
<td>Kohl Hydro, Inc.</td>
<td>Priest Rapids Turbine Upgrades</td>
<td>Compensate the Contractor for Covid-related delays and replace Section 5R-2, A Milestone Schedule.</td>
<td>Dept. Manager</td>
</tr>
<tr>
<td>430‐10069</td>
<td>1</td>
<td>$ 500,000.00</td>
<td>$ 750,000.00</td>
<td>INTERSOL</td>
<td>INTERSOL Professional Services</td>
<td>Increase the Contract Price and extend the Contract completion date.</td>
<td>Executive Mgmt</td>
</tr>
<tr>
<td>430‐10163</td>
<td>1</td>
<td>$      -</td>
<td>$ 210,000.00</td>
<td>McKinstry Esanton LLC</td>
<td>Maintenance Management and Support Services</td>
<td>Reviewing Appendix B, Rate Schedule by Decreasing Maximo Support Augmentation by $40,000 and Increasing Capital and Business Planning by $40,000.</td>
<td>Dept. Manager</td>
</tr>
<tr>
<td>430‐10152</td>
<td>2</td>
<td>$      -</td>
<td>$ 73,233.06</td>
<td>ePlus Technology, Inc.</td>
<td>Calabrio upgrade cloud solution Work Force Optimization</td>
<td>Extend the Contract completion date.</td>
<td>Senior/Plant Manager</td>
</tr>
<tr>
<td>170‐07303</td>
<td>4</td>
<td>$      -</td>
<td>$ 29,508,842.92</td>
<td>Virginia Transformer Corporation</td>
<td>Supplying Power Transformers</td>
<td>Include provisions so that for District Purchase Order 170-07303-SP only, the Contractor will store two power transformers after fabrication and acceptance testing is complete. The Contractor will store the units until the District’s substation construction site is ready for their installation.</td>
<td>Dept. Manager</td>
</tr>
<tr>
<td>430‐1501</td>
<td>6</td>
<td>$ 510,000.00</td>
<td>$ 1,500,000.00</td>
<td>Jack R Benjamin and Associates</td>
<td>ESMAC Process Facilitator for Embankment Seismic Hazard Evaluations</td>
<td>Increase the Contract Price and extend the Contract completion date.</td>
<td>Commission</td>
</tr>
<tr>
<td>130‐88756</td>
<td>3</td>
<td>$ 13,400.00</td>
<td>$ 33,900,000.00</td>
<td>North Sky Communications, LLC</td>
<td>Fiber Optic Design and Construction Services 2019-2023</td>
<td>Increase the not-to-exceed Contract Price.</td>
<td>Commission</td>
</tr>
<tr>
<td>430‐09910</td>
<td>3</td>
<td>$ 1,000,000.00</td>
<td>$ 1,750,000.00</td>
<td>Arch Staffing and Consulting</td>
<td>Arch Staffing and Consulting</td>
<td>Increase the Contract Price.</td>
<td>Commission</td>
</tr>
<tr>
<td>130‐09724</td>
<td>2</td>
<td>$ 3,442,954.31</td>
<td>$ 5,736,295.26</td>
<td>Quanta Electric Power Construction, LLC</td>
<td>Grant County Load Growth Project</td>
<td>Increase the Contract Price to fund additional Design Builder procured long lead materials, continued engineering &amp; program management and extend Phase 1 of the project.</td>
<td>Commission</td>
</tr>
</tbody>
</table>