5

Safety Report

May 2021

Date	Injury	Description	Cause(s)	Prevention
4/14	Forearm	As an employee was setting up a part for their coworker to weld, they placed their arm on the other piece that had been just been welded resulting in a burn on the forearm.	Contact with hot surface	Situational awareness
4/27	Knee	An employee was preparing to kneel to reach a valve when his knee locked up something popped, giving him a sharp pain for approximately twenty minutes and had difficulty bending it.	Awkward position?	Proper body positioning?

Injuries Reported

2020	Month	YTD
Total Incidents Reported	2	11
Recordable Case(s)	0	3
Restricted Duty Case(s)	1	3
Lost Workday Case(s)	0	0

Monthly and Year to Date

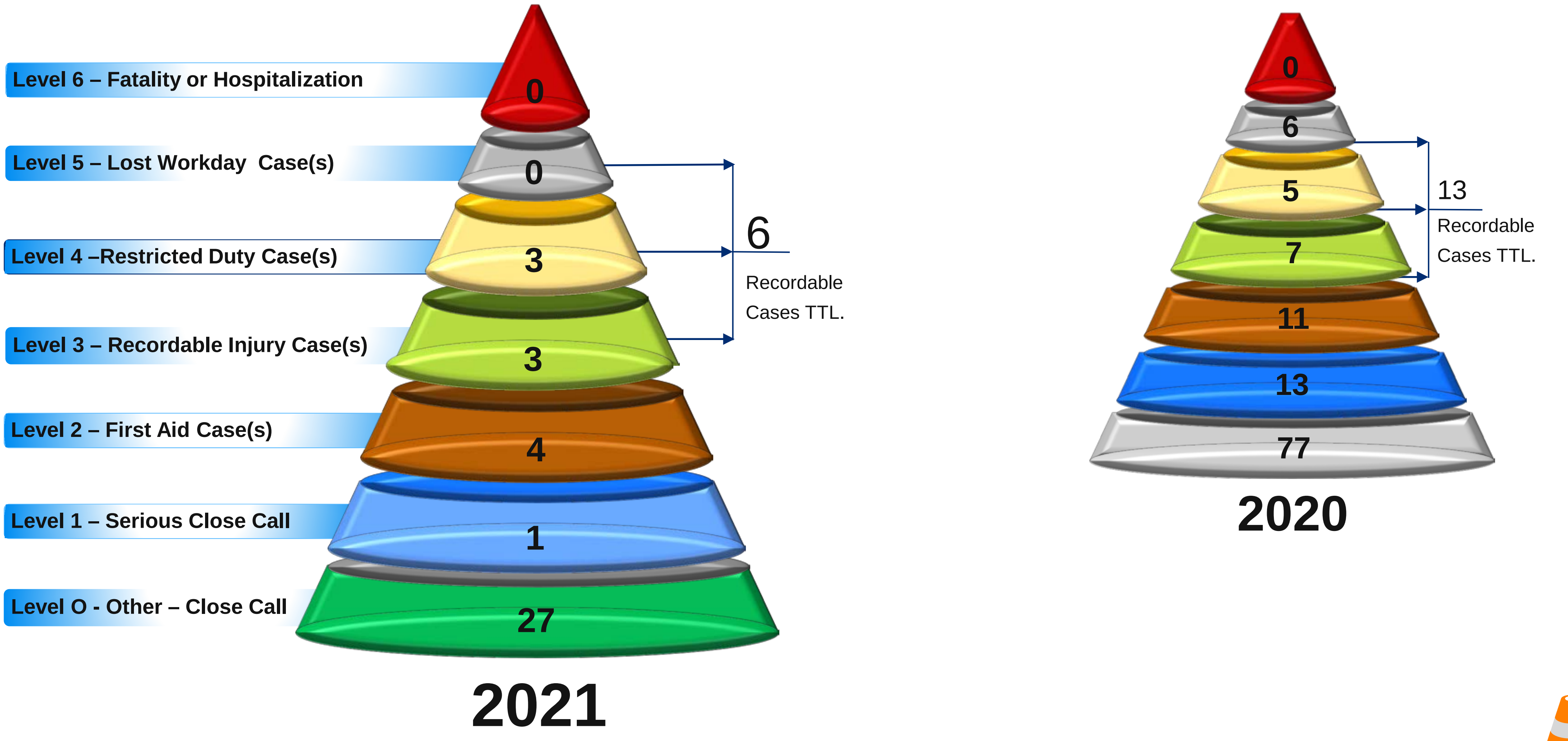
Grant PUD


2021- RECORDABLE INJURIES BY MONTH
2.5
2
1.5
1
0.5
0
Shoulder = 1
Knee = 1
Neck = 1
Knee = 1
Knee = 1
Knee = 1
January-21
February-21
March-21
April-21
Recordable
Work Restrictions
Lost Work Day

Grant PUD

2021 incidents Year to Date Summary

Employee Safety



Date	Vehicle	Driver’s Account:	Prevention
4/7	V220	While loading pole butts onto the dump truck one became loose and rolled off the bed of the truck, striking the passenger door. No injuries occurred.	Do not overload the truck bed.
4/13	V421	An employee was driving northbound on Highway 243 when he heard a loud bang and thought it was a tire exploding from an oncoming semi-truck. The employee looked in mirror and noticed the front lid of T158 came off and contacted the semi. After reexamining the latches that hold the lid, employee noticed the latch was little loose for the weather conditions.	Adequately secure load prior to transportation.
4/13	T37	While moving an oil filled breaker with a forklift, there was not adequate clearance from the anchor bolt and the breaker fell on its side. No injuries but oil did spill out from the breaker. Hazardous Waste contacted to assist with oil abatement.	Ensure pathway has adequate clearance for load.

Vehicle Incidents

Grant PUD

Date	Location	Description
4/12	Highway 17	Driver was waiting at a red light when the vehicle in the turn lane got the green light, but not his lane. He mistakenly proceeded through the red light and intersection.
4/15	Colockum Creek	While employees were monitoring encroachments on the Wanapum Reservoir shoreline near Colockum Creek, a rattlesnake located under cover of vegetation was heard and observed. No injury occurred.
4/19	MLSC Warehouse	While aligning up to make a pick with a forklift with limited space an employee struck the horizontal bandsaw with the counterweight of the forklift resulting in the bandsaw tipping over causing a dent in the motor housing of the bandsaw, fixed dent, machine runs fine. No other employees were in work area.

Close Calls

Grant PUD

Date	Location	Description
4/27	Priest Rapids Dam	While leaning forward to release the nipple chuck from a pipe threader with a wrench, a contractor's foot tapped the pedal and smashed right hand between wrench and machine.
4/21	Moses Lake	An aerial crew was prepared to complete a road crossing at an intersection. The foreman had the flaggers hold traffic in preparation for the crossing of fiber to the west side of Rd M. The flaggers had stopped the north and southbound traffic. The groundman pulled the fiber across the road and handed it to the lineman who had climbed the pole. When the lineman was about to pin the fiber to the pole, he heard the flagger yell "CAR"! The lineman reacted and dropped the coil to the ground because he saw the vehicle drive past the flagger into the traffic control zone when vehicles were already stopped. As soon as the coil hit the ground the vehicle ran over the fiber across the road. The estimated speed of the vehicle was between 50 to 60 MPH. The flagger on the south end stopped the vehicle and confronted the driver asking why they drove through. The driver was on her cell phone and was distracted, supposedly.

Contractor Close Calls, Injuries & Incidents

Leading & Lagging Indicators

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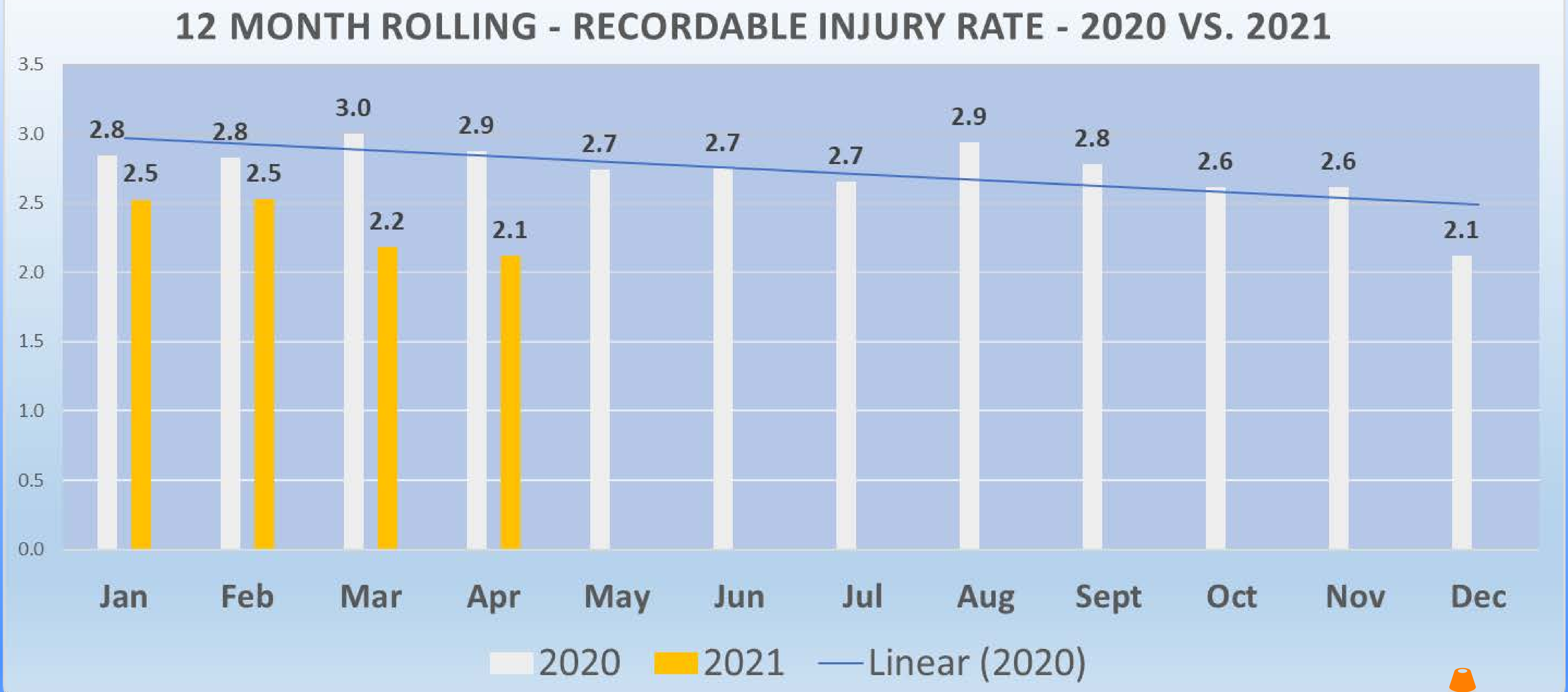

12 MONTH ROLLING - RECORDABLE INJURY RATE - 2020 VS. 2021
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
2.8
2.5
2.8
2.5
3.0
2.2
2.9
2.1
2.7
2.7
2.7
2.9
2.8
2.6
2.6
2.1
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sept
Oct
Nov
Dec
2020
2021
Linear (2020)

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Safety Action Item Critical Success Factors

Incident Reporting (Date of Entry into System vs Date of Distribution Systemwide)
• Number of Close Calls in **April** = 4
• Number of Close Calls sent Next day after being entered into the system = 2

Number of Open Action Items over 60 days old	
As of **March** 2021	As of **April** 2021
Year 2017 = 8	Year 2017 = 8
Year 2018 = 11	Year 2018 = 11
Year 2019 = 22	Year 2019 = 21
Year 2020 = 11	Year 2020 = 11
Year 2021 = 15	Year 2021 = 12
	Month Total = **63**
	Net - April 2021: **-4**

Incident Reporting for April 2021

(Date of Incident vs. Date of Entry into System)

Injuries
• Total Number of Injuries = 3
• Total Number of Injuries Which Date of Incident and Date Entered into System Match = 3

Mobile
• Total Number of Mobile Incidents = 3
• Total Number of Mobile Incidents that Date of Incident and Date Entered into system match = 2

Grant PUD

Thank You!

Powering our way of life.

2021 Q1 Financial Forecast

May 25, 2021

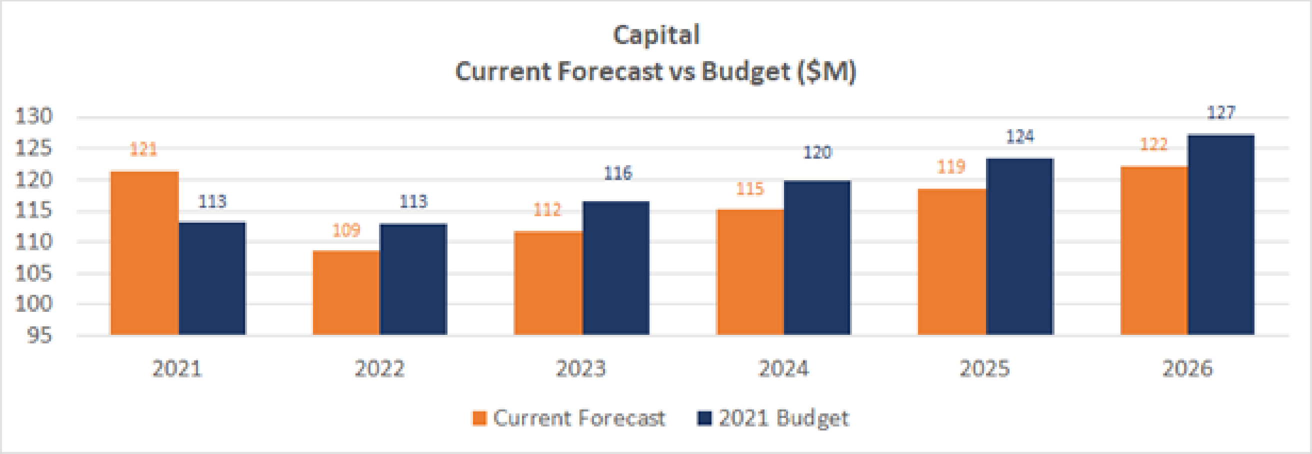
2021 Q1 Financial Forecast Outline

1) Key Updates
2) Forecast Exhibit A
3) Forecast Exhibit B
4) Financial Metrics
5) Compare vs 2021 Budget
6) Scenarios

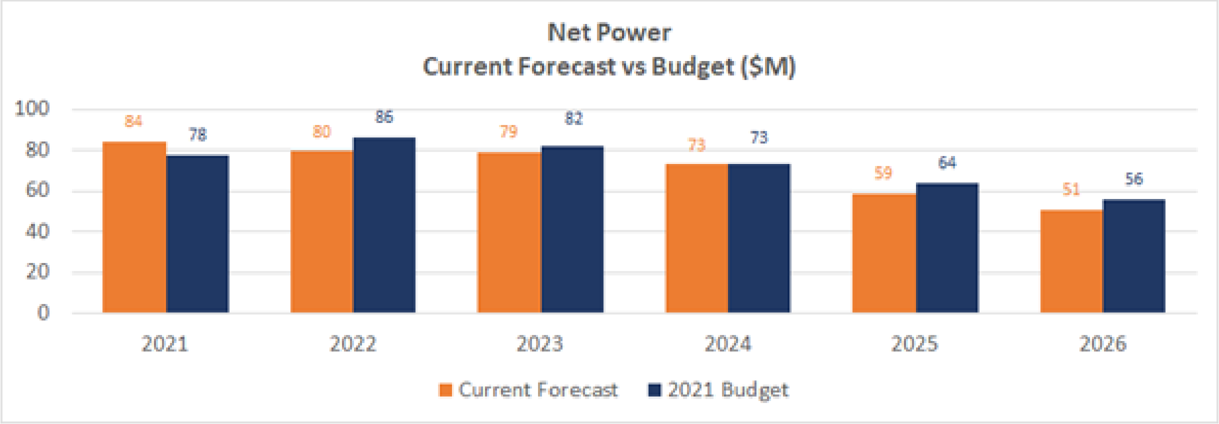
Grant County PUBLIC UTILITY DISTRICT

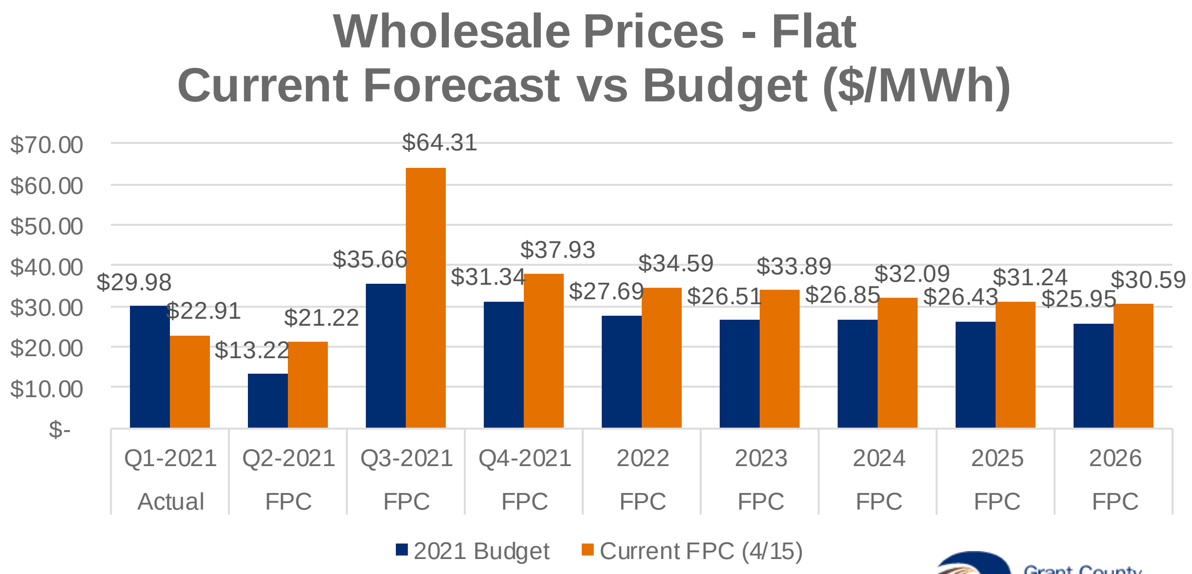
2021 Q1 Financial Forecast Key Updates

1) Capital:



2) Net Wholesale updated with for current positions and pricing

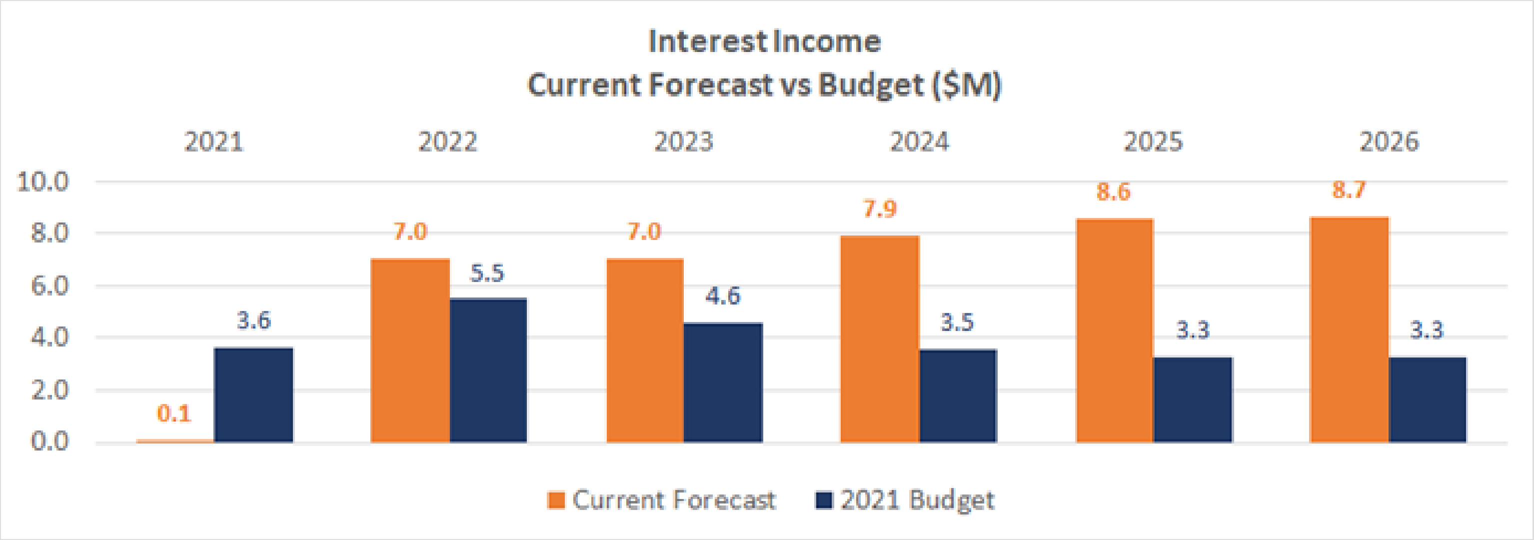




Grant County PUBLIC UTILITY DISTRICT

2021 Q1 Financial Forecast Key Updates

3) Retail Revenue updated for 2021 YTD actual
4) Labor and O&M updated for 2021 YTD actual and refreshed Year End Projection: Labor increased by $0.2M and O&M decreased by $0.8M
5) Interest Income and variable rate debt service updated



Grant County PUBLIC UTILITY DISTRICT

2021 Q1 Financial Forecast Exhibit A

Exhibit A - Summary of Budget Items	Budget	Forecast					
$'s in millions	2021	2021	2022	2023	2024	2025	2026
TOTAL O&M	**143,552**	**154,555**	**147,510**	**149,144**	**154,817**	**161,265**	**165,363**
TAXES	**18,098**	**18,010**	**18,240**	**18,946**	**19,732**	**20,349**	**21,060**
ELECTRIC CAPITAL	**73,676**	**77,360**	**70,266**	**70,746**	**71,138**	**71,857**	**72,014**
PRP CAPITAL	**69,657**	**63,976**	**69,459**	**72,828**	**76,684**	**80,510**	**84,787**
DEBT SERVICE (net of rebates)	**75,574**	**74,458**	**76,171**	**74,552**	**77,656**	**81,046**	**84,540**
TOTAL EXPENDITURES	**380,556**	**388,360**	**381,646**	**386,215**	**400,028**	**415,027**	**427,764**
Expenditure offsets for deduction							
Contributions in Aid of Construction	(6,478)	(4,282)	(9,540)	(11,043)	(11,049)	(11,054)	(7,105)
Sales to Power Purchasers at Cost	(17,777)	(21,447)	(14,005)	(13,582)	(13,933)	(14,255)	(14,755)
Net Power (+ Expense, - Revenue)	(77,757)	(84,249)	(79,506)	(79,068)	(73,078)	(58,545)	(50,712)
Conservation Loans	(125)	(125)	(125)	(125)	(125)	(125)	(125)
TOTAL EXPENDITURE OFFSETS	**(102,137)**	**(110,103)**	**(103,177)**	**(103,818)**	**(98,185)**	**(83,979)**	**(72,697)**
TOTAL BUDGETED EXPENDITURES	**278,419**	**278,257**	**278,469**	**282,397**	**301,843**	**331,048**	**355,067**

1) O&M increase due to shift of labor from Capital to O&M

2) Direct Capital increased from Budget of $113.1M to $121.4M, more than offset with shift of labor to O&M from Capital for total $2M reduction in loaded Capital

3) Sales to Power Purchasers increased due to very successful auction last fall

4) 2021 Wholesale Prices up +32% from Budget

Grant County PUBLIC UTILITY DISTRICT

2021 Q1 Financial Forecast Exhibit B

***Exhibit B** - $'s in millions*	Budget	Forecast	→				
CONSOLIDATED OPERATIONAL PERFORMANCE	**2021**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Sales to Power Purchasers at Cost	17,777	21,447	14,005	13,582	13,933	14,255	14,755
Retail Energy Sales	211,798	211,639	219,946	230,766	242,719	252,233	263,124
Net Power (Net Wholesale+Other Power Revenue)	77,757	84,249	79,506	79,068	73,078	58,545	50,712
Fiber Optic Network Sales	10,400	10,950	11,150	11,350	11,550	11,750	11,950
Other Revenues	1,453	1,057	1,453	1,453	1,453	1,453	1,453
Operating Expenses	(143,552)	(154,555)	(147,510)	(149,144)	(154,817)	(161,265)	(165,363)
Taxes	(18,098)	(18,010)	(18,240)	(18,946)	(19,732)	(20,349)	(21,060)
Net Operating Income(Loss) Before Depreciation	**157,535**	**156,777**	**160,311**	**168,129**	**168,184**	**156,622**	**155,570**
Depreciation and amortization	(76,092)	(75,819)	(75,015)	(77,249)	(79,641)	(82,289)	(86,015)
Net Operating Income (Loss)	**81,443**	**80,958**	**85,296**	**90,881**	**88,543**	**74,334**	**69,555**
Other Revenues (Expenses)							
Interest, debt and other income	(40,239)	(43,364)	(34,253)	(35,012)	(34,900)	(35,138)	(37,041)
CIAC	6,478	4,282	9,540	11,043	11,049	11,054	7,105
Change in Net Position	**47,682**	**41,876**	**60,583**	**66,911**	**64,692**	**50,250**	**39,619**

1) Interest Income (accrual basis) decreased by $3.5M for 2021 from Budget

2) Contribution In Aid of Construction (CIAC) decreased due to completion of work in 2020 that was forecast in 2021

3) Impact of CIAC increase to 2020 levels improves income by nearly $10M and Debt Service Coverage from 2.04x to 2.16x

Grant County PUBLIC UTILITY DISTRICT

2021 Q1 Financial Forecast Financial Metrics

	Target	Budget 2021	Forecast 2021	2022	2023	2024	2025	2026
NET INCOME		47,682	41,876	60,583	66,911	64,692	50,250	39,619
LIQUIDITY (measured at year end)								
Elect System Liquidity (Rev + R&C)	**$105 MM**	109,858	111,613	114,014	116,302	118,954	122,131	123,639
Excess Liquidity		102,660	25,861	1,529	233	439	74	76
Days Cash On Hand	**> 250**	412	283	308	306	301	296	292
LEVERAGE								
Consolidated DSC	**>1.8x**	2.10	2.04	2.22	2.27	2.31	2.11	1.97
Consolidated Debt/Plant Ratio	**≤ 60%**	52%	49.8%	48.4%	47.6%	47.3%	47.6%	48%
PROFITABILITY								
Consolidated Return on Net Assets	**>4%**	2.0%	1.8%	2.6%	2.8%	2.6%	2.0%	1.5%
Retail Operating Ratio	**≤ 100%**	116%	118%	116%	111%	110%	110%	109%

1) Liquidity, Debt Service Coverage, and Debt to Plant all meet metrics through 2026

2) Return on Net Assets and Retail Operating Ratio fall short of their long-term targets

3) Days Cash On Hand is reduced from Budget due to using cash for internal lending to PRP

2021 Q1 Financial Forecast vs 2021 Budget

2021 Q1 Financial Forecast - Final

	Target	2021	2022	2023	2024	2025	2026
NET INCOME		**41,876**	**60,583**	**66,911**	**64,692**	**50,250**	**39,619**
LIQUIDITY (measured at year end)							
Elect System Liquidity (Rev + R&C)	**$105 MM**	111,613	114,014	116,302	118,954	122,131	123,639
Excess Liquidity		25,861	1,529	233	439	74	76
Days Cash On Hand	**> 250**	283	308	306	301	296	292
LEVERAGE							
Consolidated DSC	**>1.8x**	2.04	2.22	2.27	2.31	2.11	1.97
Consolidated Debt/Plant Ratio	**≤ 60%**	49.77%	48.40%	47.64%	47.30%	47.57%	48.09%
PROFITABILITY							
Rate of Return (chg. in net assets / net plant)	**>4%**	**1.84%**	**2.58%**	**2.78%**	**2.61%**	**1.97%**	**1.51%**
Retail Op Ratio (assumes baseline capital)	**≤ 100%**	**118.42%**	**115.73%**	**111.45%**	**110.22%**	**110.46%**	**109.15%**

2021 Budget FINAL

	Target	2021	2022	2023	2024	2025	2026
NET INCOME		**47,682**	**65,032**	**68,850**	**60,369**	**46,182**	**32,705**
LIQUIDITY (measured at year end)							
Elect System Liquidity (Rev + R&C)	**$105 MM**	109,858	111,181	112,363	113,317	114,233	112,412
Finance Plan Reserve		102,660	67,610	47,894	61,274	62,094	62,614
Days Cash On Hand	**> 250**	412	443	404	419	406	394
LEVERAGE							
Consolidated DSC	**>1.8x**	2.10	2.25	2.22	2.22	2.03	1.86
Consolidated Debt/Plant Ratio	**≤ 60%**	52.03%	50.34%	49.02%	49.78%	50.20%	50.74%
PROFITABILITY							
Rate of Return (chg. in net assets / net plant)	**>4%**	**2.04%**	**2.70%**	**2.78%**	**2.37%**	**1.76%**	**1.21%**
Retail Op Ratio (assumes baseline capital)	**≤ 100%**	**115.91%**	**117.29%**	**112.78%**	**111.54%**	**112.38%**	**110.06%**

2021 Q1 Financial Forecast vs 2021 Budget

Difference

	Target	2021	2022	2023	2024	2025	2026
NET INCOME		(5,806)	(4,449)	(1,939)	4,323	4,068	6,914
LIQUIDITY (measured at year end)							
Elect System Liquidity (Rev + R&C)	**$105 MM**	1,755	2,833	3,939	5,637	7,898	11,227
Excess Liquidity		(76,798)	(66,081)	(47,661)	(60,835)	(62,020)	(62,539)
Days Cash On Hand	**> 250**	(129)	(135)	(98)	(118)	(111)	(102)
LEVERAGE							
Consolidated DSC	**>1.8x**	(0.06)	(0.03)	0.05	0.09	0.07	0.11
Consolidated Debt/Plant Ratio	**≤ 60%**	-2.26%	-1.93%	-1.38%	-2.47%	-2.63%	-2.65%
PROFITABILITY							
Rate of Return (chg in net assets / net plant)	**>4%**	-0.20%	-0.12%	-0.01%	0.24%	0.21%	0.30%
Retail Op Ratio (assumes baseline capital)	**≤ 100%**	2.50%	-1.55%	-1.33%	-1.33%	-1.92%	-0.92%

1) Income down – Increased O&M from labor shift away from Capital, decrease in Interest Income, and lower CIAC

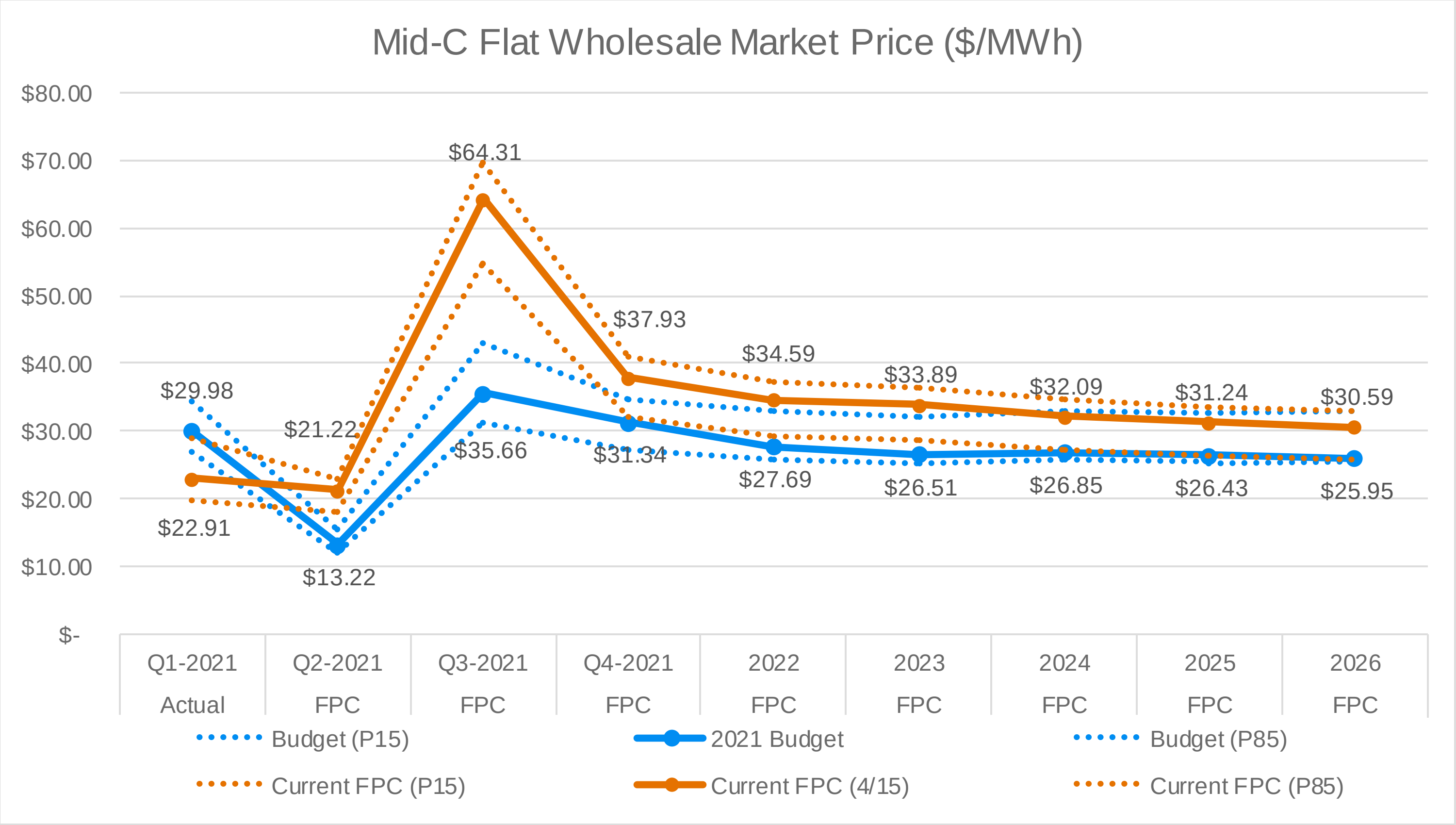
2) Liquidity down – Use of cash for internal capital funding at PRP

Grant County PUBLIC UTILITY DISTRICT

2021 Q1 Financial Forecast Scenarios

Wholesale Price Volatility

- 2 Sensitivities
  - Low Wholesale Prices, with prices estimated at the P15 case
  - High Wholesale Prices, with prices estimated at the P85 case



FPC Comparison

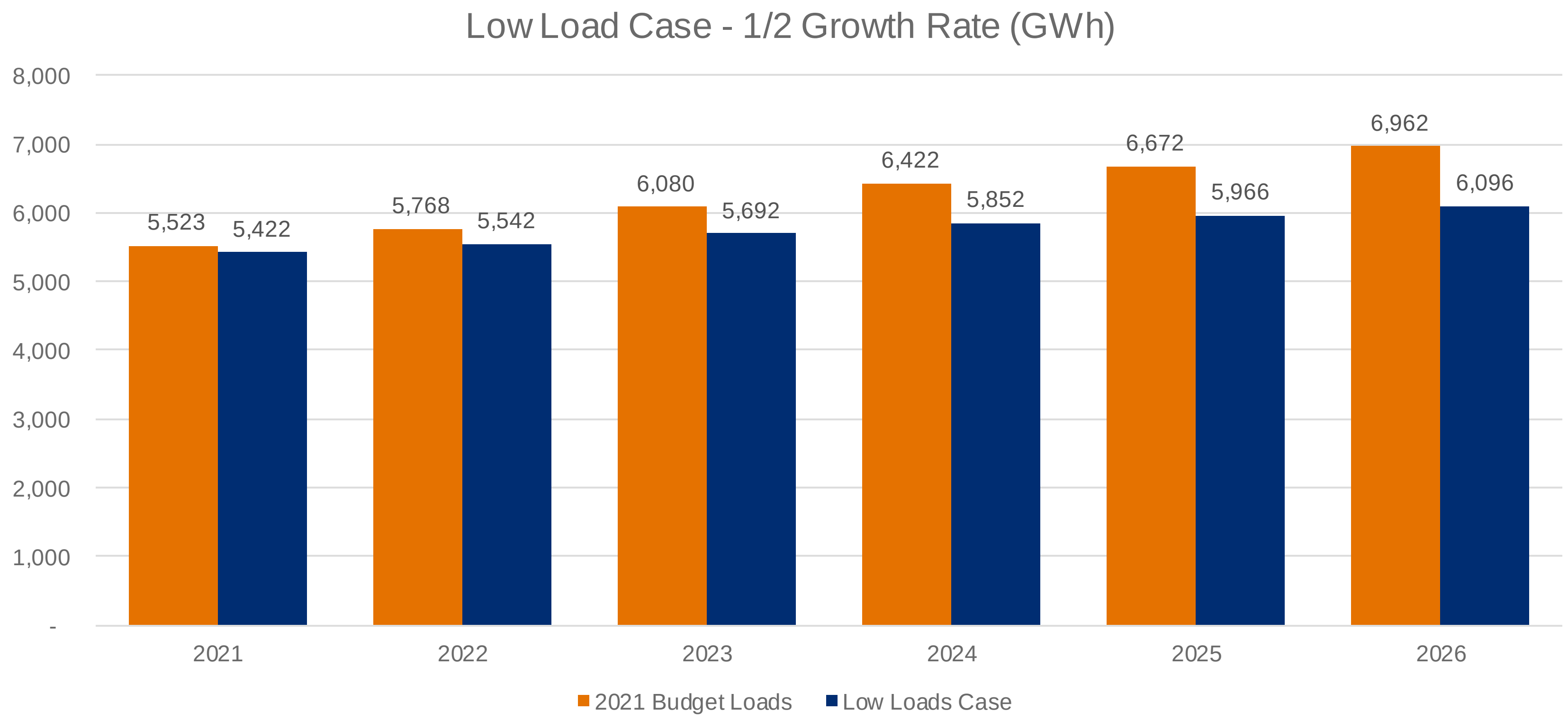
- Q1 2021 Actual prices have fallen since the 2021 Budget FPC
  - -$ 7.07 or -24%
- However, the balance of 2021 shows significant pricing pressure vs the Budget
  - +$ 14.41 or +54%
- Especially significant in Q3
  - Flat = +$ 28.65 or +80%
  - HLH = +$ 38.55 or +86%
- 2022 through 2026 also shows increased pricing pressure
  - +$ 5.79 or 22%

Grant County PUBLIC UTILITY DISTRICT

2021 Q1 Financial Forecast Scenarios

Low Load Growth Impact Scenario

- Load Growth at ½ the Growth Rate assumed in the Base Scenario (Budget 2021 Load Forecast)
  - 2 Sensitivities
    - Low Load Isolated
    - Low Load + Low Wholesale Prices (P15 case)



Low Load Case

	2021 - 2026
2021 Budget Loads	4.6%
Low Load Case	2.3%
Delta (aMW)	(54.3)

- 2021 adjustment is a decrease of 11 aMW
- 2026 adjustment is a decrease of 99 aMW

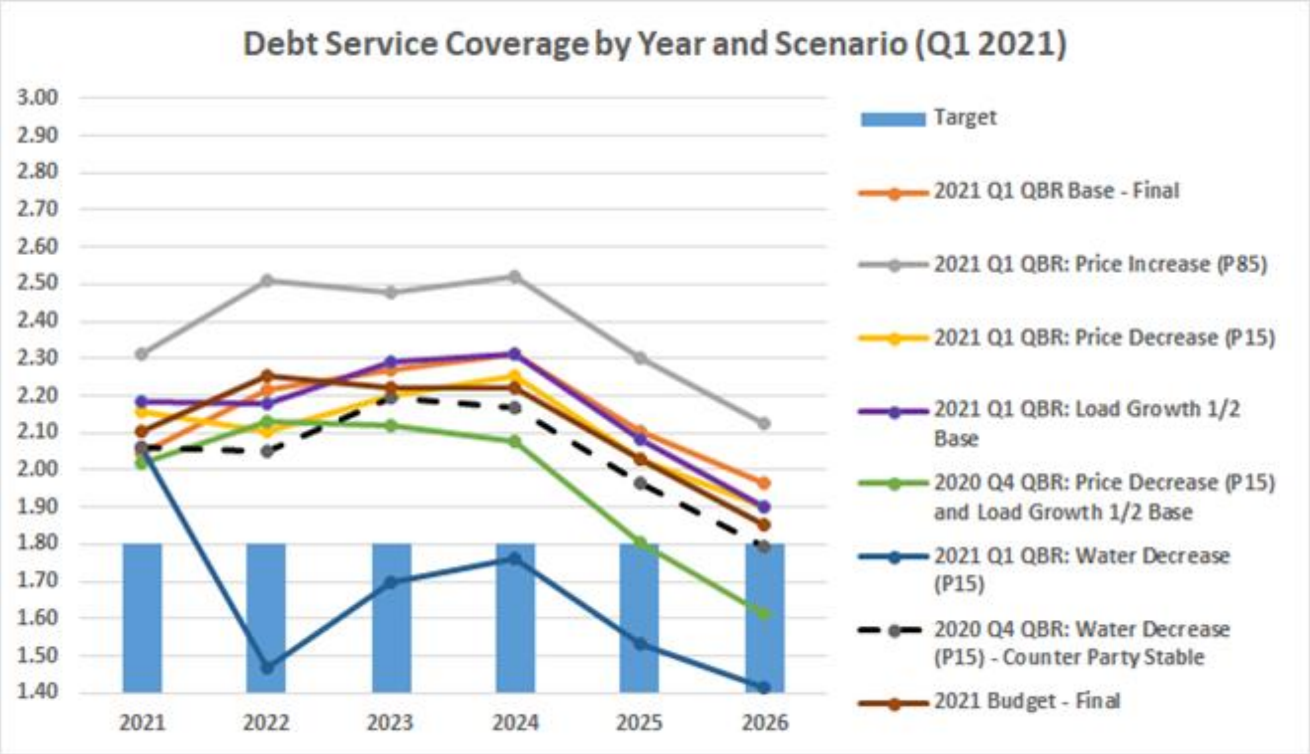
Grant County PUBLIC UTILITY DISTRICT

2021 Q1 Financial Forecast Scenarios

Low Water Scenario

- Load Water Case assumes P15 water for the period 2022-2026
  - 2021 is assumed to be fixed (the current year is trending “Dry”)
  - 2 Sensitivities
    - Low Water Isolated
      - Net Power decreased by an Average of $47M annually from 2022-2026
    - Low Water + Counter Party Stable
      - Counter Party Stable: 100% Physical Rights Slice Contracts through 2026
      - Net Power decreased by an Average of $10M annually from 2022-2026

2021 Q1 Financial Forecast Scenarios - DSC



- Wholesale Price Increase is the only scenario that adds value

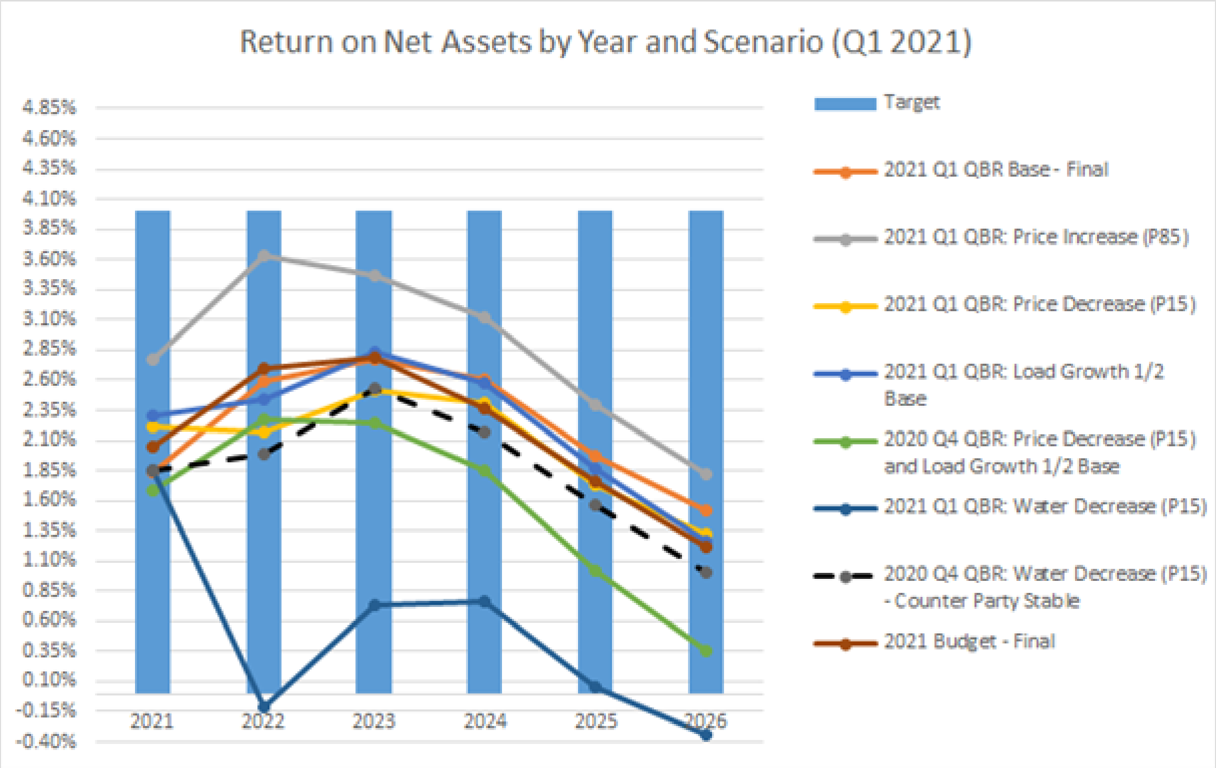
- Deterioration in the Debt Service Coverage after 2024 warrants close watch

- Physical Rights Slicing strategy of the PRP removes risk from Grant PUD in the event of Low Water events
  - Both short-term or sustained

Debt Service Coverage (DSC)	2021	2022	2023	2024	2025	2026
Target	1.80	1.80	1.80	1.80	1.80	1.80
2021 Q1 QBR Base - Final	2.04	2.22	2.27	2.31	2.11	1.97
2021 Q1 QBR: Price Increase (P85)	2.31	2.51	2.48	2.52	2.30	2.13
2021 Q1 QBR: Price Decrease (P15)	2.16	2.10	2.20	2.25	2.03	1.90
2021 Q1 QBR: Load Growth 1/2 Base	2.19	2.18	2.29	2.31	2.08	1.90
2020 Q4 QBR: Price Decrease (P15) and Load Growth 1/2 Base	2.02	2.13	2.12	2.08	1.81	1.61
2021 Q1 QBR: Water Decrease (P15)	2.06	1.47	1.70	1.76	1.53	1.41
2020 Q4 QBR: Water Decrease (P15) - Counter Party Stable	2.06	2.05	2.20	2.17	1.97	1.80
2021 Budget - Final	2.10	2.25	2.22	2.22	2.03	1.86

Grant County PUBLIC UTILITY DISTRICT

2021 Q1 Financial Forecast Scenarios - RONA

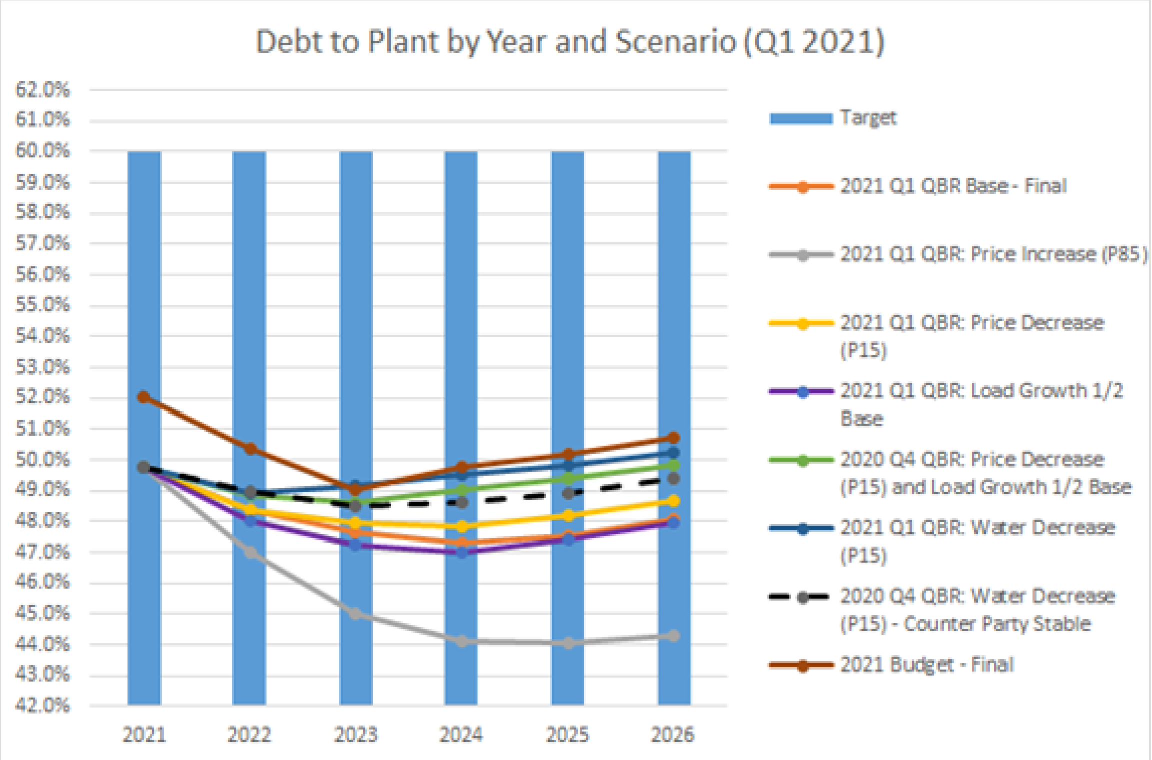


- For 2021 to meet RONA target would require Net Income to increase by $49.3M from current projection
- Labor shift from Capital to O&M (80/20 split in Budget to current projection 87/13) reduced RONA from 2.22% to 1.84%
- An increase in recognized CIAC to a level consistent with 2020 (~$10M increase from current forecast) would increase RONA 0.42%

Return on Net Assets (RONA)	2021	2022	2023	2024	2025	2026
Target	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
2021 Q1 QBR Base - Final	1.84%	2.58%	2.78%	2.61%	1.97%	1.51%
2021 Q1 QBR: Price Increase (P85)	2.77%	3.63%	3.47%	3.12%	2.40%	1.81%
2021 Q1 QBR: Price Decrease (P15)	2.21%	2.16%	2.52%	2.41%	1.73%	1.33%
2021 Q1 QBR: Load Growth 1/2 Base	2.31%	2.44%	2.83%	2.57%	1.86%	1.27%
2020 Q4 QBR: Price Decrease (P15) and Load Growth 1/2 Base	1.69%	2.28%	2.25%	1.84%	1.02%	0.36%
2021 Q1 QBR: Water Decrease (P15)	1.85%	-0.12%	0.73%	0.76%	0.06%	-0.34%
2020 Q4 QBR: Water Decrease (P15) - Counter Party Stable	1.85%	1.99%	2.52%	2.17%	1.56%	1.00%
2021 Budget - Final	2.04%	2.70%	2.78%	2.37%	1.76%	1.21%

Grant County PUBLIC UTILITY DISTRICT

2021 Q1 Financial Forecast Scenarios - DTP



Debt to Net Plant	2021	2022	2023	2024	2025	2026
Target	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
2021 Q1 QBR Base - Final	49.8%	48.4%	47.6%	47.3%	47.6%	48.1%
2021 Q1 QBR: Price Increase (P85)	49.8%	47.0%	45.0%	44.1%	44.1%	44.3%
2021 Q1 QBR: Price Decrease (P15)	49.8%	48.4%	48.0%	47.8%	48.2%	48.7%
2021 Q1 QBR: Load Growth 1/2 Base	49.8%	48.0%	47.3%	47.0%	47.4%	47.9%
2020 Q4 QBR: Price Decrease (P15) and Load Growth 1/2 Base	49.8%	48.8%	48.6%	49.0%	49.4%	49.8%
2021 Q1 QBR: Water Decrease (P15)	49.8%	48.9%	49.1%	49.5%	49.8%	50.3%
2020 Q4 QBR: Water Decrease (P15) - Counter Party Stable	49.8%	49.0%	48.5%	48.6%	48.9%	49.4%
2021 Budget - Final	52.0%	50.3%	49.0%	49.8%	50.2%	50.7%

- Net Income decreases following 2023
  - Less cash available for PRP capital funding, thus requiring more new market debt
    - DTP increases 2024 - 2026

- The reduction in total planned Capital from the Budget has resulted in lower projected overall DTP

Grant County PUBLIC UTILITY DISTRICT

Debt to Plant – Historic Cost vs Fair Market Value

3/31/2021 Debt to Net Plant Illustrative Example - Historic Cost vs Fair Market Value

GASB - Historic Cost			**Fair Market Value - *Example***			
$'s in Billions						
Assets	**Book Value**		**Assets**	**Book Value**	**FMV Organization Multiplier*** = 1.77**	**Est FMV**
Distribution	$	0.6	Distribution	$ 0.6		$ 1.0
Production	$	1.6	Production	$ 1.6		$ 2.3
Net Plant**		**$2.2**	Net Plant**	**$2.2**	Calculated Net Plant Multiplier = 1.5x	**$3.2**
Liabilities			**Liabilities**			
Debt		**$1.2**	Debt	**$1.2**	1.0	**$1.2**
Metric -			**Metric -**			
Debt to Net Plant		**53%**	Debt to Net Plant	**53%**		**36%**

* Per 3/31/2021 Preliminary Financial Statements

**Net of Accum Dep

*** Published CSImarket for Electric Utility Industry Fair Market Value Multiplier for entire organization rolling 4 Quarter Average

Grant County PUBLIC UTILITY DISTRICT

Questions?

Treasury Quarterly Report

May 2021

Powering our way of life.

Cash & Investments

Key Cash Flow Dates:

- July 1st 2021 bi-annual debt service payment: $22.5M (interest only payments)
- Completed Feb 24th- JLB from Elec Revenue Fund to PRP Construction Fund: $30M
- Restricted funds are funds not available for use for operational needs as restricted by bond covenants or other contracts
  - CREB sinking funds are held in reserve with annual deposits to meet the required principal payments in 2027, 2032, 2040

Notes:

- Fund 4040 pending review of Insurance Reserve fund future state

Public Utility District No. 2 of Grant County

As of 03/31/2021

Quarterly Treasurer's Report

Historical Cash and Investments Summary | Liquidity and Restricted Market Value per Financial Statements in thousands $000

Cash & Investments	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Liquidity-ES R&C Fund [1]	$ 124,201.3	$ 126,043.9	$ 127,956.0	$ 129,622.4	$ 129,841.3	$ 106,096.3	$ 104,927.5	$ 106,039.8	$ 106,585.7	$ 106,009.9
Liquidity-ES Revenue Fund [2] [4]	133,651.3	152,637.6	46,539.4	58,689.4	72,734.1	40,693.8	47,061.4	58,362.8	68,321.5	54,421.9
Other DCOH Funds [3]	35,469.5	45,822.5	57,943.7	54,459.9	46,881.0	49,735.0	51,260.6	43,288.7	35,244.8	36,590.7
Liquidity and Other DCOH Funds	***$ 293,322.1***	***$ 324,503.9***	***$ 232,439.1***	***$ 242,771.7***	***$ 249,456.4***	***$ 196,525.1***	***$ 203,249.5***	***$ 207,691.4***	***$ 210,152.0***	***$ 197,022.5***
Restricted-Construction Funds [4]	27,422.9	11,607.7	107,080.3	90,957.5	74,368.7	54,421.5	42,973.0	31,495.0	21,935.9	41,693.2
Restricted-DS Reserve Funds	55,636.0	56,618.9	57,565.4	58,210.0	58,320.7	43,759.7	44,717.4	45,154.8	45,347.3	45,291.6
Restricted-DS P&I Funds	87,998.4	30,475.4	54,665.1	57,650.1	89,073.4	30,962.7	53,602.5	54,768.5	82,615.6	38,896.0
Restricted-DS CREBs Sinking Funds (5	61,450.4	69,991.5	78,769.0	76,466.2	79,138.8	84,536.3	86,469.6	89,787.9	92,815.0	94,134.9
Restricted-Habitat Funds	16,224.4	18,242.2	17,588.3	17,056.5	15,888.5	18,063.4	17,906.7	17,797.8	17,486.1	18,787.9
All Restricted Funds	***$ 248,732.1***	***$ 186,935.7***	***$ 315,667.9***	***$ 300,340.3***	***$ 316,790.1***	***$ 231,743.7***	***$ 245,669.1***	***$ 239,004.0***	***$ 260,199.9***	***$ 238,803.7***
Total	**$ 542,054.2**	**$ 511,439.6**	**$ 548,107.1**	**$ 543,112.0**	**$ 566,246.5**	**$ 428,268.8**	**$ 448,918.6**	**$ 446,695.4**	**$ 470,351.9**	**$ 435,826.2**

[1] Electric System R&C Fund liquidity target = $100M + interest earnings

[2] Electric System Revenue Fund minimul balance = $5M. Excess funds above liquidity target utilized for annual planning of equity financing of PRP capital (Junior Lien Bonds, see Note 4).

[3] Other funds used in Days Cash On Hand metric include PRP Revenue, PRP Supplemental R&C, Service System, and Customer Deposit Fund

[4] Construction funds comprised of internally pledged funds for capital and issued bonds

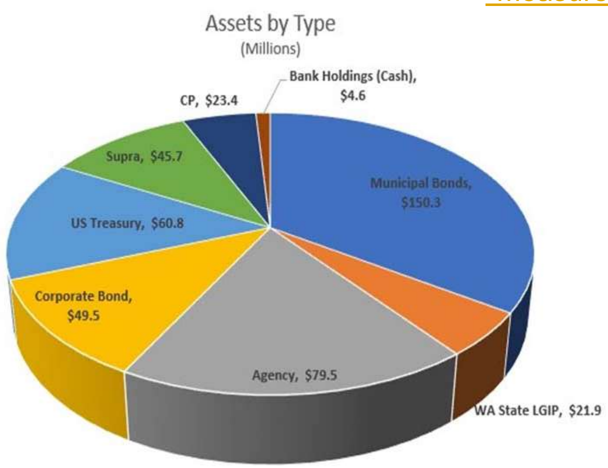
[5] CREB sinking fund payments required by bond covenants to pay bullet maturities in years 2027 ($30M), 2032 ($42.4 M), and 2040 ($30M). Monthly deposits to sinking fund made, recalibrated every 6 months.

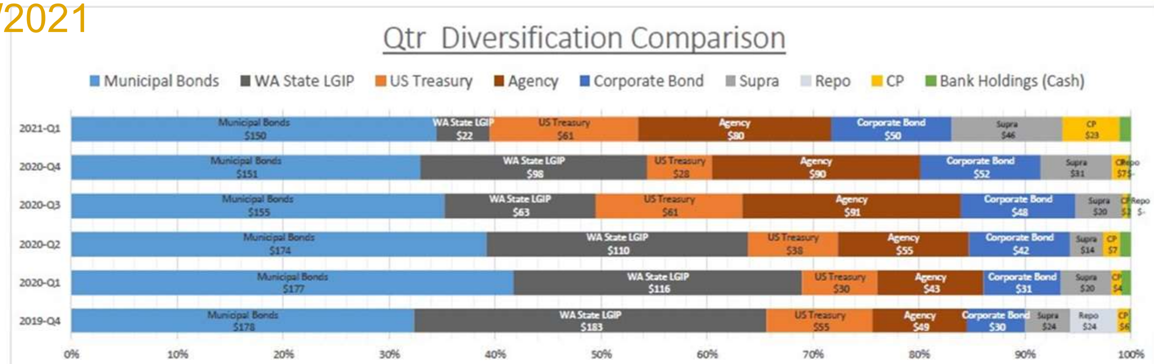
Cash & Investments

Portfolio as of 03/31/2021

*measured at par

DIVERSIFICATION

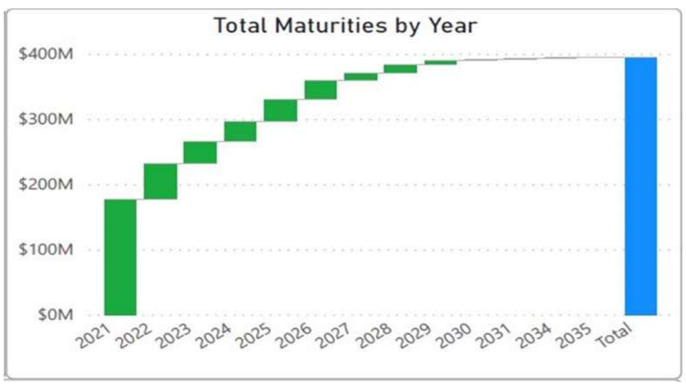




Current 3/31/21 1st Q

Security Type		Book Value ($ in Millions)	Yield	Portfolio Allocation	Policy Max	Target Range	In Compliance
Municipal Bonds	$	150.3	3.11%	34.5%	50%	20-40%	YES
WA State LGIP	$	21.9	0.10%	5.0%	100%	Varies	YES
Agency	$	79.5	1.02%	18.2%	50%	5-25%	YES
Corporate Bond	$	49.5	1.05%	11.4%	25%	5-15%	YES
US Treasury	$	60.8	0.34%	13.9%	100%	10-35%	YES
Supra	$	45.7	0.53%	10.5%	50%	5-20%	YES
CP	$	23.4	0.12%	5.4%	25%	0-10%	YES
Bank Holdings (Cash)	$	4.6	-	1.1%	n/a	< $3M avg	YES
Repo							
	$	435.8	1.60%	100%			

Aggregate Portfolio Duration 3/31/21	2.162 Years

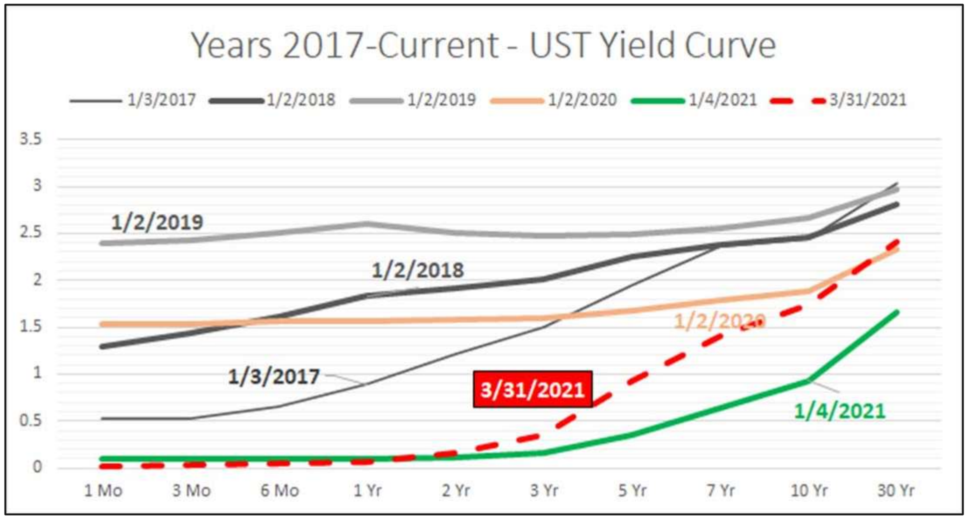


- Diversification managed within policy limits and strategy targets
  - Policy review completed annually in the fall
  - WPTA review of current policy underway
  - 2021 market, availability of investment types and liquidity needs impacts diversification and execution decisions
  - Strategy sector targets updated in February 2021 by the Investment Oversight Committee
- Duration analyzed by fund based upon state requirements and fund liquidity needs
- LGIP holdings are being actively managed utilizing "break even" analysis for short term liquidity investment decisions

Cash & Investments

MARKET

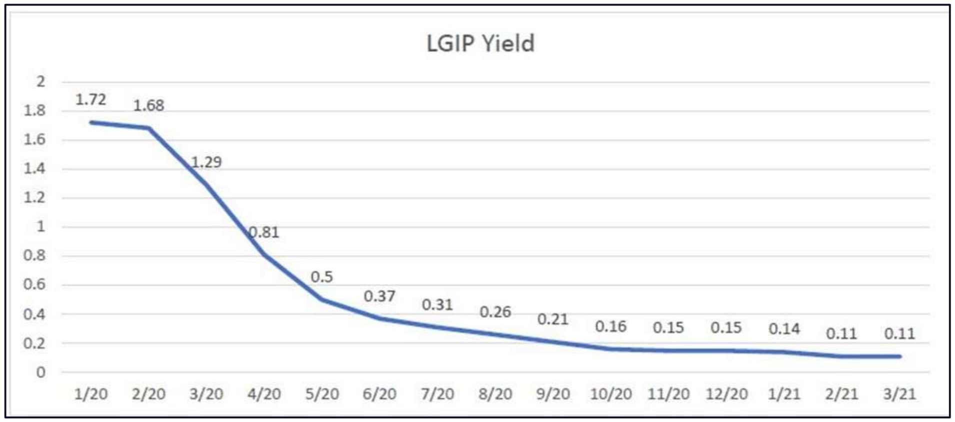
- Interest earnings are driven by UST rates both directly as an investment and as a driver to underlying transactable yields
- The Fed Funds target currently is at 0.00-0.25%
- The District's policy follows state requirements and strategy is based upon the tenants of
  1) legality, 2) safety, 3) liquidity, and 4) return
- LGIP rates have declined but still provides short term investment benefits vs alternatives
  - 03/31 LGIP rate 0.11
  - 03/31 3-month T-bill 0.01
  - Current overnight repo 0.02-0.05



Investment Yields / Projections

	2020	2021	2022	2023	2024	2025
Average New Long-Term Investment Yield	0.81%	0.71%	0.98%	1.44%	1.85%	2.30%
Short-Term Rate Estimate	0.43%	0.20%	0.17%	0.45%	1.14%	1.21%
YTD LGIP Yield *	0.43%	0.13%				
Blended Aggregate Earnings - Cash Basis	2.15%	1.57%	1.18%	1.13%	1.30%	1.31%

*2020 LGIP is full year average (2020 was full 12 months, 2021 3 months)

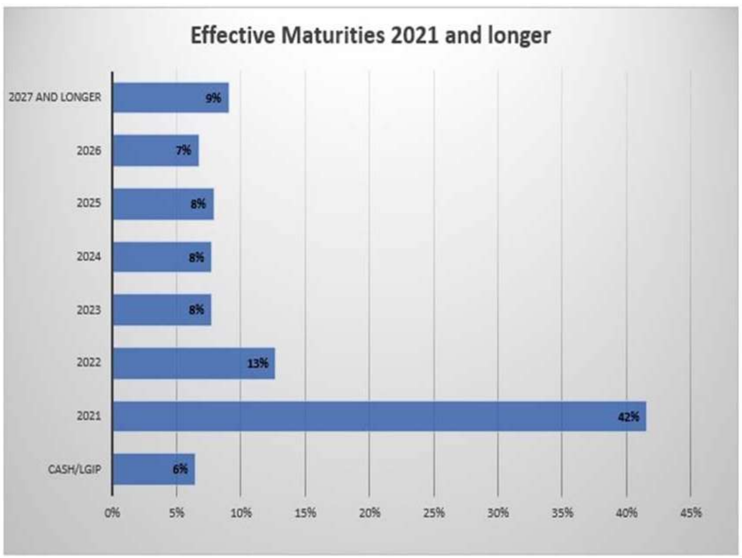


Aggregate Portfolio Book Yield 03/31/21 1.60%

PERFORMANCE

Cash & Investments

- 2021 interest income impacted largely by rates and associated market gain/loss on portfolio investments and premiums on maturing bonds
  - Refined cash forecasting tools and fund specific strategies have increased investment earnings/cash flows, partially mitigating some of these impacts
- Investment in muni sector provided average return @ 3.11% yield, supporting the overall aggregate yield amidst falling rates
- 32% of portfolio matures > year 2023 (a portion was executed when rates were higher)
- Current projection compared to the budget is a positive variance for cash flows (+$4.4 M), and a negative variance for the non-cash financial statement income (-$3.7M)
- District budget/financial forecast assumed a flat 2% return for interest
- At the time of the budget financial statement interest income was estimated at $4.3M (rate movements occurred in Q1 2021)



Investment Portfolio Activity

*in millions

	2020 Total	2021 YTD	2021 Year-End Projection	2021 Projection @ time of budget
Investment Receipts (Coupons/Accrued)	$ 10.5	$ 2.1	$ 8.2	$ 8.0
Realized G/L (Premium/Discount Amortization)	$ (5.5)	$ (0.3)	$ (4.1)	$ (3.8)
Total Portfolio Return / Yield $	**$ 5.0**	**$ 1.8**	**$ 4.1**	**$ 4.3**
Unrealized G/L (Market Fair Value Adj.)	$ 8.6	$ (4.2)	$ (4.2)	$ -
FS Investment Income	**$ 13.5**	**$ (2.4)**	**$ (0.1)**	**$ 4.3**

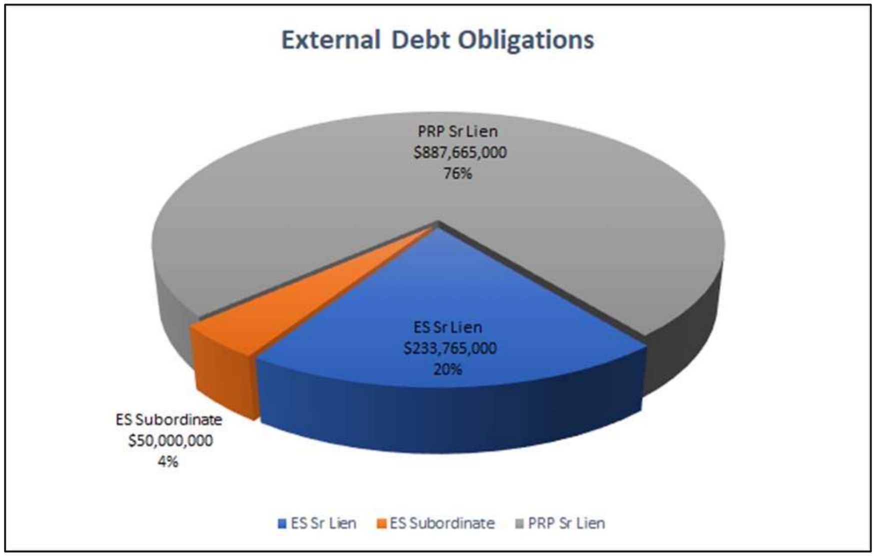
2021 Budgeted Interest Income @2% = $3.6M

Debt Portfolio

- Principal and interest payments Jan 1st annually
- 2nd half interest payments July 1st annually
- Variable rate interest payments monthly
- 1/12th of fixed rate annual debt requirements "set aside" in P&I funds monthly
- Internal PRP equity financing of capital (JLB bonds) has historically resulted in reduction of bond financed capital by utilizing equity

Total Consolidated Outstanding External Debt

Total = $1,171,430,000 as of 3/31/2021



- Weighted average **coupon rate** of fixed debt: **3.83%**
- **Weighted average life** of debt portfolio (as of 3/31/21) **10.8 years**
- **Effective cost of debt** for entire portfolio (net of interest rebates): **2.9%**

  *Calculated as 2021 yield on interest due, does not factor in benefit of sinking funds on CREBs

Forecasted Net Debt Activity 2021-2025

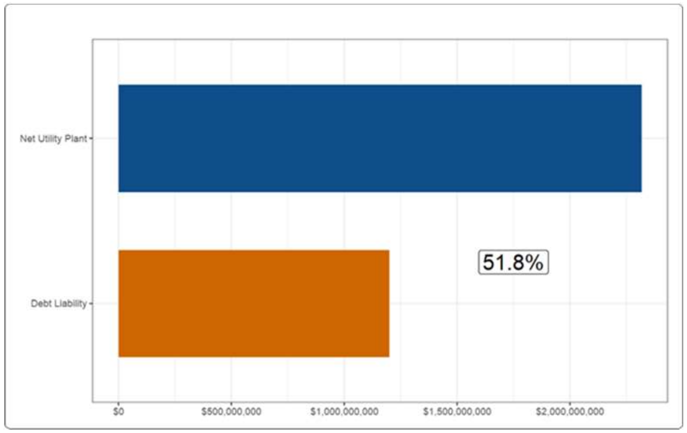
*in millions

	2021 Budget	2021	2022	2023	2024	2025
Principal Due & Accrued	$ 29.80	$ 29.80	$ 31.92	$ 29.00	$ 29.80	$ 30.68
Interest Due & Accrued	$ 42.74	$ 44.64	$ 43.60	$ 42.22	$ 40.71	$ 39.46
CREB Sinking Fund Deposits	$ 10.01	$ 8.70	$ 8.70	$ 8.70	$ 8.70	$ 8.70
Federal Interest Rebates	$ (10.49)	$ (10.48)	$ (10.43)	$ (10.37)	$ (10.30)	$ (10.24)
Projected New Debt Service	$ 2.22	$ -	$ 1.06	$ 2.83	$ 5.11	$ 6.10
Subtotal Cash Impact	**$ 74.28**	**$ 72.66**	**$ 74.84**	**$ 72.39**	**$ 74.02**	**$ 74.70**
Amortization of Discount/Premium/Issuance Cost	$ (1.20)	$ 1.88	$ 1.05	$ 1.63	$ 1.27	$ 1.22
Net Debt Activity	**$ 73.08**	**$ 74.53**	**$ 75.90**	**$ 74.02**	**$ 75.29**	**$ 75.92**

Debt Portfolio

FINANCE PLAN

- The Strategic Plan target for debt to net plant ≤ 60% and is a factor in determining future financing plans
  - Capital is funded as a combination of revenue (equity) financing and bond revenue bonds (debt)
- Feb 2021 JLB financing for PRP (equity from Elec system) issued at $30M Par
  - Resolution 8826 authorized initial program, new resolution for commission approval June 2021
- ES2019P short term program bond in the process of being remarketed with a direct placement bank product to be finalized June 2021



- The short-term debt portion of the portfolio is intended to lock in a portion of debt service < 15% of the total portfolio to hedge short term net interest rates in rotating blocks of "thirds"
- The 2019P bonds are LIBOR based variable rate debt and will be refunded prior to July 1st

Short-Term Program Series		Par	Call/Remarket Date
ES2019P	$	50,000,000	7/1/2021
ES2020R	$	47,190,000	9/1/2023
ES2020S	$	48,045,000	9/1/2025

- Debt Service on short term program is interest only in next 5 years

Short-Term Program	2021	2022	2023	2024	2025
Short-Term Fixed Debt Service	$1.9M	$1.9M	$1.6M	$0.9M	$0.6M
Short-Term Variable Debt Service	$0.3M	$0.5M	$0.9M	$1.9M	$2.4M

Internal Financing-Junior Lien Bonds

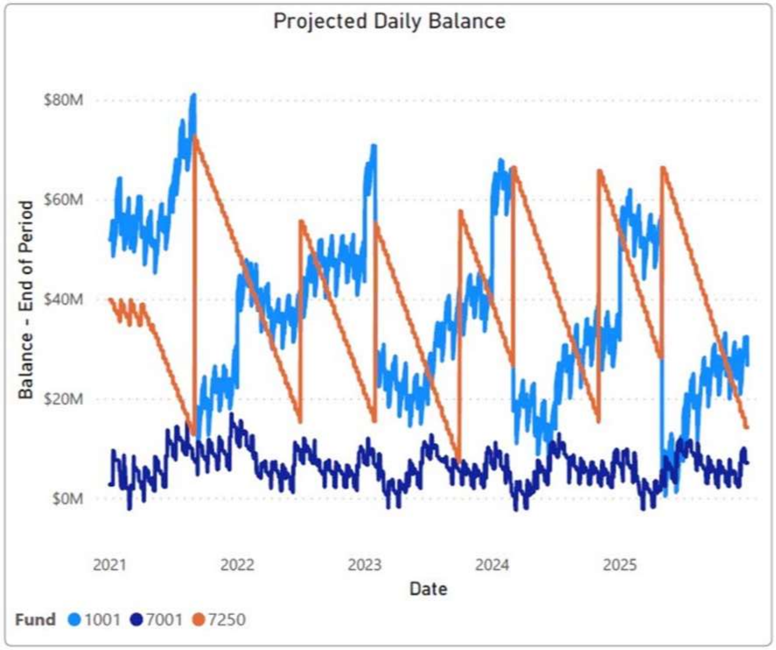
Priest Rapids Project (PRP)

Series		Original Par		Original Premium		Outstanding Par Amount		Authorization Max	Final Maturity
2014JLB	$	45,500,000			$	39,065,000	$	50,000,000	1/1/2044
2015JLB	$	27,040,000	$	2,966,367	$	27,040,000	$	70,000,000	1/1/2045
2015JLB B	$	7,625,000	$	779,072	$	7,625,000			1/1/2045
2016JLB	$	30,860,000	$	4,480,610	$	28,820,000			1/1/2046
2017A JLB	$	25,935,000	$	4,066,004	$	24,340,000	$	350,000,000	1/1/2047
2017B JLB	$	86,300,000	$	13,700,135	$	82,045,000			1/1/2048
2019JLB	$	110,000,000			$	105,875,000			1/1/2049
2020JLB	$	79,585,000			$	77,610,000			1/1/2050
2021JLB	$	30,000,000			$	30,000,000			1/1/2051
Total Junior Lien Debt	**$**	**442,845,000**	**$**	**25,992,189**	**$**	**422,420,000**			

F I N A N C E P L A N

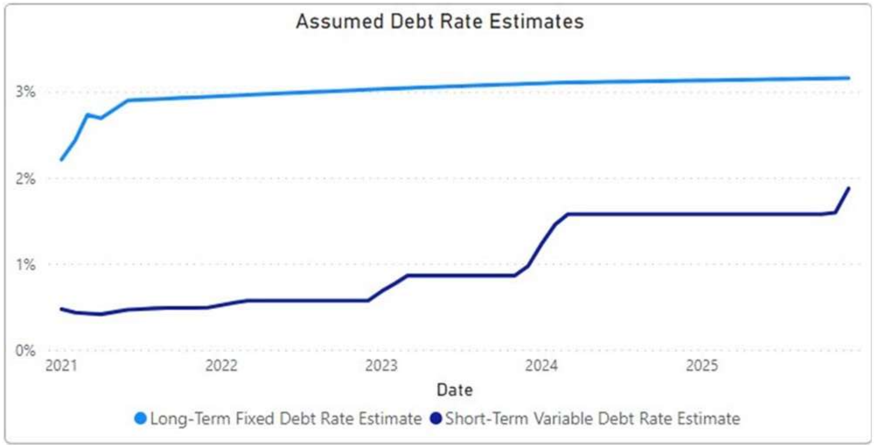
Debt Portfolio

- PRP construction fund balance as of March 31, 2021: $45.7 million
  - 12-month recent historical average fund spend ~ $5M
  - Sept 2021 additional funds for balance of year and partial 2022 via Electric equity transfer (JLB)
  - Estimated new money transaction July 2021~ $40M new bond proceeds
    - Analyzing timing for various considerations/economics
- Electric Construction Fund – expected to be revenue funded currently
  - 12-month average fund month spend ~ $5.5M
  - July 2021 variable rate debt 2019-P required refunding transaction ~$50M
- Ongoing monitoring of refunding opportunities that could meet District policy of >3% PV savings and >50% escrow efficiency
  - District call options are limited in near term due to 2020 refunding/savings
    - 34% of bonds are callable (10 year par calls on economic refunding candidates are in years 2028 and 2030)
    - Remainder are non-callable or make/whole



Proposed Debt Issuances & JLB Transfers

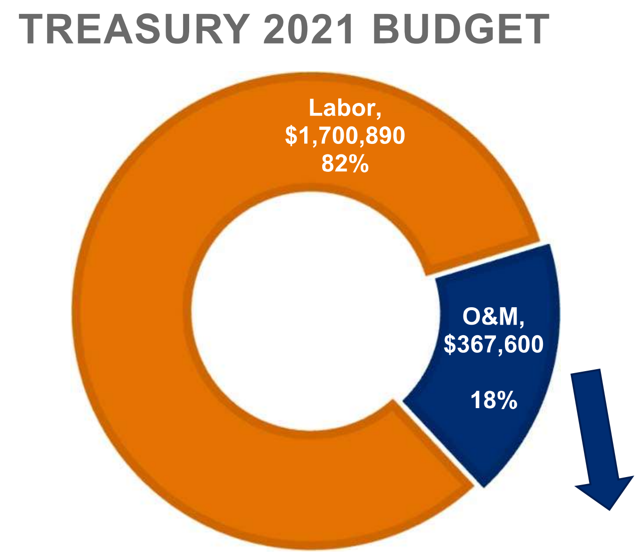
Detail	2021	2022	2023	2024	2025
Proposed Debt Issuance - External		$40.4M	$50.5M	$50.5M	
Proposed Debt Issuance - Internal	$60.0M		$40.0M	$40.0M	$40.0M

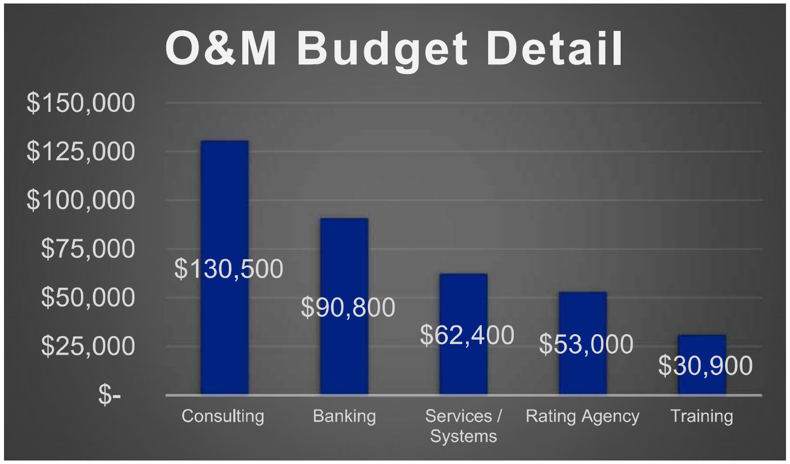


Department Key Initiatives- 2021

- Bond finance plan – 2021 bond transaction and internal financing
- Technology improvements – Accounts Payable
- Process improvements – coordination with Procurement and internal department efficiencies
- Liquidity analysis study (partner with Enterprise Risk dept)
- Banking review
- Travel policy update
- Review of various District initiatives/ impacts to finances

Department Budget





Notable Recent Accomplishments

- Streamline of customer payments (integration into AP as part of CCS implementation)
- Release of legacy bearer bond funds
- Update of debt service "set aside" process to increase investment yield capacity
- Covid-19 pandemic department operations
- Development of enhanced reporting tools and processes
- Migration of department policies to Policy Tech
- Successful staff rotation / training
- Management of KPI's and other essential functions

Debt Management- Credit Ratings

- During December 2019 and March 2020 the Utility received credit ratings from Fitch, Moody's, and S&P for the 2020 issuances
- Electric System carries a slightly higher rating than PRP for one rating
- The Electric System was rated in August by Fitch and S&P for the series R & S transactions

Priest Rapids Hydroelectric Project

RATING AGENCY	RATING	OUTLOOK	EFFECTIVE DATE
Fitch Ratings	AA	Stable	03/02/2020
Moody's Investor Service	Aa3	Stable	03/03/2020
Standards & Poors Rating Service	AA	Stable	03/03/2020

Electric system

RATING AGENCY	RATING	OUTLOOK	EFFECTIVE DATE
Fitch Ratings	AA	Stable	8/13/2020
Moody's Investor Service	Aa3	Stable	12/26/2019
Standards & Poors Rating Service	AA+	Stable	8/12/2020

Treasury KPI’s

- Key metrics monitored as normal course of operations and managed to
- Compliance functions are requirements and include:
  - Investment program regulations, strategy, policy
  - Bond program regulations, strategy, policy
  - Accounts payable requirements / deadlines
  - Staff training / ongoing learning / safety program
  - Internal policies / controls reviews
- Additional tracked data includes:
  - Error & exception rate
  - Direct spending (non PO / non Contract)
  - Effectiveness of planning/execution tools

Additional Treasurer Reporting

TY000007A-LST – Treasury Authorized Personnel for Payment of Funds and Procurement of Investments

Last Updated On: 3/23/2021

List	Description
Payment	Bonnie Overfield, Senior Manager of Treasury
Payment	Angelina Johnson, Treasury Operations Supervisor
Payment	Ginna Fontaine, Financial Analyst
Payment	Tina Wentworth, Data Analyst
Investments	Bonnie Overfield, Senior Manager Treasury
Investments	Angelina Johnson, Treasury Operations Supervisor
Investments	Mark Buchta, Senior Financial Analyst
Investments	Ginna Fontaine, Financial Analyst

TY000004A-LST – Treasury Authorized Imprest Accounts

- Funds > $2,500 held in a checking account per resolution
- Total list shall not exceed $60,000

Last Updated on 10/15/2020.

List	Description			
Amount	Fund	Bank/Acct	Custodian	Alt. Custodian
$10,000	Customer Solutions – Refunds Imprest	US Bank #8127	Cary West	Taffy Courteau
$5,000	Power Production – Advance Travel Imprest	B of A #3906	Cathye Clark	Dustin Bennett
$400	MLLO Cash Drawer 1		Taffy Courteau	
$400	MLLO Cash Drawer 2		Taffy Courteau	
$400	MLLO Cash Drawer 3		Taffy Courteau	
$400	MLLO Cash Drawer 4		Taffy Courteau	
$400	Ephrata Cash Drawers 1		Taffy Courteau	
$400	Ephrata Cash Drawer 2		Taffy Courteau	
$400	Quincy Cash Drawer 1		Taffy Courteau	
$400	Quincy Cash Drawer 2		Taffy Courteau	
$400	Royal City Cash Drawer 1		Taffy Courteau	
$400	Royal City Cash Drawer 2		Taffy Courteau	
$19,000	**Aggregate Total**			

TY000007B-LST – Treasury Authorized Investment Brokers & Banking Financial Institutions

Last Updated On: 07/29/2020

List	FINRA Standings Update	Description
Broker	06/01/2020	FTN Financial Securities Corp
Broker	06/01/2020	ICBC Financial Services, LLC
Broker	06/01/2020	KeyBanc and Capital Markets
Broker	06/01/2020	Mischler Financial Group, Inc
Broker	06/01/2020	Oppenheimer & Co, Inc
Broker	06/01/2020	Piper Sandler & Co
Broker	06/01/2020	Stifel, Nicholaus & Co
Broker	06/01/2020	UBS Financial Services
Broker	06/01/2020	Vining Sparks
Broker	06/01/2020	Wells Fargo Securities, LLC
Banking Institutions		Bank of America
Banking Institutions		US Bank of Washington
Custody Safekeeping		Wells Fargo Trust

Notes

- Resolution 8712 delegates banking and investment responsibilities to the Treasurer and provides certain guidance. Section 7 details that the Treasurer's report will include: cash/investment activity/balances, authorized list of banking institutions/brokers, authorized treasury staff to perform banking and investing activities, and a summary of petty cash funds
- The Advanced Travel Imprest account was reduced due to inactivity in 2020, this separate account is required by RCW 42.24.130
- The CS Refund Imprest account will be reduced/closed in 2021 due to streamlined AP process / CCS implementation and elimination of separately managed account

M E M O R A N D U M **May 10, 2021**

TO: Kevin Nordt, General Manager/CEO

VIA: Jeff Bishop, Chief Financial Officer

FROM: Jennifer Sager, Interim Senior Manager Accounting JS

SUBJECT: Preliminary Unaudited Q1 2021 Financial Statements

Financial Highlights: All comparisons unless otherwise stated are year to date (January through March) of 2021 versus 2020.

- Statement of Revenues, Expenses and changes in net position:
  - Total operating revenues of $82.8M were $.9M (1.0%) lower than the same period in the prior year driven by a $3.6M (14.9%) decrease in Wholesale revenues; partially offset by a $3.0M (5.84%) increase in retail revenues. The major driver of the decrease in wholesale revenue was due to differences in forecasted load levels between the SENA pooling agreement in Q1 2020 and Morgan Stanley pooling agreement in Q1 2021. Improved forecasting in the Morgan Stanley agreement, resulted in reduced load true-up payments. Overall retail load came in .2% below budget, however revenues were .1% above budget, due to basic and demand charges not being as sensitive to energy consumption changes. The largest increases in retail revenues were driven by New Large Loads growing faster than forecasted.

  - Total operating expenses of $59.9M were $5.1M (9%) higher than the same period in the prior year. The overall increase in operating expenses is largely due to an increase in labor and benefits of $3.1M (13%) driven by a 4% increase in FTR's, wage increases and $1.0M less labor supporting capital projects. Depreciation expense increased $.1M (.5%) largely attributed to a $27M or 1% increase in net utility plant. Q1 2021 actual operating expenses were under budget by 1% YTD.

  - Total change in net position of $13.5M is $12.8M (48.7%) lower than the same period in the prior year. This decrease is largely due to the operating revenue and expense fluctuations described above and a decrease of $11.2M (117.1%) in interest and other income. Due to the pandemic starting in Q1 2020, the market experienced sharp reductions in treasury rates, which impacted pricing inversely and resulted in unrealized investment gains of $4.5M. Q1 2021 rates were significantly higher than Q1 2020, resulting in unrealized losses of $4.2M or an $8.7M decrease from prior year unrealized gains. In addition, there was a decrease of $3.1M of insurance proceeds related to the Central Ephrata Substation claim that occurred in 2020. A portion of the decrease in other revenue was offset by decreases in amortization of debt related costs of $2.7M (86.7%) and debt issuance costs of $1.1M (100%), due to the refinancing of debt that occurred in 2020. There have been no debt transactions as of Q1 2021. Contributions in aid of construction increased .2M (17.1%).

- Statement of net position:
  - Total cash and investments of $435.8M were $10.9M (2.6%) more than the same period in the prior year due to the planned use of funds for the defeasance of bonds and to adjust to the new Electric System liquidity target of $105M in the prior year. There was a corresponding decrease in outstanding debt of $30.7M (2.5%).
  - Utility plant, net of $2.2B increased $25M or 1.2%.
  - Deferred outflows of $43.5M decreased $1.9M (4.2%) due to increased unamortized refunding losses related to debt refunding's in Q2 & Q3 2020, offset by changes in pension and OPEB deferred outflows in Q4 2020.
  - Trade payable of $19.1M increased $7.2M (60%) due to the impacts of COVID-19 during Q1 2020, which resulted in a reduction in projects and less invoices to pay. In addition, power purchases were up approximately 35% in 2021, resulting in an increase in payables of $1.9M.
  - Licensing Obligations of $52.4M decreased $20.7M (28.3%) because we are no longer anticipating required contributions to the No Net Impact (NNI) fund under the Salmon and Steelhead Settlement Agreement because "No Net Impact" standards have been met.
  - Net pension liability of $25.8M was comparable to the prior year, however deferred outflows of $8.3M increased $1.9M (29%) and deferred inflows of $7.8M decreased $6.9M (47.3%) due to changes in actuarial assumptions and differences in projected and actual earnings on plan investments.

Recommendation: For your information only.

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY
UNAUDITED
STATEMENT OF NET POSITION
March 31, 2021 AND 2020

	2021	2020	Difference
CURRENT ASSETS			
Cash	2,956,207	274,649	2,681,558
Investments	74,208,251	62,255,894	11,952,357
Restricted funds			
Cash	575,046	2,447,741	(1,872,695)
Investments	49,244,144	65,740,083	(16,495,939)
Customer accounts receivable, net	24,100,336	27,174,017	(3,073,681)
Materials and supplies	18,480,096	18,638,708	(158,612)
Due from power purchasers	32,779	-	32,779
Other current assets	4,166,741	1,255,577	2,911,164
Total current assets	173,763,600	177,786,668	(4,023,069)
NONCURRENT ASSETS			
Investments	489,682	12,234,913	(11,745,231)
Restricted funds			
Cash	1,895,540	-	1,895,540
Investments	306,428,840	281,908,468	24,520,372
Conservation loans	270,899	379,068	(108,170)
Demand-side management		160,950	(160,950)
Preliminary expenses	4,115,916	4,086,665	29,251
Total other noncurrent assets	313,200,876	298,770,064	14,430,812
Utility plant, net	2,194,919,239	2,167,936,293	26,982,945
Total noncurrent assets	2,508,120,114	2,466,706,358	41,413,757
DEFERRED OUTFLOWS			
Net pension, change in proportion	8,268,089	6,409,454	1,858,635
Other Post Employment Benefits	2,367,914	2,290,950	76,964
Unamortized refunding loss	32,837,106	36,677,380	(3,840,274)
Total deferred outflows	43,473,109	45,377,784	(1,904,675)
TOTAL ASSETS AND DEFERRED OUTLFOWS OF RESOURCES	2,725,356,823	2,689,870,810	35,486,013

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY
UNAUDITED
STATEMENT OF NET POSITION
March 31, 2021 AND 2020

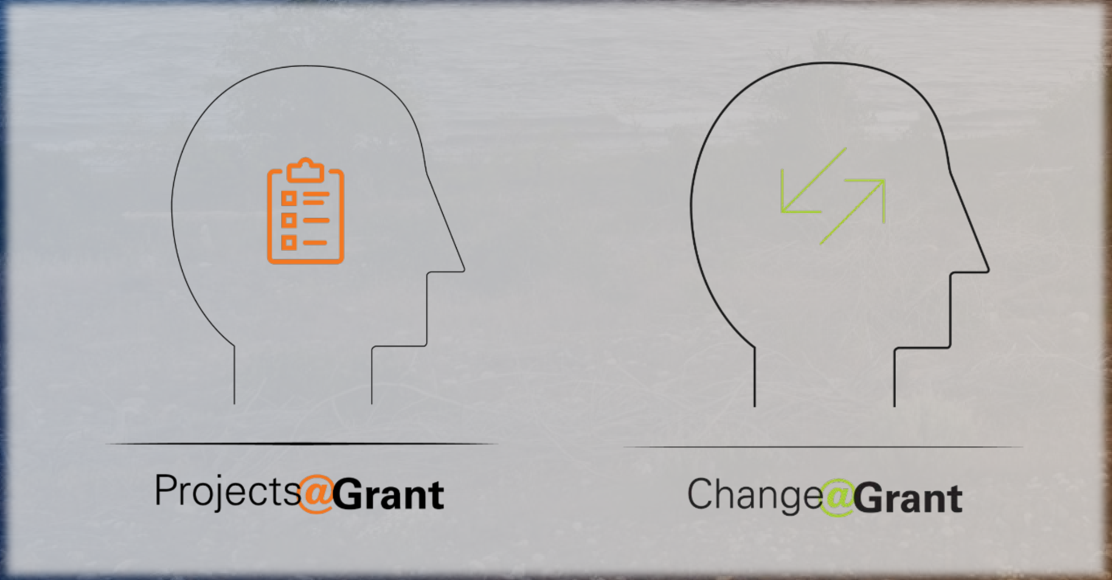
	2021	2020	Difference
CURRENT LIABILITIES			
Accounts payable			
Trade	19,100,136	11,919,086	7,181,049
Wages payable	16,392,223	10,495,003	5,897,220
Due to Power Purchasers	125,347	2,571,493	(2,446,146)
Accrued taxes	2,995,031	2,742,653	252,378
Customer deposits	5,470,439	6,542,006	(1,071,567)
Accrued bond interest	11,161,197	11,297,307	(136,110)
Unearned revenue	9,559,333	9,401,884	157,449
Habitat liability	18,510,090	17,959,455	550,635
Other current liabilities	-	39,768	(39,768)
Current portion of licensing obligations	1,784,993	2,343,889	(558,896)
Current portion of long-term debt	29,795,000	14,245,000	15,550,000
Total current liabilities	114,893,789	89,557,544	25,336,245
NONCURRENT LIABILITIES			
Revenue bonds, less current portion	1,154,147,894	1,200,440,146	(46,292,252)
Licensing obligations, less current portion	50,631,288	70,724,171	(20,092,883)
Pension obligations	25,726,571	24,837,391	889,180
Accrued other postemployment benefits	10,364,179	9,705,904	658,275
Long-term unearned revenue	8,751,099	8,560,775	190,324
Total noncurrent liabilities	1,249,621,031	1,314,268,387	(64,647,356)
DEFERRED INFLOWS			
Net pension, deferred inflow	7,752,491	14,701,254	(6,948,763)
Total deferred inflows	7,752,491	14,701,254	(6,948,763)
Total liabilities and deferred inflows of resources	1,372,267,311	1,418,527,185	(46,259,874)
NET POSITION			
Invested in capital assets, net of related debt	1,044,915,811	985,738,030	59,177,781
Restricted	274,053,432	254,455,884	19,597,547
Unrestricted	34,120,269	31,149,712	2,970,558
Total net position	1,353,089,512	1,271,343,626	81,745,886
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2,725,356,823	2,689,870,811	35,486,012

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY
UNAUDITED
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
For the Three Months Ending March 31, 2021 and 2020

	2021	2020	Difference
OPERATING REVENUES			
Sales to power purchasers at cost	5,637,000	6,100,386	(463,386)
Retail energy sales			
Residential	15,607,749	15,094,443	513,306
Irrigation	44,230	634	43,596
Commercial and industrial	36,514,932	35,008,155	1,506,777
Governmental and others	1,294,972	407,060	887,912
Wholesale revenues, net	20,645,410	24,231,476	(3,586,066)
Fiber optic network sales	2,887,627	2,462,024	425,603
Other	182,903	371,029	(188,126)
Total operating revenues	82,814,823	83,675,208	(860,384)
OPERATING EXPENSES			
Generation	10,674,216	8,343,980	2,330,237
Transmission	724,973	774,241	(49,267)
Distribution	8,136,430	7,898,695	237,734
Customer and information services	855,830	840,067	15,763
Fiber optic network operations	624,531	515,467	109,063
Administrative and general	12,473,089	11,120,251	1,352,838
License compliance and related agreements	2,009,707	1,110,772	898,935
Depreciation and amortization	19,721,222	19,618,558	102,663
Taxes	4,654,925	4,522,798	132,127
Total operating expenses	59,874,923	54,744,829	5,130,094
NET OPERATING INCOME	22,939,900	28,930,379	(5,990,479)
OTHER REVENUES (EXPENSES)			
Interest and other income	(1,636,344)	9,546,833	(11,183,177)
Interest Expense	(11,218,182)	(11,606,526)	388,344
Federal rebates on revenue bonds	2,627,334	2,634,420	(7,086)
Amortization of debt related costs	(411,741)	(3,105,743)	2,694,002
Cost of debt issuance		(1,124,259)	1,124,259
Total other revenue (expenses)	(10,638,932)	(3,655,274)	(6,983,658)
CONTRIBUTIONS IN AID OF CONSTRUCTION	1,184,029	1,011,422	172,607
CHANGE IN NET POSITION	13,484,997	26,286,527	(12,801,530)
NET POSITION			
Beginning of year	1,339,604,515	1,245,057,099	94,547,416
End of year	1,353,089,512	1,271,343,626	81,745,886

Enterprise Project Management Office And Organizational Change Management

Quarterly Commission Update – May 2021



Grant PUD

Powering our way of life.

Today's Topics

- Goal, Objectives and Culture
- Department Personnel Summary
- Safety Update
- Budget Update
- Accomplishments
- Department Work

Department Goals and Objectives

EXECUTE PROJECTS - Cultivate a business driven EPMO that decreases project delivery risk to produce safe and quality outcomes enables consistent, reliable data and outcomes

HELP MANAGE THE PEOPLE SIDE OF CHANGE - Employ change management principles to allow greater adoption, utilization and proficiency – implementation vs installation

BUDGETING, FINANCIAL REPORTING AND ANALYSIS - Collect and analyze data for data driven financial decisions within Operations – at the department, project or portfolio level

The success of the EPMO and OCM is derived exclusively from achieving greater business value for our customers

EPMO/OCM CULTURE

OVERARCHING RESPONSIBILITIY
People

PRIORITY #1
Safety

PRIORITY #2
Quality

PRIORITY #3
Efficiency

Department Personnel Summary

Department	FTR	New Personnel	Contractor
EPMO/OCM (ED0000)	6	FTR: Kamryn Shannon, Administrative Assistant	2
Power Production (ED1000)	7	Contractor: John Wallace, Project Coordinator Contractor: Jason Stordahl, Project Manager	3
Power Delivery (ED20000	7	Contractor: Bruce Williams, Project Manager	1
Enterprise Technology (ED3000)	6	None	4
Facilities/Project Services (ED4000)	6	FTR: Rhiannon Fronsman, Project Coordinator	2
TOTAL	**32**		**12**

- For more personnel breakdown detail by department go to the presentation appendix.
- Contractors continue to be a highly relied upon resource pool to complete work.
  - Plan to submit a Change Order for Commission decision in next 45 days for additional funds for VOLT.
  - See the presentation appendix for more information on contracted resources.

Safety Update

- Recordable incidents: 0
- Vehicle incidents: 0
- Continued emphasis on job site reviews and contractor safety
- Expect 100% attendance at safety meetings and complete trainings

Budget Update

- Budget Versus Actuals
- Employee Activity
- Capital

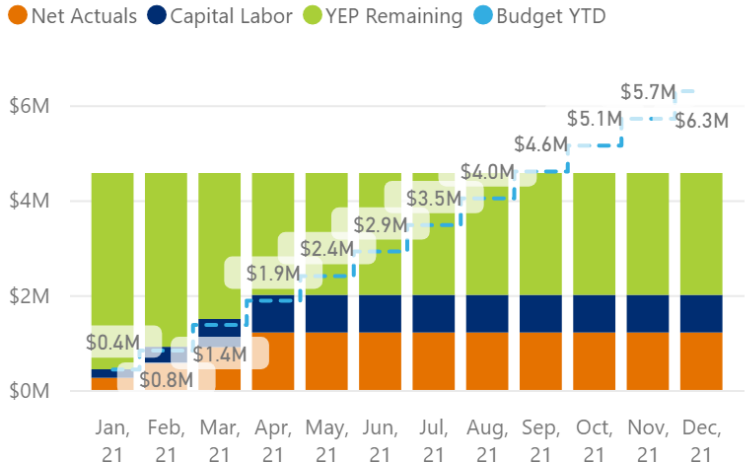
O&M Budget Versus Actuals

ED - EPMO_OCM QBR Year-to-Date April, 2021

Operating Unit

ED - EPMO_OCM

Capital Labor & Net Actuals YTD Vs. Year-End-Projections



Gross Actuals Vs. Budget

$2.0M +6.4%

Capital Labor Actuals Vs. Budget

$791.8K -24.6%

Net Actuals Vs. Budget

$1.2M +45.5%

O&M Budget vs Actuals (Including Cap Labor)

Cost Category Type/Cost Category	Budgeted	Actuals	Budget Var	Budget Var %	Consumed %
Labor	**$1,764,617**	**$1,680,982**	**-$83,635**	**-4.7%**	**95.3%**
Salaries & Wages	$1,134,275	$1,039,779	-$94,496	-8.3%	91.7%
Benefits	$624,282	$592,362	-$31,920	-5.1%	94.9%
Other Labor	$6,059	$48,794	$42,735	705.3%	805.3%
Overtime		$47			
Purchased Services	**$91,693**	**$315,432**	**$223,739**	**244.0%**	**344.0%**
G&A	**$13,153**	**$2,913**	**-$10,240**	**-77.9%**	**22.1%**
IT	**$9,000**	**$865**	**-$8,135**	**-90.4%**	**9.6%**
Operating Materials & Equipment	**$2,783**	**$2,172**	**-$612**	**-22.0%**	**78.0%**
Total	**$1,881,246**	**$2,002,363**	**$121,117**	**6.4%**	**106.4%**

Salary & Wages: The difference is primarily driven by lower rates of pay for incoming positions than what was budgeted.
Other Labor: Retirement cash outs of $39,534 that were removed from the budget templates. Change in hydro isolation pay from Other Labor to Salary & Wages.
Purchased Services: Contracted labor of PMMF contractor already under contract in 2020 were delayed in the final O&M budget until 7/1/2021. $69,500. Additional use of contracted labor for development of the OCM program $100k. Additional contract PM support for District's facilities Master Plan $15,600. Additional contract PM support for Corrective Action, $8,409 There are also entries that are capital which expenditure transfers will be done. ($57,282)
IT: Budget for new hire laptop purchases were not deferred when new hire start dates were deferred, expecting to use full budget this year.
G&A: Travel Training has continued to be delayed or reduced because of COVID.
Capital Labor: Lower than budgeted, need to ensure PIDs are being captured on work and understand how to capture time for those that are in support roles for all capital projects (BAs, PMO Management).

- Capital Labor is a subset of the Labor above

- Net Actuals vs Budget = Gross Actuals minus Capital Labor

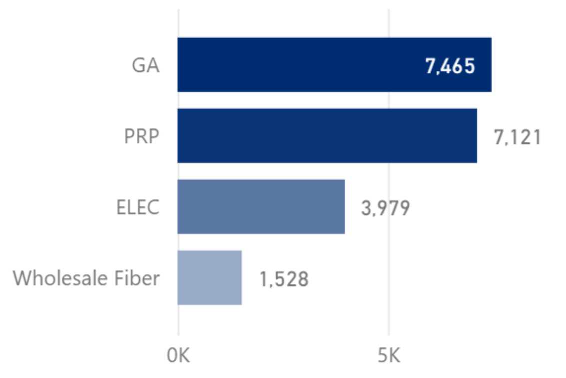
Employee Activity

ED - EPMO_OCM QBR Year-to-Date April, 2021

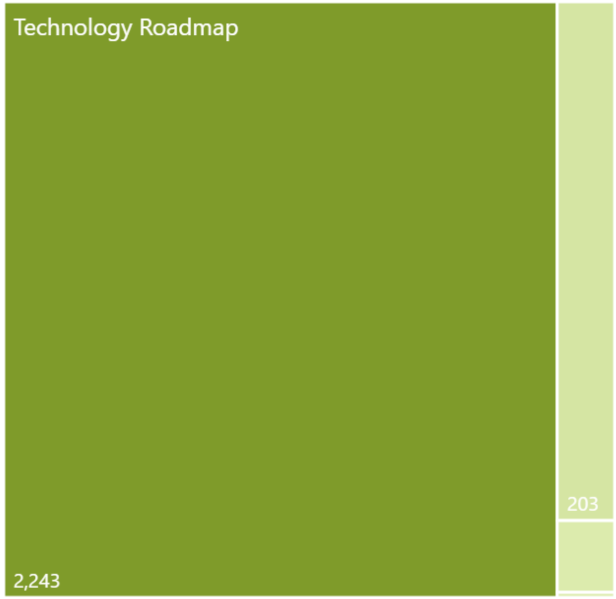
Operating Unit

ED - EPMO_OCM

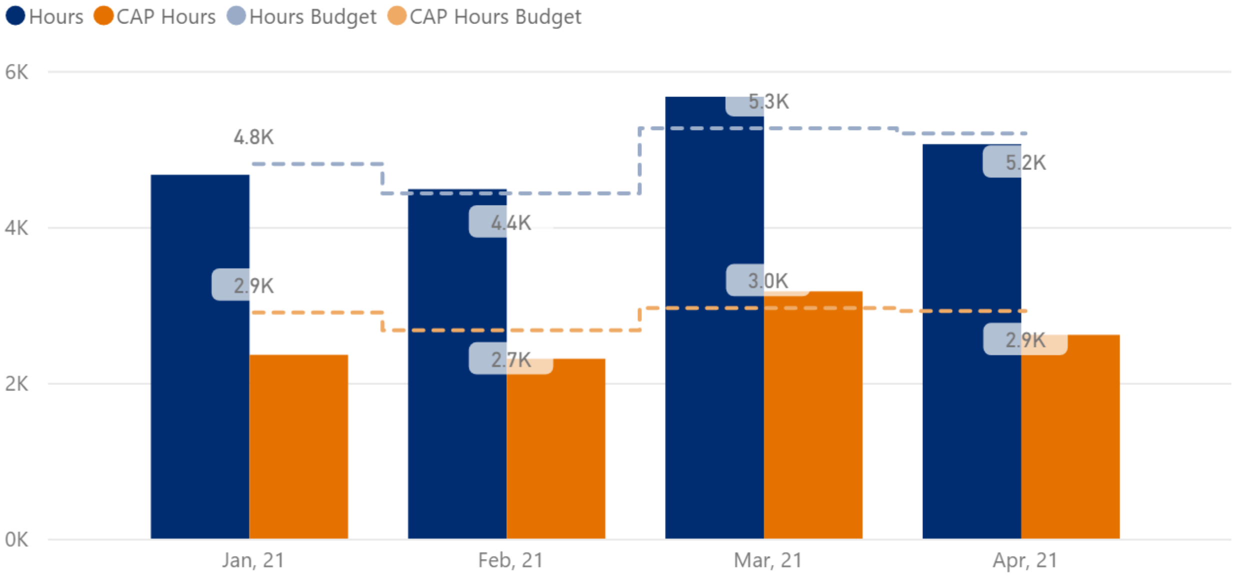
Hours by System



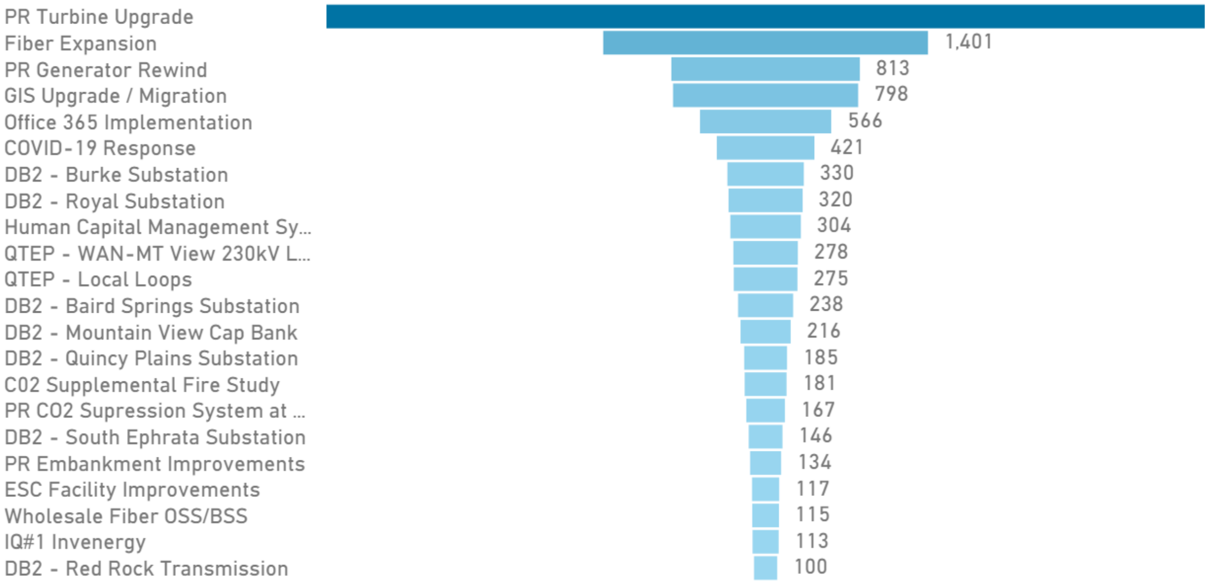
Hours by Program



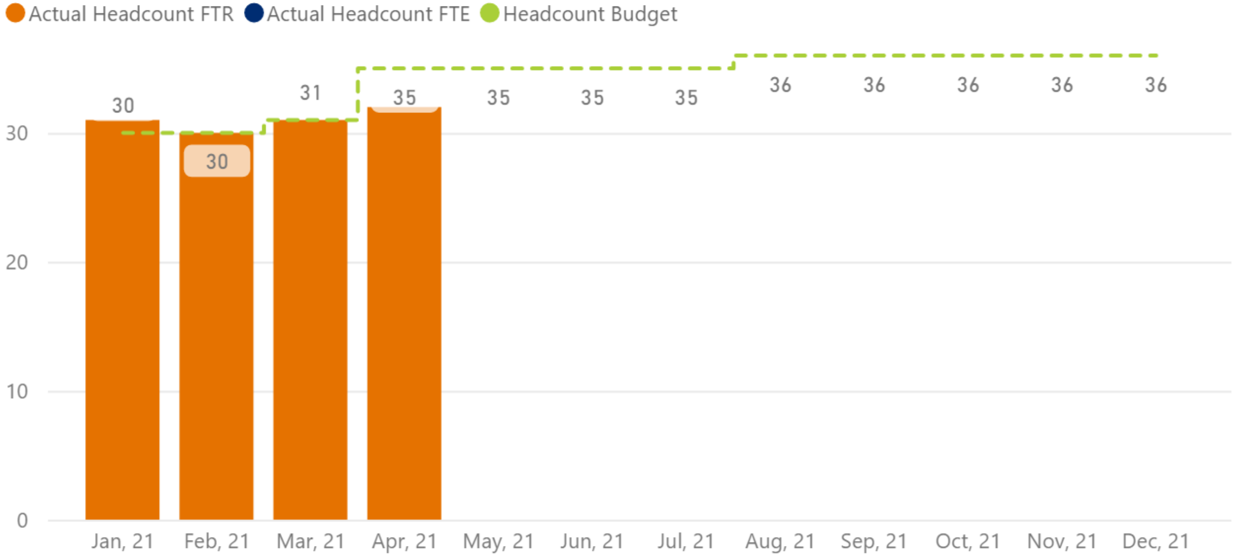
Hours and CAP Hours Vs. Budgets



Hours by Initiative



Headcount and Budget by Month & Year



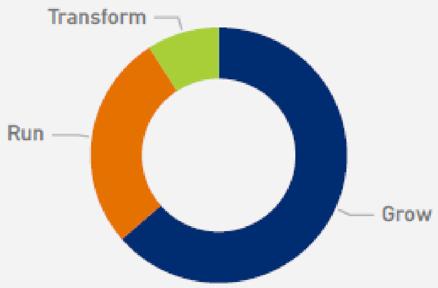
Budget Versus Actuals

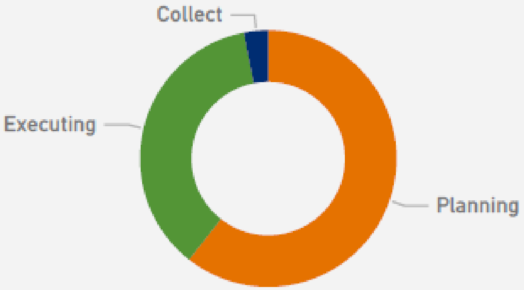
ED - EPMO/OCM Capital QBR Year-to-Date April, 2021

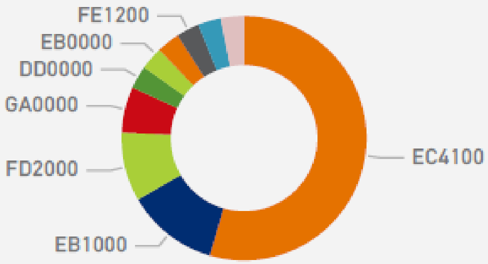
Max Transaction Date
04/30/2021

Date Range
1/1/2021 4/30/2021

Total Active Projects
33

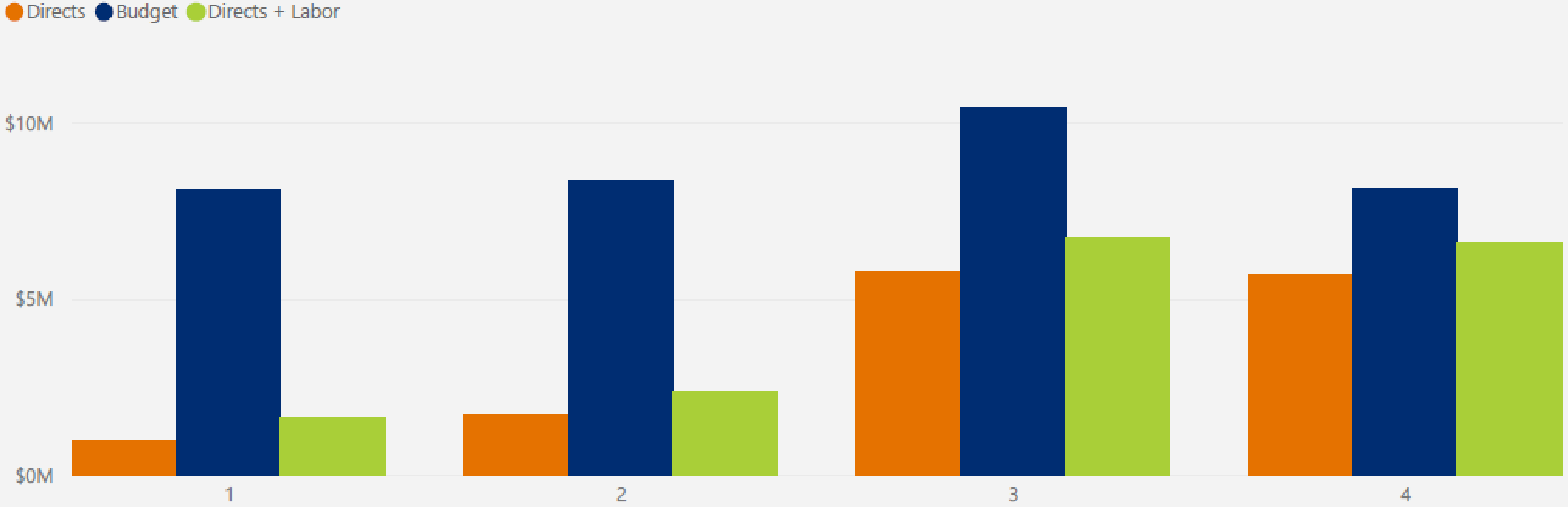






Budget vs Actuals (Capital Directs)

Portfolio	2021 Budget	2021 Spending Approval	2021 Actuals to Date	Current Yr YEP
IS/Facilities	$21,650,000	$20,380,672	$287,452	$16,524,952
Other	$16,400,000	$16,699,883	$3,814,993	$16,831,243
Power Delivery	$43,148,644	$56,047,169	$5,824,809	$45,336,887
Power Production	$57,713,618	$59,249,568	$2,602,453	$42,236,744
Technology	$3,482,152	$5,602,799	$273,068	$3,488,546
Total	**$142,394,414**	**$157,980,091**	**$12,802,775**	**$124,418,372**



2021 Q1 EPMO/OCM Accomplishments

Started EPMO Awareness Campaign	1 Additional CAPM Certification Acquired	Conducting OCM Program Stakeholder Interviews	Started 1st Interconnection Project	V1 Project Management Framework Effective
Office 365 Project Completed	Continued Wholesale Fiber Buildout	1 Additional PROSCI ADKAR Certification Complete	Started WAN/PR Station Service Project	Continued Effectively Working Remotely
1 Additional PMP Certification Acquired	Started Integrating Project Controls Into Projects	On-site T/G Inspections in Pennsylvania	Refreshed EPMO and OCM SharePoint sites	2 Additional SCRUMM Master Certifications Acquired
Complete monthly JSRs for DB2 and Wholesale Fiber	Started QA Surveys on Construction Projects	March EPMO Summit	4 months of QA Surveys Completed	Started Planning ESC, MLSC and EHQ Projects

Professional work completed by the entire EPMO/OCM Team to provide value to our customers.

2021 EPMO/OCM Goals

Continue to increase maturity of project management office and project management capabilities

Continue to increase maturity of change management organization/office and change management capabilities

Deliver projects

Departmental Work

Task	Q4 2020	Q1 2021	Q2 2021
Employee Support			
Complete onboarding new Power Delivery EPMO Manager	**X**	**X**	**Complete**
Onboard new employees (FTR and contractor)	**X**	**X**	**X**
Project Management Framework			
Complete v1 and effective	**1/1/2021**	**3/15/2021**	----
Preparing for v2 release - July			**X**
EPMO Summits			
Summit #1 – scheduled for March 2021		**3/18/2021**	
Summit #2 – scheduled for September 2021			
EPMO Awareness Campaign			
Working@Grant newsletter			**04/19/2021**
GM Forum			**05/04/2021**

Our Commitment to Project Management

. . . a department focused on implementing projects

. . . comprehensive project management framework and directing organizational focus to utilize the framework . . .

Aligning project decisions with Grant PUD's Vision, Mission, Values, and Objectives

Manage projects to ensure the safety of our customers, public, contractors and employees is our highest priority

Our commitment . . . ensures efficient delivery of projects and achieving maximum value for our customers.

Our Utility's Commitment to Project Management

Grant PUD's Project Management Commitment

We, as team members at Grant PUD, commit to the safe, predictable, and efficient implementation of projects for its customers, the public and its employees and contractors by:

- Creating a department focused on implementing projects
- Establishing a comprehensive project management framework and directing organizational focus to utilize the framework to implement projects and effectively manage project delivery risk
- Aligning project decisions with Grant PUD's Vision, Mission, Values, and Objectives

Our Mission

To safely, efficiently and reliably generate and deliver energy to our customers.

In implementing projects at Grant PUD, we commit to:

1. Manage projects to ensure the safety of our customers, public, contractors and employees is our highest priority
2. Maintain compliance with legal, statutory, and regulatory requirements
3. Dedicate the necessary time and resources to plan projects to ensure efficient and successful project implementations
4. Achieve optimal solutions by being transparent about the tradeoffs between risk, cost, schedule, and resource utilization to achieve the desired project outcome
5. Implement the project management framework with the philosophy of continuous improvement through lessons learned at each phase of a project and employing a Start-Stop-Continue approach at the project portfolio level
6. Employ risk-informed and data-driven decision making
7. Establish and maintain appropriate key performance indicators that indicate progress towards goals, inform continuous improvement and motivate decisions consistent with Grant PUD's Mission, Vision, Values, and Objectives

Our commitment to strong project management practices ensures efficient delivery of projects and achieving maximum value for our customers.



Projects@Grant

Grant PUD

Powering our way of life.

The Executive Team commits to supporting a standardized approach to implementing projects within our utility. Given the number of projects that our utility is responsible to complete to ensure the generation and delivery of low-cost power to our customers, our focus must be on safety, risk reduction and delivering on our commitments. Our project management framework will guide the successful delivery of projects supported by our talented employees.

We must:

- Have an unwavering commitment to public and workforce safety in implementing projects
- Have a risk reduction mindset
- Always remain in compliance
- Establish organization-wide commitment and discipline to follow the framework
- Keep customers at the core of all decisions
- Focus on teamwork, communication, and effective stakeholder engagement

Thank you for your part in delivering on this commitment to ensure successful delivery of projects.

Richard Wallen, Chief Operations Officer

Dave Churchman, Chief Customer Office

Jeff Bishop, Chief Financial Officer

For more information about project management in Grant PUD, go to @Grant ---> EPMO/OCM Department

Grant PUD 2021 Key Priorities

Delivering on our Financial and Operational Targets

"Adopt, rollout, and execute EPMO governance and framework"

The Executive Team commits to supporting a standardized approach to implementing projects within our utility.

Have a risk reduction mindset

Keep customers at the core of all decisions

[EPMO SP site]

Grant PUD's EPMO

Decrease project delivery risk to produce safe and quality outcomes efficiently

Planning, executing and closing of portfolio projects

Manages projects in alignment with approved scope schedule and budget

Reports project status and performance

Identifies and manages project risks

Not responsible for selecting projects

Benefits

of the Enterprise Project Management Office

Clarity

Predictable & useful updates

Enables better decisions & efficient issue resolution.

Identify decision-makers

at the outset & throughout projects.

Project Management Framework

Provides guidance & structure. Documentation templates by phase & scaled to project.

Efficiency

Accuracy

Provide more accurate project budgets, schedules, & plans.

Develop

Learn project management skills on the foundation of standard processes and tools.

Accountability

Defined for delivering expected scope on time & within budget.

Projects@Grant

Operations Budget

Task	Q4 2020	Q1 2021	Q2 2021
Operations Support			
Populate Project Data Templates			X
Q1 YEP Complete			X
EPPM Coordination			
Assist with developing processes		X	
Prepare for PWG meetings		X	
Project Lifecycle Working Group (every other month)			April 14 May 5
2022 Budget Process			X
Reporting and analytics		X	X

Organizational Change Management

Task	Q4 2020	Q1 2021	Q2 2021
Program Development			
Stakeholder interviews to inform program development			X
Artifact development	X	X	X
Process procedure/guide development	X	X	X
Alignment of OCM tools with project management framework	X	X	X
Change event support (project and initiatives)	X	X	X

Enterprise Technology

Task	Q4 2020	Q1 2021	Q2 2021
HCMS			
Initiate and plan myHR: Recruitment module		X	X
Initiate and plan myHR: Performance Management module		X	X
Initiate and plan myHR: Compensation module		X	X
ESRI GIS and Work Order Design Project	X	X	X
OSS/BSS			
Initiate and Plan		X	X
IT Infrastructure Refresh Program			
Initiate and Plan		X	X
Records Project			
Initiate and Plan			X
Energy Management System (EMS)			
Initiate and Plan		X	X

Enterprise Technology

Task	Q4 2020	Q1 2021	Q2 2021
HCMS			
MyHR: Work Management – Project complete	X	----	----
MyHR: Learning Management System (LMS) – Project complete		02/1/2021	----
O365 Migration – Project complete		03/31/2021	----
Oracle CCS – Project complete	X	----	----

Facilities/Project Services

Task	Q4 2020	Q1 2021	Q2 2021
EHQ Remodel			
Initiation and Planning	X	X	X
Start Execution			Oct 2021
Moses Lake Service Center			
Initiation and Planning	X	X	X
Start Execution			Sept 2021
Ephrata Service Center			
Initiation and Planning	X	X	X
Start Execution			Sept 2021
Facility Master Planning			
Project Execution	X	X	X
Inspection Services	X	X	X

Power Delivery

Task	Q4 2020	Q1 2021	Q2 2021
Wholesale Fiber Project			
Project Execution	X	X	X
Design Build 2			
Construction started – Burke, Mountain View, Quincy Plains, Baird Springs, Royal Substation	X	X	X
Quincy Transmission Expansion Project (QTEP)			
Project Planning	X	X	X
Invenergy Interconnect Project			
Project Initiation, Project Planning		X	X
Corner Grounded Delta Project			
Project Initiation			X
ECBID			
Project Initiation			X

Power Production

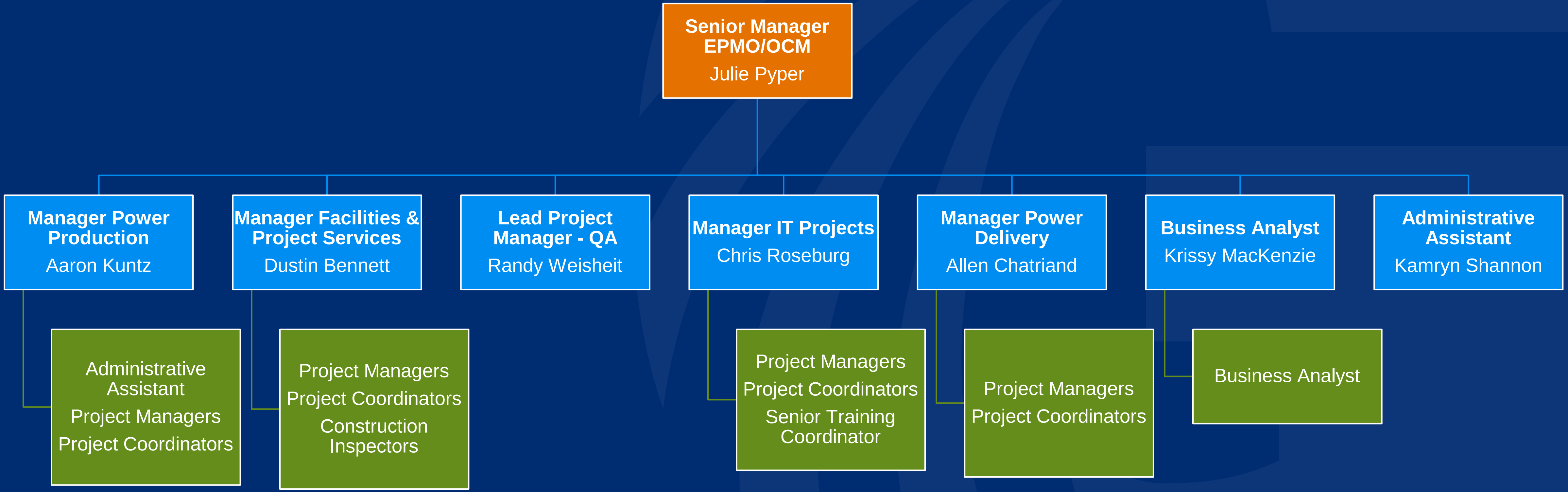
Task	Q4 2020	Q1 2021	Q2 2021
Priest Rapids Turbine Generator Rehab Project			
P08 back in service	11/5/2020	----	----
P04 scheduled start	11/16/2020	----	----
P04 schedule in-service date		4/30/2022	4/30/2022
PR/WAN Lock Out/Tag Out			
Initiate			**X**
WAN Emergency Diesel Generator			
Initiate and Plan			**X**

Power Production

Task	Q4 2020	Q1 2021	Q2 2021
PR/WAN CO2 Oil Room Fire Suppression Upgrade			
Initiate and Plan			**X**
Vantage Riverstone Marina			
Initiate and Plan			**X**
WAN/PR Station Service			
Started Planning		**X**	**X**
Execution Phase Starts		March 2021	

APPENDIX

Departmental Structure



EPMO/OCM

ED0000

Grant PUD Employees (6)

- New Team Members
  - Kamryn Shannon
- Existing Team Members
  - Julie Pyper – Senior Manager
  - Krissy MacKenzie – Lead Business Analyst II
    - o Vanessa Villela – Business Analyst II
  - Mindy Klingenberg – Project Coordinator
  - Randy Weisheit – Lead Project Manager, QA

Contractors (2)

- New Team members
  - None
- Existing Team Members
  - Brent Gregory, Senior Project Manager
  - Thomas Karcz, Change Manager

Open Team Member positions (0)

- None

EPMO Power Production

ED1000

Grant PUD Employees (7)

- New Team Members
  - None
- Existing Team Members
  - Aaron Kuntz - Manager
  - Bill Anderson – Senior Construction Inspector
  - Cathye Clark – Administrative Assistant
  - Dan Harper – Project Coordinator
  - Logan Castle - Project Manager
  - Nick Sackmann – Project Coordinator
  - Vince Von Paul – Project Manager

Contractors (3)

- New Team members
  - John Wallace – Project Coordinator
  - Jason Stordahl, Project Manager
    - *Shared resource between Power Production and Power Delivery*
- Existing Team Members
  - Pedro Egui – Project Manager

Open Team Member positions (1)

- Project Manager

EPMO Power Delivery

ED2000

Grant PUD Employees (7)

- New Team Members
  - None
- Existing Team Members
  - Allen Chatriand - Manager
  - David Klinkenberg – Project Manager
  - Greg Cardwell – Senior Project Manager
  - Jeremy Conner – Project Manager
  - Sheila Wald – Project Coordinator
  - Travis Wiser – Project Manager
  - Vangie Crago – Project Coordinator

Contractors (1)

- New Team members
  - Bruce Williams – Project Manager
- Existing Team Members
  - None

Open Team Member positions (2)

- Project Managers

EPMO Enterprise Technology

ED3000

Grant PUD Employees (6)

- New Team Members
  - None
- Existing Team Members
  - Chris Roseburg - Manager
  - Janine Swedberg – Project Coordinator
  - Jesse Brazill – Senior Project Manager
  - Karrie Buescher – Project Specialist
  - Kristi Van Diest – Project Coordinator
  - Melanie Beck – Senior Training Coordinator

Contractors (4)

- New Team members
  - Shannon Campbell – Project Manager
- Existing Team Members
  - Chastine Lynch – Project Manager
  - Nick Mollas – Senior Project Manager
  - Rachelle McGillivray – Project Manager

Open Team Member positions (0)

- None

EPMO Facilities and Project Services

ED40000

Grant PUD Employees (6)

- New Team Members
  - Rhiannon Fronsman – Project Coordinator
- Existing Team Members
  - Dustin Bennett - Manager
  - Joe Larkin – Lead Construction Inspector
  - Ken Thoms – Construction Inspector
  - Mike Fleurkens – Lead Construction Inspector
  - Ron Deycous – Construction Inspector

Contractors (2)

- New Team members
  - None
- Existing Team Members
  - Ben Floyd – Project Manager
  - Cliff Woods – Project Manager

Open Team Member positions (0)

- None

Contracted Resources

Arch Staffing and Consulting

- Contract Expiration Date: December 2022
- Contract Not To Exceed: $6,000,000
- Unallocated Dollars: $3,595,153
- Contract To Date Actuals (of as 04/15/2021): $1,581,590

Current Resources

Name	Position/Project	Start Date	Estimated End
Brent Gregory	Senior Project Manager; Project Management Framework and project support	01/27/2020	12/31/2021 (+)
Cliff Woods	Project Manager; Ephrata and Moses Lake Service Centers; EHQ Remodel	07/20/2020	08/31/2021 (until EoP)
Thomas Karcz	Change Manager; OCM Program Development	08/27/2020	12/31/2021 (+)
Bruce Williams	Project Manager, Invenergy Interconnect Project	3/3/2020	2/15/2024 (EoP)
EoP = End of Project			

Contracted Resources

VOLT

- Contract Expiration Date: December 2022
- Contract Not To Exceed: $2,850,000
- Unallocated Dollars: $560,247
- Contract To Date Actuals (as of 04/11/2021): $1,031,300

Plan to submit a Change Order for Commission decision in next 45 days

Current Resources

Name	Position/Project	Start Date	Estimated Duration
Nina Ozaki	Business Analyst Support for Facilities	11/11/2019	04/30/2021
Ann Shiveley	OCM Practitioner	11/18/2019	05/31/2021
Brian Bolduc	GIS Analyst; Enterprise Technology	02/15/2021	2/22/2022
Shannon Campbell	Project Manager; myHR modules	03/04/2021	11/30/2021
Chastine Lynch	Project Manager; Fiber OSS/BSS	01/04/2021	08/04/2021
Nick Mollas	Senior Project Manager	01/12/2021	1/22/2022
Pedro Equi	Project Manager; WAN/PR Station Service	01/12/2021	08/22/2022
Jason Stordahl	Project Manager; Riverside Marina Dock Removal/Corner Grounded Delta	4/26/2021	9/29/2022

Contracted Resources

Other Contracted Resources

Name	Company	Project	Estimated Duration
Ben Floyd	White Bluffs Consulting	Facility Master Plan Corrective Action Program	December 2021 (until EoP)
Rachelle McGillivray	Power Engineers	ESRI/GIS (GEN2) Project	December 2022 (until EoP)

Grant PUD

Powering our way of life.

Debt Program Review

Commission Meeting, May 2021

Grant PUD

Powering our way of life.

Agenda

- District Debt Program Summary
- Debt Regulations/ Requirements
- Current Market / Trends
- Rating Agencies
- Finance Plan

Grant PUD Revenue Bonds

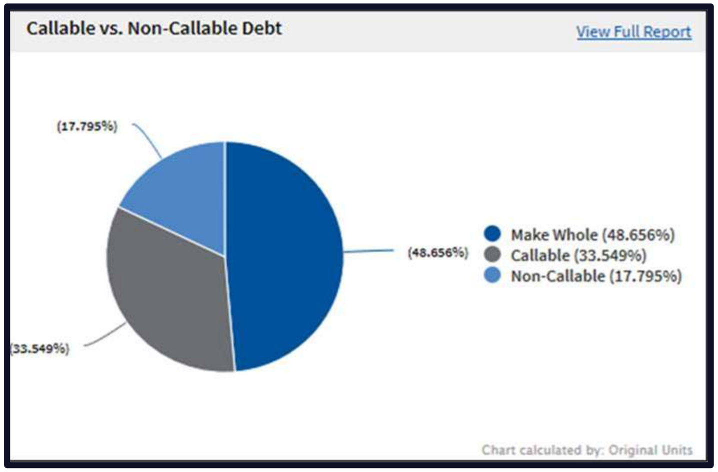
- Chapter 54.24 RCW – authorizes the PUD to issue various types of bonds, including revenue bonds
- Chapter 39.53 RCW – Refunding Bond Act – authorizes the issuance of refunding bonds for debt service savings or other reasons
- Chapter 39.46 – general bond provisions; contains explicit authorization for delegated authority
  - A bond evidences an obligation to pay (e.g. a loan)
    - Structured to allow sale/placement with a wide array of investors
  - Secured by a pledge of certain revenues
  - May be issued as tax-exempt or taxable obligations
    - Interest paid to investor holding tax-exempt bonds is excludable from federal income taxation
    - Tax-exempt and tax-advantaged (e.g. CREBs) are subject to federal tax laws
  - Bonds are securities and subject to federal securities and disclosure laws

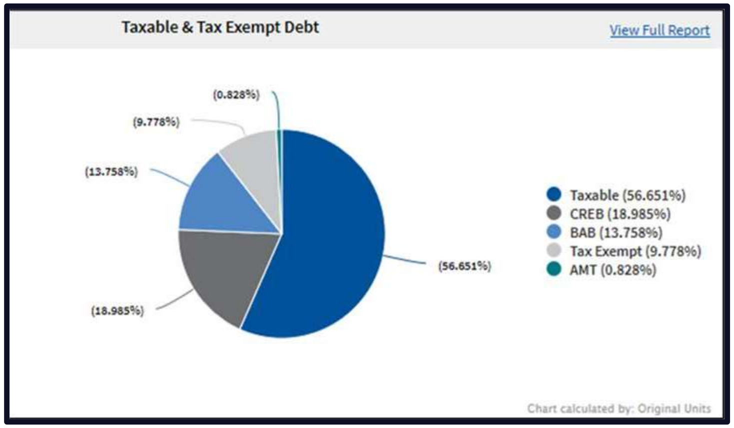
Grant PUD Revenue Bonds

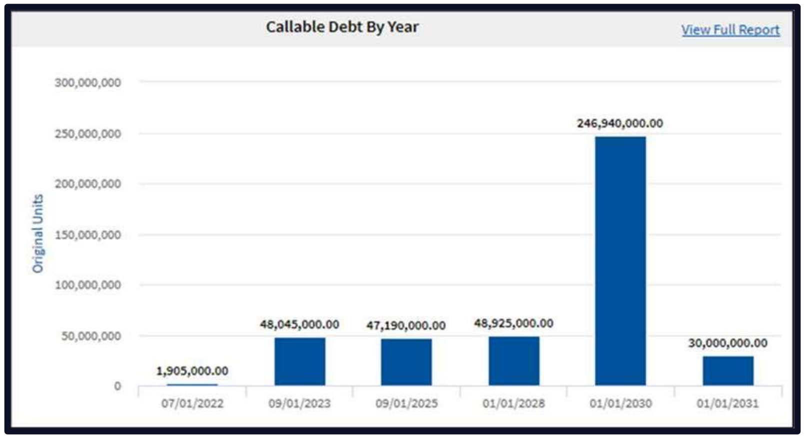
- Bond Resolutions and Related Documents
  - Contain covenants regarding the continued operation of the enterprise, safekeeping of funds, and other operating provisions to protect the stream of revenue pledged to bondholders
    - Pledge of revenues, flow of funds, debt service coverage are key elements, operating pledges
  - Contain annual reporting requirements
  - Include certain conditions that must be met prior to issuing new revenue bonds
- IRS Regulations
  - Bonds spent within three years from closing
  - Reimbursement bonds no later than 18 months
  - Arbitrage yield restrictions
- SEC Regulations
  - Disclosure- unlawful to omit material facts or make untrue statements in connection with sale of bonds
  - Ongoing disclosure requirements – municipal entities filing
    - Required annual reporting, event notices, and voluntary filings
  - Public documents / statements – statements that may reach investors are subject to antifraud requirements outside of transactions
- Ongoing bond compliance and training
  - Treasury Dept is primary on bond efforts, but awareness/ training from entire District is necessary

Grant PUD Debt Recap

- Senior bonds are issued as taxable or exempt municipal bonds
  - Exempt bonds have specific public use requirements, District revenue funds or issues taxable bonds for private use of assets financed
  - Electric fiber is excluded currently from bond funding
  - PRP constructions is partially funded by equity available from Elec System via junior lien bonds before external funding
- CREB and BAB bonds were issued as taxable bonds with no call option
  - Including the federal interest rebate the CREBs have remained at ~1% effective cost of funds, net of sequestration impacts
- Exempt bonds typically have 10 year par calls which enables refunding
  - District internal refunding policy is 3% economic savings and 50% escrow efficiency
  - In 2017 federal legislation eliminated the ability to advance refund exempt bonds
  - The 2020 refunding transactions were sold as taxable municipal bonds due to length of time to call dates and overall economics
  - Prior to 2013, taxable bonds were issued without call options or as “make whole” calls due to large market penalties associated with lack of investor demand

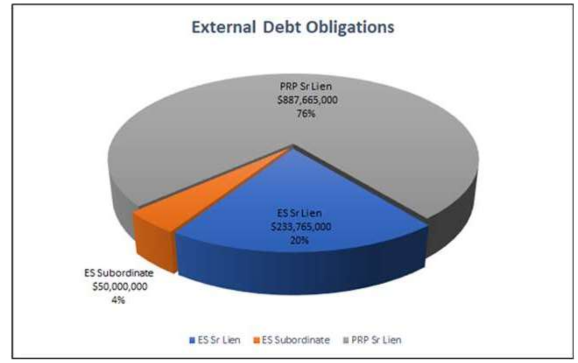


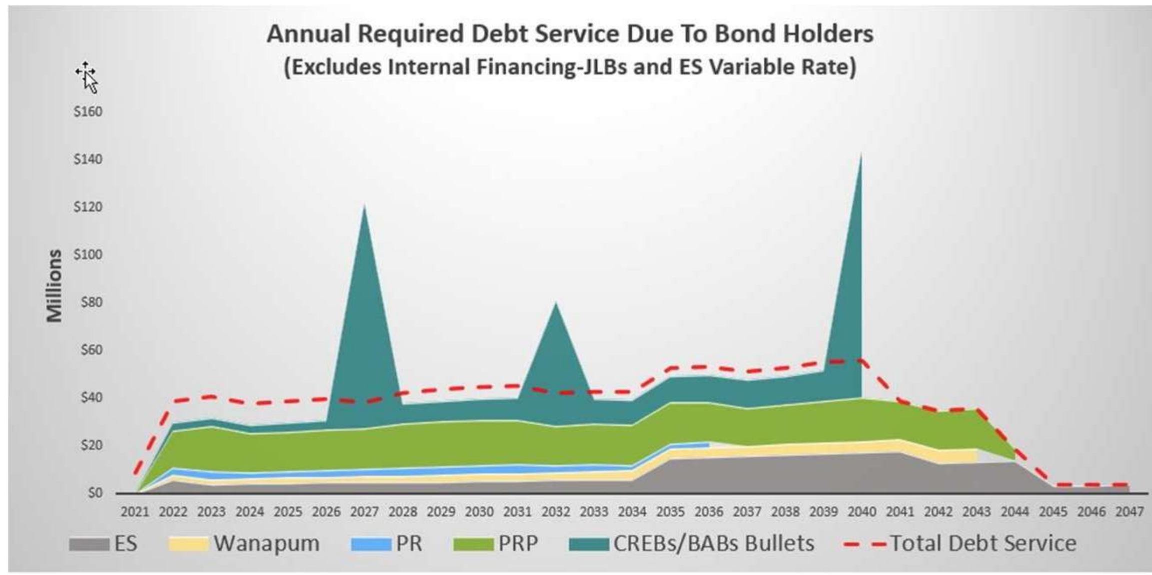


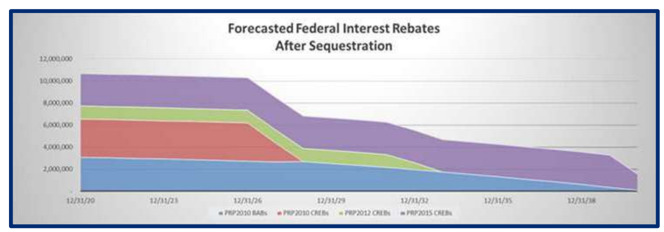


Grant PUD Debt Recap

- Revenue bonds are issued for capital not funded by revenues
  - Electric fiber is excluded currently from bond funding
  - PRP constructions is partially funded by equity available from Elec System via junior lien bonds before external funding
- Principal is repaid over the useful life of the bonds, or typically up to a 30 year max
  - The weighted average life of the debt portfolio is 10.8 years with final principal payments in year 2044
  - The average life of the District's plant assets is 40 years
  - Debt is typically issued in "level" repayment structures or to shape a series to result in level or overall declining debt amortizations
- CREB (clean renewable energy bonds issued in '10, '12, and '15) are self managed sinking funds with bullet maturity payments in years '27, '32, and '40.
- Subordinate Bonds are Electric System direct placed to a bank that is variable rate and junior in rank to senior debt liens
  - Senior debt has a coverage ratio of 1.25x in the Electric System and 1.15x in the PRP System
  - Electric subordinate debt has a coverage ratio of 1.10x
- CREB and BAB (Build America Bonds issued in 2010) have federal rebates for interest payments of 70% and 35%
  - Subject to sequestration, current sequestration is 5.7%







External Debt Team Roles and Responsibilities

- PFM Financial Advisors LLC
  - Municipal Advisor to the PUD
  - Responsible for advising on structure and sale of securities to the District
  - Provides market and other information between transactions
- Pacifica Law Group LLP
  - Bond Counsel to the PUD
  - Co-Disclosure Counsel to the PUD
  - Assists with unique projects between transactions related to bonds
- Nixon Peabody LLP
  - Special Tax Counsel to the PUD
  - Co-Disclosure Counsel to the PUD
  - Assists with unique projects between transactions related to bonds
- Underwriting Bank
  - Pool of banks the District partners with on transactions and regarding projects between transactions
- Paying Agent / Escrow Agent
  - Remits payments to DTC/bondholders on principal and interest dates and manages escrows related to refunding's/transactions
  - US Bank is state fiscal agent and services District

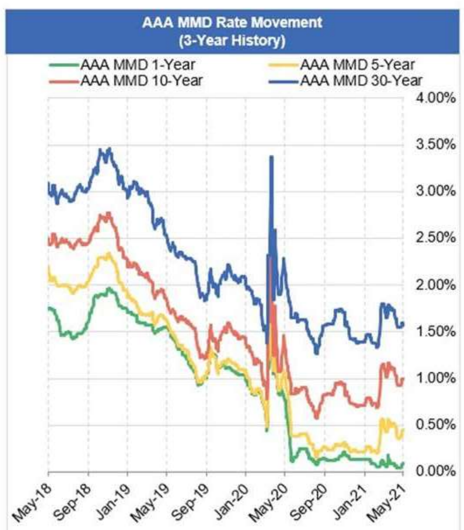
Debt Market

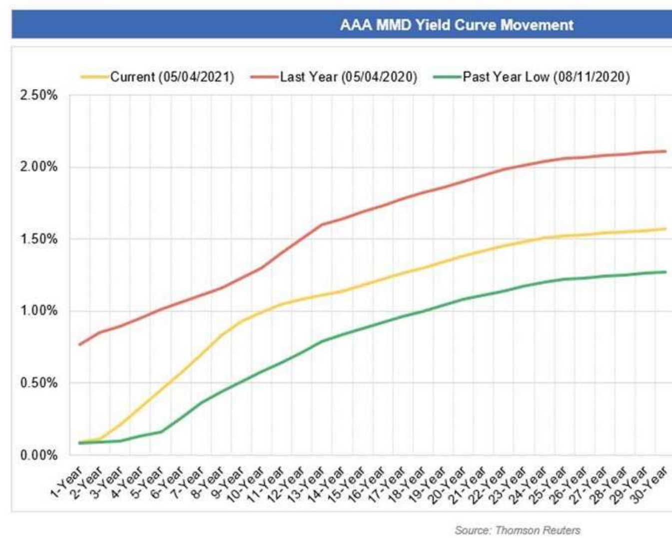
BENCHMARK / MATURITY	2-YEAR	5-YEAR	10-YEAR	30-YEAR
MMD	0.10%	0.43%	0.99%	1.59%
UST	0.16%	0.85%	1.63%	2.30%
MMD / UST Ratio	61.98%	50.30%	60.72%	69.16%

Source: J.P. Morgan; Thomson Reuters Municipal Market Data as of 4/30/2021; data shown are rounded to two decimal places

- Rates are determined when bonds are priced -sold as a spread to the MMD curve
  - MMD is priced as AAA, lower rated entities trade as a spread (such as District's AA rating)
- Taxable spreads to exempt remain low ranging from 15-30bps (up to 200bps has been experienced in past ten years)
- MMD relative to US treasuries has moved inversely since market impacts of Covid

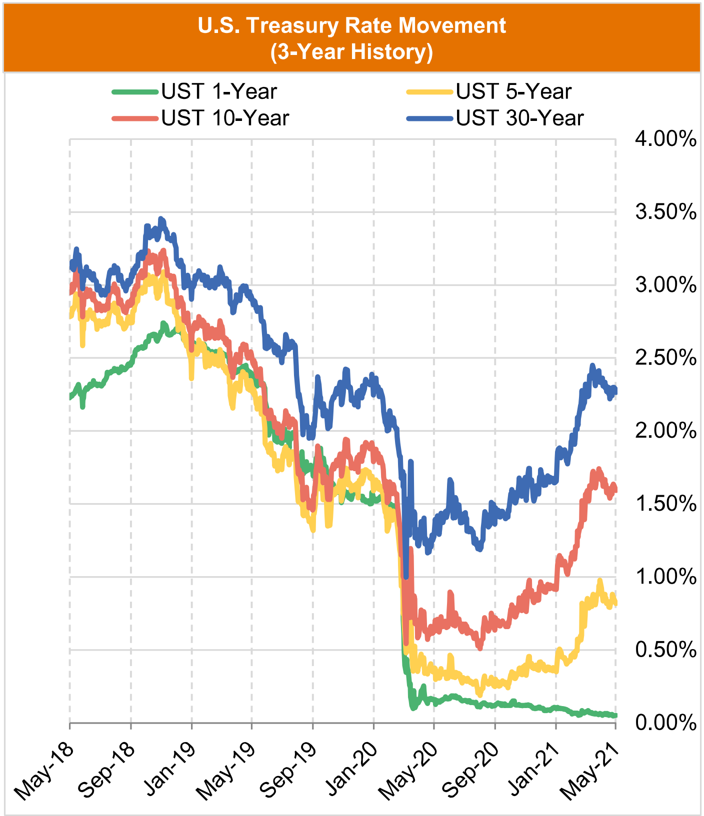
U.S. Treasury & AAA MMD Rate Movement

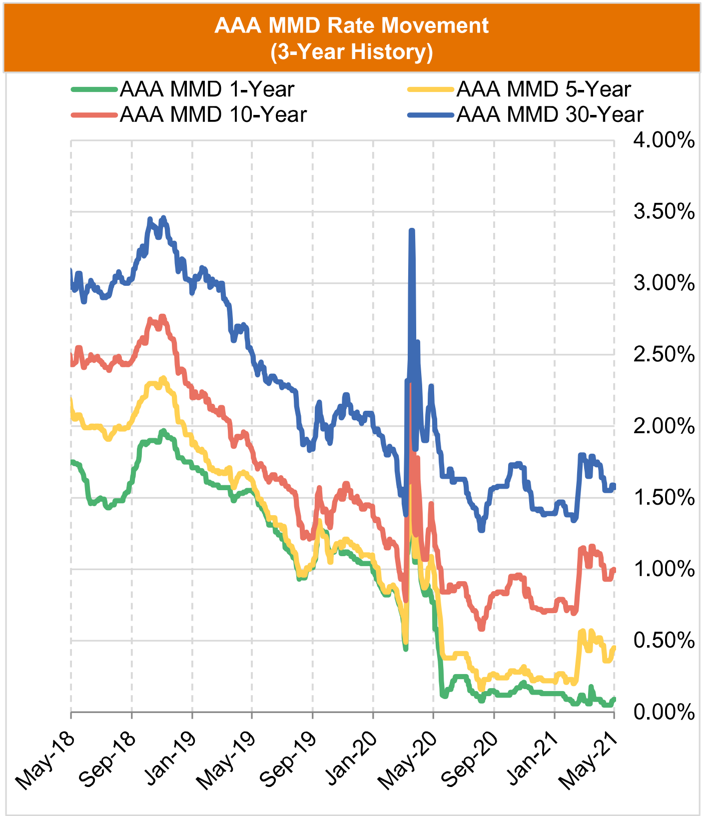




Maturity	Δ Since 05/04/2020	Δ Since 08/11/2020
1-Year	-0.68%	0.01%
2-Year	-0.74%	0.02%
3-Year	-0.68%	0.11%
4-Year	-0.62%	0.20%
5-Year	-0.56%	0.29%
6-Year	-0.49%	0.31%
7-Year	-0.41%	0.34%
8-Year	-0.33%	0.39%
9-Year	-0.30%	0.42%
10-Year	-0.31%	0.41%
11-Year	-0.35%	0.41%
12-Year	-0.42%	0.37%
13-Year	-0.49%	0.32%
14-Year	-0.50%	0.30%
15-Year	-0.51%	0.30%
16-Year	-0.51%	0.30%
17-Year	-0.52%	0.30%
18-Year	-0.52%	0.30%
19-Year	-0.52%	0.30%
20-Year	-0.52%	0.30%
21-Year	-0.52%	0.31%
22-Year	-0.53%	0.31%
23-Year	-0.53%	0.31%
24-Year	-0.53%	0.31%
25-Year	-0.54%	0.30%
26-Year	-0.54%	0.30%
27-Year	-0.54%	0.30%
28-Year	-0.54%	0.30%
29-Year	-0.54%	0.30%
30-Year	-0.54%	0.30%

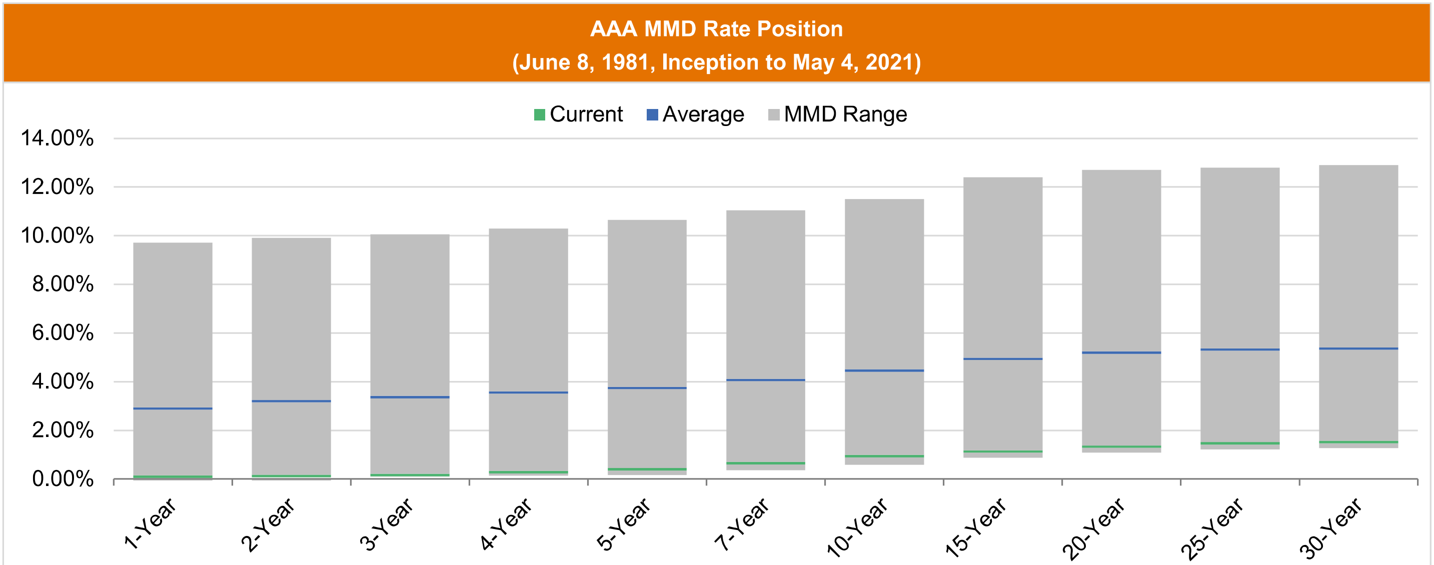
U.S. Treasury & AAA MMD Rate Movement





Source: Refinitiv TM3

MMD Rate Comparisons (AAA)



Summary of May 4, 2021 vs. Historical (since Inception) MMD Rates

Statistic	1-Year	2-Year	3-Year	4-Year	5-Year	7-Year	10-Year	15-Year	20-Year	25-Year	30-Year
May 4, 2021	0.09%	0.11%	0.21%	0.33%	0.45%	0.70%	0.99%	1.18%	1.38%	1.52%	1.57%
Historical Average	2.89%	3.19%	3.41%	3.61%	3.79%	4.12%	4.51%	4.99%	5.25%	5.37%	5.41%
Spread to Average	-2.80%	-3.08%	-3.20%	-3.28%	-3.34%	-3.42%	-3.52%	-3.81%	-3.87%	-3.85%	-3.84%
Minimum	0.05%	0.07%	0.10%	0.13%	0.16%	0.36%	0.58%	0.88%	1.08%	1.22%	1.27%
Maximum	9.65%	9.85%	10.05%	10.30%	10.65%	11.05%	11.50%	12.40%	12.70%	12.80%	12.90%
% of Time Lower	0.40%	0.29%	1.60%	1.92%	2.09%	2.11%	2.16%	1.47%	1.42%	1.28%	1.28%

Source: Thomson Reuters

Interest Rate Forecasts

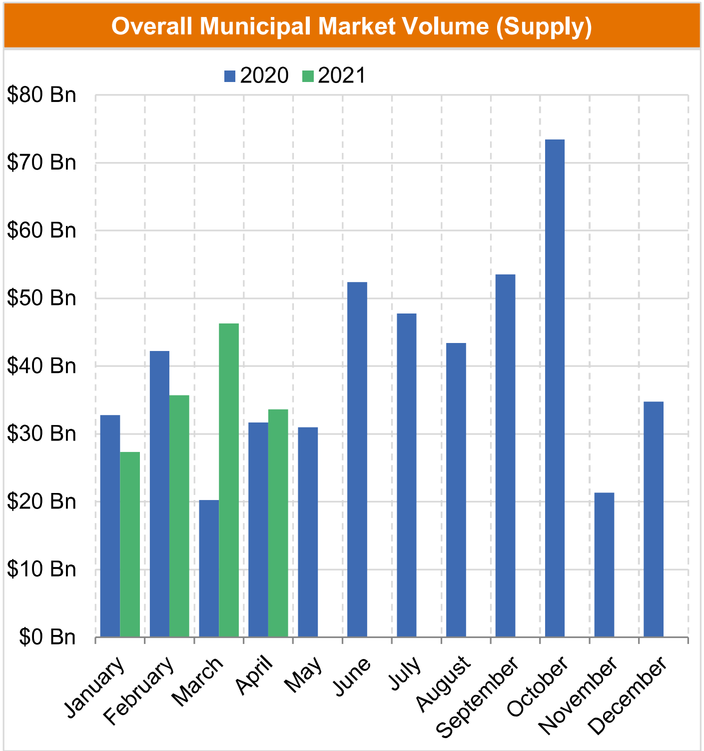
- According to effective Fed funds futures, the market is not expecting any rate actions through June 2021.

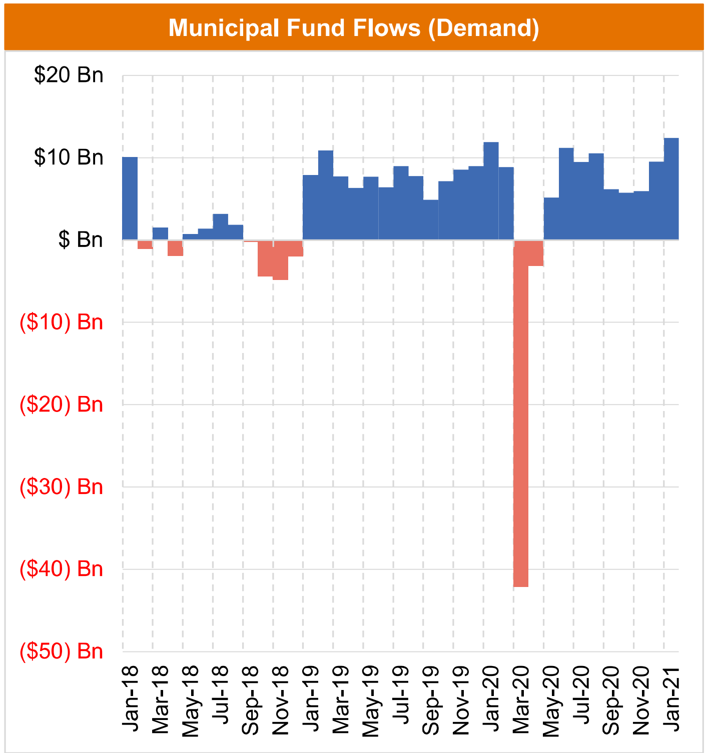
The Street's Interest Rate Forecast (As of May 4, 2021)								
Average Forecasts	**Current**	**Q2 21**	**Q2 Δ vs. Current**	**Q3 21**	**Q4 21**	**Q1 22**	**Q2 22**	**Q3 22**
30-Year UST	2.25%	2.39%	0.14%	2.47%	2.50%	2.58%	2.64%	2.69%
10-Year UST	1.57%	1.71%	0.14%	1.78%	1.83%	1.92%	1.98%	2.04%
2-Year UST	0.16%	0.19%	0.03%	0.25%	0.31%	0.38%	0.46%	0.55%
3M LIBOR	0.18%	0.22%	0.04%	0.24%	0.27%	0.30%	0.34%	0.37%
Fed Funds Target Rate	0.00%	0.00%	0.00%	0.01%	0.01%	0.03%	0.04%	0.06%

Source: Bloomberg

Municipal Market Supply & Demand

- New issuance volume was up by 6.19% year-over-year in April, while year-to-date new issuance volume was 12.61% higher than 2020 issuance through April.

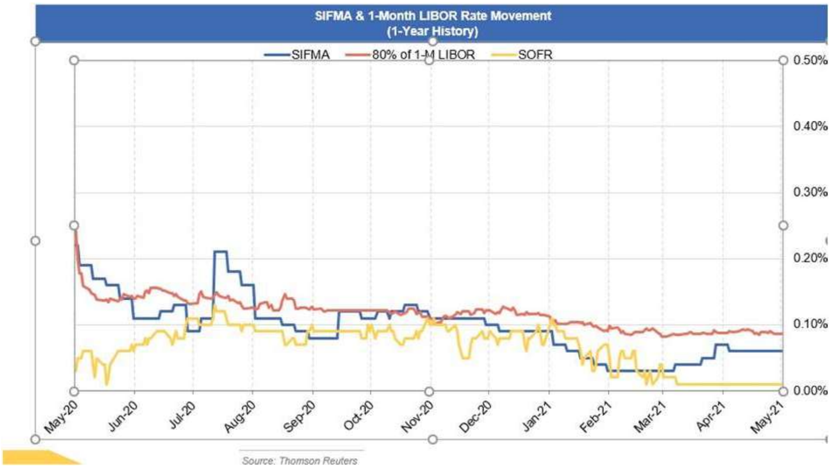




Source: Bond Buyer, Investment Company Institute

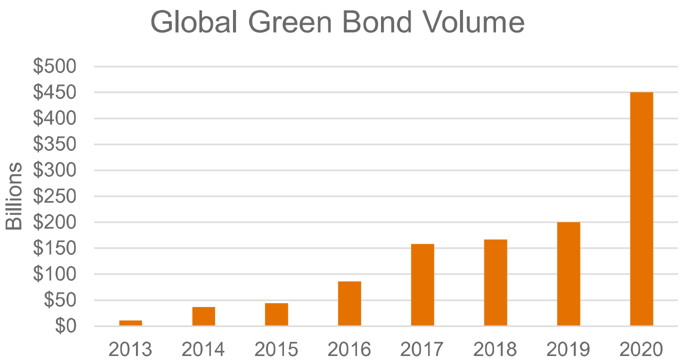
Variable Rates

- The District maintains ~ 15% of debt as “short term”, a portion of that is variable rate
  - Asset / liability matching targets a net impact to the income statement as rates move in the investment/debt portfolios
  - Set up in three near equal amounts of ~$50 million that remarkets on staggered basis
    - Target to “come due” annually one traunch with the “dollar cost average” approach in mind
- The current transaction will be a SIFMA based variable product
  - SIFMA is the tax exempt variable rate for municipal issuers and is approximately 80% of LIBOR
- The LIBOR index will be discontinued 12/31/2021
  - After the June transaction, the District will not have LIBOR debt index exposure
- Variable products for the District have been priced as a “spread” to the relative variable index



Sustainability and Green Bonds

- ESG considerations and sustainable finance are increasingly topics that are front-and-center for many investors, rather than a niche industry
  - Encouragingly, some yield differential is now being observed between green and non-green bonds in corporate investment grade bonds



- ESG considerations are also playing an increasing role in the traditional ratings process
- Global green bond volume continues to grow, with roughly $425 billion of supply in 2020
- Labeling now includes green bonds, social bonds, sustainability bonds, and climate bonds, each subject to different frameworks
- In order to remain on cutting edge of green finance, Issuers can consider:
  - Adopting formal framework for the program at the Board level
  - Pursue additional certification as “climate bonds” that are subject to the carbon reduction framework

Rating Agency

- The District maintains ratings with all three national ratings services
  - Independent rating approaches/criteria
- Report highlights from last publication for Grant:
  - **Fitch** – low power production costs, hedging, coverage and reserves referenced as positives. Capital and operating costs, wholesale volatility, production source diversity, customer concentration and covid response noted as watch items.
  - **S&P** – financial reserves essential for stability. Power volatility, customer concentration, relatively regional unemployment, PRP debt burden and high capital requirements, and asset concentration. Load growth a positive.
  - **Moody's** – focus on DSCR and reserves. Hedging program and load growth a positive. Lowest rated of three agencies (see below).

- During December 2019 and March 2020 the Utility received credit ratings from Fitch, Moody's, and S&P for the 2020 issuances
- Electric System carries a slightly higher rating than PRP for one rating
- The Electric System was rated in August by Fitch and S&P for the series R & S transactions

Priest Rapids Hydroelectric Project

RATING AGENCY	RATING	OUTLOOK	EFFECTIVE DATE
Fitch Ratings	AA	Stable	03/02/2020
Moody's Investor Service	Aa3	Stable	03/03/2020
Standards & Poors Rating Service	AA	Stable	03/03/2020

Electric system

RATING AGENCY	RATING	OUTLOOK	EFFECTIVE DATE
Fitch Ratings	AA	Stable	8/13/2020
Moody's Investor Service	Aa3	Stable	12/26/2019
Standards & Poors Rating Service	AA+	Stable	8/12/2020

Moody's Rating Report Excerpt March 2020

FACTORS THAT COULD LEAD TO AN UPGRADE

- The district's rating could be upgraded if the utility's service area strength substantially improved or if the district sustained consolidated DSCR above 3.0x and significantly strengthened its liquidity.

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Consolidated DSCR drops below 2.0x or unrestricted liquidity drops materially below $150 million on a sustained basis
- Major load loss on a sustained basis
- Failure to execute new pooling agreement or similar hedging agreements
- Significant operating problems at the Wanapum and Priest Rapids plant (PRP)
- Large cost overruns at PRP's capital program

Grid-Indicated Rating	Aa3	4.45

Composite Rating:	Aa3
Moody's Rating 3/3/2020:	Aa3

Composite Rating

Indicated Rating	Aggregate Weighted Factor Score
Aaa	x < 1.5
Aa1	1.5 ≤ x < 2.5
Aa2	2.5 ≤ x < 3.5
Aa3	3.5 ≤ x < 4.5
A1	4.5 ≤ x < 5.5
A2	5.5 ≤ x < 6.5

Rating Agency Updates

FitchRatings

Public Finance
U.S.A.

Fitch Ratings 2021 Outlook: Public Power and Electric Cooperatives

Operating and Financial Resilience Support Stable Outlook

Fitch's Sector Outlook: Stable

Fitch Ratings' stable outlook for the Public Power and Electric Cooperative sector reflects strong sector characteristics and a conservative business model that provide issuers with stability and strength, even during periods of uncertainty. The fundamental strengths of the sector include: autonomous rate-making authority, the essential nature of electric service, mandates to serve well-defined areas with monopolistic characteristics, a relative cost-of-capital advantage over investor-owned utilities and reliable cash flow.

Rating Outlook: Stable

The rating outlook for the sector is stable, and we do not expect many rating changes in the sector next year. Approximately 76% of public power and cooperative ratings assigned by Fitch maintained a Stable Outlook. Approximately 8% of the ratings maintained a Positive Outlook or Watch and 16% a Negative Outlook or Watch.

Ratings trending negative are dominated by prepaid gas issuers whose ratings are driven by the credit quality of various counterparties. The rating Outlook for many of the major gas supply counterparties — including Citigroup, Inc.; The Goldman Sachs Group, Inc.; JP Morgan Chase & Co.; Morgan Stanley; and Royal Bank of Canada — were revised to Negative during 2020.

Other issuers facing negative rating pressure include those with ongoing nuclear construction, including Municipal Electric Authority of Georgia, Oglethorpe Power Corporation and PowerSouth Energy Cooperative. Positive sentiment is largely driven by declining leverage. Excluding prepaid gas issuers, approximately 85% of the sector ratings were Stable.

Rating Distribution Weighting: Strong Sectoral Credit Quality

The median rating in the Public Power and Electric Cooperative sector is 'A+', reflecting high credit quality. Upgrades significantly outpaced downgrades since 2012, further reflecting the continued favorable operating environment for public power and cooperative utilities, and sectorwide declining leverage.

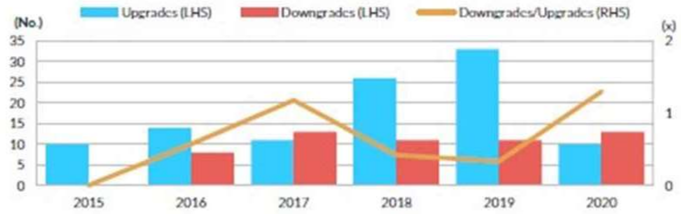
What to Watch

- Affordability trends should survive economic shocks.
- Electric demand expected to stabilize.
- Local government challenges could pressure power systems.
- Low natural gas and energy prices broadly positive.
- Historically low interest rates positive.
- Magnitude of environmental pressure hinges on senate race.

Dennis Pidherny, Managing Director

"The operational and financial resilience exhibited by the public power sector through 2020, together with improving operating fundamentals, support Fitch's stable outlook. While demand for electricity and revenue have fallen for many issuers as a result of the coronavirus pandemic and economic contraction, lower expenses helped preserve margins and robust liquidity."

Public Power - Rating Changes



Source: Fitch Ratings.

Public Power - Rating Distribution
(As of Dec. 31, 2020)

Source: Fitch Ratings

*refer to full publication in appendix

MOODY'S INVESTORS SERVICE

OUTLOOK
7 December 2020

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Public Power Electric Utilities – US

2021 outlook stable despite expected weaker financial metrics

Exhibit 1
Themes that will shape global credit in 2021

UNEVEN RECOVERY

- Regions with large proportions of commercial customers are at greater risk in the event of a new wave requiring further shelter-in-place restrictions
- Recovery prospects of local governments also vary significantly; the longer it takes for the local economy to recover, the more stress on utilities serving those areas
- Lower power and gas prices have negatively affected wholesalers that typically rely on excess supply sales as additional revenues, while benefitting utilities purchasing at lower electricity and fuel at lower prices on the market

ENVIRONMENTAL IMPACT

- Greater emphasis on carbon emission reduction under the new US administration, but economic advantages and state policies have driven fossil fuel generation shutdowns and plant dispatch decisions more than federal policies
- Regional differences remain, given variations in the generation supply mix
- Several issuers have disclosed plans for battery storage systems totaling more than 1.3 GWs to be paired with renewable energy projects

SOCIAL TRENDS

- Some continued moratoriums on service disconnection on non-payments leading to higher rates of bad debt expense and increasing lag in receivables
- Possible return of more stringent stay-at-home orders in the event cases start to climb again in the winter of 2020-21, which could further impact load and unemployment levels
- Issuers with service territories with high poverty levels are likely to be more severely affected because job losses during the pandemic have disproportionately fallen on lower income individuals

Source: Moody's Investors Service

We expect financial metrics to weaken in 2020 and 2021 but to remain within a stable range

We expect median FOCC ratio to decline to 1.62x in fiscal 2021 from 1.80x in fiscal 2019 and estimated 1.76x in fiscal 2020. We also expect adjusted debt ratio to increase to 70.2% in 2021 relative to 63.7% in fiscal 2019 and days cash on hand (DCOH) of 200 in fiscal 2021 from 234 in fiscal 2019 and 202 estimated for 2020 for the 30 largest city-owned generators (see Exhibit 2). These

Exhibit 2
Forecast median credit metrics for 2020 and 2021 for 30 largest city-owned generators to weaken because of ongoing coronavirus-related downturn

	Top 30 city-owned generators by debt outstanding				
	2017	**2018**	**2019**	**2020F**	**2021F**
Adjusted debt ratio (%)	65.7	64.2	63.7	70.2	70.2
Fixed obligation charge coverage (x)	1.76	1.78	1.80	1.76	1.62
Days Cash on Hand	228	219	234	202	200

See Medians: Robust liquidity, debt service coverage mitigate COVID disruptions
Sources: Individual issuers' forecasts and Moody's Investors Service

Although the sector generally maintains the ability to pass through costs to customers through self-regulated rate-setting, the willingness to raise rates may be hindered during the pandemic, especially for utilities providing service in already weaker economic service areas, or areas more severely hit by the crisis. Some utilities that had already delayed rate increases in 2020 have chosen to further postpone rate increases beyond 2021 as business activity slowly picks up and the business environment normalizes.

If necessary, utilities may tap rate stabilization reserves, when available, as well as existing discretionary liquidity instead of passing on rate increases to spread the loss of revenues associated with prior nonessential services' shutdowns or continued limited services among remaining customers. Some municipal utilities have already passed on fuel cost savings to customers.

Fourteen states and the District of Columbia still had mandatory moratoriums on service disconnections, as of 10 November, and 15 states maintain a voluntary moratorium, according to the National Association of Regulatory Utility Commissioners (NARUC). Twenty-one states have expired moratoriums, but there are payment plans to help customers work through their unpaid bills, and some states maintain winter moratoriums. Although in most states, utility commissions do not have regulatory authority over cooperative and/or municipal utilities, public power utilities in states where the moratoriums have been lifted are similarly aligned. Given the economic downturn, some utilities have already experienced higher bad debt, which will require customer payment plans over the next 12-24 months, adding pressure on financial metrics.

Power prices across all independent system operators (ISOs) have declined on average by 25% through October 2020 relative to the same period in 2019, with gas price hubs in general experiencing a similar or greater decline for the same period. This lower commodity price dynamic is not likely to improve significantly in 2021, given demand is likely to slowly recover throughout the year, absent extreme weather events, with most markets having ample reserve margins.

*refer to full publication in appendix

S&P Global
Ratings

RatingsDirect®

Outlook For U.S. Public Power And Electric Cooperative Utilities: Ratings Should Remain Resilient

January 14, 2021

Sector View: Stable

We expect most of the sector's ratings to remain stable in 2021. Nearly all the sector's utilities are displaying resilience in the face of the pandemic's disruptions. We expect low prices for natural gas, and cost cutting measures, will continue to temper the financial pressures on the economy and electric sales. Nevertheless, we recognize that financial performance and credit ratings could be pressured, particularly at utilities that rely on electric revenues from customers hardest hit by the pandemic, such as businesses engaged, and residential ratepayers employed, in the hospitality and travel industries, or utilities required to make transfer payments to offset declines in municipal tax revenues.

*refer to full publication in appendix

What We're Watching – Public Power And Electric Cooperative Utilities

Vaccination progress
The pace and durability of COVID-19 vaccination will play a critical role in economic recovery and the revenue and credit stability of revenue streams.

Uncertain emissions regulations
Prospects for more stringent environmental regulations place upward pressure on electricity production costs and retail rates.

Ratemaking flexibility
Economic recovery and production costs will influence the level of rate increases utilities need and the affordability of increases.

California wildfires
Wildfires could expose some of California's public power utilities to significant financial claims.

Low interest rates
Capital-intensive utilities benefit from low borrowing costs.

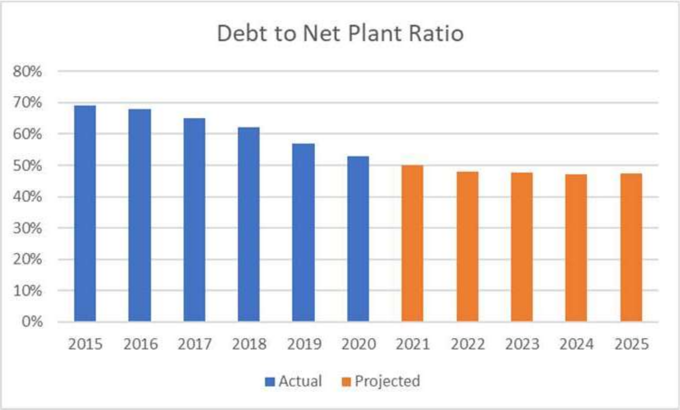
Essentiality of electric service
The essentiality of electric service helps temper the erosion of utilities' electric sales during economic downturns.

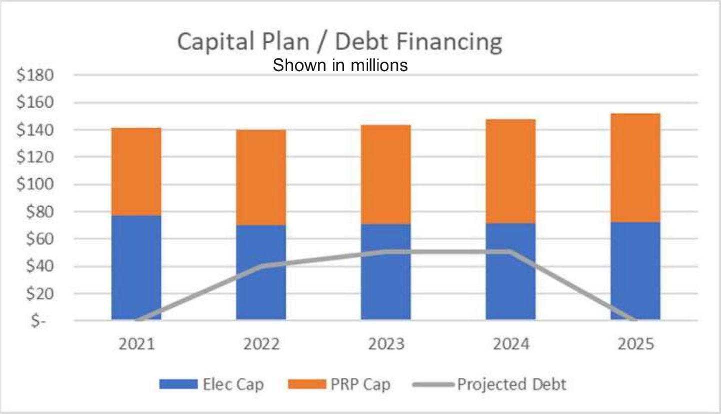
Modest economic growth
The economy's modest growth limits the need for utilities to invest in additional generation resources.

Coal's relative economics
The unfavorable economics of coal relative to natural gas are facilitating decarbonization at electric utilities.

Finance Plan

- District five-year plan to finance capital is a mix of revenue and debt
  - Debt to Net Plant Ratio- District target is < 60%
- Refunding's will be done as the market allows in alignment with policy
- Short term program has scheduled remarketing dates (~$50M each series)
  - Years 2023, 2024, 2025





Proposed Debt Issuances & JLB Transfers

Detail	2021	2022	2023	2024	2025
Proposed Debt Issuance - External		$40.4M	$50.5M	$50.5M	
Proposed Debt Issuance - Internal	$60.0M		$40.0M	$40.0M	$40.0M

Grant PUD

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Appendix

Supplemental Rating Agency Outlook Reports

Fitch Ratings 2021 Outlook Compendium: U.S. Public Finance

Outlook Compendium Report

Fitch's Sector Outlook: Mostly Stable

Six out of eight sectors in Fitch Ratings' U.S. Public Finance (USPF) portfolio have stable sector outlooks for 2021, indicating our expectation that credit pressures will be similar to those experienced in 2020. Fitch's sector outlooks for higher education and transportation are 'worsening' and 'improving', respectively.

Rating Outlooks: Stable and Negative Mixed

Fitch maintained stables rating outlooks for five out of eight sectors for 2021. The higher education, housing and transportation sectors have negative rating outlooks, reflecting the increase in negative rating actions and outlook/watch changes driven by coronavirus-related pressures throughout 2020. Approximately 78% of USPF ratings have Stable Rating Outlooks, 3% have Positive Rating Outlooks and 13% have Negative Rating Outlooks.

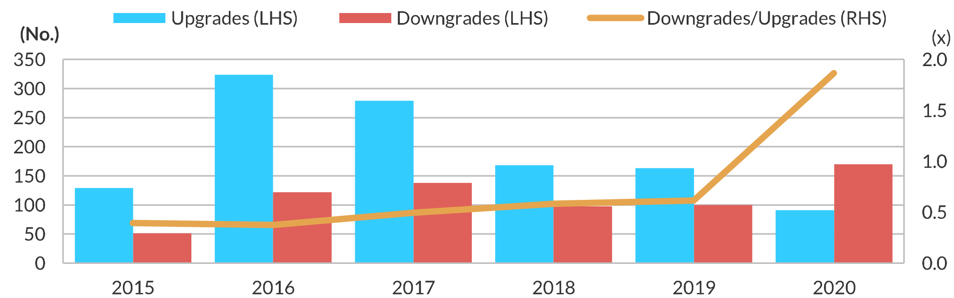
Rating Distribution Weighting: Mid to High Investment Grade

The majority of ratings across Fitch's USPF portfolio continue to be solidly investment grade, with a median rating of 'AA–' and almost half of the portfolio within one notch of the median (between 'AA' and 'A+' rating categories). Ratings in the U.S. state, local government, housing and water and sewer sectors remain largely on the higher end of the rating spectrum ('AAA' and 'AA' rating categories), while ratings in the hospital, higher education, public power and transportation sectors are more dispersed across investment-grade categories around the 'AA' and 'A' rating categories. The life plan communities sector has the highest share of below investment-grade ratings (27%), followed by higher education at 8% and hospitals at 7%.

Arlene Bohner, Managing Director
Head of U.S. Public Finance

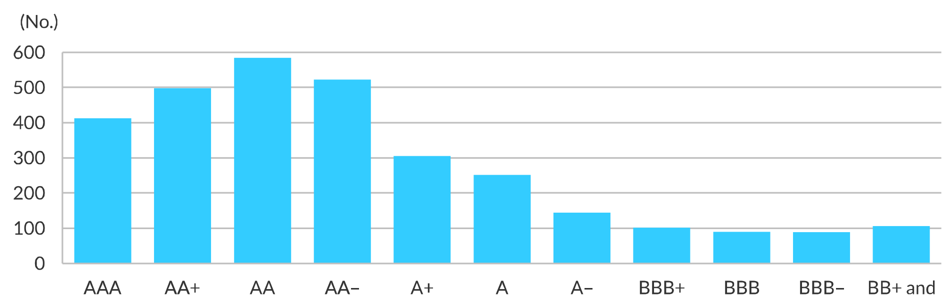
"The stable 2021 sector outlooks for all sectors except higher education ('negative') and transportation ('improving') are consistent with Fitch's forecast for the U.S. economy to rebound in the coming year. Although each sector will continue to face coronavirus-related challenges, most issuers will be able to manage in a manner supportive of U.S. Public Finance's strong credit quality".

U.S. Public Finance - Rating Changes



Note: Elevated rating changes in 2016-2017 primarily due to U.S. tax-supported criteria revision.
Source: Fitch Ratings.

U.S. Public Finance - Rating Distribution



Note: U.S. local government ratings account for approximately half of all ratings and are most rated in the 'AA' category or higher. Ratings as of Dec. 1, 2020.
Source: Fitch Ratings.

What to Watch

- Changes in public health trends, governmental policy responses to those changes, and the timing of vaccine availability will affect the pace and magnitude of recovery across U.S. public finance sectors.
- Fitch expects U.S. economic growth to recover in 2021, although most sectors will continue to face coronavirus-related pressures.
- The timing and magnitude of recovery in travel and leisure spending is uncertain but is unlikely to be fully realized in 2021, reducing resources for tourism-based economies.
- Expenditure growth pressuring operating performance will continue to be an area of concern in 2021, especially for healthcare sectors.

Fitch Ratings 2021 Outlook: U.S. States and Local Governments

Fitch's Sector Outlook: Stable

Fitch believes the outlook for U.S. states and local governments is stable relative to a very challenging 2020 credit environment. As the nation continues its recovery from the deep coronavirus-driven trough, states and local governments will continue to face challenges in managing weakened tax revenues with pressure to maintain or increase public services spending. The $2 trillion federal stimulus bill (equal to about 10% of 2019 GDP) passed in March 2020 provided critical direct and indirect aid to states and local governments. Fitch's Issuer Default Rating for states and local governments ratings generally do not assume the receipt of material new federal aid. Additional federal stimulus could support a more robust improvement in credit conditions for the sector by supporting economic growth until an effective vaccine is widely available and mitigating the need for potentially damaging near-term budget balancing measures.

Rating Outlook: Stable

While the number of state and local ratings that are on Negative Rating Outlook is elevated, the vast majority of Rating Outlooks are Stable. Very few ratings are on Positive Rating Outlook. Fitch believes the fundamental strengths of states and local governments, including broad and diverse revenue bases, control over revenues and spending, moderate long-term liability burdens and sound financial cushions will help preserve a high level of credit quality for all but a few issuers.

Rating Distribution Weighting:

Only three states are rated below the 'AA' category — Connecticut, Illinois and New Jersey. About 80% of local governments are rated in the top two categories. Fitch anticipates potential modest erosion in credit quality if the economic impact of the pandemic continues to stifle revenues, but does not anticipate a significant downward shift in ratings.

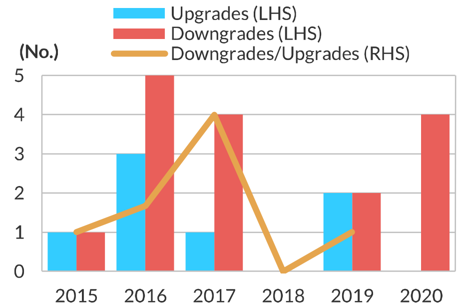
What to Watch

- Slow economic and job recovery through at least the first part of the year will continue to be a drag on personal income, consumer spending and tax revenue performance.
- Mortgage forbearance agreements, delinquencies and defaults, as well as eviction moratoria, may slow or reduce property tax collections. The impact of the pandemic on property values will likely be minimal overall but vary with the size, location and density of the local government.
- The timing and magnitude of recovery in travel and leisure spending is uncertain but is unlikely to be fully realized in 2021, reducing resources for tourism-based economies.
- A sizable additional federal stimulus program would particularly benefit those states and local governments with more limited financial resilience.
- State and local budget policy choices to counteract slow or negative economic growth will vary.
- Changes in public health trends, governmental policy responses to those changes and the timing of vaccine availability will affect the pace and magnitude of recovery.

Amy Laskey, Managing Director

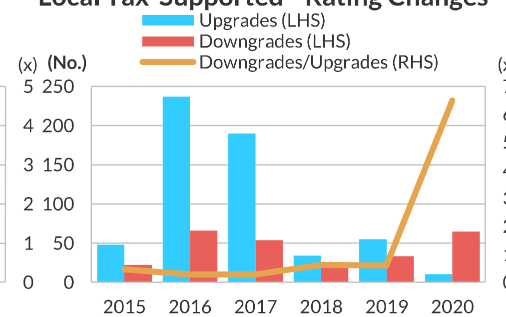
"Fitch believes state and local government revenues will continue to be vulnerable to declines in 2021, with the full impact of the enormous economic dislocation due to the coronavirus pandemic still to be realized."

U.S. States - Rating Changes



Public General Obligation and Issuer Default ratings.
Source: Fitch Ratings.

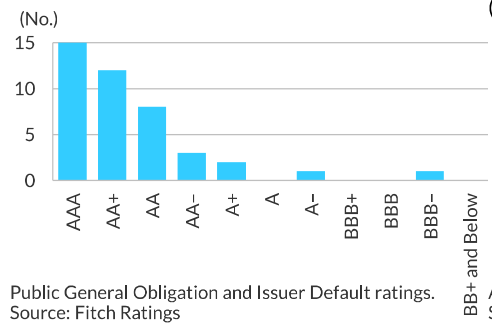
Local Tax-Supported - Rating Changes



All public security ratings.
Source: Fitch Ratings.

States - Rating Distribution

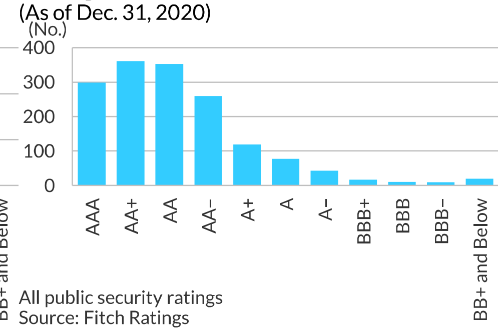
(As of Dec. 31, 2020)



Public General Obligation and Issuer Default ratings.
Source: Fitch Ratings

Local Tax-Supported - Rating Distribution

(As of Dec. 31, 2020)



All public security ratings
Source: Fitch Ratings

Fitch Ratings 2021 Outlook: Water and Sewer

Fitch's Sector Outlook: Stable

Fitch Ratings' 2021 stable outlook for the U.S. water and sewer sector (the sector) reflects strong sector characteristics and a conservative business model that provides utilities with stability, even during periods of uncertainty and volatility. The fundamental hallmarks of the sector include: essentiality of service, lack of competition and generally autonomous rate-making authority. These underpinning strengths continue to produce favorable financial results and reliable cashflows even in the current environment.

Rating Outlook: Stable

The rating outlook for the sector is Stable, and only limited rating changes are expected in 2021. As of December 2020, 88% of the water and sewer ratings assigned by Fitch maintained a Stable Rating Outlook. Approximately 9% have a Positive Rating Outlook or are on Rating Watch Positive, and 3% have a Negative Rating Outlook or are on Rating Watch Negative.

Ratings trending positive are dominated by utilities with improving leverage profiles. Conversely, ratings trending negative are predominantly driven by utilities with rising leverage as a result of increasing operating or capital expenses without offsetting rate support.

Rating Distribution Weighting: Strong Sectoral Credit Quality

Sector ratings continue to be among the highest of all asset classes, with an average rating of 'AA' reflecting the sector's fundamental strengths and low business risks. Some softening in financial results are possible over the near term, but credit quality is expected to remain intact.

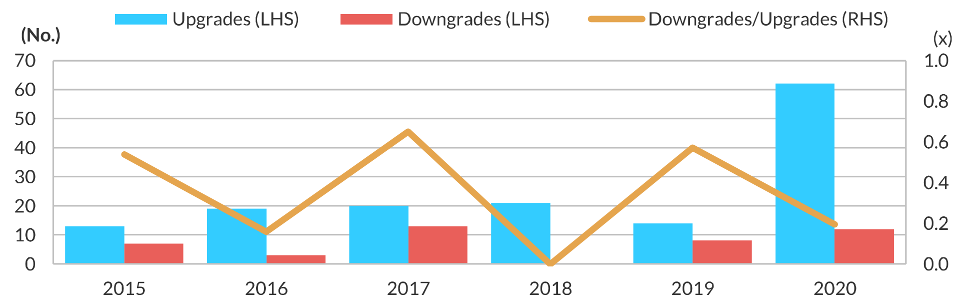
What to Watch

- Financial performance amid rising delinquencies and lower usage stemming from the coronavirus pandemic.
- Capital spending impacts on leverage.
- Trends in service affordability.
- The effects of regulatory changes on capital programs and operations.
- Possible ramifications from local government pressures.

Doug Scott, Managing Director

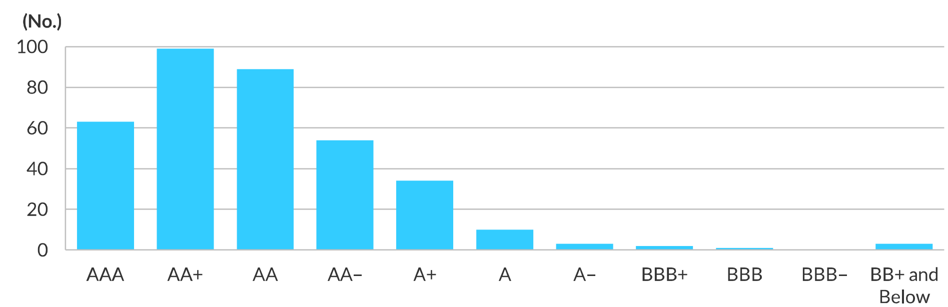
"Fitch forecasts a stable operating performance for the U.S. Water and Sewer sector in 2021 given the sector's strong business risk profile and manageable leverage. Utilities overall are well-positioned to absorb any temporary business variations from the current macro environment given their robust financial positions."

Water & Sewer - Rating Changes



Source: Fitch Ratings.

Water & Sewer - Rating Distribution
(As of Dec. 31, 2020)



Source: Fitch Ratings

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Public Power Electric Utilities – US

2021 outlook stable despite expected weaker financial metrics

Our outlook for the US public power sector is stable because we expect the sector to be relatively resilient through the ongoing global recession. Public power utilities' business model inherently helps maintain stability; they provide essential services in a nonprofit-oriented manner, have strong liquidity and have self-regulated rate-setting ability to help manage cost recovery. However, we expect financial metrics to weaken over the next 12-18 months as a result of lower sales revenues and continued moratoriums on service disconnects, but metrics should still remain within our range for a stable outlook.

» **We expect financial metrics to weaken in 2020 and 2021.** We expect median fixed obligation coverage ratio (FOCC), our key indicator, to decline to 1.62x for the 30 largest generators by debt outstanding from 1.80x in fiscal 2019 and estimated 1.76x in fiscal 2020. We forecast an adjusted debt ratio of 70.2% and 200 days cash on hand (DCOH) in fiscal 2021. However, these weaker metrics should be temporary as demand is slowly restored to pre-crisis levels through 2021 and beyond as the economy gradually recovers and utilities resume planned rate increases that were postponed in 2020.

» **The downturn will continue to affect utilities differently; net negative load demand to slowly improve as states and cities continue to reopen.** Utilities in weaker economic regions, those more coronavirus-related shutdowns or have higher customer concentration in industries that have been disproportionally affected face weaker financial performance in 2021. Although there was an increase in residential load demand across the board given shelter-in-place orders, for the most part, this increase is not enough to offset the decline in commercial and industrial load this year, however demand continues to improve since the peak declines observed during the spring.

» **Carbon transition will continue to vary by region, with the number of clean energy projects growing.** The incoming administration strongly supports carbon emission reduction efforts. Several issuers have disclosed plans for battery storage systems totaling more than 1.3 GWs to be paired with renewable energy projects.

» **What could change our outlook.** We could consider changing our outlook to negative if restrictive stay-at-home orders and closure of nonessential services occur during winter 2020-21, leading to permanent and significant loss of load and economic activity deterioration. We could revise the outlook to positive if economic recovery occurs faster than expected, allowing for stronger liquidity and the median fixed charge coverage ratio to exceed 2.0x, including for the 50 largest generators.

This outlook represents our forward-looking view on business conditions in the sector over the next 12 to 18 months. This sectorwide outlook, however, does not imply the likelihood or direction of rating actions for individual issuers.

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Themes that will shape global credit in 2021

UNEVEN RECOVERY

» Regions with large proportions of commercial customers are at greater risk in the event of a new wave requiring further shelter-in-place restrictions

» Recovery prospects of local governments also vary significantly; the longer it takes for the local economy to recover, the more stress on utilities serving those areas

» Lower power and gas prices have negatively affected wholesalers that typically rely on excess supply sales as additional revenues, while benefitting utilities purchasing at lower electricity and fuel at lower prices on the market

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» Regional differences remain, given variations in the generation supply mix

» Several issuers have disclosed plans for battery storage systems totaling more than 1.3 GWs to be paired with renewable energy projects

SOCIAL TRENDS

» Some continued moratoriums on service disconnection on non-payments leading to higher rates of bad debt expense and increasing lag in receivables

» Possible return of more stringent stay-at-home orders in the event cases start to climb again in the winter of 2020-21, which could further impact load and unemployment levels

» Issuers with service territories with high poverty levels are likely to be more severely affected because job losses during the pandemic have disproportionately fallen on lower income individuals

Source: Moody's Investors Service

We expect financial metrics to weaken in 2020 and 2021 but to remain within a stable range

We expect median FOCC ratio to decline to 1.62x in fiscal 2021 from 1.80x in fiscal 2019 and estimated 1.76x in fiscal 2020. We also expect adjusted debt ratio to increase to 70.2% in 2021 relative to 63.7% in fiscal 2019 and days cash on hand (DCOH) of 200 in fiscal 2021 from 234 in fiscal 2019 and 202 estimated for 2020 for the 30 largest city-owned generators (see Exhibit 2). These forecast metrics have a wider range for error because current market dynamics remain susceptible to the ongoing and changing coronavirus situation. However, this weakness should be relatively short-lived as demand slowly returns to pre-crisis levels through 2021 and beyond as a stronger economic recovery takes hold. The sector provides essential services and its strong liquidity buildup from prior years of stability coupled with lower leverage, position it well to withstand the negative impact from the coronavirus shock. Coronavirus-driven negative credit effects for the sector will be felt throughout the course of the economic downturn rather than a sudden debilitating impact such as the one felt by airlines or the oil and gas sector.

Exhibit 2

Forecast median credit metrics for 2020 and 2021 for 30 largest city-owned generators to weaken because of ongoing coronavirus-related downturn

	Top 30 city-owned generators by debt outstanding				
	2017	**2018**	**2019**	**2020F**	**2021F**
Adjusted debt ratio (%)	65.7	64.2	63.7	70.2	70.2
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See Medians: Robust liquidity, debt service coverage mitigate COVID disruptions
Sources: Individual issuers' forecasts and Moody's Investors Service

Although the sector generally maintains the ability to pass through costs to customers through self-regulated rate-setting, the willingness to raise rates may be hindered during the pandemic, especially for utilities providing service in already weaker economic service areas, or areas more severely hit by the crisis. Some utilities that had already delayed rate increases in 2020 have chosen to further postpone rate increases beyond 2021 as business activity slowly picks up and the business environment normalizes.

If necessary, utilities may tap rate stabilization reserves, when available, as well as existing discretionary liquidity instead of passing on rate increases to spread the loss of revenues associated with prior nonessential services' shutdowns or continued limited services among remaining customers. Some municipal utilities have already passed on fuel cost savings to customers.

Fourteen states and the District of Columbia still had mandatory moratoriums on service disconnections, as of 10 November, and 15 states maintain a voluntary moratorium, according to the National Association of Regulatory Utility Commissioners (NARUC). Twenty-one states have expired moratoriums, but there are payment plans to help customers work through their unpaid bills, and some states maintain winter moratoriums. Although in most states, utility commissions do not have regulatory authority over cooperative and/or municipal utilities, public power utilities in states where the moratoriums have been lifted are similarly aligned. Given the economic downturn, some utilities have already experienced higher bad debt, which will require customer payment plans over the next 12-24 months, adding pressure on financial metrics.

Power prices across all independent system operators (ISOs) have declined on average by 25% through October 2020 relative to the same period in 2019, with gas price hubs in general experiencing a similar or greater decline for the same period. This lower commodity price dynamic is not likely to improve significantly in 2021, given demand is likely to slowly recover throughout the year, absent extreme weather events, with most markets having ample reserve margins.

Although lower demand can also generate cost savings, in particular fuel-related costs, and lower market prices for power purchases or reduced purchases for some issuers, the relationship is still expected to be net negative given a utility's fixed cost structure, generation mix and contractual obligations such as long-term power purchase agreements (PPAs). However, the negative effect is more pronounced for wholesalers or utilities looking to sell excess energy in the market at depressed prices because revenue contributions from said sales are likely to decline sharply in fiscal 2020 and 2021 before recovering to fiscal 2019 levels.

Liquidity may also be affected by the potential pressure to increase transfers from the utilities to their respective state or local government owners, given the deterioration of service area economies.

Also, while a market rebound in the second quarter negated steep investment losses in March, US state and local governments' adjusted net pension liabilities (ANPLs) will still rise by about 25% in fiscal 2020 (ended 30 June), primarily because of lower interest rates. ANPLs now exceed $5 trillion in aggregate across US public pension systems, according to our estimates. As a result, we expect adjusted net pension liabilities and adjusted debt ratios for public power issuers to increase.

The downturn will continue to affect utilities differently; net negative load demand to slowly improve as states and cities continue to reopen

A recession will have more significant credit implications for utilities that serve relatively weaker economic areas and/or that have a high concentration of commercial customers in sectors that the pandemic and subsequent downturn have disproportionally affected.

We expect overall net negative load demand nationally for 2020, with continued recovery and demand growth through 2021. However, loads have not declined evenly throughout the country because of varying degrees of shelter-in-place orders and weather-related reasons. We also expect demand growth and recovery to vary depending on how long it takes local economies to recover.

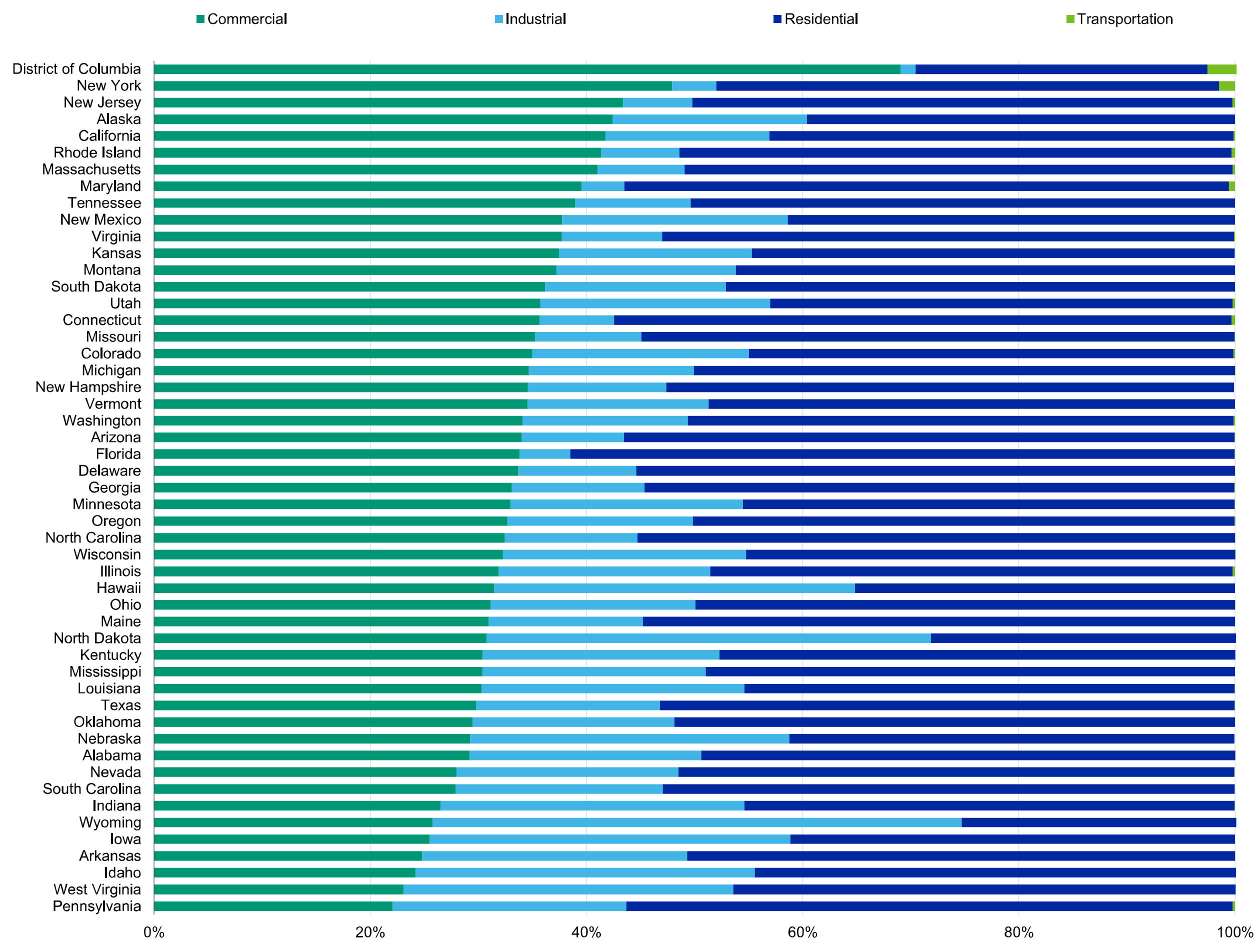
In the event of another national wave, there could be another significant reduction in commercial and some industrial activity, with more permanent job losses because of permanent closures of commercial establishments unable to recover. Depending on the proportion of industrial and commercial customers of particular issuers, as well as the types of industries located in their service territories, some issuers may actually experience load demand growth, as in food products, hygiene and medical supply-related industries, as well as home improvement industries.

Although there was an increase in residential load demand across the board given the shelter-in-place orders, for the most part, this increase is not enough to offset the decline in commercial and industrial load expected for the full year 2020, as a result of significantly reduced commercial and industrial activity in the first half. Demand however has continued to improve since the peak declines observed in April and May. Exhibit 3 illustrates the percentage of revenue derived from residential, commercial and industrial customers by state. Although this graph does not illustrate the customer split at a local level, regions with large proportions of commercial customers are at greater risk in the event of further shelter-in-place restrictions are needed.

Exhibit 3

Utilities with a high proportion of commercial revenues are likely to suffer greater negative effects in the event of a new wave requiring further shelter-in-place restrictions

Proportion of revenue from sales of electricity to ultimate customers by state, year-to-date through August 2020



Sources: US Energy Information Administration and Moody's Investors Service

Business activity fell sharply across advanced economies in the first half of 2020. We forecast the US economy will contract by 3.6% this year, with 4.2% growth in 2021 as economic activity begins to normalize. However risks remain and recovery largely depends on effective containment of the coronavirus with the potential for major outbreaks looming.

Electricity demand from service sectors like tourism and hospitality or industrial customers, such as automobile manufacturing and oil and gas, dropped sharply in the wake of the coronavirus outbreak. Demand has remained weak in some areas because the general service area economy may also have deteriorated. Until a vaccine is widely available, travel and business activity will remain depressed, weighing on commercial power demand.

Issuers with service territories with high poverty levels are likely to be more severely affected because job losses during the pandemic have disproportionately fallen on lower income individuals, many of whom work in the commercial sectors where the virus has caused the most upheaval, such as retail, restaurants, apparel, hotels, entertainment and transportation. These workers will continue to face job insecurity as long as COVID-19 remains a health threat, with implications for consumer confidence and spending, demands for social services, and in some economies, a further divide in access to healthcare.

Although the Coronavirus Aid, Relief and Economic Security (CARES) Act funded $900 million to a program that helps low income households make home energy payments, according to the American Public Power Association (APPA), more funding is needed.

The Low-Income Home Energy Assistance Program (LIHEAP) provides assistance to low income households with funding targeting households with elderly, disabled and/or young children.

Recovery prospects of local governments in the US also vary significantly, with New York City, for example, on a recovery path that likely will be longer than that of most other major cities, as its largely successful public health response to the pandemic has come at the expense of its economy. The city's unemployment rate, at 14.1% in September, is much higher than the national rate of 7.9%, with workers in the hospitality and tourism industries especially hard hit. The longer it takes for the local economy to recover, the greater the stress on the utilities serving those areas.

Demand generally declined most in March through May at the height of most shelter-in-place orders with the NYISO Zone J (New York City) down by 22% in May (see Exhibit 4), while Texas' demand loads were largely unaffected relative to the four-year average, year to date, not accounting for weather. Demand decline has overall subsided for the most part since the Spring, which absent another wave, should a path of demand improvement.

Exhibit 4
Daily peak load demand by ISO shows a net decline across all regions, except ERCOT
Demand decline has continuously improved across most regions since the summer months

2020 v 4yr Avg	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	1Q20	2Q20	3Q20	YTD*
CAISO	-4%	-8%	0%	-5%	-7%	1%	5%	7%	-4%	-4%	-4%	-1%	-2%
ERCOT	8%	4%	2%	2%	3%	9%	-5%	6%	3%	6%	3%	2%	4%
ISO-NE	-8%	-7%	-10%	2%	2%	-3%	-6%	-4%	-3%	-6%	-5%	-2%	-4%
MISO	-4%	-10%	-12%	-2%	1%	0%	-12%	-5%	-5%	-3%	-7%	-3%	-4%
NYISO	-8%	-10%	-12%	-3%	2%	-3%	-9%	-7%	-6%	-6%	-8%	-3%	-6%
PJM	-8%	-9%	-11%	-1%	5%	-1%	-10%	-7%	-6%	-6%	-7%	-2%	-5%
NYISO Zone J	-11%	-18%	-22%	-10%	-4%	-7%	-13%	-14%	-10%	-7%	-16%	-8%	-10%

*Data as of December 1, 2020; unadjusted for weather
Sources: SNL and CAISO

Federal aid to local governments has provided only limited short-term relief and is unlikely to alleviate budgetary stress in 2021. The CARES Act stipulates that funds may be used only to cover coronavirus-related expenses, not to replace lost revenue. Further, the relief package has been focused on states, with cities and counties receiving no more than 45% of each state's allocation. Disbursement of this aid is on a reimbursement basis for costs incurred through 30 December 2020. Our forecast assumes limited additional federal aid.

Carbon transition will continue to vary by region, and the number of clean energy projects is growing

Although there will certainly be greater emphasis on carbon emission reduction under the new US administration, economic advantages and state policies have driven fossil fuel generation shutdowns and plant dispatch decisions more than federal policies. The sector has moderate credit exposure to environmental and social risks, according to our environmental, social and governance (ESG) heat maps.

President-elect Biden has announced plans to renew the US commitment to the Paris Agreement and re-engage with other countries to reduce carbon emissions. Further, his administration's planned call for major investments in clean energy, such as electric and hydrogen-powered vehicles and infrastructure, increasing electricity demand, all things remaining equal.

The sector's strong ability to pass through costs to customers via rates — including variable fuel and purchased power costs, costs of investments (including for environmental compliance) and any costs of plant decommissioning — is among its most important credit strengths. Because most entities are not rate regulated, our main concerns focus on utilities' willingness to exercise rate autonomy and consumers' ability to afford the costs of the essential service this sector provides, as well as rate competitiveness. Further, public power issuers' amortizing debt structure provides a strong mitigant to associated stranded costs from carbon transition, or increased leverage in the event of new cleaner generation being built to achieve utilities' carbon transition plans.

Regional differences remain, given variations in the generation supply mix, with public power issuers in Midwestern states accounting for more than half the total coal-fired generated electricity in those states. Although many of those states do not have renewable portfolio standards, public power utilities are still able to attract companies with clean energy requirements to their locations by providing renewable generation via contracted PPAs.

Individual state measures, such as the governor of California's announcement of an executive order requiring sales of all new passenger vehicles to be zero-emission by 2035, will further differentiate the path of carbon transition by state or region.

Increasing number of clean energy projects

Several issuers have disclosed plans for battery storage systems totaling more than 1.3 GWs to be paired with renewable energy projects (see Exhibit 5). Most, but not all, of these issuers are in states with 100% zero emissions or a clean energy requirement objective within the next 15-30 years, such as California, Colorado, New York and Washington. Community choice aggregators (CCAs) in California continue to increase in number and expand, having contracted for more than 6 GWs of new clean generation capacity through long-term agreements, according to the California Community Choice Association (CalCCA).

Exhibit 5

Several public power issuers are planning renewable and battery storage hybrid systems

Issuer	State	Rating and outlook	MWs	Description
Sacramento Municipal Utility District, CA	CA	Aa3 stable	560	Committed to a goal of carbon neutral power by 2030, including 2.9GW of carbon neutral technology
New York State Power Authority	NY	Aa2 stable	461	Considering replacing 461 MW of city-wide gas peaking units with battery storage and other clean energy technoloy
Tennessee Valley Authority	TN	Aaa stable	240	Instaling its first owned and operated grid-scale battery energy storage system, using lithium-ion batteries; Announced a 200MW solar project coupled with a 200MW battery energy storage system in Mississipi, through its Green Invest Program
San Antonio (City of) TX Combined Util. Ent.	TX	Aa1 stable	50	Plans to add up to 900MW of solar and 50 MW of battery storage
Colorado Springs (City of) CO Comb. Util Ent.	CO	Aa2 stable	25	Signed a PPA for 175MW solar project coupled with 25MW battery storage
Gainesville (City of) FL Combined Util. Ent.	FL	Aa3 stable	12	Approved 50MW solar project with 12 MW energy storage
Lakeland (City of) FL Electric Enterprise	FL	Aa3 stable	5-7	Plans to add 50-75 MW of solar with 10% battery storage
Platte River Power Authority, CO	CO	Aa2 stable	2	2 MW battery storage associated with a 22MW solar project
Omaha Public Power District, NE	NE	Aa2 stable	1	Pilot 1W battery project
Orlando Utilities Commission, FL	FL	Aa2 stable		Plans to eliminate coal by 2027 and invest in solar and battery storage
Snohomish County P.U.D. 1, WA Electric Ent.	WA	Aa2 stable		Microgrid and Clean Energy Technology Center project will couple 500kW solar array and a lithium-ion battery storage

This is not an all inclusive list

Sources: APPA and Moody's Investors Service

Other issuers embarking on significant cleaner energy projects include the Intermountain Power Agency, UT (A1 stable) and its participants (including the Los Angeles Department of Water & Power, CA Water System (LADWP, Aa2 stable) as the largest participant), in the conversion of a 1,800 MW coal plant into a lower carbon emitting 840 MW natural gas fired power plant, which will eventually be fueled entirely by hydrogen. NYPA's Northern New York transmission project will enable the transmission of at least 950 to 1,050 MWs of existing renewable energy resources.

What could change the outlook.

We could revise the outlook to negative if the FOCC by the top 50 generators by debt outstanding declines to 1.5x beyond 2021. Another factor is if stay-at-home orders and closure of nonessential services return during winter 2020-21, leading to permanent and significant loss of load and economic activity. Another slowdown would weigh on cost recovery and liquidity beyond 12-18 months; including the willingness to raise rates or it might increase the propensity for cities and states to lean on the utility systems to plug budgetary deficiencies created by the coronavirus-related economic crisis.

We could revise the outlook to positive if economic recovery occurs faster than currently anticipated, allowing for improvement of liquidity and the median fixed charge coverage ratio to exceed 2.0x, including for the 50 largest generators. Further, if the sector is able to adapt well to industry changes, including seamlessly implementing carbon transition plans.

Cyber risk exposure and physical threats remain a priority for the sector

Overall, we view public infrastructure's exposure to cyber risk as medium-high. For public power utilities, cyber risk primarily stems from the intent to disrupt or destroy service, rather than a profit or public relations motive. As infrastructure becomes more digitized and interconnected, cyber breaches remain a high priority risk for utilities, with increased efforts in cybersecurity training and efforts to comply with federal standards.

Although the number of reported successful cyberattacks on public infrastructure has been growing rapidly, none have resulted in a rating change yet. However, the frequency and magnitude of attacks could weaken the credit quality of the most exposed entities as issuers struggle to keep up with the rapidly improving capabilities of threat actors around the world. Many public power issuers are small relative to their investor-owned brethren. While the smaller issuers may have greater limitations on their annual spending for cybersecurity protection, insurance, and other safeguards, we recognize that the smaller issuers typically pose less of a threat to the grid's reliability in the event of such an attack and may not be exposed to the risk of outage because of cyberattack given their technological architecture.

Appendix

Notable positive developments in 2020: Santee Cooper, MEAG and JEA settlements

Two large and significant legal suits were settled during 2020 related to the construction of two nuclear plants in a manner that was credit positive for the issuers involved.

» In August, a settlement agreement was executed between Municipal Electric Authority of Georgia (MEAG Power) and JEA, FL - Electric Enterprise (A2 positive) resolving all disputed issues relating to the new Units 3 and 4 of the Alvin W. Vogtle Electric Generating Plant (Plant Vogtle), and the Amended & Restated Power Purchase Agreement (PPA) dated as of 31 December 2014 (the Project J PPA) including additional compensation obligation to MEAG Power from JEA, while also giving JEA a right of first refusal, subject to the rights granted to the Project J Participants in their Power Sales Contracts, to purchase any entitlement share of a Project J participant in the 21st year following commercial operation of the Vogtle Units 3&4.

» In July, the South Carolina State Circuit Curt approved a $520 million settlement to end a class-action lawsuit related to the abandonment of the construction of the V.C. Summer nuclear power plants Units 2 and 3 in 2017, through a joint venture between Santee Cooper and SCANA Corporation, which was subsequently acquired by Dominion Energy, Inc. (Baa2 stable). Santee Cooper will cover $200 million and Dominion will cover $320 million of the total settlement payment. The settlement is a positive development for Santee Cooper because it places an upper limit on the uncertainty associated with the lawsuit.

Moody's related publications

Topic pages

» 2021 Outlooks

» Coronavirus Effects

Podcasts

» Moody's Talks: Uneven recovery, rising debt and digital transformation will shape credit in 2021, 9 November 2020

Outlooks

» Global Macro Outlook 2021-22: Nascent economic rebound takes hold globally but recovery will remain fragile, 12 November 2020

» Sovereign – Global: Negative 2021 outlook as pandemic fallout weighs on economic activity, government finances, complicates policy choices, 10 November 2020

» 2021 Outlook - Global Credit Conditions (Slides), 10 November 2020

» Credit Conditions – Global : 2021 Outlook – Slow economic recovery and uneven pandemic effects will shape credit environment, 9 November 2020

» Regulated Electric and Gas Utilities – US: 2021 outlook stable on strong regulatory support and robust residential demand, 29 October 2020

» Public Power Electric Utilities – US: Outlook remains stable but sector will likely face lower liquidity and coverage in 2020-21, 22 April 2020

» Public Power Electric Utilities – US: 2020 outlook stable with mostly steady and strong financial metrics, 5 December 2019

Sector In-Depths

» Electric Utilities and Power Generators – US: Carbon transition risk for power generation varies widely by issuer, 2 December 2020

» ESG – Global: ESG factors cited as material credit issues in 50% of public-sector rating actions, 18 November 2020

» Electric Utilities – Global: Cybersecurity readiness depends on scale, business model and generation ownership, 4 November 2020

» Macroeconomics – Global: Coronavirus and the Economy: Alternative Data Monitor (Slides), 3 November 2020

» State and local government – US: Asset losses avoided in fiscal 2020, but low interest rates drive pension liability spike, 20 October 2020

» Power Generation - US: State policies drive long-term US renewable energy demand, 22 September 2020

» Public Power Electric Utilities – California: Rising wildfire risks manageable for CA publicly owned electric utilities, except in extreme scenarios, 27 May 2020

» ESG – Global: Heat map: Social considerations pose high credit risk for 14 sectors, $8 trillion debt, 31 October 2020

» Environmental Risks – Global: Heat map: 11 sectors with $2.2 trillion debt have elevated environmental risk exposure, 25 September 2018

Sector Comments

» Credit Conditions – US: Biden policy agenda will shape credit environment for wide range of sectors, 8 November 2020

Sector Profiles

» Public Power - US: Medians: Robust liquidity, debt service coverage mitigate COVID disruptions, 4 December 2020

» Infrastructure and Project Finance - Global: Rating Actions Summary, 6 November 2020

» Public Power Electric Utilities - US: Public Power Medians: Stability continues amid low energy prices, clean energy shift, 13 September 2018

Assessment Framework

» Electric Utilities and Power Generators – Global: Carbon transition assessment framework for electric utilities and power generators, 3 November 2020

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MOODY'S
INVESTORS SERVICE

Outlook For U.S. Public Power And Electric Cooperative Utilities: Ratings Should Remain Resilient

January 14, 2021

Sector View: Stable

We expect most of the sector's ratings to remain stable in 2021. Nearly all the sector's utilities are displaying resilience in the face of the pandemic's disruptions. We expect low prices for natural gas, and cost cutting measures, will continue to temper the financial pressures on the economy and electric sales. Nevertheless, we recognize that financial performance and credit ratings could be pressured, particularly at utilities that rely on electric revenues from customers hardest hit by the pandemic, such as businesses engaged, and residential ratepayers employed, in the hospitality and travel industries, or utilities required to make transfer payments to offset declines in municipal tax revenues.

What We're Watching – Public Power And Electric Cooperative Utilities

Vaccination progress
The pace and durability of COVID-19 vaccination will play a critical role in economic recovery and the revenue and credit stability of revenue streams.

Uncertain emissions regulations
Prospects for more stringent environmental regulations place upward pressure on electricity production costs and retail rates.

Ratemaking flexibility
Economic recovery and production costs will influence the level of rate increases utilities need and the affordability of increases.

California wildfires
Wildfires could expose some of California's public power utilities to significant financial claims.

Low interest rates
Capital-intensive utilities benefit from low borrowing costs.

Essentiality of electric service
The essentiality of electric service helps temper the erosion of utilities' electric sales during economic downturns.

Modest economic growth
The economy's modest growth limits the need for utilities to invest in additional generation resources.

Coal's relative economics
The unfavorable economics of coal relative to natural gas are facilitating decarbonization at electric utilities.

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Questions That Matter

1. What will the pandemic mean for public power and electric cooperative utilities in 2021?

How this will shape 2021

The recent rollout of COVID-19 vaccines is a very encouraging development in the efforts to contain a virus that has plagued the U.S. for nearly a year. The vaccine appears to be a vehicle for the economy to reclaim lost ground and facilitate the financial capacity of utilities' business and residential ratepayers to more universally pay their bills in a timely manner.

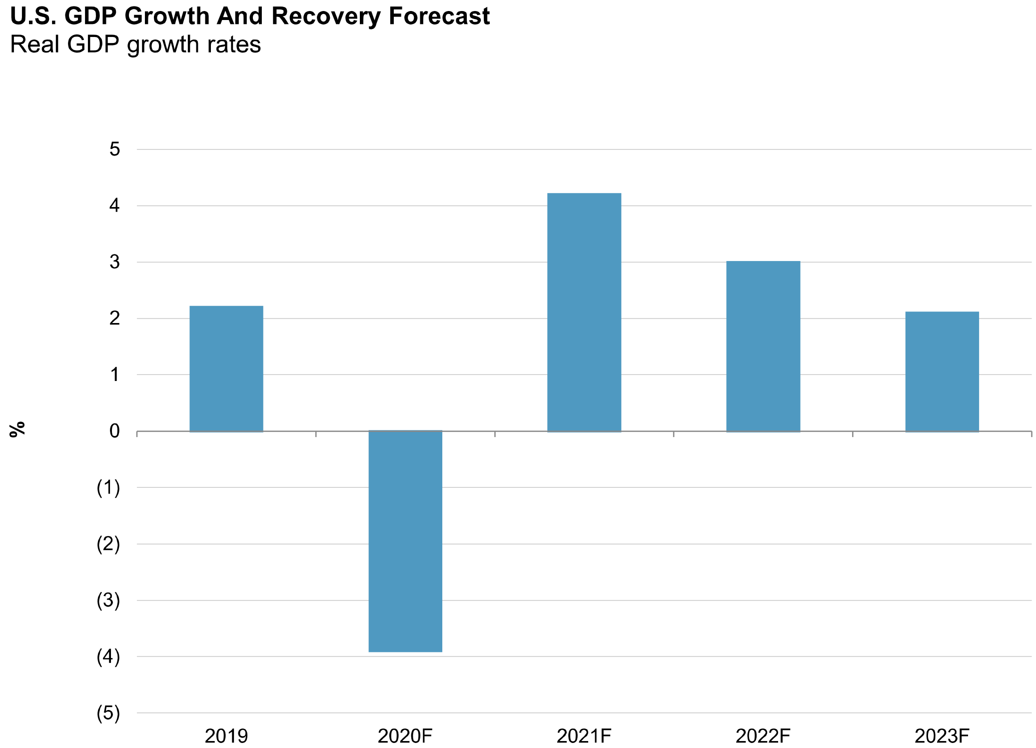
What we think and why

Because of electricity's essentiality, we believe the financial performance and ratings of only a subset of the public power and electric cooperative sector is vulnerable to the pandemic's economic pressures. We view the ratings of public power and electric cooperative utilities to be most vulnerable among those utilities whose electricity sales are sensitive to social distancing and travel restrictions, which our rating actions reflected when we assigned a negative outlook to California's Anaheim Public Utilities and lowered the rating and assigned a negative outlook to Florida's Reedy Creek Improvement District. These two utilities have sizable exposures to travel and tourism-related retail customers that operate large theme parks and related properties. By comparison, few other public power and electric cooperative utilities that we rate have travel and tourism related dependencies approximating those of Anaheim and Reedy Creek. In addition, we rate many rural utilities that are not nearly as exposed to economic dislocations as their more urban counterparts. Generally, while suspensions of economic activity in the commercial and industrial sectors due to health and safety considerations have moderately whittled energy sales and revenues at many utilities, we observe that the disruptions and the revenue losses have not reached levels that erode these utilities' ratings.

The effectiveness of measures to contain the virus could determine the susceptibility of a broader group of public power and electric cooperative utilities to financial pressures in 2021. The logistics of delivering the vaccine to millions of Americans are very complicated and it is increasingly apparent that it will take time to achieve herd immunity and rehabilitate the economy to year-end 2019 levels. A cohort that resists vaccination could aggravate efforts to achieve economic recovery.

We are monitoring the extent to which the pandemic's burgeoning second wave is renewing economic disruptions and whether the resulting unemployment and business closures have the potential to impair the revenue streams of public power and electric cooperative utilities. On the heels of a bruising 3.9% GDP decline in 2020, our economists' baseline forecast projects U.S. GDP will not recover to year-end 2019 levels until 2021's third quarter, and unemployment, not until late 2023, or possibly later (see chart 1).

Chart 1



Source: S&P Global Economics. GDP is projected to recover to its end-2019 level in Q3-2021; unemployment will recover to end-2019 level in late 2023 at the earliest.

So far, moratoriums on service disconnections for nonpayment have not be problematic. Legislative and regulatory mandates and utilities' self-imposed restrictions barring electric service disconnections for nonpayment, have the potential to frustrate timely cost recovery and erode liquidity. Yet, while many utilities are reporting that delinquent account balances rose in 2020 relative to recent years, they also report that the dollar magnitude of the increases have been inconsequential relative to their overall revenue streams.

2. What will Biden energy policies mean for public power and electric cooperative utilities in 2021?

We think public power and electric cooperatives' credit ratings might be vulnerable to more stringent and costly environmental regulations in 2021 and beyond.

How this will shape 2021

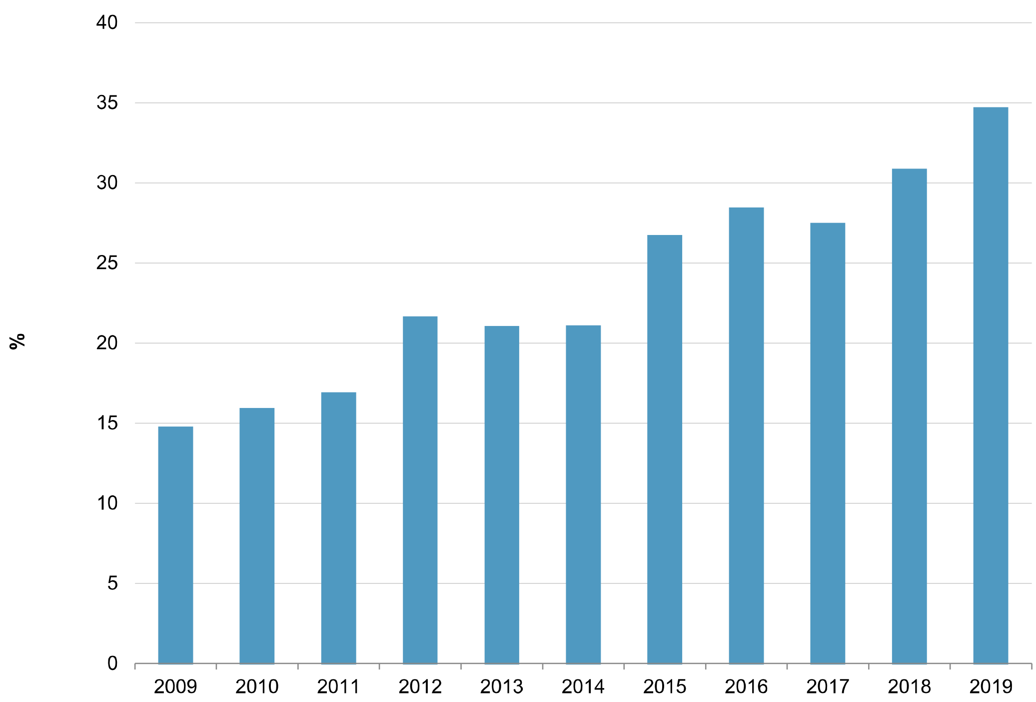
We expect more stringent environmental regulations that will likely to add to capital and operating costs. S&P Global Ratings expects the Biden Administration to pursue tightening environmental regulations governing the electric industry and its fuels. Such measures could directly and indirectly affect public power and electric cooperative utilities' operations, their costs of doing business, retail rates, their financial flexibility, and possibly their ratings. Ultimately, whether the new administration's environmental policies will affect our ratings will depend on how much of the campaign platform translates into new regulations and legislation, its costs, and the time required for compliance with more stringent regulations.

What we think and why

We view natural gas prices as particularly susceptible to upward pressure. If a Biden administration directly or indirectly restrains fracking, natural gas prices could rise sharply. Natural gas is the primary input for producing electricity in the U.S. (chart 2). Consequently, limiting natural gas production could lead to higher electricity production costs and retail prices that consumers pay for electricity. Low natural gas prices played a significant role in shoring up the financial performance of public power and electric cooperative utilities in 2020, at a time that many utilities concluded that the economic environment was not conducive to raising retail service charges, whether due to the inability of customers to shoulder rate increases or the negative optics of raising rates in a recessionary environment. Restrictions on drilling for natural gas that propel a need for higher retail electricity rates could unravel the benefits of the low gas prices that inured to utilities at a time that the pandemic era places limits on utilities' financial flexibility.

Chart 2

Natural Gas As % Of U.S. Electric Utility Generation



Source: Energy Information Administration

Rate affordability and consumer acceptance place limits on the rates utilities charge for essential electric service and negatively affect financial performance and operations. We believe higher electricity production costs due to natural gas prices could erode financial margins and ratings because rate affordability plays an important role in influencing public power and electric cooperative utilities' credit ratings. Consumers are sensitive to the level of their utilities' service charges, which is a factor that can limit ratemaking capacity. Therefore, it is possible that spending for environmental compliance costs could come at the expense of investments in the reliability and safety of the electric grid.

Transitioning to clean energy might not be as effortless as its proponents suggest. In recent years, many state initiatives for reducing carbon emissions, other greenhouse gas emissions, and the solid byproducts of electricity production, emphasized utilities transitioning to wind and solar resources. Some of the more ambitious of these initiatives appear to discount the intermittency of renewable generation and the insufficiency of existing electricity storage technologies to counter intermittency. Neither solar nor wind produce electricity around the clock and current technologies do not provide capacity to store enough of the surplus solar and wind electricity produced during peak production hours to cover the nonproduction hours and could lead to less reliable electric service (see "California's Rolling Blackouts Could Foreshadow Rating Pressures For Public Power And Electric Cooperative Utilities," Sept. 10, 2020). Federal initiatives that build on state initiatives and that do not appropriately account for intermittency and storage issues could face similar pitfalls.

We expect the trend of significant coal plant closures seen in recent years to continue during Biden's presidency. If public power and electric cooperative utilities are compelled to close undepreciated power plants, utilities' financial performance could face pressures. Although public power and electric cooperative utilities can look to their essentially captive customer bases to recoup uncompensated investments, this could be financially burdensome to customers, particularly if these utilities need to secure alternative sources of electricity production that add costs.

3. Will ESG factors influence credit views in 2021?

Each of the ESG factors carries considerable weight in our consideration of their applicability to public power and electric cooperative utilities. The emissions and byproducts of electricity production influence environmental considerations. The affordability of rates and the financial flexibility available to utilities are important social considerations. Lastly, the ability of management and boards to respond to fluid regulatory and economic environments are integral to a utility's viability. We view public power and electric cooperative utilities' ESG performance as influencing their ability to attract capital, the willingness of their counterparties to enter into bilateral contracts with them to provide essential commodities and insurance, and the capacity of utilities to attract employees of the highest caliber.

If capital-intensive utilities are unable to attract capital, they face uncertain prospects for long-term economic viability, given the enormity of the costs of building generation and transmission projects, which could negatively affect ratings.

How this will shape 2021

We expect environmental remediation efforts to take on added significance in 2021. Many of the public power and electric cooperative utilities that we rate exhibit high levels of carbon intensity that can constrain ratings. We view the specter of significant environmental compliance and remediation costs that carbon-intensity presents as constraining and possibly negatively pressuring ratings. In addition to the costs of securing replacement generation, having to shutter noncompliant generation resources or remediate coal ash ponds might impair operations.

What we think and why

On a positive note, we have observed that many public power and electric cooperative utilities are committing to significantly remaking their generation portfolios to reduce long-standing, high levels of carbon intensity. Examples include Minnesota's Great River Energy, Colorado's Tri-State Generation, and Arizona's Salt River Project.

Great River Energy's "Phoenix Project" will retire nearly 1,200 megawatts of coal-fired capacity at its Coal Creek Station by the end of 2022. The utility will also convert its Spiritwood Station to natural gas and add significant wind purchases. Tri-State Generation announced its "Responsible Energy Plan" that accelerates the retirements of coal capacity at Craig Generating Station units and, also the Escalante station. Like Great River Energy, Tri-State plans to add significant renewable resources to offset some of the capacity retirements. Great River and Tri-State expect that their plans have the potential to reduce costs, but that view is not consistent across the utility space. Salt River Project is developing the specifics of its "2035 Sustainability Plan Framework," that commits the utility to reducing the amount of carbon dioxide it emits per megawatt-hour of electricity production by 62% relative to 2005 levels by 2035 and by 90% by 2050. The sustainability plan also commits the utility to reducing its generation-related water use by 20%.

The economic climate adds to the potential for social factors to influence ratings. The social component of ESG has many more facets than ESG's environmental component. Social factors include, among others, rate affordability, the health and safety of communities proximate to power lines and power plants emissions, the health and safety of the work force, gender equality in the workplace, and nondiscrimination policies.

For electric utilities, S&P Global Ratings considers each of the preceding factors, with particular emphasis on how compliance with environmental regulations will influence retail rates and their affordability. A lack of affordability can constrain a utility's ratemaking flexibility and its ability to recover increasing costs. Rate affordability also speaks to the ability of low to moderate income customers to procure electric service that is essential to their health and safety.

We believe the negative economic pressures flowing from the pandemic could frustrate the ability of consumers to absorb environmental compliance costs and adversely affect ratings at some public power and electric cooperative utilities.

The uncertain regulatory and economic environment underscores the role of strong governance. For public power and electric cooperative utilities, we view the exploration of the governance element of ESG as an appraisal of management's ability to successfully navigate a fluid landscape of environmental regulations and adverse economic conditions while sustaining strong customer relations. We believe that for public power and electric cooperative utilities to remain financially viable, management teams need to be able to adapt to changes in a constructive manner that sustains long-term financial and operational viability without estranging customers.

As noted, we view favorably the actions by utilities like Great River Energy, Tri-State Generation, and Salt River Project, to remake their generation fleets to reduce their carbon footprints both to meet regulatory mandates and to satisfy their customers' desire to consume clean energy.

A utility's ratemaking framework is another important component of our governance assessment. Most of the public power and electric cooperative utilities we follow have autonomous ratemaking authority that facilitates nimble responses to changing circumstances. We view utilities that have formulaic, non-discretionary pass-through mechanisms as possessing a tool that adds to the financial flexibility that autonomous ratemaking provides by removing some governance risk.

We also have a favorable view of most rate-regulated public power and electric cooperative utilities. We base this view on regulators' legal obligation to provide for the recovery of prudently incurred costs, plus a return. However, we have seen at Tri-State Generation that members can and will use regulatory oversight as a sword to challenge ratemaking decisions, where possible, which contributed to our negative rating actions on the utility.

The nation's weak economic environment tasks utility management with a difficult balancing act. In this period when the country is experiencing the severe economic fallout flowing from the COVID pandemic, we believe utility management teams face the difficult task of reconciling:

- The negative social considerations of possibly forcing large numbers of customers into darkness for nonpayment; and,

- The alternative, the financial morass utilities could face if they accommodate financially challenged customers by providing uncompensated service that erodes utility cash flows and liquidity.

We are monitoring how utilities are responding to these challenges, especially as the pandemic and a weak economy drag on and ratepayers are left to make difficult decisions about how to allocate their finite financial resources. Yet, as noted, public power and electric cooperative utilities continue to report that the level of delinquent payments remains moderate relative to their overall operations.

4. What legal risk do California's public power utilities face from wildfire liability claims?

How this will shape 2021

California wildfires have grown in intensity, size, and frequency over the past several years. Wildfire risk is particularly heightened in California because, under California law, courts can apply the doctrine of "inverse condemnation" to both investor owned utilities and public power utilities. The doctrine provides that if a state actor or a company providing services to the public, like an electric utility, is the substantial cause of property destruction, whether or not through negligence, it can be held liable for damages to affected property owners (see "California Public Power Utilities Face Disparate Physical and Credit Exposures to Wildfires," Aug. 4, 2020).

What we think and why

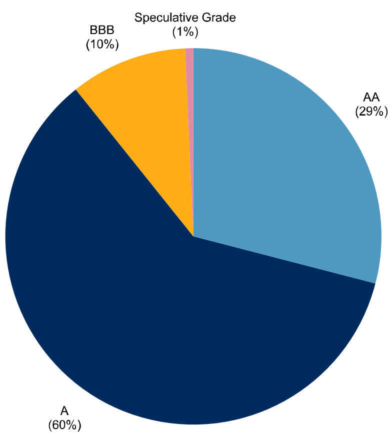
We believe that California municipal electric utilities are generally less exposed to wildfire risk than the large investor-owned utilities in the state. Our view is based on the municipal utilities' small geographic footprints and location in largely urban, low fire threat zones. The state's public power utilities also do not need regulatory approval to raise rates or issue debt to fund claims to the extent they are liable for wildfire-related liabilities resulting from the application of inverse condemnation. However, we have identified material wildfire exposures for three municipal utilities that led to rating downgrades in 2019 and 2020, including Trinity Public Utilities District (now BBB+/Stable, lowered from AA-/Stable), Los Angeles Department of Water and Power's power system (AA-/Negative, lowered from AA/Stable) and Glendale Water and Power's power system (A+/Stable, lowered from AA-/Stable).

Although we believe California's public power utilities generally have a more moderate exposure to wildfire claims than their investor-owned counterparts, they are not immune and the growing difficulty in obtaining affordable wildfire liability insurance exacerbates credit exposures. We continue to focus on the topography of utilities' service territories, and efforts to prevent or contain wildfires. Where insurance is too costly or unavailable, we believe utilities will face higher financial risks. We note that most utilities, particularly those with meaningful wildfire risk, de-energize lines when high wildfire threat conditions exist. At the same time, we understand that the decision to de-energize lines can sometimes be difficult from a political and/or reliability standpoint; nonetheless, we believe the benefits could often far exceed the costs and result in the avoidance of significant wildfire claims, including loss of life.

Rating And Outlook Distribution

Chart 3

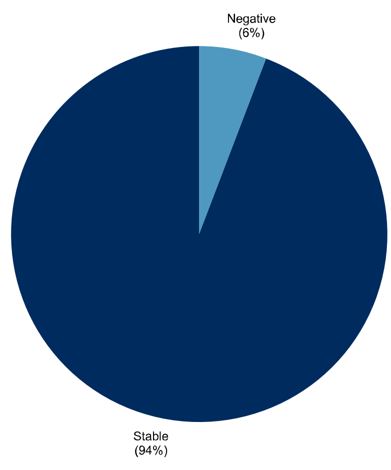
Public Power And Electric Cooperative Utilities Rating Distribution



As of Jan. 14, 2021.

Chart 4

Public Power And Electric Cooperative Utilities Outlook Distribution



As of Jan. 14, 2021.

This report does not constitute a rating action.

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