

**A G E N D A**  
**GRANT COUNTY PUBLIC UTILITY DISTRICT**  
**30 C Street SW – Commission Meeting Room**  
**Ephrata, Washington**  
**COMMISSION MEETING**  
**Tuesday, October 10, 2023**

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

- 8:30 a.m.** Executive Session
- 9:00 a.m.** Commission Convenes  
Review and Sign Vouchers
- 9:30 a.m.** Reports from staff
- 12:00 Noon** Lunch
- 1:00 p.m.** Safety Briefing  
Pledge of Allegiance  
Attendance  
Public requests to discuss agenda items/non-agenda items  
Correspondence  
Business Meeting

**1. Consent Agenda**

Approval of Vouchers

Meeting minutes of September 26, 2023

**2. Regular Agenda**

Motion authorizing the General Manager/CEO to execute Change Order No. 9 to Contract 430-10632 with CDW Government Inc., increasing the not-to-exceed contract amount by \$200,457.08 for a new contract total of \$2,069,269.95, extending the contract completion date to October 31, 2023, and resetting the delegated authority levels to the authority granted to the General Manager/CEO per Resolution No. 8609 for charges incurred as a result of Change Order No. 9. (3455)

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

XXXX – Resolution of the Commission of Public Utility District No. 2 of Grant County, Washington, providing for the Issuance of Electric System Revenue refunding bonds of the District in the Aggregate Principal amount not to exceed \$55,000,000 for the purpose of refunding certain outstanding Electric System Bonds; and delegating authority to approve the final terms of the Bonds.

Motion authorizing the General Manager/CEO, on behalf of Grant PUD, to execute Contract 130-12088 for the proposed sale of 20% of the Priest Rapids Project Output (PRPO) for a 3-year term, commencing January 1, 2024 to Portland General Electric. (xxxx)

**4. Calendar**

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

**6. Commission Vice President Flint to announce the opening of public input period for the 2024 Proposed Budget**

**2024 Proposed Budget Public Hearing – 2:00 p.m.**

Ephrata Headquarters Commission Room, 30 C Street SW, Ephrata, WA 98823

**7. 2024 Proposed Budget Public Hearing – 6:00 p.m.**

Virtual Microsoft Teams

[Click here to join the meeting](#)

Call in/Audio only – (509) 703-5291

Phone Conference ID: 680 513 972#

**8. Adjournment**

**Upcoming 2024 Proposed Budget Public Hearing Notice:**

October 12, 2023 – 6:00 p.m.

Moses Lake Local Office Auditorium, 312 W Third Avenue, Moses Lake, WA 98837

# **CONSENT AGENDA**

# Draft – Subject to Commission Review

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

September 26, 2023

The Commission of Public Utility District No. 2 of Grant County, Washington, convened at 8:30 a.m. at Grant PUD's Hydro Office Building, 14352 Hwy 243 S, Beverly, Washington and via Microsoft Teams Meeting / +1 509-703-5291 Conference ID: 596 502 173# with the following Commissioners present: Nelson Cox, President; Tom Flint, Vice-President; Terry Pyle, Secretary; Larry Schaapman, Commissioner and Judy Wilson, Commissioner.

An executive session was announced at 8:30 a.m. to last until 9:00 a.m. to review performance of a public employee pursuant to RCW 42.30.110(1)(g). The executive session concluded at 9:00 a.m. and the regular session resumed.

The Commission convened to review vouchers and correspondence.

The Commission recessed at 9:10 a.m.

The Commission resumed at 9:30 a.m.

A round table discussion was held regarding the following topics: Liz Anderson announced as new Executive Director for Washington PUD Association (WPUDA) effective January 1, 2024; WPUDA notification of gubernatorial campaign contributions; request for additional information relating to feeders in and out of Jericho substation; follow-up on recent transportation purchases; and briefing from recent meeting with WDFW Director, Kelly Susewind.

Jordan Rang, Safety Coordinator, provided a Safety Report.

Jordan Rang, Safety Coordinator, provided the Safety Health and Improvement Plan (SHIP) report.

Anthony Vader, Engineer V, presented a *Safety From Wildlife Risks* safety training.

Bonnie Overfield, Chief Financial Officer, reviewed 2024 Proposed Budget Materials.

Thomas Stredwick, Senior Manager of Employee Experience; Scott Sundberg, Supervisor of Organizational Development; and Tod Ayers, Managing Director of Human Resources, reviewed the quarterly Organizational Development report and reviewed updates made to the Educational Reimbursement Policy.

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

Chuck Sutton, Moses Lake, Washington, read a letter on behalf of Grant County Industrial Alliance regarding member concerns with Grant PUD's current rate setting process.

Dan Miller, Royal City, Washington, representing different rate classes, industries, and interests within Grant County, read a joint letter expressing concern with ongoing rate discussions and noted collaborative support of Grant PUD Resolution No. 8768.

Consent agenda motion was made Mr. Flint and seconded by Mrs. Wilson to approve the following consent agenda items:

Payment Number	135425	through	135824	\$20,268,167.96
----------------	--------	---------	--------	-----------------

Payroll Direct Deposit	224164	through	224982	\$2,525,495.54
Payroll Tax and Garnishments	20230912A	through	20230920B	\$1,104,900.85

Meeting minutes of September 12, 2023.

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

Resolution No. 9029 relative to adopting salaries for Commission appointees was presented to the Commission. Motion was made by Mr. Schaapman and seconded by Mr. Flint to approve Resolution No. 9029. After consideration, the motion passed by unanimous vote of the Commission.

RESOLUTION NO. 9029

A RESOLUTION ADOPTING SALARIES FOR COMMISSION APPOINTEES

Recitals

1. The Commission desires to establish the salaries for Commission Appointees as set forth herein.

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

Section 1. The adjusted salaries for Commission Appointees is set forth in Exhibit A and shall be effective January 5, 2024.

Section 2. The Commission adds a one-time contribution of fifteen (15) days at eight (8) hours per day to the personal leave (PL) bank of the General Manager/CEO.

Section 3. The Commission adds a one-time contribution of fifteen (15) days at eight (8) hours per day to the personal leave (PL) bank of the General Counsel/CLO.

Section 4. This resolution supersedes any prior resolution relating to Commission Appointee salaries to the extent of any conflict or inconsistency with the salary adjustments set forth in Exhibit A.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 26<sup>th</sup> day of September, 2023.

Resolution No. 9030 relative to superseding Resolution No. 9010, relating to amending Rate Schedule No. 19 – Commercial Fast Charging Electric Vehicle Service was presented to the Commission. Motion was made by Mr. Schaapman and seconded by Mr. Pyle to approve Resolution No. 9030. After consideration, the motion passed by unanimous vote of the Commission.

RESOLUTION NO. 9030

A RESOLUTION SUPERSEDING RESOLUTION NO. 9010, RELATING TO AMENDING RATE SCHEDULE NO. 19 – COMMERCIAL FAST CHARGING ELECTRIC VEHICLE SERVICE

Recitals

1. Pursuant to RCW 54.16.040, Grant PUD is authorized to regulate and control the use, distribution, rates, service, charges, and price of electric energy;
2. Resolution No. 9010 previously adopted Rate Schedule No. 19 Commercial Fast Electric Vehicle Charging;
3. The General Manager and Grant PUD staff recommend amending Grant PUD Rate Schedule No. 19 as set forth in Exhibit A.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington, that Rate Schedule No. 19 is hereby effective as set forth in Exhibit A.

BE IT FURTHER RESOLVED that as of October 1, 2023, Resolution No. 9010 as it relates to Rate Schedule No. 19 is hereby superseded.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 26<sup>th</sup> day of September, 2023.

The Commissioners reviewed future agenda items.

The Commission calendar was reviewed.

Chuck Allen, Senior Manager of External Affairs gave a report on the Public Power and Industry Outreach Activity Report.

An executive session was announced at 2:10 p.m. to last until 2:20 p.m. to potential litigation with legal counsel present pursuant to RCW 42.30.110(1)(i). The executive session concluded at 2:20 p.m. and the regular session resumed.

Rich Flanigan, Senior Manager of Wholesale Marketing and Supply, reviewed on the Infrastructure and Jobs Act / Public Utilities Regulatory Policies Act of 1978 (PURPA). As part of the 2021 Infrastructure Investment and Jobs Act, PURPA was amended to include two new standards identified in Section Nos. 40431 and 40140. The new standards do not impose mandatory obligations on Grant PUD, so no further action is required. After discussion, the Commission accepted the report with the acknowledgement no further action would be taken.

Fallon Long, Managing Director of Integrated Operational Services, and Dave Ponzoso, Manager of Emergency Preparedness, presented the Integrated Operational Report.

Chris Roseburg, Senior Manager of Operational Excellence provided an Operational Excellence Report.

There being no further business to discuss, the September 26, 2023 meeting officially adjourned at 3:30 p.m. on September 26, 2023.

\_\_\_\_\_  
Nelson Cox, President

ATTEST:

\_\_\_\_\_  
Terry Pyle, Secretary

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

\_\_\_\_\_  
Larry Schaapman, Commissioner

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

# **REGULAR AGENDA**

Motion was made by \_\_\_\_\_ and seconded by \_\_\_\_\_ authorizing the General Manager/CEO to execute Change Order No. 9 to Contract 430-10632 with CDW Government Inc., increasing the not-to-exceed contract amount by \$200,457.08 for a new contract total of \$2,069,269.95, extending the contract completion date to October 31, 2023, and resetting the delegated authority levels to the authority granted to the General Manager/CEO per Resolution No. 8609 for charges incurred as a result of Change Order No. 9.



## MEMORANDUM

Date: September 11, 2023

**TO:** Rich Wallen, General Manager

**FROM:** Charles Meyer, Managing Director of Enterprise Technology

**SUBJECT:** Contract 430-10632, Change Order No. 9

### Purpose:

To request Commission approval of Change Order No. 9 to Contract 430-10632 to increase the awarded contract price with CDW and to extend the contract through October 31, 2023. CDW provides licensing and support for the District's licensing with Microsoft. The current contract was awarded October 27, 2020 and ended August 31, 2023.

### Discussion:

CDW provides Grant PUD licensing and support for all of our Microsoft products through our Enterprise Agreement. These Microsoft products encompass everything from the operating systems that run on our computers to the databases we use to store our critical data.

The initial Enterprise Agreement for \$1,372,037.52 was signed on October 27, 2020. We project we will require this support and licensing for the foreseeable future. As part of the negotiation process for a new contract, we are auditing our current licensing to reduce the yearly licensing and support costs by removing users who no longer need access to certain licenses. The cost for the District's Year 3 true up is \$39,756.72. The District also gets invoiced monthly for Azure overages at an estimated cost of \$5,000.00 per month. The contract price will need to be increased to account for these overages for the months of September and October totaling \$10,000.00. The estimated costs for licensing and support for the months of September and October are \$150,700.36.

The current contract price is \$1,868,812.87 with a balance left on the contract of \$34,616.68. Therefore, there are currently not enough funds in the current contract to cover the amounts currently due and which will become due through the end of the current contract's term and through the award of a new Microsoft Enterprise Agreement.

The existing software licenses and support for the Microsoft products expired on August 31, 2021. The District must license the applications yearly to continue legal use of the product.

The District is currently in discussions with Microsoft to determine what licensing is required for a new contract. The team has gone through the existing licensing to remove licenses that are no longer being used and negotiating rates to minimize the overall costs for the District. As this negotiation continues, we do anticipate that the current contract will expire putting us into a month-to-month payment situation for the months of September and October.

### Justification:

Microsoft products are critical to the core business operations of Grant PUD.

The District needs to pay these overages because the District cannot source and implement a new solution that meets requirements in the current timeframe, and it would be cost prohibitive.

**Change Order History:**

See attached change order table.

**Recommendation:**

Commission approval of Change Order No. 9 to Contract 430-10632 to increase the awarded contract price and to extend the contract term with CDW.

**Legal Review:**

See attached email(s).

**From:** [Charles Meyer](#)  
**To:** [Michele Mesaros](#)  
**Cc:** [Shelli Tompkins](#); [Zachery Cooper](#)  
**Subject:** RE: Draft Commission Memo re 430-10632  
**Date:** Monday, September 11, 2023 3:54:43 PM

---

Clarification:

Approved the draft commission memo to increase the contract price and my CXO after-the fact approval for the submission of this request as the current contract expired August 31, 2023.

**Charles Meyer**

*Managing Director of Enterprise Technologies*

CELL 760.579.1171

EMAIL [cmeyer@gcpud.org](mailto:cmeyer@gcpud.org)



[grantpud.org](http://grantpud.org)

---

**From:** Michele Mesaros <[mmesaros@gcpud.org](mailto:mmesaros@gcpud.org)>  
**Sent:** Monday, September 11, 2023 3:42 PM  
**To:** Charles Meyer <[cmeyer@gcpud.org](mailto:cmeyer@gcpud.org)>  
**Cc:** Shelli Tompkins <[stompkins@gcpud.org](mailto:stompkins@gcpud.org)>; Zachery Cooper <[zcooper@gcpud.org](mailto:zcooper@gcpud.org)>  
**Subject:** Draft Commission Memo re 430-10632  
**Importance:** High

[@Charles Meyer](#) –

Please provide your approval for both the attached draft Commission Memo to increase the contract price and to extend the contract term for the current Microsoft Enterprise Agreement with CDW, which is attached.

Additionally, please provide your CXO after-the-fact approval for the submission of this request as the current contract expired on August 31, 2023.

Please provide your approval specifically for both of the above requests.

Please let me know if you have questions.

Thank you!

***Michele Mesaros***

*Administrative Assistant  
Enterprise Technology*

CELL 714.726.1712

EMAIL [mmesaros@gcpud.org](mailto:mmesaros@gcpud.org)



[grantpud.org](http://grantpud.org)



**PUD No. 2 of Grant County, WA**  
**PO Box 878**  
**30 C ST SW**  
**Ephrata WA 98823**

**Vendor:** CDWC00

CDW GOVERNMENT INC  
 230 N MILWAUKEE AVE  
 VERNON HILLS IL 60061

<b>Purchase Order</b>	
<b>Purchase Order No.</b>	PO430-10632
<b>Date</b>	6/29/2022
<b>Revision Number</b>	12

**Ship To:**

154 A ST SE  
 EPHRATA WA 98823

**Contract / Quote No.** LQJS402

^ Changed Since the Previous Revision

		<b>Payment Terms</b>	<b>Confirm With</b>			<b>Page</b>	
		NET30	Haleigh Byrnes			1	
<b>L/N</b>	<b>Item Number</b>	<b>Bin</b>	<b>Req. Date</b>	<b>U/M</b>	<b>Ordered</b>	<b>Unit Price</b>	<b>Ext. Price</b>
<b>Item Description</b>							<b>Requested by</b>
<b>Shipping Method</b>		<b>Reference Number</b>					
1	MICROSOFT COMPONENT ENTERPRISE		8/31/2021	EA	457,345.84	\$1.00	\$457,345.84
	Microsoft Component Enterprise Agreement. Year 1: Term Upon Execution - 8/31/2021						Sam Lamb
	NO FREIGHT						
	NASPO ADSPO16-130652						
	Terms & Conditions per:						
	WA DES Master Contract #06016, and						
	MS Volume Licensing Agreement #6564327						
2	MICROSOFT COMPONENT ENTERPRISE		8/31/2022	EA	457,345.84	\$1.00	\$457,345.84
	Microsoft Component Enterprise Agreement. Year 2. Term: 9/1/2021 to 8/31/2022						Sam Lamb
	NO FREIGHT						
	NASPO ADSPO16-130652						
	Terms & Conditions per:						
	WA DES Master Contract #06016, and						
	MS Volume Licensing Agreement #6564327						
3	MICROSOFT COMPONENT ENTERPRISE		8/31/2023	EA	457,345.84	\$1.00	\$457,345.84
	Microsoft Component Enterprise Agreement. Year 3. Term: 9/1/2022 to 8/31/2023						cmeyer@gcpud.org
	NO FREIGHT						
	NASPO ADSPO16-130652						
	Terms & Conditions per:						
	WA DES Master Contract #06016, and						
	MS Volume Licensing Agreement #6564327						
4	MICROSOFT COMPONENT ENTERPRISE		8/31/2022	EA	63,414.92	\$1.00	\$63,414.92
	2021 ANNUAL TRUE UP PER QUOTE NO. MDQG289						cmeyer@gcpud.org
	NO FREIGHT						
	NASPO ADSPO16-130652						
	Terms & Conditions per:						
	WA DES Master Contract #06016, and						
	MS Volume Licensing Agreement #6564327						
5	MS EA POWERAPPSPLANGCC P/U		8/31/2023	EA	725.00	\$105.31	\$76,349.75
	PER QUOTE NO. MPXF957. Term: 3/1/22 to 8/31/22						cmeyer@gcpud.org

**PUD No. 2 of Grant County, WA**  
**PO Box 878**  
**30 C ST SW**  
**Ephrata WA 98823**

<b>Purchase Order</b>	
<b>Purchase Order No.</b>	PO430-10632
<b>Date</b>	6/29/2022
<b>Revision Number</b>	12

**Vendor:**

CDW GOVERNMENT INC  
 230 N MILWAUKEE AVE  
 VERNON HILLS IL 60061

**Ship To:**

154 A ST SE  
 EPHRATA WA 98823

**Contract / Quote No.** LQJS402

^ Changed Since the Previous Revision

Buyer		Payment Terms		Confirm With		Page	
		NET30		Haleigh Byrnes		2	
L/N	Item Number	Description	Req. Date	U/M	Ordered	Unit Price	Ext. Price
Project Number		Cost Category ID	Billing Note				
Shipping Method		Reference Number					
NO FREIGHT							
NASPO ADSPO16-130652 Terms & Conditions per: WA DES Master Contract #06016, and MS Volume Licensing Agreement #6564327							
6	MS EA POWERAPPSPLAN P/U CHANGE ORDER NO. 3		8/31/2023	Each	275.00	\$70.21	\$19,307.75
						Mmesaros@gcpud.org	
NO FREIGHT							
7	CHANGE ORDER NO. 3 TO COVER FUTURE INVOICES OF AZURE OVERAGES		8/31/2023	Each	50,000.00	\$1.00	\$50,000.00
						Mmesaros@gcpud.org	
NO FREIGHT							
8	CHANGE ORDER NO. 4 PER QUOTES MVFG506 & MVFG533 TERMS 7/1/22-8/31/23		8/31/2023	Each	9.95	\$1.00	\$9.95
						cmeyer@gcpud.org	
NO FREIGHT							
NASPO ADSPO16-130652 Terms & Conditions per: WA DES Master Contract #06016, and MS Volume Licensing Agreement #6564327							
9	CHANGE ORDER NO. 5 PER QUOTE MWGK216, 2022 TRUE UP		8/31/2023	Each	35,101.31	\$1.00	\$35,101.31
						Cmeyer@gcpud.org	
NO FREIGHT							
10	CHANGE ORDER NO. 6 PER QUOTES NBNG264 & NBNG583		8/31/2023	Each	187,591.67	\$1.00	\$187,591.67
						CMEYER@GCPUD.ORG	
NO FREIGHT							
NASPO ADSPO16-130652 Terms & Conditions per: WA DES Master Contract #06016, and MS Volume Licensing Agreement #6564327							
12	CHANGE ORDER NO. 7		8/31/2023	Each	10,000.00	\$1.00	\$10,000.00

PUD No. 2 of Grant County, WA  
 PO Box 878  
 30 C ST SW  
 Ephrata WA 98823

<b>Purchase Order</b>	
<b>Purchase Order No.</b>	PO430-10632
<b>Date</b>	6/29/2022
<b>Revision Number</b>	12

**Vendor:**

CDW GOVERNMENT INC  
 230 N MILWAUKEE AVE  
 VERNON HILLS IL 60061

**Ship To:**

154 A ST SE  
 EPHRATA WA 98823

**Contract / Quote No.** LQJS402

^ Changed Since the Previous Revision

Buyer		Payment Terms		Confirm With			Page	
		NET30		Haleigh Byrnes			3	
L/N	Item Number	Description	Req. Date	U/M	Ordered	Unit Price	Ext. Price	
Project Number		Cost Category ID	Billing Note					
Shipping Method		Reference Number						
NO FREIGHT								
14	CHANGE ORDER NO. 8	ANNUAL ZURE OVERAGES - FOR FUTURE INVOICING	8/31/2023	Each	55,000.00	\$1.00	\$55,000.00	
							CHARLES MEYER	
NO FREIGHT								
15	CHANGE ORDER NO. 9	EXTEND CONTRACT FOR LICENSES 9/1/23 THRU 10/31/23	10/31/2023	Each	200,457.08	\$1.00	\$200,457.08	
							CHARLES MEYER	
NO FREIGHT								
NASPO ADSPO16-130652								
Terms & Conditions per:								
WA DES Master Contract #06016, and								
MS Volume Licensing Agreement #6564327								

<b>Subtotal</b>	\$2,069,269.95
<b>Tax</b>	\$173,818.67
<b>Order Total</b>	\$2,243,088.62

Shelli Tompkins

**Authorized**

All shipments, shipping papers, invoices and correspondence must be identified with our Purchase Order Number. Overshipments will not be accepted unless authorized by Buyer prior to shipment. This Purchase Order is subject to Grant PUD's Terms and Conditions.

Warehouse Receiving Hours: Monday - Thursday, 6:30 AM - 12:00 PM & 12:30 PM - 3:30 PM.

**Contract Title:** Microsoft Enterprise Agreement

Contract No.	430-10632	Award Date:	10/27/2020
Project Manager:	Charles Meyer	Original Contract Amount:	\$1,372,037.52
District Representative (If Different):		Original Contract completion:	8/31/2023
Contractor:	CDW Government, Inc.		\$697,232.43

CO#	Change Description	Approved by	Executed Date	Revised Completion Date	Cost Change Amount	Revised Contract Amount	Authority Level Tracking
1	2021 Annual True-Up	Senior/Plant Mgr	09/01/21	N/A	\$63,414.92	\$1,435,452.44	\$63,414.92
2	Add PowerApps Licensing	Senior/Plant Mgr	03/10/22	N/A	\$76,349.75	\$1,511,802.19	\$139,764.67
3	Add PowerApps Licensing to EA and additional funds to cover monthly Azure overages through end of Contract term.	Executive Mgmt	04/29/22	N/A	\$69,307.75	\$1,581,109.94	\$209,072.42
4	Upgrade all Visual Studio Enterprise and Pro licenses to include Github Enterprise accounts.	Senior/Plant Mgr	07/01/22	N/A	\$9.95	\$1,581,119.89	\$209,082.37
5	2022 Annual True-Up	Senior/Plant Mgr	09/29/22	N/A	\$35,101.31	\$1,616,221.20	\$244,183.68
6	Add Funds to cover additional Licensing to EA through end of Contract term.	Senior/Plant Mgr	12/14/22	N/A	\$187,591.67	\$1,803,812.87	\$431,775.35
7	Add funds to cover Annual Cost	Senior/Plant Mgr	03/28/23	N/A	\$10,000.00	\$1,813,812.87	\$441,775.35
8	Add Funds to cover additional Licensing to EA through end of Contract term.	Senior/Plant Mgr	07/05/23	N/A	\$55,000.00	\$1,868,812.87	\$496,775.35
9	Add Funds to cover additional Licensing to EA through end of Contract term.	Comm		10/31/23	\$200,457.08	\$2,069,269.95	\$697,232.43
<b>Total Change Order Cost Change Amount</b>					<b>697,232.43</b>		



ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2023-V  
BOND RESOLUTION

**For Commission Review – 10/10/2023**

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE OF ELECTRIC SYSTEM REVENUE REFUNDING BONDS OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$55,000,000 FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING ELECTRIC SYSTEM BONDS; AND DELEGATING AUTHORITY TO APPROVE THE FINAL TERMS OF THE BONDS.

PASSED OCTOBER 24, 2023

PREPARED BY:

PACIFICA LAW GROUP LLP  
Seattle, Washington

## TABLE OF CONTENTS\*

	Page
ARTICLE I DEFINITIONS	
Section 1.1	Definitions..... 2
ARTICLE II FINDINGS	
Section 2.1	Compliance with Parity Conditions ..... 11
Section 2.2	Best Interests of the District..... 12
Section 2.3	Gross Revenue Sufficient ..... 12
Section 2.4	Due Regard ..... 12
ARTICLE III AUTHORIZATION, ISSUANCE AND REDEMPTION OF BONDS	
Section 3.1	Authorization of Issuance and Sale of the Bonds ..... 12
Section 3.2	Reservation of Right to Purchase..... 13
Section 3.3	Redemption of Bonds ..... 13
ARTICLE IV REGISTRATION, FORM AND GENERAL TERMS	
Section 4.1	Registrar; Exchanges and Transfers..... 15
Section 4.2	Form of Bonds ..... 18
Section 4.3	Execution and Authentication of Bonds ..... 18
ARTICLE V SPECIAL FUNDS AND DEFEASANCE	
Section 5.1	Revenue Fund ..... 18
Section 5.2	Bond Fund; Reserve Account ..... 19
Section 5.3	Defeasance ..... 22
Section 5.4	Rate Stabilization Account ..... 22
ARTICLE VI APPLICATION OF BOND PROCEEDS; PLAN OF REFUNDING	
Section 6.1	Application of Bond Proceeds; Plan of Refunding..... 23
ARTICLE VII COVENANTS TO SECURE BONDS	
Section 7.1	Security for Parity Bonds..... 24
Section 7.2	General Covenants ..... 25
Section 7.3	Future Parity Bonds and Resource Obligations ..... 28
Section 7.4	Restrictions on Contracting of Obligations Secured by Revenue..... 31
Section 7.5	Derivative Products..... 31
Section 7.6	Tax Covenants ..... 32
ARTICLE VIII DEFAULTS AND REMEDIES	
Section 8.1	Events of Default ..... 32
Section 8.2	Bondowners' Trustee ..... 33
Section 8.3	Suits a Law or in Equity..... 34
Section 8.4	Application of Money Collected by Bondowners' Trustee ..... 35
Section 8.5	Duties and Obligation of Bondowners' Trustee ..... 35
Section 8.6	Suits by Individual Bondowners Restricted..... 36

---

\* This Table of Contents is provided for convenience only and is not a part of this resolution.

Section 8.7	Waivers of Default.....	37
Section 8.8	Remedies Granted in Resolution Not Exclusive.....	37
ARTICLE IX AMENDMENTS		
Section 9.1	Execution of Instruments by Bondowners.....	37
Section 9.2	Vote Required to Amend Resolution.....	37
Section 9.3	Alternate Method of Obtaining Approval of Amendments.....	38
Section 9.4	Amendment of Resolution In Any Respect by Approval of All Bondowners.....	38
Section 9.5	Parity Bonds Owned by District.....	39
Section 9.6	Endorsement of Amendment on Parity Bonds.....	39
Section 9.7	Amendments by District.....	39
ARTICLE XI ONGOING DISCLOSURE		
Section 10.1	Undertaking to Provide Ongoing Disclosure.....	40
ARTICLE XI SALE OF THE BONDS		
Section 11.1	Sale of the Bonds.....	40
Section 11.2	Preliminary and Final Official Statements.....	41
ARTICLE XII MISCELLANEOUS		
Section 12.1	Resolution a Contract.....	41
Section 12.2	Benefits of Resolution Limited to District, Bondowners, Registrar, and Bondowners' Trustee.....	41
Section 12.3	Severability.....	42
Section 12.4	General Authorization.....	42
Section 12.5	Prior Acts.....	42
Section 12.6	Effective Date.....	42
Appendix A:	Refunding Candidates	
Appendix B:	Form of Bonds	

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE OF ELECTRIC SYSTEM REVENUE REFUNDING BONDS OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$55,000,000 FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING ELECTRIC SYSTEM BONDS; AND DELEGATING AUTHORITY TO APPROVE THE FINAL TERMS OF THE BONDS.

WHEREAS, Public Utility District No. 2 of Grant County, Washington (the “District”), owns and operates an electric utility system (as further defined herein, the “Electric System”) for the transmission and distribution of electric energy; and

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

WHEREAS, the resolutions authorizing the Outstanding Parity Bonds authorize the District to issue Future Parity Bonds (as defined herein) for the purpose of refunding outstanding Electric System obligations if certain conditions are met; and

WHEREAS, the District finds that the obligations of the Electric System listed in Appendix A attached hereto (the “Refunding Candidates”) may be refunded with proceeds of a new series of Future Parity Bonds; and

WHEREAS, the Commission of the District (the “Commission”) deems it in the best interest of the District to issue Electric System revenue refunding bonds in the aggregate principal amount not to exceed \$55,000,000 (the “Bonds”) to be used, with available funds of the District, if any, to redeem the Refunding Candidates (as described herein, the “Refunded Bonds”) and to pay costs of issuing the Bonds; and

WHEREAS, the Commission wishes to delegate authority to the General Manager/Chief Executive Officer, the Chief Financial Officer/Treasurer, and the Senior Manager of Treasury and Financial Planning/Deputy Treasurer of the District (each, a “Designated Representative”) for a limited time, to approve the interest rates, maturity dates, redemption terms, principal maturities and other terms for the Bonds within the parameters set by this resolution; and

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

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

ARTICLE I  
DEFINITIONS

Section 1.1 Definitions. As used in this resolution, the following terms shall have the following meanings:

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

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

For purposes of computing Annual Debt Service on any Parity Bonds which constitute Balloon Indebtedness, it shall be assumed that the principal of such Balloon Indebtedness, together with interest thereon at the rate applicable to such Balloon Indebtedness, shall be amortized in equal annual installments over a term equal to the least of (1) 25 years or (2) the average weighted useful life (expressed in years and rounded to the next highest integer) of the properties and assets constituting the project (if any) financed out of the proceeds of such Balloon Indebtedness.

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

**“Balloon Indebtedness”** means any series or maturity of Parity Bonds that are specifically designated by the District as “Balloon Indebtedness.” The principal amount maturing on any date shall be the amount of bonds scheduled to be amortized by prepayment or redemption prior to their stated maturity date.

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

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

“**Bond Fund**” means the Electric System Revenue Bond Fund created by Resolution No. 4744 of the District.

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

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

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

“**Bonds**” mean the Electric System Revenue Refunding Bonds, Series 2023-V of the District issued pursuant to this resolution.

“**Call Date**” means the date specified by a Designated Representative for the refunding of the Refunded Bonds.

“**Closing Memorandum**” means the closing memorandum prepared by the Underwriter or the District’s municipal advisor and delivered on the date of issuance of the Bonds.

“**Code**” means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

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

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

“**Coverage Requirement**” means rates or charges sufficient to provide Net Revenue, taking into account any transfers to or from the R&C Fund pursuant to this resolution, in any Fiscal Year hereafter in an amount equal to at least 1.25 times the Annual Debt Service in such Fiscal Year, excluding any capitalized interest thereon in said Fiscal Year.

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

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

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

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

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

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

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

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

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

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

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

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

***“Electric System”*** means the electric utility and telecommunications properties, rights and assets, real and personal, tangible and intangible, now owned and operated by the District and used or useful in the generation, transmission, distribution and sale of electric energy, telecommunication services, and the business incidental thereto, and all properties, rights and assets, real and personal, tangible and intangible, hereafter constructed or acquired by the District as additions, betterments, improvements or extensions to said electric utility and telecommunications properties, rights and assets, including, but not limited to, the contract interest of the District in the P.E.C. Headworks Powerplant Project and in the Quincy Chute Project, but shall not include the Priest Rapids Project or any additions thereto, or any other generating, conservation, transmission, or distribution facilities which have been or hereafter may be acquired or constructed by the District as a utility system that is declared by the Commission, at the time of financing thereof, to be separate from the Electric System, the revenues of which may be pledged to the payment of bonds issued to purchase, construct, or otherwise acquire or expand such separate utility system or are otherwise pledged to the payment of the bonds of another such separate utility

system of the District other than the Electric System. The Electric System does not include any interest of the District in contracts for the sale to other parties of power and energy from the Priest Rapids Project, but does include the right of the District to receive power and energy from the Priest Rapids Project. The Commission may, by resolution, elect to combine with and include as a part of the Electric System any other separate utility system of the District, provided that full provision for the payment of any Outstanding indebtedness of such separate system shall first be made in the manner set forth herein or such indebtedness shall be refunded with bonds issued in accordance with this resolution.

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

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

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

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

**“Gross Revenue”** means all income and revenues received by the District from the sale of electric energy through the ownership or operation of the Electric System and all other commodities, services and facilities sold, furnished or supplied by the District through the ownership or operation of the Electric System, together with the proceeds received by the District directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Electric System, and together with the investment income earned on money held in any fund or account of the District, including any bond redemption funds and the accounts therein, and federal credit payments for interest on bonds, in connection with the ownership and operation of the Electric System (but exclusive of income derived from investments irrevocably pledged to the payment of any specific revenue bonds of the District, such as bonds previously or hereafter refunded, or any Bonds defeased pursuant to this resolution or other bonds defeased, or the payment of which is provided for, under any similar provision of any other bond resolution of the District, exclusive of investment income earned on money in any arbitrage rebate account, grants for capital purposes, assessments in any local utility district, any Reciprocal Payments, and any ad valorem tax revenues).

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



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

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

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

**“Net Revenue”** means, for any period, the excess of Gross Revenue over Operating Expenses for such period, excluding from the computation of Gross Revenue (a) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of properties, rights or facilities of the Electric System, or resulting from the early extinguishment of debt and (b) insurance proceeds other than proceeds to replace lost revenue.

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

**“Operating Expenses”** means the District’s expenses for operation and maintenance of the Electric System and shall include ordinary repairs, renewals, replacements, and reconstruction of the Electric System, all costs of delivering electric power and energy and payments into reasonable reserves in the Revenue Fund for items of Operating Expenses the payment of which is not immediately required, and shall include, without limiting the generality of the foregoing, costs of purchased power (including costs of power and energy required by any resolution or contract of the District to be taken by the District from the Priest Rapids Project for the account of the Electric System); costs of transmission and distribution operation and maintenance expenses; rents; administrative and general expenses; engineering expenses; legal and financial advisory expenses; required payments to pension, retirement, health and hospitalization funds; insurance premiums; and any taxes, assessments, payments in lieu of taxes or other lawful governmental charges, all to the extent properly allocable to the Electric System; and the fees and expenses of the Registrar. Operating Expenses shall not include any costs or expenses for new construction, interest, amortization, or any allowance for depreciation and District Payments.

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

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

**“Outstanding Parity Bonds”** mean the Outstanding 2017-O Bonds, the 2020-Q Bonds, the 2020-R Bonds, the 2020-S Bonds, and the 2023-U Bonds.

**“Parity Bond Reserve Accounts”** mean the reserve accounts and/or funds created by the District to secure the payment of principal of and interest on one or more series of Parity Bonds. As of the date of this resolution, the District maintains separate Parity Bond Reserve Accounts for the 2017-O Bonds and the 2020-Q Bonds, respectively. There are no Parity Bond Reserve Accounts established for the 2020-R Bonds, the 2020-S Bonds, or the 2023-U Bonds.

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

**“Parity Lien Obligations”** means all charges and obligations against Gross Revenue ranking on a parity of lien with the Parity Bonds, including but not limited to reimbursement agreement obligations so designated, any regularly scheduled District Payments, adjusted by any regularly scheduled Reciprocal Payments, and Resource Obligations for any month such Obligations are not eligible for payment as Operating Expenses. Parity Lien Obligations do not include Parity Bonds.

**“Permitted Investments”** mean any investments or investment agreements permitted under the laws of the State as amended from time to time.

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

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

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

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

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

**“Qualified Letter of Credit”** means any irrevocable letter of credit issued by a financial institution for the account of the District on behalf of the owners of any Parity Bonds, which institution maintains an office, agency, or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest rating categories by Moody’s Investors Service or S&P Global Ratings or their comparably recognized business successors.

**“R&C Fund”** means the Reserve and Contingency Fund of the District created by Resolution No. 4112.

**“Rate Stabilization Account”** means the account within the R&C Fund.

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

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

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

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

**“Refunded Bonds”** mean the Refunding Candidates designated by a Designated Representative for refunding pursuant to this resolution and set forth in the Bond Purchase Contract.

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

**“Refunding Agreement”** means the agreement, if any, between the District and the Refunding Agent and executed pursuant to this resolution to facilitate the refunding of the Refunded Bonds.

**“Refunding Candidates”** mean the obligations of the Electric System listed in Appendix A attached hereto.

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

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

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

**“Reserve Account Requirement”** means, initially with respect to the Bonds, zero (\$0.00).

**“Resource Obligation”** means an obligation of the District to pay the following costs associated with a resource from Gross Revenue as:

(a) Operating Expenses for any month in which any power and energy or other goods and services from such resource were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from such resource during such month) and

(b) at all other times as an indebtedness of the Electric System payable from Gross Revenue on a parity of lien with Parity Bonds and any Parity Lien Obligation:

(i) costs associated with facilities or resources for the generation of power and energy or for the conservation, transformation, transmission, or distribution of power and energy (including any common undivided interest therein) hereafter acquired, purchased, or constructed by the District and declared by the Commission to be a separate system, which such costs shall include but are not limited to costs of normal operation and maintenance, renewals and replacements, additions and betterments, and debt service on the bonds or other obligations of such separate system but shall exclude costs paid or to be paid from the proceeds of the sale of bonds or other obligations of such separate system, or

(ii) costs associated with the purchase of energy, capacity, capability, reserves, conservation, or services under a contract.

**“Revenue Fund”** means the Electric System Revenue Fund of the District created by Section 6 of Resolution No. 75 of the District.

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

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

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

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

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

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

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

**“Tax Certificate”** means the tax certificate executed by a Designated Representative pertaining to the Tax-Exempt Bonds, as supplemented and amended.

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

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

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

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

**“Underwriter”** means KeyBanc Capital Markets Inc. and its successors.

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

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

**“Wanapum Development”** means the second stage of the Priest Rapids Hydroelectric Project (F.P.C. (or FERC) Project No. 2114), as more fully described in Section 2.2 of Resolution No. 474 adopted by the Commission on June 30, 1959, or as the same may be modified in accordance with Section 2.3 of Resolution No. 474, but shall not include any generation, transmission and distribution facilities hereafter constructed or acquired by the District as a part of the Electric System, or any other utility properties of the District acquired as a separate utility system, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire such separate utility system.

**“2017-O Bonds”** means the District’s Electric System Revenue Refunding Bonds, Series 2017-0 authorized by Resolution No. 8866.

**“2020-Q Bonds”** means the District’s Electric System Revenue Refunding Bonds, Series 2020-Q (Taxable) authorized by Resolution No. 8933.

“**2020-R Bonds**” means the District’s Electric System Revenue Refunding Bonds, Series 2020-R (Mandatory Put Bonds) authorized by Resolution No. 8947.

“**2020-S Bonds**” means the District’s Electric System Revenue Refunding Bonds, Series 2020-S (Mandatory Put Bonds) authorized by Resolution No. 8947.

“**2023-U Bonds**” mean the District’s Electric System Revenue Refunding Bonds, 2023-U authorized by Resolution No. 9019.

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

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

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

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

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

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

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

## ARTICLE II FINDINGS

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

(a) The Bonds are being issued for the purpose of providing funds to refund and restructure certain outstanding obligations of the Electric System;

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

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

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

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

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

Section 2.2 Best Interests of the District. The Commission hereby finds and determines that it is in the best interests of the District and its customers that the District issue the bonds authorized herein for the purpose of refunding the Refunded Bonds.

Section 2.3 Gross Revenue Sufficient. The Commission hereby finds and determines that the Gross Revenue will be sufficient in the judgment of the Commission to meet all Operating Expenses, to make all payments required to pay the Bonds, to make all necessary repairs, replacements and renewals thereof, and to permit the setting aside out of such Gross Revenue and money in the Revenue Fund into the Bond Fund of such amounts as may be required to pay the principal of and interest on the Bonds and the Outstanding Parity Bonds as the same become due and payable.

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

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

Section 3.1 Authorization of Issuance and Sale of the Bonds. For the purposes of refunding the Refunded Bonds and paying costs of issuance of the Bonds, the District is hereby authorized to issue and sell its Electric System revenue refunding bonds in the aggregate principal amount not to exceed \$55,000,000 (the “Bonds”).

The Bonds shall be designated as the “Electric System Revenue Refunding Bonds, Series 2023-V,” with additional series designation, designation regarding tax status, or other designation as set forth in the Bond Purchase Contract and approved by a Designated Representative.

The Bonds shall be dated as of the date of initial delivery, shall be fully registered as to both principal and interest, shall be in the denomination of \$5,000 each or any integral multiple thereof within a maturity, shall be numbered separately in the manner and with any additional

designation as the Registrar deems necessary for purposes of identification and control, and shall bear interest payable on the dates set forth in the Bond Purchase Contract. The Bonds shall bear interest at the rates set forth in the Bond Purchase Contract and shall mature on the dates and in the principal amounts set forth in the Bond Purchase Contract and as approved by a Designated Representative pursuant to Section 11.1 of this resolution.

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

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

Section 3.3 Redemption of Bonds.

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

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



(c) *Notice of Redemption.*

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

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

- (i) the redemption date,
- (ii) the redemption price,
- (iii) if fewer than all Outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (iv) that unless conditional notice of redemption has been given and such conditions have not been satisfied or waived or such notice has been rescinded, on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and if the Registrar then holds sufficient funds to pay such Bonds at the redemption price, interest thereon shall cease to accrue from and after said date,
- (v) any conditions to redemption, and
- (vi) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Registrar.

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

(2) *Effect of Notice; Bonds Due.* If an unconditional notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the

redemption date, become due and payable at the redemption price therein specified, and, if the Registrar then holds sufficient funds to pay such Bonds at the redemption price, then from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled by the Registrar and shall not be reissued.

(3) *Additional Notice.* In addition to the foregoing notice, further notice shall be given by the District as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to a Continuing Disclosure Certificate and with such additional information as the District shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

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

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

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

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

(b) *Registered Ownership.* The District and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as otherwise provided in this resolution or in the Continuing Disclosure Certificate of the District), and neither the District nor the Registrar shall be affected by any notice to the contrary.

Payment of any such Bond shall be made only as described in subsection (h) below, but such Bond may be transferred as herein provided. All such payments made as described in herein shall be valid and shall satisfy and discharge the liability of the District upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held in book-entry form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the District has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the District nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on the Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the District to the Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in book-entry form, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(d) *Use of Depository.*

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

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

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

(4) In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained,

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

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The Registrar is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this resolution, to serve as the District's paying agent for the Bonds and to carry out all of the Registrar's powers and duties under this resolution and resolutions of the District establishing a system of registration for the District's bonds and obligations. The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, series, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, series, maturity, and interest rate, in any authorized denomination. The Registrar shall not be obligated to register the transfer or to exchange any Bond during the period from the Record Date to the redemption or payment date.

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

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

(h) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and 12 30-day months. For so long as all Bonds are in book-entry form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer held in book-entry form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date, or upon the written request of a Registered Owner of

more than \$1,000,000 of Bonds (received by the Registrar at least 10 days prior to the applicable payment date), such payment shall be made by the Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Registrar.

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

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

Section 4.3 Execution and Authentication of Bonds. The Bonds shall be executed on behalf of the District with the manual or facsimile signature of the President or Vice President of the Commission and attested with the manual or facsimile signature of the Secretary of the Commission and the seal of the District shall be imprinted or impressed on each of the Bonds. The Bonds shall bear thereon a certificate of authentication, executed manually by the Registrar. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Registrar. Such certificate of the Registrar upon any Bond executed on behalf of the District shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this resolution and that the Registered Owner thereof is entitled to the benefits of this resolution.

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

## ARTICLE V SPECIAL FUNDS AND DEFEASANCE

Section 5.1 Revenue Fund. The District covenants and agrees that so long as any of the Parity Bonds are Outstanding and unpaid it will continue to pay into the Revenue Fund all Gross Revenue, exclusive of earnings on money on hand in any arbitrage rebate account or any bond fund (including the Bond Fund), the R&C Fund, or the Parity Bond Reserve Accounts, which may be retained in such funds and account or transferred to other funds as required by this resolution or other bond resolution.

(a) The Gross Revenue of the District shall be used only for the following purposes and in the following order of priority:

(1) to pay Operating Expenses and Resource Obligations (to the extent payable as Operating Expenses);

(2) to make all payments required to be made into the Bond Fund for the payment of accrued interest on Parity Bonds on the next interest payment date and to make any District Payments;

(3) to make all payments required to be made into the Bond Fund for the payment of the principal amount of Serial Bonds next coming due, and for the optional or mandatory redemption of Term Bonds;

(4) to make all payments required to be made into the Parity Bond Reserve Accounts, or to meet a reimbursement obligation with respect to any Qualified Insurance or Qualified Letter of Credit or other credit enhancement device, if so required by resolution of the Commission; and

(5) to make all payments required to be made into any special fund or account created to pay or secure the payment of the principal of and interest on any Subordinate Lien Bonds and any other revenue bonds, warrants or other revenue obligations of the District having a lien upon Gross Revenue and money in the Revenue Fund and Bond Fund and accounts therein subordinate to the lien thereon for the payment of the principal of and interest on the Parity Bonds.

(b) Resource Obligations, not payable as Operating Expenses, shall be paid on a parity with Outstanding Parity Bonds as provided in subsections (2) and (3) above.

(c) After all of the above payments and credits have been made, amounts remaining in the Revenue Fund may be used for any other lawful purpose of the District.

Section 5.2 Bond Fund; Reserve Account.

(a) *Bond Fund.* A special fund of the District known as the “Electric System Revenue Bond Fund” (herein referred to as the “Bond Fund”), was created by Resolution No. 4744 of the District, and shall be continued and used for the purpose of paying the principal of, premium, if any, and interest on the Parity Bonds, and for the purpose of retiring such bonds prior to maturity. At the option of the District, separate accounts may be created in the Bond Fund for the purpose of paying or securing the payment of the principal of, premium, if any, and interest on the Bonds and any Future Parity Bonds.

District Payments shall be made from, and Reciprocal Payments shall be made into, the Bond Fund. The District hereby obligates and binds itself irrevocably to set aside and pay into the Bond Fund out of the Gross Revenue certain fixed amounts, without regard to any fixed proportion of such Gross Revenue, sufficient (together with other available funds on hand and paid into the Bond Fund) to pay the principal of, premium, if any, and interest on the Parity Bonds from time to time Outstanding as the same become due and payable. Such fixed amounts shall be as follows:

(1) In the case of all Parity Bonds other than Variable Rate Bonds, on or prior to the date upon which an installment of interest falls due, the District will pay into the Bond Fund an amount (together with such other money as is on hand and available in such Fund) equal to the installment of interest then falling due on all Outstanding Parity Bonds. In the case of Variable Rate Bonds, the District shall make transfers to the Bond Fund at such time and in such amount as shall be specified in the resolution authorizing the issuance of such Variable Rate Bonds.

(2) On or prior to the date upon which an installment of principal of the Parity Bonds falls due, the District shall pay into the Bond Fund an amount (together with such other money as is on hand and available in such account) equal to the installment of principal then falling due on all Parity Bonds then Outstanding.

(3) The Bond Fund shall be used for the purpose of redeeming Term Bonds pursuant to the Sinking Fund Requirement pertaining to such Term Bonds and to otherwise retire the Bonds prior to maturity. On or prior to the due date of each Sinking Fund Requirement, the District shall pay from the Revenue Fund into the Bond Fund an amount (together with such other money as is on hand and available in such account) equal to the Sinking Fund Requirement for such date.

The District shall apply the money paid into the Bond Fund to the redemption of Term Bonds on the next ensuing Sinking Fund Requirement due date (or may so apply such money prior to such Sinking Fund Requirement due date), pursuant to the terms of this resolution or of the resolution authorizing the issuance thereof. The District may also apply the money paid into the Bond Fund for the purpose of retiring Term Bonds by the purchase of such Bonds at a purchase price (including any brokerage charge) not in excess of the principal amount thereof, in which event the principal amount of such Bonds so purchased shall be credited against the next ensuing Sinking Fund Requirement. If as of any January 1 the principal amount of Term Bonds retired by purchase or redemption exceeds the cumulative amount required to have been redeemed by sinking fund installments on or before such January 1, then such excess may be credited against the Sinking Fund Requirement for Term Bonds for the following Fiscal Year, or, if determined by resolution of the Commission, may be credited against the Sinking Fund Requirement for any succeeding Fiscal Year. Any such purchase of Bonds by the District may be made with or without tenders of Bonds in such manner as the District shall, in its discretion, deem to be in its best interest.

(b) *Parity Bond Reserve Accounts.* The District has previously established separate debt service reserve accounts and Reserve Account Requirements in connection with the issuance of certain of its Outstanding Parity Bonds. The District may determine to establish new reserve accounts and new reserve account requirements in connection with the issuance of the Bonds and any Future Parity Bonds. Reserve accounts securing the payment of principal of and interest on one or more series of Parity Bonds are referred to herein as “Parity Bond Reserve Accounts.”

Each Designated Representative is authorized to determine if the Bonds are to be secured by a Parity Bond Reserve Account and the corresponding Reserve Account Requirement, which may be zero. Any such designation and Reserve Account Requirement shall be set forth in the Bond Purchase Contract. The District hereby covenants and agrees that it will establish and fund any such Parity Bond Reserve Account, to the extent such reserve account is required to be funded, to the Reserve Account Requirement as set forth herein and in the applicable Bond Purchase Contract.

The Reserve Account Requirement may, at the District’s option, be recalculated as of the date of the defeasance of any Parity Bonds. Notwithstanding the provisions of this subsection, any resolution providing for the issuance of Parity Bonds may provide (or the Commission may provide by resolution at any other time) for the District to obtain Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the reserve

account. The face amount of any such Qualified Insurance or Qualified Letter of Credit shall be credited against the amounts required to be maintained in the reserve account by this section to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five years notice. In the event of any cancellation, the reserve account shall be funded in accordance with the provisions of this section providing for payment to the reserve account in the event of a deficiency therein.

Money in the Bond Fund and any Parity Bond Reserve Account securing the Bonds may, at the option of the District, be invested and reinvested as permitted by law in Permitted Investments maturing, or which are retireable at the option of the Registered Owner, prior to the maturity date of the final installment of principal of the Parity Bonds. For the purpose of determining the amount credited to any Parity Bond Reserve Account securing the Bonds, obligations in which money in such Parity Bond Reserve Account shall have been invested shall be valued at the market value thereof, plus accrued interest to the date of calculation. The term "market value" shall mean, in the case of securities which are not then currently redeemable at the option of the Outstanding, the current bid quotation for such securities, as reported in any nationally circulated financial journal, and the current redemption value in the case of securities that are then redeemable at the option of the Outstanding. For obligations that mature within six months, the market value shall be the par value thereof. The valuation of the amount in the Parity Bond Reserve Account shall be made by the District as of the close of business on each December 31 (or on the next preceding business day if December 31 does not fall on a business day) and may be made on each June 30 (or on the next preceding business day if June 30 does not fall on a business day).

If the valuation of the amount in the Parity Bond Reserve Account shall be less than the Reserve Account Requirement in effect on the date of valuation, the District shall credit to such Parity Bond Reserve Account on or before the 25th day of each of the six succeeding calendar months one-sixth of the amount necessary to make the valuation of the amount in the Parity Bond Reserve Account equal to 100% of the Reserve Account Requirement. If the valuation of the amount in the Parity Bond Reserve Account is greater than 100% of the Reserve Account Requirement, then and only then may the District withdraw at any time prior to the next date of valuation from the Parity Bond Reserve Account (i) the interest earned on the amounts credited to the Parity Bond Reserve Account, and (ii) the difference, if any, between the amount in the Parity Bond Reserve Account and the Reserve Account Requirement.

In calculating the amount required to be on hand in the Parity Bond Reserve Account at any time, the election by the District to make payments therein pursuant to this resolution may be taken into account.

Money in the Bond Fund shall be transmitted to the Registrar for the Parity Bonds in amounts sufficient to meet the next maturing installments of principal, interest, and premiums, if any, at or prior to the time upon which any interest, principal or premium, if any, is to become due. If there is a deficiency in the Bond Fund for such purpose, the District shall make up any such deficiency from the Parity Bond Reserve Account established or maintained for such series of Parity Bonds, by the withdrawal of cash therefrom for that purpose, and, if necessary, by sale or



redemption of any authorized investments in such amount as will provide cash in the respective Parity Bond Reserve Account sufficient to make up any such deficiency.

Any reduction in the Parity Bond Reserve Account by reason of any such withdrawal shall be made up from money in the Revenue Fund first available after making the current specified payments into the Bond Fund and after paying and making necessary provision for the payment of Operating Expenses. If a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the District shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other credit enhancement instrument. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. The District shall pay any reimbursement obligation as a result of a draw under a Qualified Letter of Credit or Qualified Insurance from the Revenue Fund. The District shall deposit Gross Revenue into the Revenue Fund sufficient to meet such reimbursement obligation and all other obligations of the Revenue Fund.

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

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

Section 5.3 Defeasance. In the event that money and/or Government Obligations maturing or having guaranteed redemption prices at the option of the holder at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of the Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Bond Fund or any account therein for the payment of the principal of and interest on the certain Bonds so provided for and such Bonds shall then cease to be entitled to any lien, benefit or security of this resolution, except the right to receive the funds so set aside and pledged, and such Bonds shall no longer be deemed to be Outstanding hereunder, or under any resolution authorizing the issuance of bonds or other indebtedness of the District.

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

Section 5.4 Rate Stabilization Account. In accordance with the priorities set forth in Section 5.1, the District may from time to time deposit Net Revenue into the Rate Stabilization Account in the R&C Fund and may from time to time withdraw amounts therefrom to enhance

rate stability or for other lawful purposes of the District related to the Electric System. Solely for purposes of calculating the Coverage Requirement set forth in Section 7.2, there shall be added to the Net Revenue in any year any amount withdrawn from the Rate Stabilization Account in such calendar year and deposited in the Revenue Fund, and there shall be subtracted from Net Revenue in any year any amount withdrawn from the Revenue Fund and deposited in the Rate Stabilization Account. Money in the R&C Fund may, at the option of the District, be invested and reinvested as permitted by law.

ARTICLE VI  
APPLICATION OF BOND PROCEEDS; PLAN OF REFUNDING

Section 6.1 Application of Bond Proceeds; Plan of Refunding.

(a) *Parity Bond Reserve Account.* If and to the extent a Parity Bond Reserve Account is established to secure payment of the principal of and interest on the Bonds as provided in Section 5.2(b) of this resolution, the District is hereby authorized to deposit available funds of the District and/or a portion of the proceeds of the Bonds, and/or purchase Qualified Insurance or a Qualified Letter of Credit and pay the associated policy premium, to satisfy the Reserve Account Requirement at the time of issuance of the Bonds.

(b) *Refunding Plan.* For the purpose of restructuring the debt service obligation for the Refunded Bonds, the District proposes to refund the Refunded Bonds as set forth herein. If a Designated Representative determines that it is in the best interest of the District to proceed with the refunding authorized herein, a Designated Representative shall designate the Refunding Candidates as Refunded Bonds and such designation shall be set forth in the Bond Purchase Contract.

The District shall deposit a portion of the Bonds, together with other available funds of the District, if any, into the Bond Fund or other authorized fund and use such funds to refund the Refunded Bonds pursuant to the terms of the applicable authorizing bond resolution. Alternatively, the District may direct that the proceeds of the Bonds be deposited with a Refunding Agent pursuant to a Refunding Agreement to be used immediately to refund the Refunded Bonds pursuant to the terms of their authorizing bond resolution. Each Designated Representative is hereby authorized to designate the Refunding Candidates as Refunded Bonds, to establish the Call Date for the Refunded Bonds, to provide or cause to be provided the notices of redemption of the Refunded Bonds in accordance with the provisions of the bond resolution authorizing the Refunded Bonds, to select a Refunding Agent (if any), to execute a Refunding Agreement (if any), and to take any action as determined to be necessary and in the best interest of the District to refund the Refunded Bonds. The District hereby calls the Refunded Bonds for redemption on the Call Date in accordance with the provisions of the bond resolution authorizing the Refunded Bonds.

(c) *Costs of Issuance.* The District may allocate a portion of proceeds of the Bonds, net of any Underwriter's discount, and/or available funds of the District to the payment of costs of issuance of the Bonds, including any costs associated with the refunding of the Refunded Bonds, in the manner as set forth in the Closing Memorandum for the Bonds. The District may pay such costs of issuance directly or contract with the Refunding Agent to pay costs of issuance of the Bonds on its behalf.

ARTICLE VII  
COVENANTS TO SECURE BONDS

Section 7.1 Security for Parity Bonds. All Parity Bonds and Parity Lien Obligations are special limited obligations of the District payable from and secured solely by Gross Revenue, subject to the payment of Operating Expenses and Resource Obligations qualifying for payment as Operating Expenses, and by other money and assets specifically pledged hereunder for the payment thereof. There are hereby pledged as security for the payment of the principal of, premium, if any, and interest on all Parity Bonds and Parity Lien Obligations in accordance with the provisions of this resolution, subject only to the provisions of this resolution restricting or permitting the application thereof for the purposes and on the terms and conditions set forth in this resolution: (a) the Gross Revenue (exclusive of any money credited to a fund or account for the purpose of paying arbitrage rebate to the federal government), and (b) the money and investments, if any, credited to the Revenue Fund, the Bond Fund, and the R&C Fund and the income therefrom. The Gross Revenue and other money and securities hereby pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the District regardless of whether such parties have notice thereof.

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

The pledge of the Gross Revenue and of the amounts to be paid into and maintained in the funds and accounts described above in this section to pay and secure the payment of Parity Bonds and Parity Lien Obligations is hereby declared to be a prior lien and charge on the Gross Revenue and the money and investments in such funds and accounts superior to all other liens and charges of any kind or nature, subject to prior application for the payment of Operating Expenses and payments associated with Resource Obligations in any month in which any power and energy or other goods and services from such resources were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from such resource during such month). At all other times such Resource Obligation shall be an obligation payable from Gross Revenue on a parity of lien with any Parity Bonds or Parity Lien Obligations.

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

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

(a) *Rate Covenant.* The District shall establish, maintain, and collect rates or charges for electric energy sold through the ownership or operation of the Electric System, and all other commodities, services and facilities sold, furnished, or supplied by the District in connection with the ownership or operation of the Electric System that shall be fair and nondiscriminatory and adequate to provide Gross Revenue, together with other available money, including without limitation transfers from the R&C Fund, sufficient for the payment of the principal of and interest on all Parity Bonds then Outstanding and all payments which the District is obligated to set aside in the Bond Fund, and for the proper operation and maintenance of the Electric System, and all necessary repairs, replacements, and renewals thereof, the working capital necessary for the operation thereof, and for the payment of all amounts that the District may now or hereafter become obligated to pay from Gross Revenue. In the resolutions authorizing the bonds for the Priest Rapids Project, the District has covenanted to pay to the Priest Rapids Project from the Electric System that portion of the annual costs of the Priest Rapids Project for such Fiscal Year, including without limitation for operating expenses and annual debt service, that is not otherwise paid or provided for from payments received by the Priest Rapids Project from the sale of power and energy and related products from the Priest Rapids Project to purchasers other than the District and to establish, maintain and collect rates or charges for electric power and energy and related products sold through the Electric System sufficient to make any such payments to the Priest Rapids Project. Except as provided in the following sentence, the obligation to pay such amounts shall rank as a lien and charge against the revenues of the Electric System subordinate in rank to all other obligations of the Electric System. Payments made by the Electric System for the costs of purchased power and energy shall be an Operating Expense of the Electric System.

(b) Such rates or charges shall be sufficient to provide Net Revenue, taking into account any transfers to or from the R&C Fund pursuant to this resolution, in any Fiscal Year hereafter in an amount equal to at least the Coverage Requirement.

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

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

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

The calculation of the Coverage Requirement set forth above, and the calculations set forth in Section 7.3 hereof, and the District's compliance therewith, shall be made solely with reference to this resolution without regard to future changes in generally accepted accounting principles. If the District has changed one or more of the accounting principles used in the preparation of its financial statements, because of a change in generally accepted accounting principles or otherwise,

then an event of default relating to these calculations shall not be considered an Event of Default if the ratios would have been complied with had the District continued to use those accounting principles employed at the date of the most recent audited financial statements prior to the date of this resolution.

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

(d) *Disposal of Electric System.* The District will not sell, mortgage, lease, or otherwise dispose of or encumber all or any portion of the Electric System properties, or permit the sale, mortgage, lease, or other disposition thereof, except as provided in this subsection (d):

(1) The District may sell, lease, or otherwise dispose of all or substantially all of the Electric System, provided that simultaneously with such sale, lease, or other disposition, the District shall cause all of the Bonds to be, or deemed to be, no longer Outstanding.

(2) Except as provided in the last paragraph of this subsection (2), the District will not sell, mortgage, lease, or otherwise dispose of any part of the Electric System in excess of 5% of the value of the net utility plant of the Electric System in service unless prior to such sale, mortgage, lease, or other disposition:

(i) there shall have been filed with the Secretary of the Commission a certificate of a Professional Utility Consultant stating that such sale, mortgage, lease, or other disposition will not impair the ability of the District to comply with the covenants set forth in Section 7.2(a) and 7.2(b) of this resolution; or

(ii) the proceeds of such disposition are used to acquire new operating properties of the Electric System or provision is made for the payment, redemption, or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts:

(A) an amount which will be in the same proportion of the net principal amount of Parity Bonds then Outstanding (defined as the total principal amount of such bonds then Outstanding less the amount of cash and investments in the Bond Fund) that the Revenue attributable to the part of the Electric System sold or disposed of for the 12 preceding months bear to the total Revenue for such period; or

(B) an amount which will be in the same proportion to the net principal amount of Parity Bonds then Outstanding that the book value of the part of the Electric System sold or disposed of bears to the book value of the entire Electric System immediately prior to such sale or disposition.

The District may sell or otherwise dispose of any part of the Electric System which shall have become unserviceable, inadequate, obsolete, or unfit to be used in the operation of the Electric

System, or no longer necessary, material to or useful in such operation. The proceeds of any such sale or disposition pursuant to this paragraph shall be paid into the Bond Fund for credit to the Parity Bond Reserve Accounts on a pro rata basis to the extent of any deficiency in such reserve accounts, and the balance of such proceeds, if any, shall be deposited in the Revenue Fund.

(e) *Insurance.* The District will keep the works, plants, properties, and facilities comprising the Electric System insured, and will carry such other insurance, with responsible insurers, with policies payable to the District, against risks, accidents, or casualties, at least to the extent that insurance is usually carried by municipal corporations operating like properties; provided, however, that the District may, if deemed necessary and advisable by the Commission, institute or continue a self-insurance program with respect to any or all of the aforementioned risks.

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

(g) *No Free Service.* Except as required by law or in an amount per year not exceeding 1/10 of 1% of annual Operating Expenses, the District will not furnish or supply or permit the furnishing or supplying of electric energy or any other commodity, service or facility furnished by or in connection with the operation of the Electric System, free of charge to any person, firm, or corporation, public or private, so long as any Bonds are Outstanding and unpaid, and the District will promptly enforce the payment of any and all accounts owing to the District and delinquent, by discontinuing service to the extent then permitted by law, or by legal suits, actions and proceedings, or both; provided, that, to the extent permitted by law, the District may lend money and may provide commodities, services, or facilities free of charge or at a reduced charge in connection with a plan of conservation of electric energy adopted by the Commission.

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

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

Section 7.3 Future Parity Bonds and Resource Obligations. The District hereby covenants and agrees that for as long as any Bonds remain Outstanding:

(a) It will not issue any bonds or other obligations on a parity of lien with the Outstanding Parity Bonds and the Bonds, except, upon the conditions provided herein, the District reserves the right to issue Future Parity Bonds and to incur Resource Obligations, obligations under reimbursement agreements and under Derivative Products as provided this resolution. Future Parity Bonds may be issued for any lawful purpose of the District, including but not limited to, acquiring, constructing and installing additions, betterments, and improvements to and extensions of, acquiring necessary equipment for, or making necessary renewals, replacements or repairs, and capital improvements to the Electric System.

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

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

(2) That Net Revenue of the Electric System for any 12 consecutive months out of the months next preceding the issuance of the Future Parity Bonds (not including any transfer from the R&C Fund), will equal at least 1.25 times the Annual Debt Service required to be paid in any Fiscal Year thereafter. In calculating Annual Debt Service for the purpose of this subparagraph (2), if the interest rate on any Parity Bonds is other than a fixed rate, the rate used shall be any rate published as the Bond Buyer Revenue Bond Index for municipal revenue bonds within the 30-day period prior to the date of such calculation. If such index is no longer published, a comparable index designated by the District shall be utilized in lieu thereof.

If on the date of such calculation the interest rate on any Variable Rate Bonds is then fixed for a specified period, including pursuant to a Derivative Product, the interest rate used for such specified period for the purpose of such calculation shall be such actual interest rate.

For the purposes of this subparagraph (2), the “Net Revenue of the Electric System” may be adjusted as follows:

(i) To include a full 12 months of Net Revenue from any customers added during the 12-month period being considered.

(ii) To include the annual estimated net revenue to be received as a result of any additions, betterments, and improvements to and extensions of the Electric System to be acquired, constructed, or installed by the District from the proceeds of the Future Parity Bonds to be issued or under construction at the time of such certificate.

(iii) To include the additional Net Revenue which would have been received by the District if any rate change adopted prior to the delivery of the Future Parity Bonds, but subsequent to the beginning of the 12-month period being considered, had been in force during the full 12-month period.

(3) That at or prior to the time of the issuance of such Future Parity Bonds the District shall obtain and have on file a certificate from the Treasurer which shall certify full compliance with conditions (1) and (2) of this subsection (a), or in the alternative the District obtains a certificate from a Professional Utility Consultant stating that the projected annual Net Revenue for the Fiscal Years in which the Parity Bonds, including the Future Parity Bonds being issued, are expected to at least equal 1.25 times the Annual Debt Service required to be paid in any Fiscal Year thereafter. Such certificate shall have attached thereto financial statements of the District for the period upon which the same is based and audits by the Division of Municipal Corporations of the State Auditor's Office or from an independent certified public accountant for as many fiscal years within such period as such audits have been made and completed.

(4) That the resolution authorizing the issuance of the Future Parity Bonds shall contain covenants and provisions substantially the same as Sections 5.1, 5.2 and 5.4, 7.1 through 7.5, 8.1 through 8.8, and 9.1 through 9.7 hereof.

(b) *Refunding Bonds.* In the event that any Future Parity Bonds provided for in this Section 7.3 are issued for the sole purpose of exchanging with or providing funds to purchase or refund or redeem and retire at or prior to their maturity any or all Parity Bonds then Outstanding and the issuance of such refunding Future Parity Bonds and retirement of Outstanding bonds and such refunding Future Parity Bonds will not require a greater amount (except as necessary to round maturities to the nearest \$5,000) to be paid in any Fiscal Year thereafter as Annual Debt Service than would have been required to be paid in the same Fiscal Year for Annual Debt Service on the bonds being refunded, then subsections (2) and (3) of subsection (a) of this Section 7.3 need not be complied with to permit such refunding Future Parity Bonds to be issued, although the provisions of subsections (1) and (4) of subsection (a) of this Section 7.3 must still be complied with.

(c) *Resource Obligations.* The District may enter into or incur a Resource Obligation pursuant to a resolution of the Commission provided that the following requirements shall be met at the time of adoption of such resolution:

(1) No Event of Default with respect to any Parity Bonds or Resource Obligations has occurred and is continuing.

(2) There shall have been filed with the Secretary of the Commission a certificate of the Professional Utility Consultant stating that the additional source of power and energy or conservation from such Resource Obligation is consistent with sound utility power supply planning.

(3) There shall have been filed with the Secretary of the Commission a report of the Professional Utility Consultant stating that estimated annual Net Revenue for the second full Fiscal Year after the date of initial operation of the facilities, costs of which are to be financed



as a Resource Obligation, or after the date of first delivery of energy, capacity, reserves, or services pursuant to a contract, costs of which are declared to be a Resource Obligation, as the case may be, shall be at least equal to 125% of maximum Annual Debt Service in any future Fiscal Year. In estimating Net Revenue, the Professional Utility Consultant shall base such an estimate on factors the Professional Utility Consultant deems to be reasonable and shall treat the costs of the Resource Obligation as Operating Expenses.

(4) In the event that the Resource Obligation is a contract to purchase energy, capacity, reserves, or services, there shall have been filed with the Secretary of the Commission opinions of counsel to all other parties to the contract which opinions state that each such party to such contract has all requisite right, power, and authority to execute and deliver such contract and to perform its obligations thereunder and that such contract constitutes a legally valid and binding obligation of such party thereto.

(5) The Resource Obligations shall not be subject to acceleration if an event of default has occurred.

(d) *Separate System.* Nothing in this resolution shall prevent the District from entering into contracts to purchase energy, capacity, capability, reserves, conservation, or services or from authorizing and issuing bonds, notes, certificates, or other obligations or evidences of indebtedness, other than Bonds, to acquire or construct facilities or resources for the generation of power and energy, or for the conservation, transformation, or transmission of power and energy, and any incidental properties to be constructed or acquired in connection therewith, which facilities or resources shall be a separate system, provided that such contractual obligations, bonds or other obligations or evidences of indebtedness shall be payable solely from the revenues or other income derived from the ownership or operation of such separate system.

(e) *Reimbursement Obligations.*

(1) In the event that the District elects to meet the requirements with respect to a Parity Bond Reserve Account through the use of a Qualified Letter of Credit, Qualified Insurance or other credit enhancement device, the District may contract with the person providing such Qualified Letter of Credit, Qualified Insurance, or other credit enhancement device that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with payments into the Reserve Account to secure the Bonds.

(2) In the event that the District elects additionally to secure any issue of Variable Rate Bonds through the use of a letter of credit, insurance, or other credit enhancement device, the District may contract with the entity providing such letter of credit, insurance, or other credit enhancement device that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Bonds; provided that the payments due under such reimbursement obligation are such that if such reimbursement obligation were a series of Future Parity Bonds and assuming that such credit enhancement device were to be drawn upon for the full amount available, such Future Parity Bonds could be issued in compliance with the provisions of Section 7.3(a)(2) excluding Annual Debt Service on the Variable Rate Bonds.

Section 7.4    Restrictions on Contracting of Obligations Secured by Revenue.

(a)    The District will not hereafter issue any bonds, warrants, or other obligations or create any additional indebtedness which will have a lien and charge on the Gross Revenue and funds of the Electric System prior to the lien and charge thereon established by this resolution. The District will not issue any Future Parity Bonds except as provided under Section 7.3.

(b)    The District may issue bonds, notes, warrants, or other obligations payable from and secured by a lien on the Gross Revenue and funds of the Electric System that is subordinate to the lien on such Gross Revenue of the Parity Bonds and may create a special fund or funds for payment of such subordinate obligations (provided, however, that such bonds, notes, warrants, or other obligations and the resolutions authorizing the same shall expressly state that the right to receive payment thereon is subordinated to the rights of the Registered Owners of the Parity Bonds to receive payment at the times and in the amounts provided in this resolution and the resolutions authorizing Parity Bonds and that any money received by the owners of such subordinate lien bonds, notes, warrants, or other obligations which should have been paid to the Registered Owners of the Parity Bonds by reason of such subordination provision shall be held in trust for the Registered Owners of such Parity Bonds and shall be forthwith turned over to the Registrar for payment to the Registered Owners of such Parity Bonds). Subordinate lien bonds, notes, warrants, or other obligations shall not be subject to acceleration upon the occurrence of an event of default.

(c)    The District shall not hereafter enter into any agreement, other than a Resource Obligation, obligating the District to pay to another person or corporate entity, from Gross Revenue, for (1) generating or transmission capacity or the use or lease of generating or transmission facilities, which agreement is not conditioned on the availability of such capacity or facility, or (2) the installment purchase or lease of property which, whether or not subject to annual appropriations, otherwise transfers to the District the burdens and benefits of ownership of such property, unless such agreement specifically states that the obligation of the District thereunder is subordinate to the obligation of the District to make payments from the Revenue Fund into the Bond Fund. This paragraph shall not be applicable to, and shall not restrict the District in entering into, any agreement relating to the Priest Rapids Project or any other hydroelectric facility owned and operated by the District.

Section 7.5    Derivative Products. To the extent permitted by State law, the District may enter into Derivative Products on a parity with the Parity Bonds subject to the conditions provided in this section. The following shall be conditions precedent to the use of any Derivative Product on a parity with any Bonds under this resolution:

(a)    *General Parity Tests.* The Derivative Product (and the obligations to which it relates) must satisfy the requirements for Future Parity Bonds described in Section 7.3 of this resolution taking into consideration District Payments and Reciprocal Payments under the Derivative Product. Termination payments owed pursuant to a Derivative Product shall not be on a parity with the Parity Bonds.

(b)    *Opinion of Bond Counsel.* The District shall obtain an opinion of Bond Counsel and/or Special Tax Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is

authorized or permitted by this resolution and will not adversely affect the excludability for federal income tax purposes of the interest on any Outstanding tax-exempt Parity Bonds, as applicable.

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

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

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

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

Section 7.6    Tax Covenants.

(a) The District hereby covenants to comply with all applicable requirements set forth in the Code and the Tax Certificate to the extent that such compliance shall be necessary to maintain the exclusion from gross income for federal income taxes of the interest on the Tax-Exempt Bonds. The District hereby further covenants to observe all applicable requirements in any future federal tax legislation to the extent that such compliance is determined by the District to be legal and practicable and required for such exemption.

(b) The District will pay the Rebate Amount, if any, to the United States of America at the times and in the amounts necessary to meet the requirements of the Code to maintain the exclusion from gross income for federal income tax purposes of interest payments on the Tax-Exempt Bonds, in accordance with the Tax Certificate.

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

ARTICLE VIII  
DEFAULTS AND REMEDIES

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

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

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

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

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

(d) If the District shall default in the observance and performance of any other of the covenants, conditions, and agreements on the part of the District contained in this resolution and such default or defaults shall have continued for a period of 90 days after the District shall have received from the Bondowners’ Trustee or from the Registered Owners of not less than 20% in principal amount of Parity Bonds then Outstanding, a written notice specifying and demanding the cure of such default;

(e) If the District shall (except as herein permitted) sell, transfer, assign, or convey any properties constituting the Electric System or interests therein, or any part or parts thereof, or shall make any agreement for such sale or transfer (except as expressly authorized by Section 7.2(d) hereof);

(f) If an order, judgment or decree shall be entered by any court of competent jurisdiction: (1) appointing a receiver, trustee, or liquidator for the District or the whole or any substantial part of the Electric System; (2) approving a petition filed against the District seeking the bankruptcy, arrangement, or reorganization of the District under any applicable law of the United States or the State; or (3) assuming custody or control of the District or of the whole or any substantial part of the Electric System under the provisions of any other law for the relief or aid of debtors and such order, judgment or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated) within 60 days from the date of the entry of such order, judgment or decree; or

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

Section 8.2 Bondowners’ Trustee. If an Event of Default has occurred, is continuing, and has not been remedied, the owners of 25% in principal amount of Parity Bonds then Outstanding may appoint a bondowners’ trustee (the “Bondowners’ Trustee”) by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity

Bonds or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the District. That appointment shall become effective immediately upon acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under the provisions of this section shall be a bank or trust company organized under the laws of the State or the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the Registered Owners of a majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners of the Parity Bonds or by their attorneys-in-fact duly authorized. The Bondowners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses, and liabilities that may be incurred in the performance of its duties.

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

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

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

Section 8.3 Suits at Law or in Equity. Upon the happening of an Event of Default and during the continuance thereof, the Bondowners' Trustee may, and upon the written request of the Registered Owners of not less than 25% in principal amount of the Parity Bonds then Outstanding shall, take such steps and institute such suits, actions, or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the Registered Owners of the Parity Bonds, to collect any amounts due and owing to or from the District, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement, or condition contained in this resolution or in any of the Parity Bonds.

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

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

Section 8.4 Application of Money Collected by Bondowners' Trustee. Any money collected by the Bondowners' Trustee at any time pursuant to this Article shall be applied in the following order of priority:

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

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

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

Section 8.5 Duties and Obligation of Bondowners' Trustee. The Bondowners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. During an Event of Default, the Bondowners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The

Bondowners' Trustee shall have no liability for any act or omission to act hereunder except for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be determined solely by the express provisions of this resolution, and no implied powers, duties, or obligations of the Bondowners' Trustee shall be read into this resolution.

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

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

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

Section 8.6 Suits by Individual Bondowners Restricted. Neither the Registered Owner nor the Beneficial Owner of any one or more of Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the same unless:

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

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

Section 8.7 Waivers of Default. No delay or omission of the Bondowners' Trustee or of any Outstanding of Parity Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by this Article to the Bondowners' Trustee or to the Registered Owners of Parity Bonds may be exercised from time to time and as often as may be deemed expedient by the Bondowners' Trustee or by such Registered Owners.

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

Section 8.8 Remedies Granted in Resolution Not Exclusive. No remedy conferred by this resolution upon or reserved to the Bondowners' Trustee or the owners of the Parity Bonds is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under this resolution or existing at law or in equity or by statute on or after the date of adoption of this resolution.

## ARTICLE IX AMENDMENTS

Section 9.1 Execution of Instruments by Bondowners. Any request, direction, consent, or other instrument in writing required or permitted by this resolution to be signed or executed by Registered Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument shall be sufficient for any purpose of this resolution if made in the following manner: (1) the fact and date of the execution by any person of any such instrument may be proved by either (a) an acknowledgment executed by a notary public or other officer empowered to take acknowledgments of deeds to be recorded in the particular jurisdiction, or (b) an affidavit of a witness to such execution sworn to before such a notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association, or partnership, such acknowledgment or affidavit shall also constitute sufficient proof of his authority.

The foregoing shall not be construed as limiting the District to such proof, it being intended that the District may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Registered Owner of any Parity Bond shall bind every future Outstanding of the same Parity Bond in respect of anything done by the District in pursuance of such request, direction or consent.

Section 9.2 Vote Required to Amend Resolution. Any amendment to the provisions of this resolution, may be made by a Supplemental Resolution of the District and with written consent, as provided in Section 9.3, of the Registered Owners of not less than 66-2/3% in principal amount of the Parity Bonds then Outstanding; provided, however, that no such amendment shall



(a) extend the date of payment of the principal of any Parity Bond or of any installment of interest thereon or reduce the principal or redemption price thereof or the rate of interest thereon or advance the date upon which any Parity Bond may first be called for redemption prior to its fixed maturity date; (b) give to any Parity Bond or Bonds any preference over any other Parity Bond or Bonds secured equally and ratably therewith; (c) reduce the aforesaid percentage of Parity Bonds, the Registered Owners of which are required to consent to any such resolution amending the provisions of this resolution; or (d) authorize the creation of any pledge prior to or, except as provided in this resolution for the issuance of Future Parity Bonds, on a parity with the pledge afforded by this resolution, without the consent of the Registered Owner of each such Parity Bond affected thereby.

Section 9.3 Alternate Method of Obtaining Approval of Amendments. The District may at any time adopt a resolution amending the provisions of this resolution, or of any Parity Bonds, to the extent that such amendment is permitted by the provisions of this Article, to take effect when and as provided in this section. Upon adoption of such resolution, the District shall mail a form of consent to the Registered Owners. Such resolution shall not be effective unless and until there shall have been filed with the District the written consents of the percentages of Registered Owners of Parity Bonds then Outstanding specified in Section 9.2 hereof and a notice shall have been published in The Bond Buyer. Each such consent shall be effective only if accompanied by proof of ownership of the Parity Bonds for which such consent is given. A certificate or certificates of the Secretary of the Commission that he or she has examined such proof and that such proof is sufficient shall be conclusive that the consents have been given by the Registered Owners of the Parity Bonds described in such certificate or certificates. Any such consent shall be binding upon the Registered Owner of the Parity Bonds giving such consent and on every subsequent Registered Owner of such Parity Bonds (whether or not such subsequent Registered Owner has notice thereof). A notice stating that the resolution has been consented to by the Registered Owners of the required percentages of Parity Bonds and will be effective as provided in this section, may be given to the Registered Owners by mailing such notice to the Registered Owners by first-class mail, and shall be given by publishing the same at least once in The Bond Buyer. A record, consisting of the papers required by this section to be filed with the District, shall be proof of the matters therein stated, and the resolution shall be deemed conclusively to be binding upon the District and the Registered Owners of all Parity Bonds at the expiration of 30 days after the notice last provided for in this section, except in the event of a final decree of a court of competent jurisdiction setting aside such consent or annulling the action taken thereby in a legal action or equitable proceeding for such purpose commenced within such period.

Section 9.4 Amendment of Resolution In Any Respect by Approval of All Bondowners. Notwithstanding anything contained in the foregoing provisions of this Article, the rights and obligations of the District and of the Registered Owners of the Parity Bonds and the terms and provisions of the Parity Bonds and of this resolution may be amended in any respect with the consent of the District, by the affirmative vote of the Registered Owners of all said Parity Bonds then Outstanding, such consent to be given as provided in Section 9.3, except that no notice to Registered Owners either by mailing or publication shall be required, and the amendment shall be effective immediately upon such unanimous vote or written consent of all of the Registered Owners.

Section 9.5 Parity Bonds Owned by District. Parity Bonds owned or held by or for the account of the District shall not be deemed Outstanding for the purpose of any vote or consent or other action or any calculation of Parity Bonds then Outstanding in this resolution provided for, and shall not be entitled to vote or consent or take any other action in this resolution provided for.

Section 9.6 Endorsement of Amendment on Parity Bonds. Parity Bonds delivered after the effective date of any action amending this resolution taken as hereinabove provided may bear a notation by endorsement or otherwise as to such action, and in that case, upon demand of the Registered Owner of any Parity Bond then Outstanding at such effective date and presentation of his or her Parity Bond for the purpose at the designated office of the Registrar, suitable notation shall be made on such Parity Bond by the Registrar as to any such action. If the District shall so determine, new Parity Bonds so modified as in the opinion of the District and its counsel to conform to such action shall be prepared, delivered and, upon demand of the Registered Owner of any Parity Bond then Outstanding, shall be exchanged without cost to such Outstanding for Parity Bonds then Outstanding hereunder, upon surrender of such Parity Bonds.

Section 9.7 Amendments by District.

(a) Notwithstanding the preceding provisions of this Article IX, or the provisions of Section 7.3(a)(4), the District from time to time and at any time may adopt a Supplemental Resolution or resolutions, which resolution or resolutions thereafter shall become a part of this resolution, for any one or more or all of the following purposes:

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

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

(3) To modify any of the provisions of this resolution in any other respect, if such modification does not adversely affect any Registered Owner in any material respect.

Any such Supplemental Resolution of the District may be adopted without the consent of the Registered Owners of any Parity Bonds or Parity Lien Obligations at any time Outstanding.

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

ARTICLE X  
ONGOING DISCLOSURE

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

ARTICLE XI  
SALE OF THE BONDS

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

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

- (a) the aggregate principal amount of the Bonds issued under this resolution does not exceed \$55,000,000;
- (b) the final maturity date for the Bonds is no later than January 1, 2044;
- (c) the Bonds are sold (in the aggregate) at a price not less than 90%;
- (d) the true interest cost for the Bonds (in the aggregate) does not exceed 6.0%; and
- (e) the Bonds conform to all other terms of this resolution.

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

Following the sale of the Bonds and the execution of a Bond Purchase Contract, a Designated Representative shall provide a report to the Commission describing the final terms of

the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Representatives by this Section 11.1 shall expire September 1, 2024. If the Bonds authorized herein have not been sold by September 1, 2024, and a Bond Purchase Contract has not been executed by such date, the Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by resolution of the Commission. The resolution re-authorizing the issuance and sale of such Bonds may be in the form of a new resolution repealing this resolution in whole or in part or may be in the form of an amendatory resolution approving a bond purchase contract or establishing terms and conditions for the authority delegated under this Section 11.1.

Section 11.2 Preliminary and Final Official Statements.

(a) *Preliminary Official Statement.* The District hereby approves and authorizes the use and distribution of a Preliminary Official Statement by the Underwriter in connection with the offer and sale of the Bonds, including any amendments or supplements thereto. Prior to the distribution of the Preliminary Official Statement, the Designated Representatives are each hereby authorized, empowered, and directed to deem such Preliminary Official Statement final as of its date for purposes of the Rule (except for the omission of certain information as provided in and pursuant to Rule), such action to be conclusively evidenced by delivery of the Preliminary Official Statement to the Underwriter for distribution thereof.

(b) *Official Statement.* The Designated Representatives are each hereby authorized, empowered, and directed to execute and deliver a final Official Statement, including any amendments or supplements thereto, with such changes therein from the Preliminary Official Statement as such officer shall deem appropriate and in the best interests of the District, as conclusively evidenced by execution thereof. The Underwriter for the Bonds is hereby authorized to distribute the Official Statement in connection with the offer and sale of such Bonds.

ARTICLE XII  
MISCELLANEOUS

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

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

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

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

Section 12.5 Prior Acts. All acts taken pursuant to the authority of this resolution but prior to its effective date are hereby ratified and confirmed.

Section 12.6 Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 24th day of October, 2023.

PUBLIC UTILITY DISTRICT NO. 2 OF  
GRANT COUNTY, WASHINGTON

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

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

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

**APPENDIX A:  
Refunding Candidates**

<b>Series</b>	<b>Final Maturity Date</b>	<b>Outstanding Principal Amount</b>
Electric System Revenue Refunding Bonds, Series 2020-S (Mandatory Put Bonds)	1/1/2044	\$48,045,000

**APPENDIX B:  
Bond Form**

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

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

UNITED STATES OF AMERICA  
STATE OF WASHINGTON

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY, WASHINGTON  
ELECTRIC SYSTEM REVENUE REFUNDING BOND, SERIES 2023-V

INTEREST RATE: %                      MATURITY DATE:                      CUSIP NO.:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

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

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

This bond is one of a duly authorized series of bonds aggregating \$\_\_\_\_\_ in principal amount and designated as "Electric System Revenue Refunding Bonds, Series 2023-V." This bond and the bonds of the series of which it is a part (the "Bonds") are issued under and pursuant to Resolution No. \_\_\_\_\_ of the District adopted on October 24, 2023 (the "Bond Resolution"), and under the authority of and in full compliance with the Constitution and laws of the state of Washington, including Title 54 of the Revised Code of Washington. The Bonds are issued for the purpose of refunding certain outstanding revenue bonds of the District, and paying costs of issuance for the Bonds. Terms not otherwise defined herein shall have the meanings set forth in the Bond Resolution.

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

Under the Bond Resolution, the District is obligated to set aside and pay into the Bond Fund out of the Gross Revenue of the Electric System, certain fixed amounts sufficient to pay the principal of and interest and premium, if any, on all Parity Bonds as the same become due and payable, all as is more fully provided in the Bond Resolution.

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

In and by the Bond Resolution, the District covenants to establish, maintain, and collect rates or charges for electric energy sold through the ownership or operation of the Electric System and all other services, facilities and commodities sold, furnished or supplied by the District in connection with the ownership or operation of the Electric System that shall be fair and nondiscriminatory and reasonably anticipated to provide Gross Revenue sufficient for the payment of the Parity Bonds, and any other indebtedness of the Electric System, and all payments that the District is obligated to set aside in the Bond Fund and for the proper operation and maintenance of the Electric System, all necessary repairs thereto and replacements and renewals thereof and all other costs of the Electric System.

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

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

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



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

IN WITNESS WHEREOF, Public Utility District No. 2 of Grant County, Washington, by its Commission, has caused this bond to be executed in its name with the manual or facsimile signature of the President of its Commission, and attested by the manual or facsimile signature of the Secretary of the Commission and the seal of said District to be impressed or imprinted hereon, all as of the \_\_\_\_ day of \_\_\_\_\_, 2023.

PUBLIC UTILITY DISTRICT NO. 2 OF  
GRANT COUNTY, WASHINGTON

(SEAL)

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

Attest:

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

CERTIFICATE OF AUTHENTICATION

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

This bond is one of the revenue bonds described in the within mentioned Bond Resolution and is one of the Electric System Revenue Refunding Bonds, Series 2023-V, of Public Utility District No. 2 of Grant County, Washington.

WASHINGTON STATE FISCAL  
AGENCY, Registrar

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

CERTIFICATE

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

1. That the attached is a true and correct copy of Resolution No. \_\_\_\_\_ (herein called the "Resolution") of the Commission, duly passed at a regular meeting thereof held on the 24th day of October, 2023.

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

DATED this 24th day of October, 2023.

---

Secretary, Board of Commissioners

MEMORANDUM

September 28, 2023

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

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

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

**SUBJECT:** Electric System 2020-S Refunding Resolution

**Purpose:** To request Commission review and approval of the bond resolution for the refunding of the Electric System's 2020-S (2020-S) to a long-term fixed-rate debt product.

**Discussion:** The 2020-S's interest rate increases from 2.00% to 8.00% on December 1, 2023, the Mandatory Tender Date. The bond was issued as a 3-year bond as part of the short-term debt program and was structured to be remarketed on the tender date to achieve low cost interest payments. Current interest rates are favorable to refund into a new product and was included in the previously discussed financing plan for 2023.

**Justification:**

Commission review and approval is required for the District to enter into a bond transaction. If the District does not refund the 2020-S, the forward-looking interest rate steps up to 8.00% on the outstanding par of \$48.045M.

Staff analyzed 5, 8, and 20-year debt structures for best savings to the District. Assumptions for the 5-year structure would include refunding prior to the final maturity. Comparisons between refunding the 5-year option (4 times rolling over the debt) to match a 20-year long-term debt structure resulted in the 20-year long-term debt structure offering potential savings of \$6.560M of interest and cost of issuance.

**Financial Considerations:** Staff did not include refunding the 2020-S in July due to the known savings with current higher interest rates compared to the 2.00% coupon in place through the Mandatory Tender Date. This resulted in \$231k of interest savings through delaying refunding from July 25, 2023, to December 1, 2023.

**Recommendation:** Approve the proposed resolution regarding the refunding of the 2020-S to a new long-term fixed-rate series, 2023-V per the terms and conditions detailed in the resolution.

**Legal Review:** See attached TEAMS chat.



Amy Thompson added Mitchell Delabarre and Angelina Johnson to the chat.

8:07 AM

Good morning, Mitch! We are going through the final changes for the Bond Resolution that will go to the Commission. Highlights of changes to the document (from July's bond transaction) are: maintaining the upper threshold at \$55.0M, increasing the true interest cost from 5.0% to 6.0%, adding Angelina's title as a third District Representative, and updating Rich's title to include "CEO." Please let us know if you have concerns with the resolution, or if you are good. Hope you have a great day!

Mitchell Delabarre 10:50 AM



Hi Amy, I reviewed and have no concerns with the updates.

10:56 AM

Thank you! We appreciate your review!

# For Commission Review – 10/10/2023

Motion was made by \_\_\_\_\_ and seconded by \_\_\_\_\_ authorizing the General Manager/CEO, on behalf of Grant PUD, to execute Contract 130-12088 for the proposed sale of 20% of the Priest Rapids Project Output (PRPO) for a 3-year term, commencing January 1, 2024 to Portland General Electric.

xxxx

**MEMORANDUM**

**Date 09/25/2023**

**TO:** Rich Wallen, General Manager

**VIA:** Ty Ehrman, Chief Customer Officer *TE*

**FROM:** Rich Flanigan, Sr. Manager Wholesale Marketing and Supply *RF*

**SUBJECT:** Proposed Sale of a 3-Year 20% Slice Contract with Portland General Electric

**Purpose:** To request Commission approval for the General Manger to execute Contract 130-12088 for the proposed sale, from the Grant PUD's retained share, of 20% of the Priest Rapids Project Output (PRPO) for a 3-year term, commencing on January 1, 2024.

**Discussion:** Grant PUD staff recommends entering into a new transaction with Portland General Electric (PGE) for a 3-year slice of the Priest Rapids Project (PRP). This 20% slice would be from Grant PUD's 63.31% retained share of PRP. PGE won an indicative RFP process conducted by staff this Spring. PGE will be replacing Shell Energy's 20%, 3-year contract for PRPO that will terminate on December 31, 2023.

Slice sales such as this proposed transaction have proven to be a successful strategy to reduce risk while maximizing the value of Grant PUD's hydro system. These sales have several benefits including:

- Elimination of year-to-year water risk
- Shared operational risk
- Stable and predictable revenue
- Increased value for non-carbon attributes and flexibility
- Viewed favorably by the rating agencies

*The Product.* The proposed sale is for a 20% slice of PRPO for a term of 3 years. The contract has terms that are similar to Shell Energy's current 3-year contract. PGE will be entitled to the following attributes associated with their project capacity share: energy, capacity, pondage, ancillary services, and green attributes. The proposed sale will allow them to add to take their project offtake using their existing pseudo-tie or dynamic signal (gives them the ability to change their offtake every four seconds). Along with these benefits, PGE will incur the risk of low water flows into PRP, their share of any capacity outages, project spill, project minimum generation requirements, and any operational limitations on project ponds.

*The Process.* To ensure the PUD received a fair market valuation for the slice product, Wholesale Marketing and Supply staff conducted an indicative Request for Proposal (RFP) process this spring. The indicative RFP process was structured as a 20% slice of PRP with a fixed volume of energy being sold, a fixed volume of returned energy (shaped to meet retail load) sold back to the PUD, and a premium for non-carbon attributes, capacity, and flexibility. This fixed energy buy-back of the 20% slice of PRP represents the expected 80% volume of energy under average water conditions and is shaped to Grant

PUD's retail load. This energy return structure is like the previous slice products sold in years past to Morgan Stanley, Avangrid and Shell.

The final valuation for the proposed slice sale will be like past slice contracts with Grant PUD and PGE agreeing on forward market prices for the agreed to volume of forecasted generation and the returned energy on date of execution.

*Contract Review:* An extensive internal review process was again used to construct the final agreement. There was an internal review by subject matter experts from Finance, Accounting, Dispatch, Control Systems Engineering, Compliance, and Risk. In addition, internal and external legal have reviewed the final contract.

**Justification:** The proposed slice sale ties directly to the Strategic Plan Objectives 1) Maintain a Strong Financial Position and 2) Provide Long Term Low Rates by providing revenue certainty from a volume of MWh sales at average water. This sale insulates Grant PUD from hydro variability associated with this 20% slice for the term of the contract. In addition, staff believes the premium for ancillary products is above what Grant PUD could reasonably expect due to its limited ability to participate in markets where such values could be realized.

**Recommendation:** Commission approve the General Manger to execute Contract 120-11030 for the proposed sale of 20% of the Priest Rapids Project Output (PRPO) for a 3-year term, commencing on January 1, 2024, with PGE Renewables.

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

## **CONFIRMATION TO WSPP AGREEMENT**

Counterparty 1. Public Utility District No. 2 of Grant County, Washington (the “District”), a municipal corporation of the State of Washington

Counterparty 2. Portland General Electric Company (“Counterparty”), a limited liability company organized and existing under the laws of Oregon.

Governing Agreement. This Transaction is governed by the WSPP Agreement effective August 26, 2022, or as amended from time to time. The District and Counterparty are referred to as a “Party” and collectively as “Parties.” Capitalized terms used but not otherwise defined in this Confirmation have the meanings ascribed to them in the WSPP Agreement. For any inconsistency between the provisions of this Confirmation and the WSPP Agreement, the provisions of this Confirmation will prevail for purposes of this Transaction.

Transaction. The District agrees to sell to Counterparty, and Counterparty agrees to purchase from the District, Slice Product (described in Section 3) upon the terms and subject to the conditions set forth in this Confirmation. Counterparty agrees to sell to the District, and the District agrees to purchase from Counterparty, Firm Energy Product (described in Section 4) upon the terms and subject to the conditions set forth in this Confirmation.



**Table of Exhibits**

<b>Exhibit</b>	<b>Title</b>
A	[REDACTED]
B	[REDACTED]
C	[REDACTED]
D	[REDACTED]
E	[REDACTED]
F	Spill Allocation Policy and Procedures
G	[REDACTED]
H	No-coal Attestation Form
I	[REDACTED]
J	[REDACTED]
K	[REDACTED]
L	Forecasted WRAP QCC
M	[REDACTED]
N	[REDACTED]
O	[REDACTED]

**SECTION 1. CONFIRMATION TERM AND DELIVERY PERIOD**

Except as otherwise provided herein, this Confirmation shall be in full force and effect upon signature by both Parties. All times referenced in this Confirmation are Pacific Prevailing Time “PPT”, which is Pacific Standard Time or Pacific Daylight Time, as applicable. Unless sooner terminated pursuant to other provisions, this Confirmation shall remain in effect until the end of HE 2400 (midnight), May 31, 2027 (the “Term”). Unless sooner terminated pursuant to other provisions, the delivery period for Slice Product and Firm Energy Product shall be from the first hour of January 1, 2024, through the end of HE 2400 (midnight) on December 31, 2026 (the “Delivery Period”). The Delivery Period for Environmental Attributes will be from January 1, 2024, until such date all Environmental Attribute transfers required under this Agreement are completed. Except as otherwise provided herein, all obligations accruing under this Confirmation are preserved until satisfied.

**SECTION 2. DEFINITIONS**

As used in this Confirmation, the following terms when initially capitalized shall have the meanings given below. Capitalized terms that are not expressly defined herein shall have the meaning given in the WSPP Agreement.

“ACS” means Asset Controlling Supplier which is a specific type of electric power entity approved and registered by the California Air Resources Board.

“Ancillary Services” means any of the services identified by a Transmission Provider in its transmission tariff as ancillary services, or by a balancing authority as required for compliance

with NERC or other reliability standards, including, but not limited to, regulation and frequency response, energy imbalance, operating reserve-spinning and operating reserve-supplemental.

“Bond Resolutions” means each and all of the resolutions adopted by the District authorizing the issuance of outstanding debt for the Priest Rapids Project.

“BPA” means the Bonneville Power Administration.

“BPA ACS Rate” means the emission factor then-assigned for BPA by the California Air Resources Board. As of the effective date of this Confirmation, the emission factor for BPA is 0.0174 Metric Tons of CO<sub>2</sub> per megawatt-hour.

“[REDACTED]” [REDACTED]

“Canadian Entitlement” means the amount of energy and capacity that the District is obligated to return to Bonneville Power Administration (BPA) in its capacity as the U.S. Entity for the account of the Canadian government to fulfill obligations under the U.S.-Canadian Columbia River Treaty of 1964, or successor treaty or international agreement, as defined in the Canadian Entitlement Allocation Extension Agreement.

“CCA” means the Climate Commitment Act in RCW 70A.65.

“[REDACTED]” [REDACTED]

“CCA Auction” means those periodic auctions conducted by the Washington State Department of Ecology.

“CCA Compliance Obligation” means a “compliance obligation” as defined in the CCA.

“CETA Energy” means electricity produced by renewable or non-emitting generation facilities that do not emit greenhouse gases as a by-product of energy generation. Examples of CETA compliant electricity resources include nuclear, geothermal, solar, wind, and hydroelectric power facilities. Specified ACS energy sourced from BPA or Tacoma qualify as CETA Energy for this Confirmation.

“CETA” means the Clean Energy Transformation Act in RCW 19.405.

“CETA RECs” are RECs associated with CETA Energy.

“Coal-fired Resource” means a facility that uses coal-fired generating units, or that uses units fired in whole or in part by coal as feedstock, to generate electricity.

“Counterparty’s PRPO Percentage” shall be 20%.

“Daily Fixed Energy Quantity” [REDACTED]

“Daily Index Energy Price” [REDACTED]

“Daily Index Energy Payment” [REDACTED]

“Daily Index Energy Quantity” [REDACTED]

“Delivery Period” has the meaning set forth in Section 1.

“Environmental Attributes” shall mean all environmentally related characteristics, claims exclusive of energy, capacity, reliability, and other electrical power service attributes, that are associated with the generation of electricity from a renewable resource, including but not limited to the facility's fuel type, geographic location, vintage, qualification as an eligible renewable resource, and avoided emissions of pollutants to the air, soil, or water, and avoided emissions of carbon dioxide and other greenhouse gases and all reporting rights applicable to such Environmental Attributes whether bundled or unbundled with energy (e.g., RECs, etc.).

“FERC License” means that license issued by the Federal Energy Regulatory Commission on April 17, 2008 for the operation of Priest Rapids Hydroelectric Project FERC No. 2114. At the date of execution of this document, the FERC License is available at:

<https://www.grantpud.org/templates/galaxy/images/images/Downloads/About/Environment/ShorelineManagement/PriestRapidsProjectLicense1.pdf>

“Firm Energy Product” means WSPP Schedule C energy scheduled from Counterparty to the District in quantities shown in Exhibit D.

“HE” shall mean hour ending.

“Heavy Load Hours” or “HLH” are all hours in the period beginning with the hour ending 7 a.m. through hour ending 10 p.m., Monday through Saturday, except for holidays recognized by NERC.

“I-937” means the Washington Energy Independence Act set forth in RCW 19.285.

“I-937 RECs” means RECs associated with I-937.

“Incremental Hydropower Energy” or “IHE” means energy bundled with Environmental Attributes as defined by I-937 and approved by the Washington State Auditor’s office. IHE quantities that are deemed delivered under this Confirmation are set forth in Exhibit E. The District

shall determine which methods it may propose to the Washington State Auditor's office for determining Incremental Hydropower produced from the Priest Rapids Project. Counterparty's annual obligation to return I-937 qualified energy to the District shall be equal, in each year, to the production of IHE deemed produced by Slice Product.

"Independent Operation Protocols" means any logic, policy, algorithm, strategy and/or implementing systems, programs and protocols used by the District for the operation of the Priest Rapids Project, including coordinated operation of the Priest Rapids and Wanapum Developments. If changes to the Independent Operation Protocols result in consequences to PRPO that Counterparty, in its reasonable estimation, considers material, the Parties shall convene a meeting with their respective senior leadership for the purpose of achieving the original relative value of this Confirmation to each Party.

"Index Energy Quantity" is defined in Exhibit C.

"JCAF" means a Joint Capacity Attestation Form that is developed by the WRAP.

"Legacy Agreements" means that Priest Rapids Project Product Sales Contract, Reasonable Portion Contract, Additional Products Contract, Conversion Amendment contract (all dated circa. 2001), or any other contract or assignment between the Parties that legally changes the Counterparty's percentage allocation of the PRPO.

"Light Load Hours" or "LLH" means all hours that are not Heavy Load Hours.

"Monthly Fixed Energy Quantity" is defined in Exhibit B.

"Monthly Fixed Energy Price" is defined in Exhibit B.

"Monthly Index Energy Payment" [REDACTED]

"Operating Agreements" shall mean any agreements to which the District is or may become a party, which provide for operation of the Priest Rapids Project, including but not limited to, the Pacific Northwest Coordination Agreement, Independent Operation Protocols, the Western Electric Coordinating Council Agreement, and the Northwest Power Pool Agreement, as such agreements currently exist or hereafter may be amended.

"Points of Delivery" shall have the meaning as provided in Section 8.

"Priest Rapids Project" shall mean the hydroelectric project on the Columbia River in the State of Washington designated by the Federal Power Commission as Project No. 2114. The Priest Rapids Project consists of the Priest Rapids Development and the Wanapum Development and are currently rated with a gross nameplate capacity of [2,170 MW], [950 MW and 1,220 MW] respectively.

“Priest Rapids Project Output” or “PRPO” is defined in Section 3.

“Pseudo-Tie” shall have the same meaning as defined by NERC.

“Prudent Utility Practice” means those practices, methods and acts which: (i) when engaged in are commonly used in prudent engineering and operations to operate electric equipment and associated mechanical and civil facilities lawfully and with safety, reliability, efficiency and expedition or (ii) in the exercise of reasonable judgment considering the facts known when engaged in, could have been reasonably expected to achieve the desired result consistent with applicable law, safety, reliability, efficiency and expedition. Prudent Utility Practice is not intended to be the optimum practice, method, or act, to the exclusion of all others, but rather to be a spectrum of commonly used practices, methods, or acts.

“QCC” means Qualified Capacity Contribution as defined under the WRAP.

“RECs” means WREGIS Certificates associated with energy from renewable energy resources. The certificate includes all of the Environmental Attributes associated with each one megawatt-hour of electricity.

“[REDACTED]” [REDACTED]

“Slice Product” shall mean Counterparty PRPO Percentage multiplied by PRPO.

“WECC Pre-Schedule Day” means the Western Electricity Coordinating Council Pre-Scheduling Day prior to the delivery day or days(s) as defined by the most recent WECC Pre-Schedule calendar published by the WECC Interchange Scheduling and Energy Accounting Subcommittee.


“WRAP” means Western Resource Adequacy Program.

“WRAP Forward Showing Season” means the seven (7) month period prior to the WRAP binding season.

**SECTION 3. SLICE PRODUCT PURCHASE AND SALE**

(a) Purchase and Sale Obligation. The District shall sell and deliver, or cause to be delivered, and Counterparty shall purchase and receive, or cause to be received, output associated with Slice Product at the Points of Delivery and Counterparty shall pay the District the following three pricing components for Slice Product:

1. [REDACTED]
- [REDACTED]
- [REDACTED]

- (b) 
- (c) Transmission Costs. The District shall be responsible for any costs or charges imposed on or associated with the generation of Slice Product or the transmission of Slice Product to the Points of Delivery. Counterparty shall be responsible for any costs or charges imposed on or associated with the transmission of Slice Product from the Points of Delivery.
- (d) Slice Product Quality. Slice Product quality shall be WSPP Schedule B Capacity and Energy scheduled and delivered pursuant to the terms of the Legacy Agreements, as modified in this Confirmation.
- (e) Priest Rapids Project Output Definition. “Priest Rapids Project Output” or “PRPO” shall mean the total amount of capacity, energy, pondage, Ancillary Services, Environmental Attributes, and any other attributes of the energy produced by the Priest Rapids Project. PRPO shall be reduced for encroachment, Canadian Entitlement, station service, transmission and transformer losses and depletions required by the FERC License or other regulatory requirements and any other Priest Rapids Project output required for the reliable and compliant operation of the Priest Rapids Project on a pro rata or causation basis.
- (f) REC Transfer. RECs associated with Slice Product shall be transferred from the District to Counterparty via WREGIS. Notwithstanding the forgoing, if the same RECs associated with PRPO to be transferred by the District to Counterparty would be transferred back to the District by the Counterparty in satisfaction of its obligations under this Confirmation, then the Parties agree that such off-setting REC transfer obligations may be “booked-out” in order to avoid unnecessary transfer fees.
- (g) PRPO Fluctuations. Counterparty understands and acknowledges that PRPO availability will fluctuate and is subject to and contingent upon many factors including, but not limited to, the following: weather and precipitation levels, regulatory and environmental considerations and requirements, Operating Agreements, and Uncontrollable Forces.
- (h) Restriction of Deliveries of PRPO. The District, as operator of the Priest Rapids Project, may restrict deliveries of PRPO as follows:
- (1) if the District determines that such action is necessary to avoid exceeding the capability of the Priest Rapids Project or subjecting it or its operation to undue hazard or violating the FERC License, any applicable law, regulation, or Operating Agreements.

- (2) in case of emergencies or in order to install equipment in, make repairs to, make betterments, renewals, replacements, and additions to, investigations and inspections of, or perform other maintenance work on the Priest Rapids Project.
- (3) as may be necessary to fulfill any non-power regulatory or other legal requirements, including without limitation the requirement to spill water at the Priest Rapids Project in an amount determined by the District in its sole discretion.

The District shall use commercially reasonable efforts to give advance notice to Counterparty regarding any limit, restriction, interruption, curtailment or reduction of PRPO for which the District has knowledge in advance of the need for such action, giving the reason therefore and stating the probable duration thereof, and shall provide timely updates concerning the same should conditions change. In any instance where advance notice is not commercially reasonable, the District shall promptly notify Counterparty after imposing such limit, restriction, interruption, curtailment or reduction of PRPO and give the reason and probable duration thereof (non-binding), and shall make commercially reasonable efforts to provide timely updates concerning the same should conditions change. Any such restrictions in delivery shall be made pro-rata with all purchasers of PRPO and with the District's share of PRPO.

The District, as operator of the Priest Rapids Project, may restrict deliveries of PRPO subject to the requirements set forth in this section. To the extent restrictions of PRPO attributes or deliveries are due to dispatch or pond management decisions by the District and/or PRPO purchaser(s), the District will make best efforts to contain restrictions to those parties responsible for the resulting restrictions or the potential for restrictions, otherwise any restrictions in delivery of PRPO shall be made pro-rata with all purchasers of PRPO and with the District's share of PRPO.

(i) District Operations. Notwithstanding any other provision of this Confirmation, the District shall at all times have the right to operate the Priest Rapids Project in such manner as it deems necessary to comply with the FERC License, applicable laws and regulations, Prudent Utility Practice and this Confirmation.

(j) QCC Rights. Counterparty shall have rights to the QCC of the PRPO as described in Section 5.

(k)



(l) Slice Product Pond Management.

(1) The maximum available pondage to Counterparty (the "Counterparty Allocation of Pondage") will be determined by multiplying the total pondage available in the Priest Rapids Project by Counterparty's PRPO Percentage and adding same to the maximum pondage available to Counterparty under the Legacy Agreements. The

pondage available at the Priest Rapids Project shall be determined by the District, as operator of the Priest Rapids Project, from time to time on the basis of the volume of water that can be stored between the then current maximum forebay elevation and the then current minimum forebay elevation.

- (2) The District will maintain for Counterparty its pondage account that will reflect the use of pondage by Counterparty under this Confirmation and the Legacy Agreements. On the last hour of the Delivery Period, Counterparty shall return the pond account balance associated with this Confirmation to at least where the pond account balance associated with this Confirmation was on the first hour of the Delivery Period. Counterparty may schedule more than its share of the Priest Rapids Project inflows if Counterparty has sufficient energy in its pondage account. The amount of the energy scheduled from the pondage account shall not exceed Counterparty Allocation of Pondage determined in accordance with this Confirmation.
  - (3) During any hour that spill is occurring at the Priest Rapids Project for any purpose determined necessary or desirable by the District, the spill shall be allocated by the District to reduce the pondage of Counterparty and other PRPO purchasers in accordance with the implementation of the then-prevailing District Spill Allocation Policy and Procedures, the current version of which is set forth in Exhibit F.
- (m) Restrictions on Resale of PRPO Outside of Region by Counterparty. Counterparty represents and warrants that it intends to use the PRPO delivered to it by the District under this Confirmation primarily to serve Counterparty's retail load located in the Pacific Northwest. Notwithstanding the forgoing, nothing in this Confirmation shall prohibit Counterparty from reselling or otherwise using PRPO within the Pacific Northwest. Counterparty shall ensure that PRPO delivered to it under this Confirmation is not sold, resold, distributed for use, or used outside of the Pacific Northwest in violation of the Bonneville Project Act, Public Law 75-329, the Pacific Northwest Consumer Power Preference Act, Public Law 88-552, or the Pacific Northwest Electric Power Planning and Conservation Act, Public Law 96-501 (the "Regional Act"), or in contravention of any other applicable federal or state law, order, regulation, or policy. For purposes of this Confirmation, the term "Pacific Northwest" shall have the meaning given to such term in the Regional Act. If Counterparty engages in any such resale or use in violation of any of the forgoing, then Counterparty shall indemnify and hold the District harmless from and against any penalties imposed on, or costs incurred by, the District as a consequence of such violation.

#### **SECTION 4. FIRM ENERGY PRODUCT PURCHASE AND SALE**

- (a) Purchase and Sale Obligation. Counterparty shall sell and deliver, or cause to be delivered, and the District shall purchase and receive, or cause to be received, Firm Energy Product at the Points of Delivery. The District shall pay Counterparty for such Firm Energy Product in accordance with Exhibit G.
- (b) Product Quality. Firm Energy Product quality shall be WSPP Schedule C. The Firm



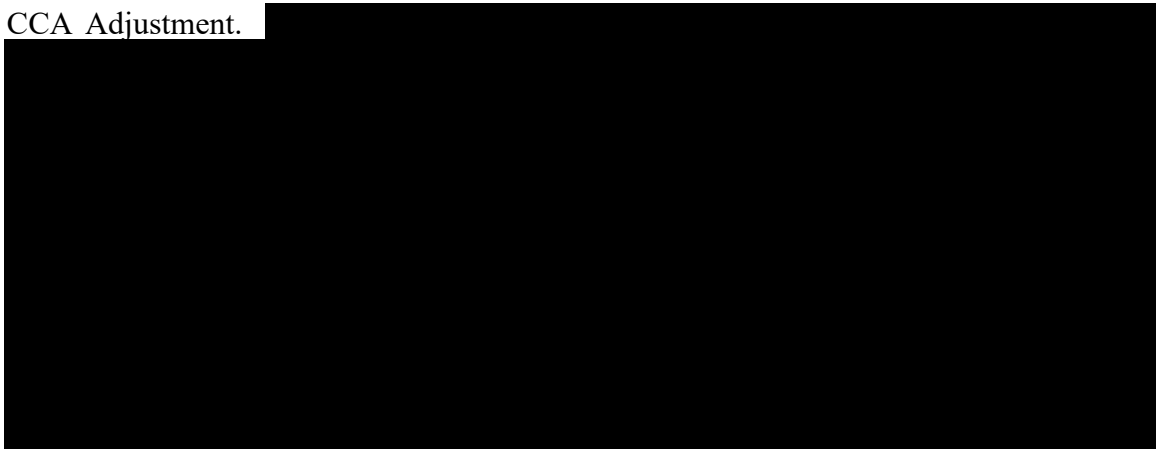
Energy Product shall include all associated and applicable QCC, CETA and I-937 rights described in this Confirmation.

- (c) Counterparty's Delivery Obligation. Counterparty shall schedule Firm Energy Product pursuant to the WECC Pre-Schedule Day scheduling window. Counterparty has the right to manage delivery (e-Tag, source, transmission path, etc.) of Firm Energy Product during any WECC scheduling window, including real-time.
- (d) Coal Delivery Adjustment. For the period starting at (midnight) HE 0100, December 31, 2025 and ending at (midnight) HE 2400, December 31, 2026, Firm Energy Product deliveries may not be sourced from a Coal-fired Resource. Counterparty will provide an attestation, in the form set forth in Exhibit H, to the District no later than March 31, 2027 representing no Firm Energy Product deliveries were sourced from Coal-fired Resources during the applicable period. Counterparty agrees to make commercially reasonable efforts to provide additional information as may be requested by the District in order to comply with the Coal-fired Resources requirement under CETA. The Parties will take the following actions designed to support the efforts of both Parties to ensure that Firm Energy Product was not sourced from a Coal-fired Resource: (1) the Parties will use tags to demonstrate that energy was not sourced from a coal resource, and (2) Counterparty will keep on file records (including commercial agreements) indicating that energy from its coal resources were used for purposes other than supplying Firm Energy Product, and (3) maintain records that demonstrate the absence of coal in Firm Energy Product.

In the event other ways of demonstrating compliance with the no-coal provisions of Washington law are developed during the Term, the Parties will convene a meeting for the purpose of considering adoption of such ways.

If the State of Washington, or any other regulatory body having jurisdiction over the District, definitively determines that any of Firm Energy Product was sourced from a Coal-fired Resource, then Counterparty shall owe the District a Coal Delivery Adjustment payment as set forth in Exhibit I. Counterparty shall also indemnify, reimburse, defend and hold harmless the District from and against any and all additional costs, penalties, fees, or charges incurred by the District resulting or arising from or attributable to such coal sourcing.

- (e) CCA Adjustment.



[REDACTED]

- (f) I-937 Adjustment. As part of Firm Energy Product, the yearly total volume of I-937 eligible renewable energy set forth in Exhibit E shall be delivered by Counterparty to the District. Counterparty may satisfy the I-937 renewable energy requirement with Incremental Hydropower Energy delivered from Slice Product. Should Counterparty satisfy the I-937 Renewable Energy requirement using IHE from Slice Product, such IHE will be deemed delivered, via written notification, and associated I-937 RECs will be held via WREGIS by the District and eventually retired. Counterparty, in its sole discretion, shall have the right to deliver energy, and associated I-937 RECs, from eligible alternative renewable resource(s) to the District. An initial list of eligible I-937 renewable resources and approved I-937 scheduling requirements are set forth in Exhibit E. Approval of additional eligible I-937 resources requires consent by email by the District consistent with Exhibit P. Conveyance of such RECs shall be by attestation. If it is determined that any of Firm Energy Product designated as I-937 compliant is found to be noncompliant with I-937 requirements, Counterparty shall owe the District an I-937 Adjustment payment as described in Exhibit K. Counterparty shall also indemnify, reimburse, defend and hold harmless the District from and against any and all additional costs, losses, expenses and penalties incurred by the District resulting or arising from or attributable to the failure of such I-937 eligible renewable energy to satisfy I-937 requirements to the same extent as the Incremental Hydropower Energy from the Priest Rapids Project.

CETA Energy and CETA RECs. [REDACTED]

[REDACTED]

**SECTION 5. RESOURCE ADEQUACY**

- (a) During the Delivery Period, the District will transfer all QCC associated with Slice Product to Counterparty. The currently forecasted QCC of Slice Product under the WRAP is set forth in Exhibit L. A JCAF recognized under WRAP must be executed by both parties one (1) month in advance of each WRAP Forward Showing Season to transfer the QCC associated with Slice Product for the applicable months.
- (b) During the Delivery Period, Counterparty will transfer the capacity associated with the “HLH” column of Exhibit D Firm Energy Product for each month of the WRAP binding seasons. A JCAF recognized under WRAP must be executed by both parties eight months in advance of each WRAP Forward Showing season to transfer the WRAP eligible capacity for the applicable months.

**SECTION 6. PURCHASE PRICE AND PAYMENTS BY COUNTERPARTY**

- (a) For each month of the Delivery Period, the District shall deliver to Counterparty a net invoice calculated as set forth on Exhibit O. The District shall use best efforts to deliver

the invoice by the tenth (10<sup>th</sup>) calendar day of the month. If the tenth (10<sup>th</sup>) calendar day of the month is not a Business Day, then delivery shall occur on the following Business Day.

- (b) Counterparty shall pay each invoice by electronic funds transfer to the District's account, designated in writing by the District, on the later of: (i) the twentieth (20<sup>th</sup>) calendar day of each month; or (ii) the tenth (10<sup>th</sup>) calendar day after receipt of the invoice. If the payment due date is not a Business Day, then payment shall be due on the following Business Day.
- (c) If any monthly payment amount set forth on an invoice is not paid in full and received by the District when due, a delayed payment charge of [REDACTED] of the unpaid amount due will be added to the invoiced amount. Any invoice that remains unpaid for more than thirty (30) calendar days after the due date shall, in addition to the delayed payment charge, accrue interest at the lesser of: (i) [REDACTED] per month; or (ii) the maximum rate allowed by law. Additionally, if payment due to the District under this Section 6 remains unpaid three (3) Business Days after the due date, the District may thereafter suspend delivery of Slice Product until payment in full of all amounts due and owing (including any interest and delay charges) is received by the District. Counterparty shall not be entitled to any PRPO not delivered during any period of suspension under this Section 6.
- (d) Except as otherwise provided in Sections 3, 4, 6, 7, and Exhibit O of this Confirmation, Counterparty shall not be obligated to pay any other amounts charged to or payable by the District as a result of this Confirmation, including without limitation, any water fees, license fees, penalties, taxes, operating, administration, maintenance or capital costs, damages or any other costs whatsoever, relating to ownership or operation of the Priest Rapids Project.
- (e) In order to dispute an invoice, in whole or in part, Counterparty must provide written notice of the dispute to the District. Such written notice shall specify the amount in dispute and state the basis for the dispute. In case any portion of any invoice is in dispute, the entire invoice shall be paid when due. The dispute shall be resolved according to the process set forth in Section 13. Upon resolution of the dispute, any excess amount of the invoice that, through inadvertent errors or as a result of a dispute, may have been overpaid, shall be returned by the District upon determination of the correct amount, with interest calculated in the manner set forth in Section 6(c). Counterparty shall have the right to dispute the accuracy of any invoice or payment for a period of two (2) years from the date on which the invoice was initially delivered.

**SECTION 7. DAMAGES**

- (a) To the extent and during the time period that Counterparty fails to deliver Firm Energy Product ("Firm Energy Shortfall"), the District has the option to take the following action, provided the following conditions are met: (i) Counterparty is unable to restore schedules via reserves; and (ii) the District balancing area is in jeopardy of violating FERC, NERC, or WECC compliance obligations; and (iii) the District operators or the District's scheduling agent have notified Counterparty of the need to restore scheduled deliveries and Counterparty has not restored such scheduled deliveries. Provided all of the above

conditions have been met, the District may reduce Counterparty's PRPO Percentage associated with this Confirmation such that Counterparty's capacity is reduced by the lesser of: (x) the capacity the District needs to avoid compliance violations; or (y) the Firm Energy Shortfall.

- (b) Any remaining Energy Shortfall not covered by such reduction shall be subject to liquidated damages in accordance with the WSPP Agreement.

**SECTION 8. POINTS OF DELIVERY AND TRANSMISSION**

- (a) Transmission. Counterparty shall be responsible for the procurement, management, and costs associated with transmission service on either BPA or Counterparty's system necessary for effectuating the Pseudo-Tie and schedules, dynamic or otherwise, necessary for Slice Product or Firm Energy Product delivery. The Parties agree that the District will not charge Counterparty fees associated with required District wheeling (if any) under this Confirmation.

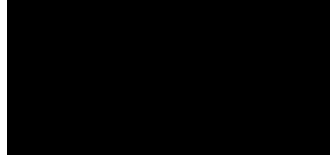
- (b) Points of Delivery.

- (1) Slice Product.

- (i) PRPO energy supplied hereunder shall be approximately 230 kV, three-phase, alternating current, at approximately 60 hertz.
- (ii) Without prior written approval from the District, only Priest Rapids Project Output delivered under this Confirmation shall be transmitted on Priest Rapids Project transmission facilities to the Points of Delivery identified herein.
- (iii) The PRPO energy to be delivered hereunder shall be made available to Counterparty, at its option, exercisable from time to time, at any one or more of the following points:
  - (A) The 230 kV bus of the Bonneville Power Administration's Midway Substation;
  - (B) The 230 kV bus of the switchyard of the Wanapum Development;
  - (C) The 230 kV bus of the Vantage Substation; or
  - (D) At any other location mutually agreed to in writing by the District and Counterparty.

- (2) Firm Energy Product.

- (i) Acceptable delivery points include:



- (c) Signaling. The District and Counterparty shall make good faith efforts to design, test, and implement the signaling and communications requirements necessary to effectuate transactions contemplated in this Confirmation no later than thirty (30) days prior to the Delivery Period start date, or as otherwise mutually agreed by both the District and Counterparty.

**SECTION 9. INFORMATION TO BE MADE AVAILABLE TO COUNTERPARTY**

- (a) The District shall provide Counterparty, within a reasonable time after request, source meter data and generation meter data for the Priest Rapid Project. To the extent the California Air Resources Board, California Public Utilities Commission, California Energy Commission, or Washington Department of Ecology changes its regulations and/or its reporting requirements, the District shall make all commercially reasonable efforts to provide such requested information to Counterparty. The District consents to Counterparty of its disclosure of this information to third parties.
- (b) Counterparty, upon at least thirty (30) days advance written notice to the District, shall have the right at its sole cost and expense to examine operating records relating to Counterparty's PRPO Percentage during the District's normal business hours. All reasonable costs incurred by the District associated with such examination of operating records, including, but not limited to, the District's labor, materials and reproduction services shall be promptly reimbursed to the District by Counterparty.
- (c) The District shall exercise commercially reasonable efforts to provide to Counterparty estimates and information reasonably necessary for Counterparty to exercise its rights under this Confirmation.

**SECTION 10. LIABILITY OF PARTIES**

- (a) Counterparty shall have no claim of any type or right of action against the District: (i) as a result of a FERC or court order or amendment; (ii) as a result of adjustment of PRPO, and Counterparty hereby releases the District and its commissioners, officers, agents and employees from any claim for loss or damage arising out of the events described in this paragraph; provided however, that nothing herein precludes Counterparty from bringing any claim in law or equity, or a court of other body with jurisdiction from awarding any remedies, in the event that the District defaults on deliveries under this Confirmation.
- (b) Counterparty is purchasing Counterparty's PRPO Percentage. Counterparty acquires no interest in or rights to any facilities forming part of the Priest Rapids Project.
- (c) The protections afforded and the provisions of this Section shall survive the termination,

expiration or cancellation of this Confirmation, and shall apply to the fullest extent permitted by law.

(d) Mobile-Sierra Clause.

(1) Absent the agreement of all parties to a proposed change, the standard of review for changes to any rate, charge, classification, term or condition of this Confirmation, whether proposed by a Party, a non-party or FERC acting *sua sponte*, shall solely be the "public interest" application of the "just and reasonable" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) and clarified by *Morgan Stanley Capital Group Inc. v. Pub. Util. Dist. No. 1 of Snohomish County*, 128 S. Ct. 2733 (2008) (the "Mobile-Sierra" doctrine).

(2) In addition, and notwithstanding the foregoing subsection (1), to the fullest extent permitted by applicable law, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives any rights it can or may have, now or in the future, whether under §§ 205 and/or 206 of the Federal Power Act or otherwise, to seek to obtain from FERC by any means, directly or indirectly (through complaint, investigation or otherwise), and each hereby covenants and agrees not at any time to seek to so obtain, an order from FERC changing any section of this Confirmation specifying the rate, charge, classification, or other term or condition agreed to by the parties, it being the express intent of the parties that, to the fullest extent permitted by applicable law, neither Party shall unilaterally seek to obtain from FERC any relief changing the rate, charge, classification, or other term or condition of this Confirmation, notwithstanding any subsequent changes in applicable law or market conditions that may occur. In the event it were to be determined that applicable law precludes the parties from waiving their rights to seek changes from FERC to their market-based power sales contracts (including entering into covenants not to do so) then this subsection (2) shall not apply, provided that, consistent with the foregoing subsection (1), neither Party shall seek any such changes except solely under the "public interest" application of the "just and reasonable" standard of review and otherwise as set forth in the foregoing section (1).

(e) EXCEPT AS EXPRESSLY PROVIDED HEREIN, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, BY STATUTE, IN TORT OR CONTRACT, CONNECTED WITH OR ARISING OR RESULTING FROM THE PERFORMANCE OR NON-PERFORMANCE OF THIS CONFIRMATION OR ANYTHING DONE IN CONNECTION THEREWITH. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATION OF DAMAGES CONTAINED HEREIN AND THE MEASURE OF DAMAGES DESCRIBED HEREIN ARE MATERIAL TERMS OF THIS CONFIRMATION.

**SECTION 11. NOTICES AND COMPUTATION OF TIME**

- (a) Any notice, demand or request provided for in this Confirmation shall be, unless otherwise specified herein, in writing and may be delivered by hand delivery, United States mail, or courier, to the address shown in Exhibit P. Notice by courier or hand delivery shall be effective at the close of business on the day actually received, if received during business hours on a regular Business Day of the District, and otherwise shall be effective on the close of business on the next regular Business Day of the District. All notices by United States mail shall be sent certified, return receipt requested and shall be effective on the date of actual receipt by the recipient.
- (b) In computing any period of time from such notice, such period shall commence at HE 2400 (midnight) PPT on the date of receipt. The designations of the name and address to which any such notice or demand is directed may be changed at any time by either Party giving notice as provided above.

**SECTION 12. DISTRICT’S BOND RESOLUTIONS AND LICENSE**

It is recognized by the Parties that the District, in its operation of the Priest Rapids Project, must comply with the requirements of the Bond Resolution and with the FERC License together with amendments thereof from time to time made, and the District is hereby authorized to take such actions as the District determines are necessary and appropriate to comply with such Bond Resolutions and Covenants and FERC License.

**SECTION 13. DISPUTE RESOLUTION**

If a dispute arises concerning either Party’s obligations under this Confirmation, the disputing Party shall provide written notice to the other Party describing in reasonable detail the nature of the dispute. There shall not be an Event of Default with respect to a Party so long as its failure to perform is and remains subject to a *bona fide* dispute under this provision. The Parties will attempt to resolve the dispute within thirty (30) days of written notice of the dispute by holding executive level discussions. The executives must have authority to make binding decisions on behalf of the respective Party. If the Parties are unable to resolve the dispute within thirty (30) days, either Party may resort to any other right or remedy to which it is entitled under this Confirmation, at law, or in equity.

**SECTION 14. GOVERNING LAW**

The laws of the State of Washington shall govern this Confirmation and the WSPP Agreement as applied to this Confirmation.

**SECTION 15. ASSIGNMENT OF CONFIRMATION**

Neither Counterparty nor the District may by contract, operation of law or otherwise, assign this Confirmation or any right or interest in this Confirmation without the prior written consent of the other Party, which shall not be unreasonably withheld. Notwithstanding the forgoing, a Party may, without the consent of the other Party (and without relieving itself from liability hereunder): (i) transfer or assign this Confirmation to an affiliate of the Party, provided that the affiliate's creditworthiness is equal or higher than that of the Party; or (ii) transfer or assign this Confirmation to any person or entity succeeding to all or substantially all of the assets of the Party, provided that such person's creditworthiness is equal or higher than that of the Party; provided however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions in this Confirmation and the person assuming this Confirmation shall deliver any such tax and enforceability assurance as the other Party may reasonably request.

**SECTION 16. EVENTS OF DEFAULT**

- (a) Section 22.1 of the WSPP Agreement, Events of Default, is amended as follows:
  - (i) "two (2) Business Days" in (a) is replaced with "three (3) Business Days;" and
  - (ii) "five (5) Business Days" in (b) is replaced with "three (3) Business Days;"
- (b) If an Event of Default occurs, then the Non-Defaulting Party may, at its option, seek to recover its actual monetary damages, terminate the Confirmation, and seek specific performance of any obligation for which monetary damages would not be an adequate remedy.

**SECTION 17. INFORMATION REQUIRED FOR CREDIT DETERMINATION**

Except to the extent that such information is publicly available, upon reasonable request by the District, Counterparty shall promptly provide the District with any of the following:

- (a) A notarized certificate prepared by Counterparty that affirms Counterparty's senior unsecured credit ratings, if any, as assigned by Standard and Poor's Corp., Fitch Ratings, and/or Moody's Investors Services, to the extent that such ratings have been issued and or updated;
- (b) Counterparty's most recent audited financial statements (including the balance sheet, income statement, statement of cash flows and notes to financial statements), or its most recently filed form 10-Q and 10-K, if applicable ("SEC Forms"). If the required financial statements or SEC Forms can be accessed online, Counterparty shall provide the appropriate website internet link for retrieval of such information. In the event that only unaudited financial statements are available, the District may determine whether it will accept them at its sole discretion.

**SECTION 18. COLLATERAL (CREDITWORTHINESS)**

If Counterparty is [REDACTED]



█ at any time during the Delivery Period of this Confirmation, then the District can demand in writing that Counterparty deliver to the District eligible collateral in an amount equal to █ Counterparty shall transfer such eligible collateral within █ days of receiving such written demand, provided however that if the due date is not a Business Day, then the eligible collateral shall be delivered on the next Business Day. Counterparty shall maintain such collateral until the earlier of: █

For purposes of this Confirmation, eligible collateral shall be an irrevocable, stand-by letter of credit issued from a major U.S. commercial bank or foreign bank with a U.S. branch office with an A- or better, or equivalent by any two of the three rating agencies described above. Counterparty shall provide a replacement letter of credit at least thirty (30) days prior to the expiration of the delivered letter of credit, or if its issuer no longer meets the criteria set forth above. If a letter of credit delivered by Counterparty pursuant to this Confirmation will expire in thirty (30) days or less, then the District may liquidate such letter of credit and hold the cash proceeds as collateral. The District may demand payment on any letter of credit issued on behalf of Counterparty under this Confirmation, or apply the cash proceeds of any such letter of credit held by the District as permitted hereunder, to remedy any non-payment by Counterparty under this Confirmation that is not timely cured by Counterparty according to the terms of this Confirmation.

The District shall not be subject to adequate assurances, posting of collateral, or security pursuant to this Confirmation or Section 27 of the WSPP Agreement.

**SECTION 19. VENUE AND ATTORNEY FEES**

Venue of any action filed to enforce or interpret the provisions of this Confirmation shall be exclusively in the United States District Court for the Eastern District of Washington or the Superior Court of the State of Washington for Grant County and the Parties irrevocably submit to the jurisdiction of any such court. In the event of litigation to enforce the provisions of this Confirmation, the prevailing Party shall be entitled to reasonable attorney’s fees in addition to any other relief allowed.

**SECTION 20. COMPLIANCE WITH LAW**

- (a) The Parties understand and acknowledge that operation of the Priest Rapids Project must conform to and comply with all applicable laws, rules, regulations, license conditions or restrictions promulgated by the FERC, the State of Washington or any other governmental agency or entity having jurisdiction over the Priest Rapids Project. Counterparty shall cooperate and take whatever action is necessary to cooperate fully with the District in meeting such requirements. Obligations of the District contained in this Confirmation are hereby expressly made subordinate and subject to such compliance.
- (b) RCW 54.16.040 contains provisions relating to the District's sale of electric energy. The

Parties understand and acknowledge that the District must comply with RCW 54.16.040 to the extent applicable to this Confirmation and the District's obligations and performance of this Confirmation are hereby expressly made subordinate and subject to such compliance.

- (c) Counterparty shall ensure that PRPO available to Counterparty under this Confirmation is not sold, resold, distributed for use or used in contravention of any applicable state or federal law, order or regulation. Counterparty shall reimburse the District for any penalties or fines imposed on the District as a consequence of such violation.

**SECTION 21. HEADINGS**

The headings of sections and paragraphs of this Confirmation are for convenience of reference only and are not intended to restrict, affect or be of any weight in the interpretation or construction of the provisions of such sections and paragraphs.

**SECTION 22. REPRESENTATIONS AND WARRANTIES**

Notwithstanding anything contained to the contrary in the laws of the State of Washington, the District irrevocably agrees that it will not claim immunity on the grounds of sovereignty in any proceeding. The District represents that it is subject to the filing of claims, service of process and suit for damages pursuant to and in accordance with the laws of the State of Washington.

**SECTION 23. EXECUTION**

This Confirmation may be executed by electronic signature and in duplicate originals or electronic copies. The Parties also agree to execute any further documents, and take any further actions, as may be reasonable and necessary in order to carry out the purpose and intent of this Confirmation.

IN WITNESS WHEREOF, the Parties hereto have caused this Confirmation to be executed by their duly authorized officers as of the date first written below.

PUBLIC UTILITY DISTRICT NO. 2  
OF GRANT COUNTY, WASHINGTON

By: \_\_\_\_\_

Title: General Manager

Date: \_\_\_\_\_

PORTLAND GENERAL ELECTRIC

By: \_\_\_\_\_

Title: Authorized Representative

Date: \_\_\_\_\_




+

**Exhibit B**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



**Exhibit C**

[Redacted]

[Redacted]

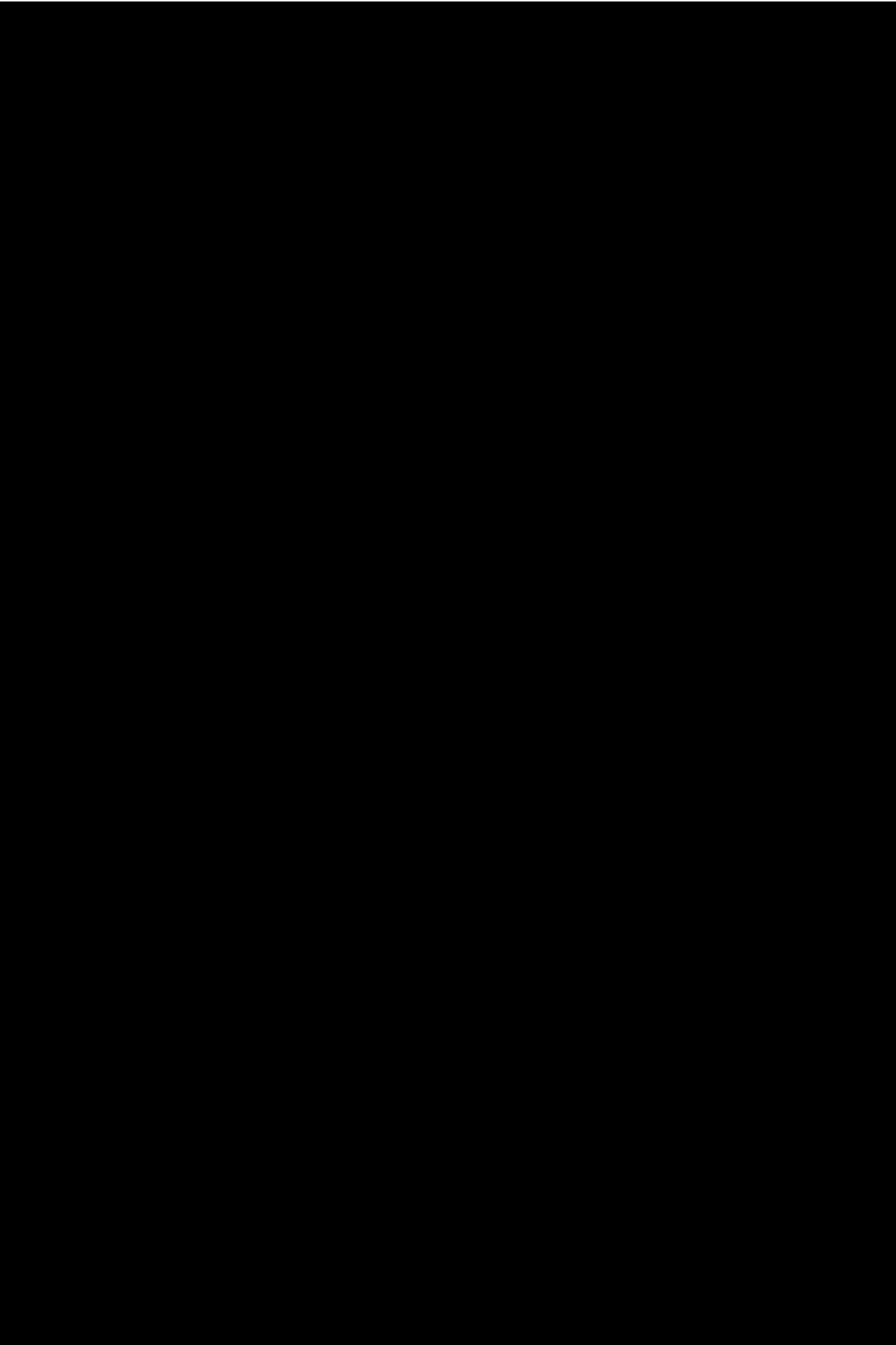
[Redacted]

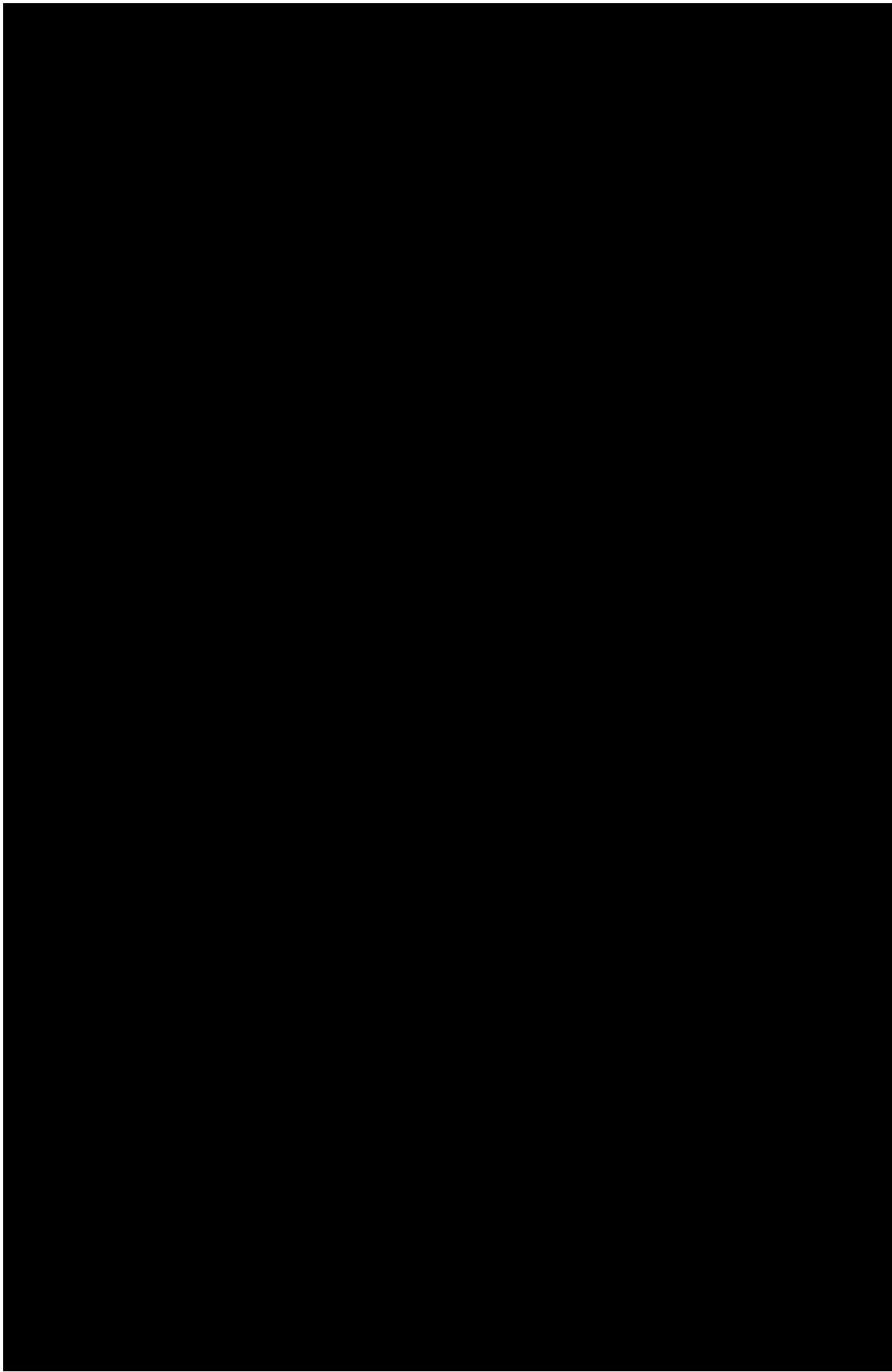
[Redacted]



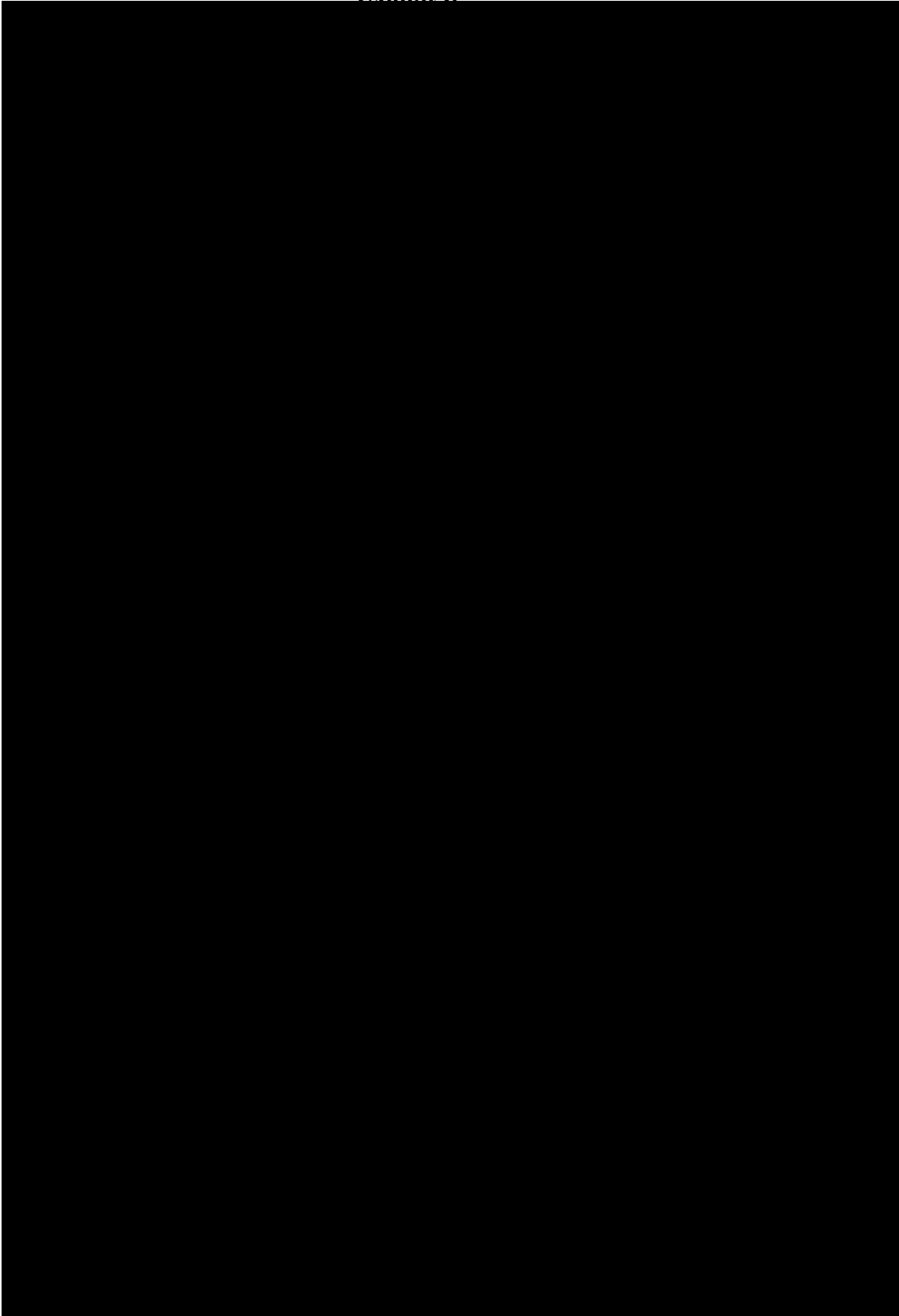
**Exhibit C**  
**(cont.)**



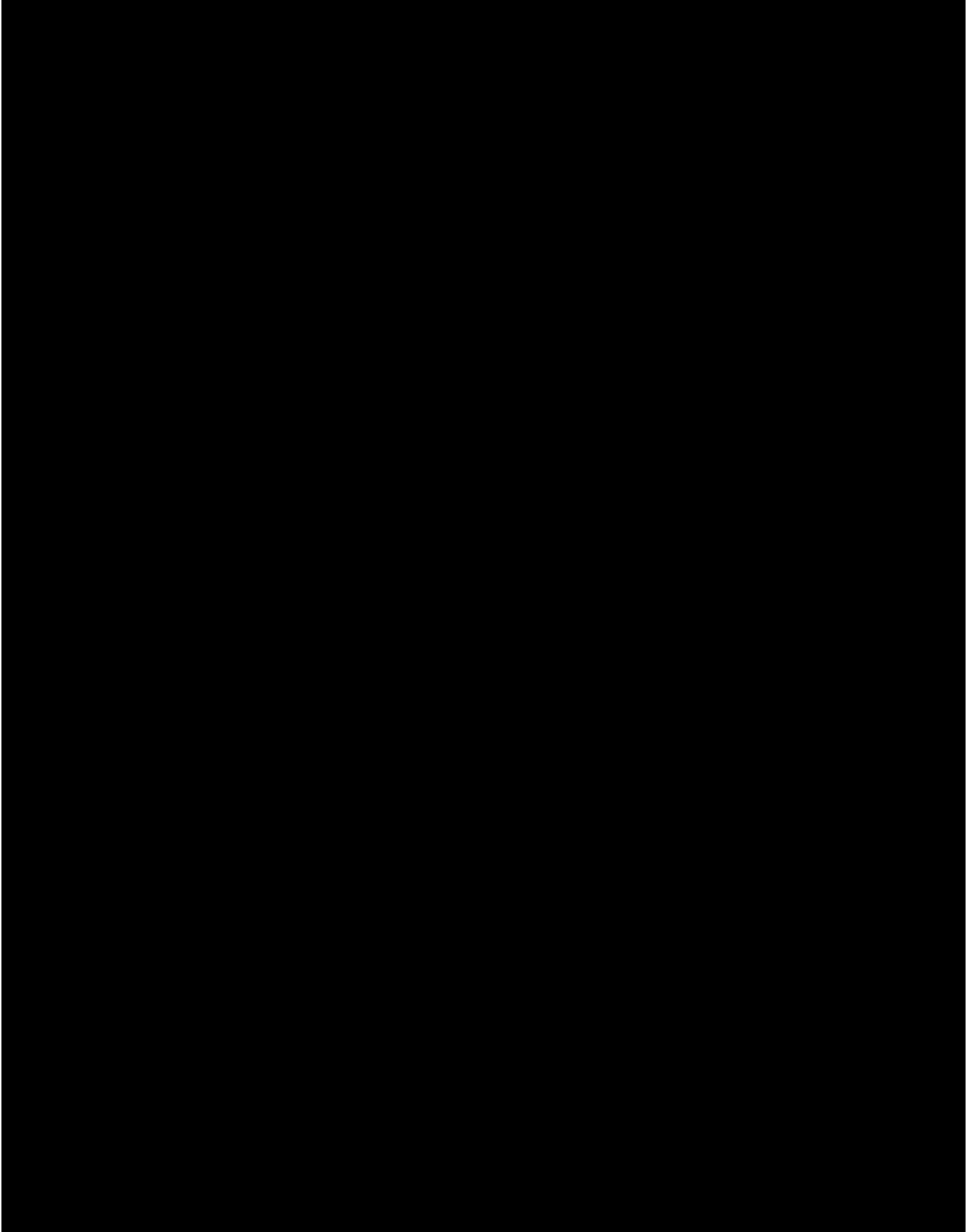




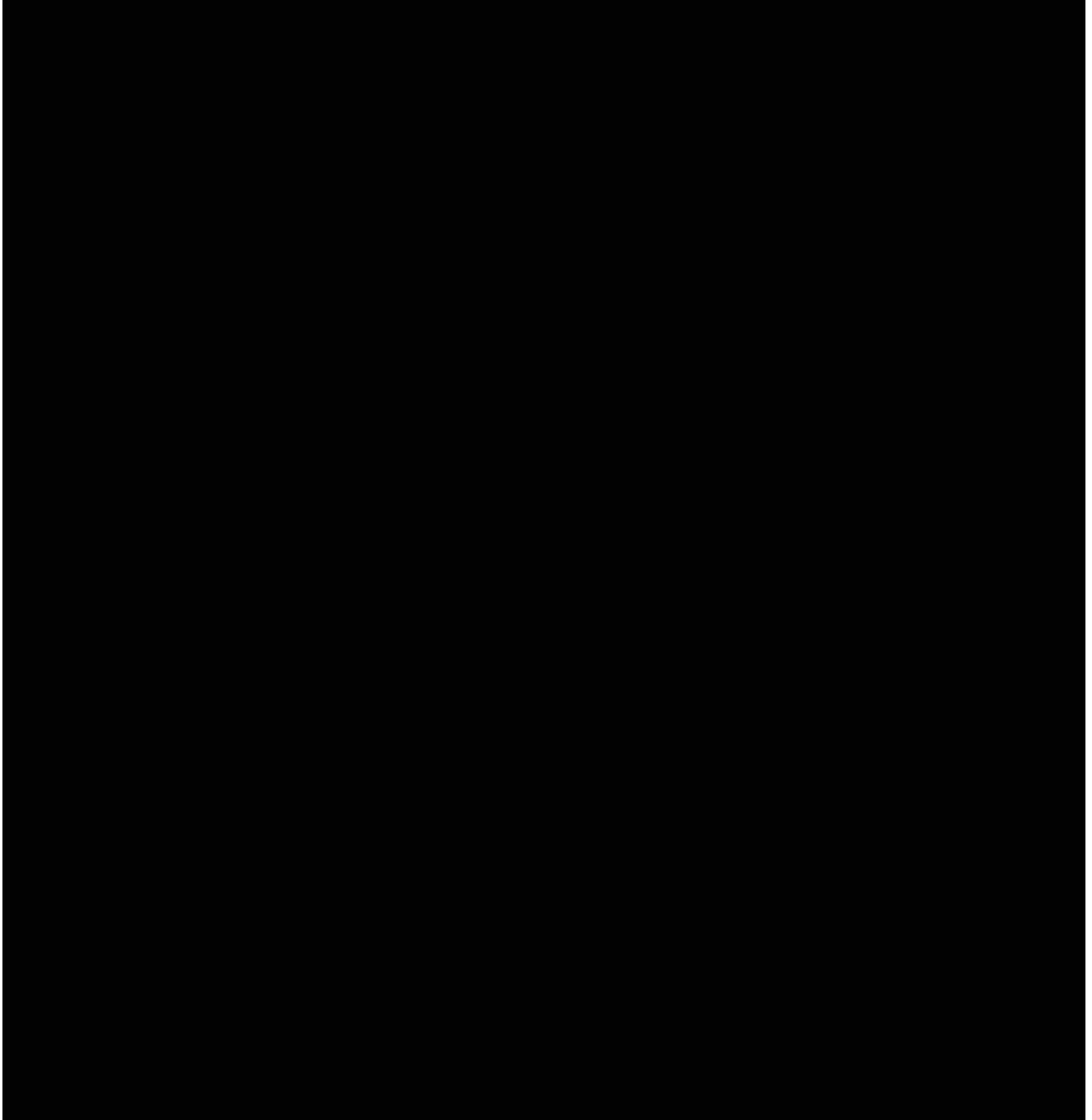
**Exhibit D**



**Exhibit E**



**Exhibit E**  
**(cont.)**



**Exhibit F**  
**SPILL ALLOCATION POLICY AND PROCEDURES**

During any hour that spill is occurring at the Priest Rapids Project in order to control the forebay elevation, the spill shall first reduce the inflow of each of the Purchasers whose pondage account is overfull proportionate to the amount of the overflow, but not exceeding the amount of the overflow. If unallocated spill remains, it shall next be allocated to reduce the inflow of each of the Purchasers whose request for generation is less than its entitlement during the hour, in proportion to the amount by which its request is less than its entitlement. Any remaining unallocated spill shall be allocated to reduce the inflow of all Purchasers in proportion to each purchaser's percentage rights to the Priest Rapids Project.

During any hour that spill is occurring at the Priest Rapids Project for fish or any other non-power purpose determined necessary or desirable by the District, the spill shall be allocated to reduce the inflow of all Purchasers in proportion to each purchaser's percentage rights to the Priest Rapids Project.



**Exhibit G**

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

**Exhibit H**  
**NO COAL ATTESTATION FORM**

**Exhibit I**  
**COAL DELIVERY ADJUSTMENT**

[REDACTED]

[REDACTED]

[REDACTED]

---

[REDACTED]

**Exhibit J  
CCA ADJUSTMENT**

[REDACTED]

[REDACTED]

---

[REDACTED]

**Exhibit K  
I-937 ADJUSTMENT**

[REDACTED]

[REDACTED]

**Exhibit L  
FORCASTED WRAP QCC**







**Exhibit M**







Exhibit N  
(cont.)

The table is a large grid with approximately 30 rows and 4 columns. The majority of the content is obscured by black redaction bars. A small, empty rectangular box is located in the bottom right corner of the table's main body. Below the table, there is a row of four small black squares, one centered under each of the first four columns. A thick black horizontal bar is positioned below the footer row.

**Exhibit N  
(cont.)**

The table consists of approximately 4 columns and 30 rows. The majority of the content is obscured by thick black redaction bars. The visible structure includes a header row at the top, followed by several rows of data, and a footer row at the bottom. The redactions are most prominent in the first and third columns, and in the bottom right corner of the table area.

Two large, solid black horizontal bars are positioned at the bottom of the page, completely obscuring any text or graphics that might have been present. The top bar is longer than the bottom bar.

**Exhibit O**

The table is almost entirely redacted with black bars. The only legible text is the header "Fixed Payments to Grant" located in the upper middle section of the table grid. Above the table, there are several horizontal black bars of varying lengths. To the right of the table, there is a small box with a downward-pointing arrow. The table itself consists of approximately 8 columns and 25 rows of data, with the content obscured by black redaction marks.

**Exhibit O  
(cont.)**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Exhibit P**  
**Contact Information**

All notice, demand or request made by mail shall be mailed postage prepaid and addressed to:

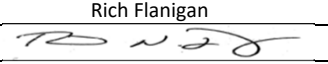
General Manager  
Public Utility District No. 2 of Grant County, Washington  
P.O. Box 878  
30 C St S.W.  
Ephrata, Washington 98823;

All notices made by email shall be emailed to:

<b>Contract Name</b>	<u>3-Year Percentage Sale (Slice) of PRP</u>	<b>Effective Term</b>	<u>Jan 1, 2024 through December 31, 2026</u>
<b>Counterparty</b>	<u>Portland General Electric</u>	<b>Execution Date</b>	<u></u>

For Power Contracts exceeding the limits in the Energy Management and Reporting Policy

## Grant County PUD Contract Approval Sheet

Pre-Execution Requirement	Task	Completed By	Date
<b>Contract Review and Approval</b>	District delegated representative has reviewed and approves the contract for the indicated purpose.		
<b>Financial Impact</b>			
<i>Commercial Rationale</i>	Wholesale Marketing Supply	Rich Flanigan 	25-Sep
<i>Power Supply Impacts</i>	Intentional Power Demand	John Mertlich <i>via email</i>	25-Sep
<i>Valuation, Market and Tail Risks</i>	Risk Management	ROC <i>EROC Minutes</i>	28-Sep
<b>District Ability to Perform</b>			
<i>Transmission</i>	Wholesale Marketing Supply	Susan Manville <i>via email</i>	25-Sep
<i>Balancing Area</i>	Dispatch	Mike Stussy <i>via email</i>	25-Sep
<i>Tagging and Scheduling</i>	Power Systems Control	Renate Rectenwald <i>via email</i>	18-Sep
<i>Daily Execution IT Support</i>	Power Systems Control	Kevin Carley <i>via email</i>	17-Sep
<b>Deal Management Review</b>			
<i>Wholesale Systems and Settlements</i>	Wholesale Marketing Supply	Renate Rectenwald <i>via email</i>	18-Sep
<i>Credit</i>	Risk Management	Paul Dietz <i>via email</i>	25-Sep
<i>Reliability and Compliance</i>	Compliance	Gene Austin <i>via email</i>	21-Sep
<b>Contract Review</b>			
<i>Legal Review</i>	Attorney	Mitch Delabarre <i>via email</i>	25-Sep
<b>Finance and Accounting Review</b>			
<i>Accounting Treatment</i>	Accounting	Jennifer Sager <i>via email</i>	22-Sep
<i>Billing</i>	Treasury	Jennifer Sager <i>via email</i>	22-Sep
<i>Treasury Issues</i>	Treasury	Angelina Johnson <i>via email</i>	22-Sep
<i>Bond Compliance</i>	Finance	Angelina Johnson <i>via email</i>	22-Sep
<b>Management Approval</b>			
<i>CXO Approval</i>	CCO	Ty Ehrman <i>via email</i>	25-Sep
<i>Commission Approval</i>	Attorney	Mitch Delabarre <i>via email</i>	25-Sep