

ANNUAL REPORT 2019



Powering our way of life.



WANAPUM DAM

Generation Units	10
Rated Capacity	1,203.6 MW
Concrete/Earthfill Length	8,637 FT
Rated Head	80 FT
Construction Started	1959
First Power Generation	1963

PRIEST RAPIDS DAM

Generation Units	10
Rated Capacity	950 MW
Concrete/Earthfill Length	10,103 FT
Rated Head	78 FT
Construction Started	1956
First Power Generation	1959

QUINCY CHUTE HYDROELECTRIC PROJECT

Rated Capacity	9.4 MW
First Power Generation	1985

POTHOLES EAST CANAL HEADWORKS PROJECT

Rated Capacity	6.5 MW
First Power Generation	1990

NINE CANYON WIND PROJECT

12.5% of Project Peak Capacity	12 MW
First Power Generation	2003



ELECTRIC SYSTEM

Overhead Distribution Lines	2,795 MILES
Underground Distribution Lines . . .	1,102 MILES
Overhead Transformers	24,477
Padmount Transformers	9,935
115kV Transmission Lines	282 MILES
230kV Transmission Lines	202 MILES



ACTIVE METERS

Residential	39,103
Irrigation	5,193
Industrial	122
Commercial	7,248
Large Commercial	107
Street Light and Other	439
Total Active Meters	52,212



SUBSTATIONS

Distribution	49
Transmission	5
Transmission/Distribution	3



HIGH SPEED NETWORK

Customers with fiber-optic availability	33,149
Customers using fiber-optic service	19,043
Customers using wireless service	290

As of Dec. 31, 2019





Grant PUD was established by local residents in 1938 to provide power service to all of the county's residents. We honor the resolve of our founders through our guiding vision, mission and values.

VISION

Excellence in service and leadership.

We continually ask how we can improve service quality, reliability and stewardship of our resources in the most cost-effective manner.

MISSION

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

VALUES

SAFETY:

Everyone home safe, every day.

INNOVATION:

We make decisions that best serve present and future generations.

SERVICE:

We are committed to excellent customer service.

TEAMWORK:

We are one team with the same mission.

RESPECT:

We honor the rights and beliefs of those we work with and serve.

INTEGRITY:

We hold ourselves and others accountable to be professional in our actions and words.

HERITAGE:

We preserve and perpetuate the spirit of the PUD and Wanapum relationship.





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Commissioners' Report

Grant PUD is poised to boldly move into the new decade.

We are modernizing our generation facilities so they will continue to safely and reliably serve us well into the 21st century. We are improving our power transmission and distribution system to make it more robust and responsive to meet the demands of constant growth throughout our whole customer base. We continue to extend our fiber networking services throughout Grant County. That network now provides the backbone of our advanced metering infrastructure, which allows us to better understand the power needs of our customers. And we are investing in technology and equipment so our workforce can be more efficient and responsive to the increasing demands for the services they provide.

These initiatives and many other improvement programs too numerous to mention are not optional for Grant PUD. They are necessary for us to fulfill our promise to the public who created us by popular vote in 1938.

When Grant PUD was formed, Grant County residents hoped it meant they would have low-cost, reliable power under local control for generations to come. While that dream has been realized, the residents of Grant County have also received something else through Grant PUD -- self-determination. A few decades later, Grant PUD, with the support of Grant County residents, developed a plan in the 1950s to build Priest Rapids and Wanapum dams on the Columbia River. With the backing of large regional utilities, who agreed to purchase power generated from the dams at cost, Grant PUD was able to issue bonds to pay for the construction, meaning that no public tax dollars were needed to fund the project.

The dams, which collectively make up the Priest Rapids Project, have the capacity to generate more than 2,100 megawatts energy. They are the engines that have helped our customers turn Grant County into a hub for diversified industries, with agriculture, food processing, manufacturing, data storage and tourism bringing diversity and balance into our economy.

Priest Rapids and Wanapum dams are more than just a local asset. For the past six decades they have produced reliable, zero-carbon emitting power throughout the region while providing safe passage for generations of ocean-going fish, serving as an important part of the Columbia River's flood control system, and providing recreational opportunities for millions.

As commissioners of Grant PUD, it is now our responsibility to honor the legacy of those who have come before us, while at the same time welcome change and innovation that can help us better serve the demands of a growing and more diverse Grant County. As we guide the direction of Grant County's utility, we will remain focused on what will provide the best long-term value for today and in the future. This focus on value has allowed us to keep power rates low for our customers, while we make needed upgrades to our infrastructure and expand our power and fiber services throughout the county.

We know that Grant PUD has never been more ready to meet the challenges of the future than it is today. That is a consequence of decades of bold leadership with a vision to achieve great things. It is now our turn to guide this utility into the future and we are excited to see what we can achieve in the 2020s.



Dale Walker

Commission President



Tom Flint

Commission Vice President



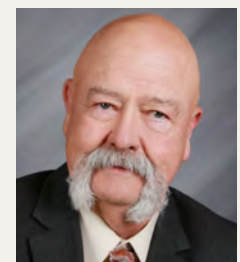
Larry Schaapman

Commission Secretary



Judy Wilson

Commissioner



Nelson Cox

Commissioner

Manager's Report



Kevin Nordt
General Manager

As I write this in March 2020, Grant PUD is caught up in the early stages of the coronavirus pandemic. We've closed our buildings and facilities to the public. All but those employees needed to keep the dams, electric system and fiber network operating are working remotely to prevent the spread of the virus. Things like this – social distancing – are top-of-the-list recommendations by our state and county health experts.

Before I dive into the very positive highlights of 2019, I need to say how proud I am of this crew. Keeping this big ship sailing is no small task even under the best conditions. My coworkers have pulled through in a way that makes me humbled to be associated with them.

We don't know how bad it's going to get at this point, but I'm already confident we'll be OK, thanks to their leadership, creativity and get-it-done nature. Excellent job!

OK. Our industry is changing as more wind and solar energy come online and a new law seeks to eliminate carbon from the state's energy supply. Clean, renewable hydropower has a very big roll to play in this zero-carbon scenario. This challenge brings with it interesting opportunities and markets for our hydropower, which can fill in the gaps when the sun isn't shining and wind isn't blowing.

We worked hard with our state lawmakers and our industry partners to get the message out and lobby for the same tax breaks for hydro now given only to other renewables. We'll keep the pressure on this year.

Many things came together nicely for us in 2019. Here's a quick look:

Strong financial position:

Nearly a decade of careful budgeting, planning and managing our wholesale energy portfolio have yielded some of the strongest finances this utility has enjoyed in many years. Most of our strategic metrics are on track. We've paid down or refinanced debt to reduce long-term debt service. Our customers have been patient with us, too. We didn't need to raise their electric rates for the first time in nearly a decade. No rate increases or new debt are planned for 2020.

Fiber-optic build out:

Commissioners are solidly behind our continued expansion of the Grant PUD fiber-optic network to the remaining 25% or so of customers who still don't have access. An aggressive build-out schedule and some creative marketing by our Public Affairs folks combined for us to have the highest number of fiber customers in our history. Nearly 58 percent of those who have the network available to them actually take the service. We expect that number to grow as the build-out continues.

Evolving industry customers:

Our new Rate Schedule 17-Evolving Industry for nascent, higher-risk, high-energy-use customers and related hook-up policy settled into place with good results. The Evolving Industry rate requires higher-risk businesses to pay a higher, all-in electricity rate to protect Grant PUD and our customers from the higher concentration and regulatory risk they present. Currently, cryptocurrency mining operations are the only customers that qualify for this rate class, but it applies to any business that has an elevated risk profile. The new rate has been challenged in court and we've come out on top. An appeal is still possible, so we'll see what this year brings.

Technology:

We're making a big investment in moving our databases and information processing systems to the cloud for better security and to give our employees the technology they need to work at a modern-day level of efficiency. We overhauled our human resources system and more is on the way. This is long overdue, and we have great people in place to make this move to the 21st century happen.

Load growth and aging infrastructure:

Keeping our machines and systems operating efficiently is a never-ending task at a public utility. We expect to hit a milestone this year (2020) by completing a decade-long project to upgrade all 10 turbine/generating units at Wanapum Dam. Upgrades are underway on the 10 units at Priest Rapids Dam. Our electric system is also undergoing constant renovation and expansion to accommodate growing load. Another round of system improvement is in the planning stage to add more reliability and capacity starting this year.

In all these areas we have capable teams in place to make this work happen and ready Grant PUD for the future. More challenges on the way? Bring 'em on.

Powered by History

1938 - Grant County PUD No. 2 was created by a majority vote of 2,166 to 828. Grant County PUD No. 1, which was previously created to serve just a portion of the county, was absorbed into the new, county-wide utility.

1941 - Grant PUD receives a \$600,000 loan from the Rural Electrification Administration to finance construction of approximately 440 miles of electric distribution lines in Grant and Douglas counties and to pay for the Coulee City and Soap Lake electric systems.

1945 - Grant PUD moves its offices from Soap Lake to Ephrata, the seat of Grant County.

1949 - Grant PUD works out procedures with Grant County and U.S. Bureau of Reclamation to provide electrical service to new farmland being developed as part of the Columbia Basin Reclamation Project.

1951 - Representatives of the Grant County Chamber of Commerce appeared before the Grant PUD Board of Commissioners and asked the PUD to consider constructing a dam at Priest Rapids.

1955 - The Federal Power Commission issued Grant PUD a license to build and operate two dams, known collectively as the Priest Rapids Project.

1957 - Governor Albert Rosellini turned a valve starting the first concrete pour at Priest Rapids Dam.

1959 - Construction began at Wanapum Dam, which was authorized as part of the Priest Rapids Project.

1962 - Priest Rapids Dam, with a generating capacity of 953 megawatts, was dedicated. U.S. Secretary of Commerce, Luther Hodges was the keynote speaker. Approximately 900 people attended.

1964 - The 10th and last generator went into production at Wanapum Dam, which at the time had a capacity of 1,040 megawatts. This made Grant PUD the third largest, non-federal producer of hydroelectric power in the nation.

1966 - Wanapum Dam is dedicated. Activities focused around the new heritage center, which opened to the public for the first time. Approximately 1,900 people were in attendance at the ceremony.

1976 - The Ephrata Service Center is completed and dedicated in honor of Bill Schempp's service to the Grant PUD.

1982 - Vera Claussen was the first woman elected to the Grant PUD Board of Commissioners.

1985 - The Quincy Chute hydroelectric project made its first commercial power output. The facility is operated by Grant PUD under agreement with the Grand Coulee Project Hydroelectric Authority and has a rated generating capacity of 9.4 megawatts.

1990 - The first commercial operation of the Potholes East Canal Headworks hydroelectric project began. The facility is operated by Grant PUD under agreement with the Grand Coulee Project Hydroelectric Authority and has a rated generating capacity of 6.5 megawatts.



2000 - Grant PUD commissioners authorized construction and testing of a full-size, prototype of the new advanced turbines to be installed in Wanapum Dam.

2001 - Grant PUD's new fiber optic network began serving customers.

2007 - Grant PUD Commissioners approved a 20-percent discount for low-income customers who are seniors or disabled. The customers must have incomes that are less than 150 percent of the poverty guidelines.

2008 - The Federal Energy Regulatory Commission awarded Grant PUD a new 44-year license to operate the Priest Rapids Project.

2008 - The Wanapum Fish Bypass Unit, which allows migrating juvenile salmon a safer passage over Wanapum Dam, while conserving water for generating capacity, began operating.

2012 - Construction began on the Priest Rapids Dam Fish Bypass Unit. The project converted three spillway bays into chutes that use a minimal amount of water to safely get juvenile salmon past the dam.

2013 - Grant PUD celebrates the completion of its Advanced Turbine Replacement Project at Wanapum Dam. The project included the replacement of all 10 of the dam's original turbines.

2014 - A fracture was discovered on the Wanapum Dam Spillway in February. The fracture, below the water line on the upstream side of the dam, ran across the 65-foot width of one of the 13 spillway-pier monoliths. Grant PUD reduced the pressure behind the dam by lowering the Wanapum reservoir by 26 feet, then reinforced the spillway with post-tension anchors and metal rods, before raising the reservoir in December.

2014 - The Priest Rapids Fish Bypass began operations in time for the spring juvenile fish migration season.

2015 - The new Wanapum Heritage Center opened in October. Located on the ancestral grounds of the indigenous Wanapum Band of the Priest Rapids, the 50,000 square-foot facility is a key element to protecting, preserving and perpetuating the culture, traditions and identity of the Wanapum people. In December, Grant PUD opened its new visitors center near Wanapum Dam. Experience the Power of the Columbia allows visitors to see how the Columbia River has shaped Grant County.

2016 - Construction begins on the first phase in the renovation of the Crescent Bar Recreation Area. The first phase includes a new boat launch and dock, walking path, RV campsite, parking and recreation amenities.

2017 - Grant PUD launched its Advanced Metering Program, which will replace approximately 50,000 meters in the county with new meters that can be read remotely.

2018 - The construction project to renovate the Crescent Bar Recreation Area was completed. The multi-year project included a new campsite, boat launches, docks, playground, walking path and water and wastewater facilities.

2019 - Grant PUD establishes the Pay-it-Forward program in partnership with two of its large industrial customers to provide funds from energy conservation rebates totaling approximately \$500,000 toward programs that benefit Grant County residents.



2008



2015



2017



2018



2019

Powered by Heritage

For more than 60 years, the Wanapum and Grant PUD have worked together to protect, preserve and perpetuate the natural and cultural resources of the area. Located next to the Wanapum’s ancestral village and Priest Rapids Dam, this 50,000 square-foot building is instrumental in perpetuating the importance of the culture, traditions and beliefs of the Wanapum. For more information about the Wanapum and the Wanapum Heritage Center, visit wanapum.org.



REX BUCK JR.
Wanapum Leader



Archaeology Days

The Wanapum Heritage Center and Grant PUD together host Archaeology Days, now in its 20th edition. The annual, 3-day event drew nearly 900 school children and adults in 2018, alone. Kids come to learn Native American crafts, pastimes and culture. They race solar-powered cars, learn about hydropower, observe fish and wildlife, and discover area geology and its cultural richness. On “adult day,” grownups come for a day of Native American-themed talks by area experts and enjoy a fresh salmon lunch. The Wanapum Band of the Priest Rapids Indians live on their ancestral lands on the west end of Grant PUD’s Priest Rapids Dam. Our close relationship with the Wanapum and the event’s spectacular setting at the Wanapum Heritage Center, tucked into the sage-covered Columbia River shoreline, make this one of the year’s most anticipated events.

Powered by Innovation

Since innovation plays such an important part in Grant PUD's mission and values, we wanted to give you a peek into just a few projects our team has been working on.

Design Build

Extraordinary load growth has demanded a faster way for Grant PUD to build distribution infrastructure and substations. Grant PUD was the first public utility district in Washington State to utilize the progressive design-build option to build, expand or rebuild eight substations all within 24-months.

More Precise Cost Tracking

Precisely tracking and controlling costs is key to keeping rates low and making sound business decisions for our customers. A new "data optimization" cost-tracking system now provides a much more detailed look at how Grant PUD spends money. This new tool promises to be a game-changer toward efficient spending and better decision making.

Environmentally Acceptable Lubrication (EAL)

This biodegradable and non-toxic grease is a relatively new product in the hydro industry that we are currently testing on a fish ladder pump. It is one of the many steps the district is taking to be on the forefront of advancement.

Lamprey Passage Modifications

Grant PUD has made modifications to make it easier for Pacific Lamprey, an important part of the Columbia River ecosystem, to pass through the fish ladders at Wanapum and Priest Rapids dams.

Advanced Metering Program

Grant PUD has installed advanced remote read meters throughout the county as part of its Advanced Metering Program. The remote meters have the following benefits for customers:

- Reduced operating costs to help keep power rates low.
- Fewer visits by Grant PUD employees to customers' property.
- More information to help customers with conservation efforts.
- Opportunities to improve outage responses.





Power demand and generation is measured

EVERY SECOND

of every day.

LENGTH OF THE COLUMBIA RIVER:

1,200 MILES



The Columbia River Basin touches

SEVEN STATES

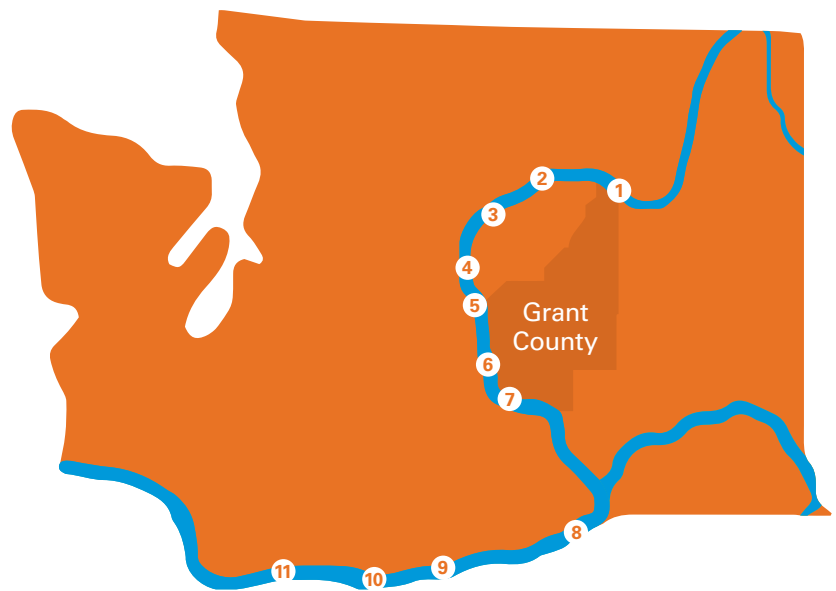
2,700 FT



The approximate vertical drop of the river from the headwaters of the Columbia to its final resting place in the Pacific Ocean.

Powered by the Columbia

The Columbia is a river of unmatched proportions. The 11 U.S. dams that transform the power of the Columbia's flowing water into hydropower are equally unrivaled.

Dam operators each work to reduce the water flowing over spillways as much as possible to diminish dissolved gases that could be harmful to fish, provide optimal river levels and flows for fish passage and spawning conditions, keep reservoirs full so farmers can irrigate crops, and generate power in a concerted effort to ensure that the right amount of energy is available when it is needed by millions of customers.



- 1 Grand Coulee Dam**
(River Mile 596.6)
Rated Capacity: 6,809 MW
Bureau of Reclamation
- 2 Chief Joseph Dam**
(River Mile 541.1)
Rated Capacity: 2,614 MW
Corps of Engineers
- 3 Wells Dam**
(River Mile 515.1)
Rated Capacity: 840 MW
Douglas PUD
- 4 Rocky Reach Dam**
(River Mile 473.0)
Rated Capacity: 1,300 MW
Chelan PUD
- 5 Rock Island Dam**
(River Mile 453.4)
Rated Capacity: 624 MW
Chelan PUD
- 6 Wanapum Dam**
(River Mile 415.8)
Rated Capacity: 1,203.6 MW

- 7 Priest Rapids Dam**
(River Mile 397.1)
Rated Capacity: 950 MW

- 8 McNary Dam**
(River Mile 292.0)
Rated Capacity: 980 MW
Corps of Engineers
- 9 John Day Dam**
(River Mile 215.8)
Rated Capacity: 2,480 MW
Corps of Engineers
- 10 The Dalles Dam**
(River Mile 191.5)
Rated Capacity: 2,160 MW
Corps of Engineers
- 11 Bonneville Dam**
(River Mile 145.5)
Rated Capacity: 1,227 MW
Corps of Engineers

Powered by Clean, Renewable Energy

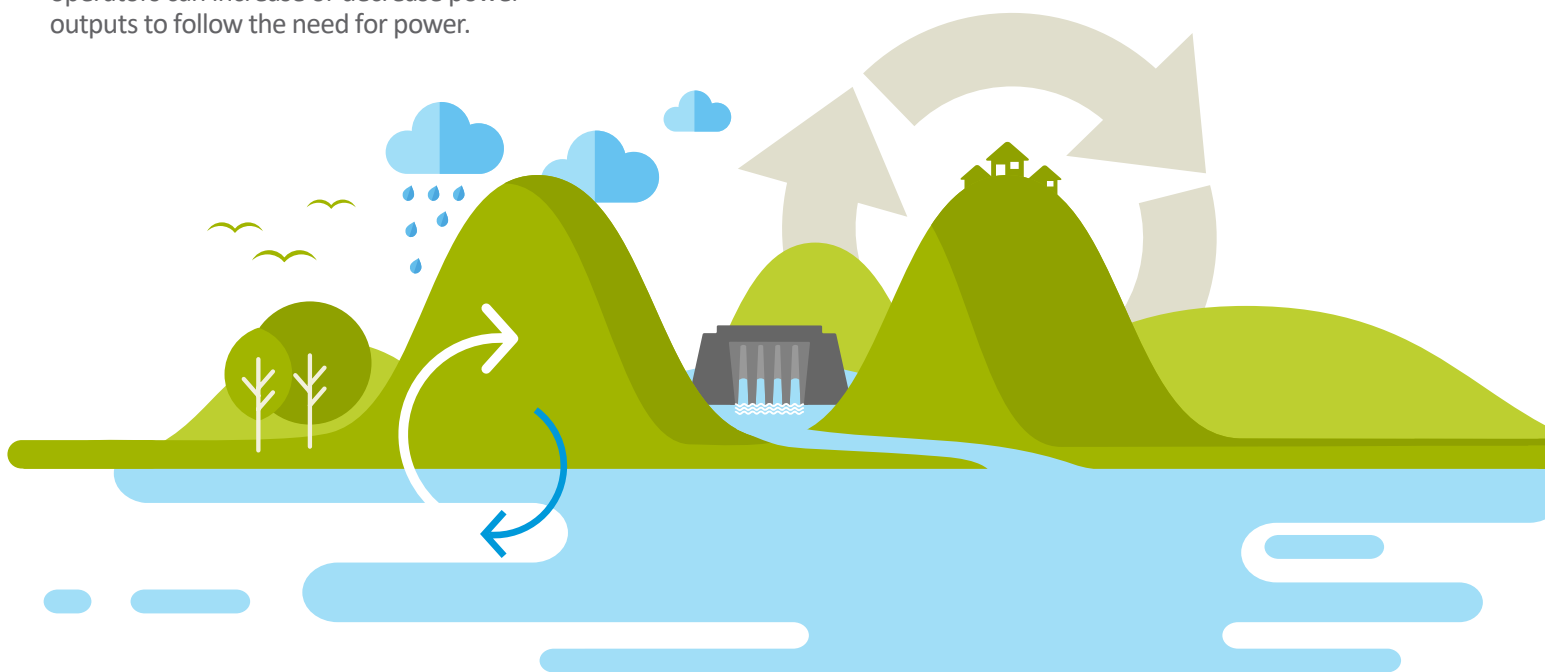
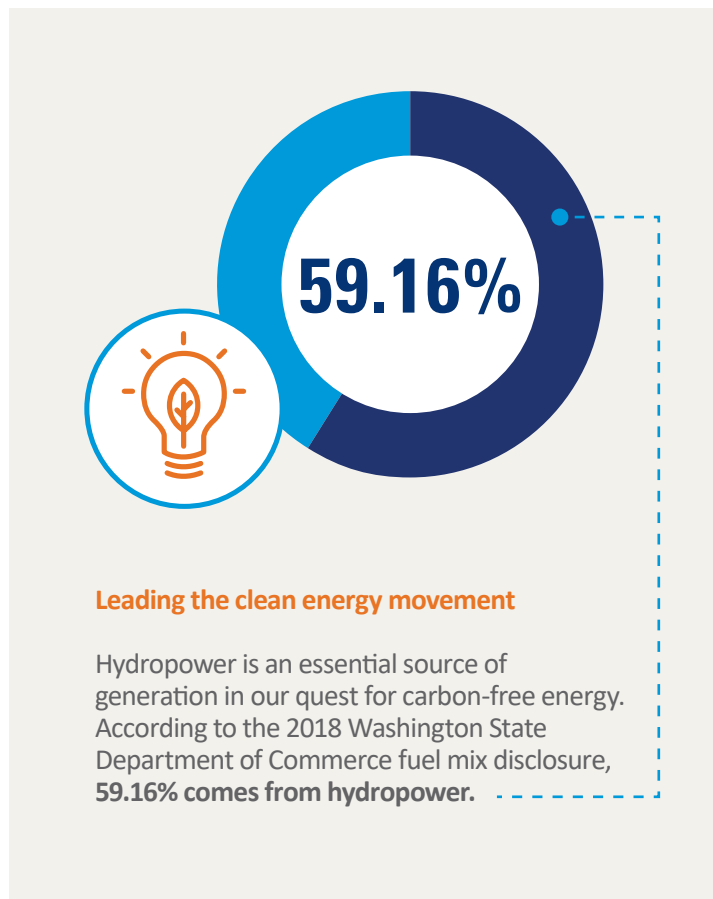
Built more than a half a century ago, Priest Rapids and Wanapum dams are the economic engines that power Grant PUD's ability to provide low-cost, reliable electricity to our customers. We are now investing millions of dollars to rehabilitate our turbines and generators to ensure that they will continue to be a source of clean, renewable energy in our region for decades to come.

Green – and getting greener

Thanks to hydropower, Washington's energy is among the cleanest and least expensive in the nation. As we become even more green by bringing on variable energy sources, such as wind and solar, hydropower can help fill the role of being an on-demand energy provider. This ability ensures a clean, reliable and inexpensive energy for our growing region.

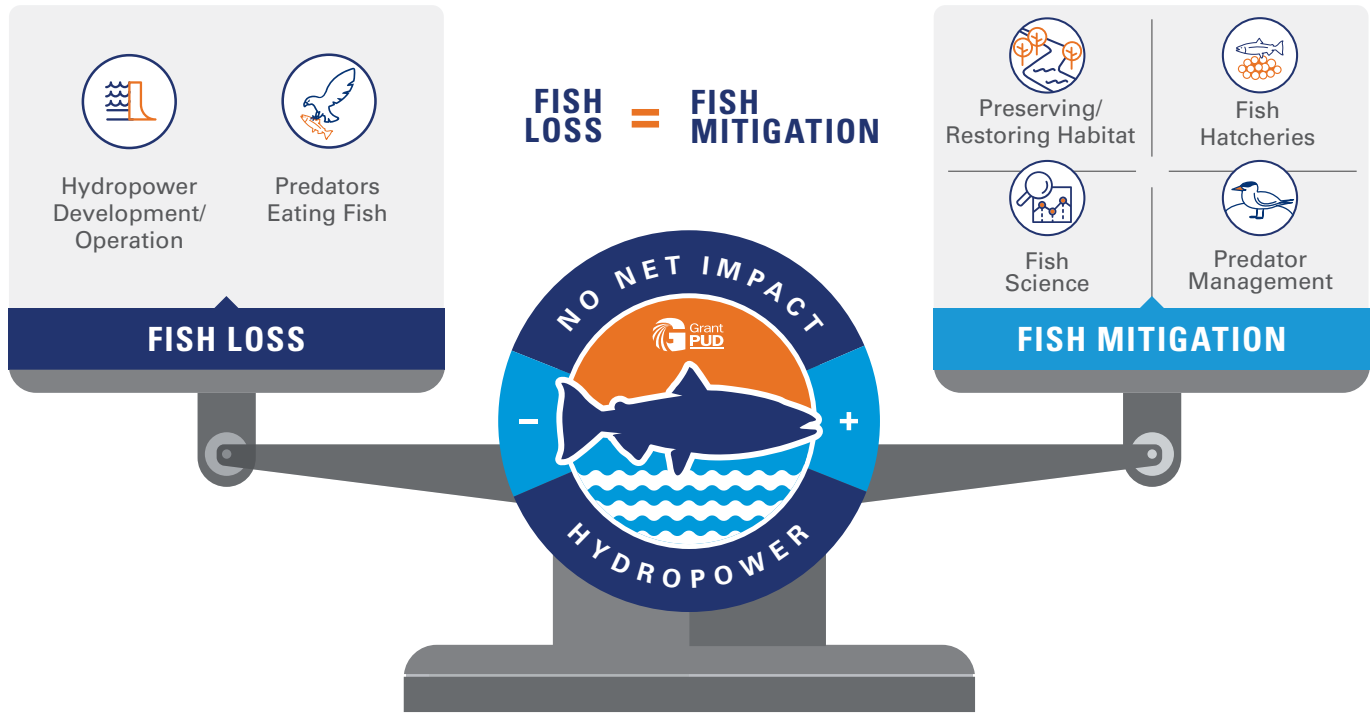
Keeping Washington wired

Washington is a great place to live and our state's population continues to grow. As the population grows, so does energy consumption, especially in the more extreme winter and summer months. Luckily, hydropower enables a quick response to peak demands. In just a few seconds, hydro operators can increase or decrease power outputs to follow the need for power.



No Net Impact Hydropower

No Net Impact (NNI), an uncommonly high standard for power producers, is a standard Grant PUD achieves to make up for the losses of salmon, steelhead and Pacific lamprey that migrate through our hydropower project.



HIGH LEVEL OF REVIEW, OVERSIGHT AND COORDINATION

Grant PUD's NNI mitigation is overseen and approved by committees with representatives from:

- | | | |
|--|---|--|
| National Oceanic and Atmospheric Administration | U.S. Fish and Wildlife Service | Washington Department of Fish and Wildlife |
| The Confederated Tribes and Bands of the Yakama Nation | The Confederated Tribes of the Colville Reservation | The Confederated Tribes of the Umatilla Indian Reservation |

GRANT PUD'S NNI FUND & HABITAT FUND CONTRIBUTIONS

The total amount of annual contributions into the NNI Fund and Habitat Fund made by Grant PUD so far (2006-2019):

\$41 MILLION

This money funds projects ranging from predator removal, adult fish passage, habitat restoration, instream flow enhancements, avian predator evaluations, land acquisitions, fish screen monitoring, and diversion assessment.

JUVENILE SALMON & STEELHEAD SURVIVAL RATES*

Studies are conducted regularly to estimate juvenile loss and are overseen and approved by the Priest Rapids Coordinating Committee.

Adult survival is nearly 100%.



Spring Chinook Salmon



Sockeye Salmon



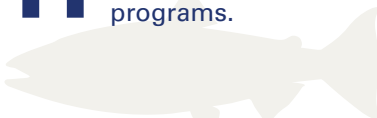
Steelhead Trout

*For both Priest Rapids and Wanapum Dams.



HATCHERY PRODUCTION

11 Grant PUD hatchery salmon and steelhead programs.



**8 Chinook, 1 Sockeye,
1 Coho, 1 Steelhead**

In 2019, Grant PUD's hatchery programs released approximately **8.8 million salmon and steelhead*** into the upper Columbia River and its tributaries. Hatchery programs are intended to aid in the restoration of salmon and steelhead listed under the Endangered Species Act, as well as mitigate for impacts to non-listed salmon. Fish produced via hatchery programs provide harvest opportunities from the Columbia River to Alaska.

*Source: Grant PUD (Public Utility District No. 2 of Grant County). 2020. Calendar Year 2019 Activities Under Priest Rapids Hydroelectric Project License FERC No. 2114, Ephrata, WA.



HABITAT PRESERVATION/RESTORATION

Most of the projects are conducted in habitats of the **Wenatchee, Entiat, Methow, and Okanogan basins** in areas that were impacted by non-hydro activities.



Funds have been used for projects such as:

- ✓ Land Acquisition and Easements
- ✓ Fish Passage
- ✓ Habitat Enhancement
- ✓ Instream Flow



FISH SCIENCE

Grant PUD generates and uses the best available science to ensure it is meeting the NNI standard.



The science allows for informed changes to improve programs.

It also contributes knowledge, tools, and approaches to scientists and resource managers throughout the world by publishing results.



OTHER MITIGATION

The clean and sustainable power we generate helps sustain climate conditions beneficial to native species.

Grant PUD also invests in a variety of other activities to avoid, reduce, monitor, and mitigate impacts to plants and animals.

These programs aim to benefit:



Sturgeon



Bull Trout



Rainbow Trout



Pacific Lamprey



Bald Eagles



Rare Plants

Powered by Service

The collective efforts of Grant PUD and its employees to give back to the communities we serve were recognized in June, 2019 with the American Public Power Association's (APPA) Community Service Award.

The national award honors exceptional commitment on behalf of utilities and their employees to their communities. The association presented the award June 11 at its National Conference in Austin, Texas.

From fundraisers and food drives to advocacy and education, Grant PUD's application for the award successfully encapsulated decades of ongoing community service at all levels of the utility. The award honors a collective effort to be a compassionate partner and public citizen across social, cultural, educational and economic fronts.

"The compassion and dedication of our employees is our biggest asset at Grant PUD," General Manager Kevin Nordt said of the honor. "It's humbling to receive a national award, but gratifying to know that a lot of hard work by a lot of caring people hasn't gone unnoticed."

"We commissioners have enjoyed enough VoltsWalkers' cancer-care fundraising luncheons, barbecue fundraisers and turns in the Grant PUD booth at the fair to know that this utility and its employees go the extra mile for this community," said Commission President Dale Walker. "We're proud of them."

Grant PUD and its employees' community outreach includes fundraising for cancer care and treatment, support for Seattle Children's Hospital, scholarships for students with an autistic sibling, school and library education programs about energy and salmon survival, support for water safety via The World's Largest Swim Lesson event, and Archaeology Days, a celebration of Native American culture, area geology and history.



In June of 2019, Grant PUD was recognized with the APPA Community Service Award.

Here are more examples of some of the service projects Grant PUD employees have developed and participate in:

- **VoltsWalkers**
- **Share the Warmth**
- **John Lunderville Foundation**
- **Support for Seattle Children's Hospital**
- **McKenna's Open Cupboard Annual Peanut Butter Drive**
- **Steve Koziol Memorial Salmon Derby**
- **Holiday giving trees**

Our employees also participate in a host of smaller community events around the county, including an environmental fair at a local community college, hydropower "water cycle" workshops for kids in county libraries, job fairs, business expos and more.



Fill the Bucket Food Drive for Grant County food banks

In 2019 Grant PUD hosted its second annual "Fill the Bucket" Food Drive and United Way rally with lobby displays that included actual bucket truck buckets for customers and employees to fill with donated food. Employees also pledged a collective of almost \$12K to come out of their 2020 paychecks to go to the United Way of Grant County.

Powered by Education

Certain aspects of our work can't be measured in a bottom-line number on a financial statement. Some of our most significant accomplishments occur as we invest in community education programs to help children realize their potential and teach them about electrical and water safety.

Solar Cars

Each spring, fifth graders around Grant County visit Big Bend Community College for Solar Races and Energy Science Days. The event, which is presented in partnership with several area businesses and organizations, focuses on renewable energy sources including hydropower, solar and wind energy. Students enjoy hands-on experiences with one of the highlights including the opportunity to build and race solar-powered cars.

Library Program

Throughout the summer, Grant PUD visits local libraries throughout the county as part of the North Central Regional Library's Summer Reading Program. The program shows how the naturally-occurring water cycle allows power companies like Grant PUD to generate electricity. The program also teaches children how to be safe around power and in the water.

Grant County Fair

Each August Grant PUD can be found at Grant County Fairgrounds for the Grant County Fair. In addition to fun giveaway items found at our booth, visitors can also explore the culture of the Wanapum at their traveling exhibit. Also, every evening Grant PUD's line crew provides their electrical safety demonstration.

Salmon in the Classroom

Hundreds of students in our county learn about the life cycle of salmon and their amazing journey from their native streams to the Pacific Ocean and back home to spawn as adults. The program allows for the students to raise salmon from fry to smolts ready to migrate in their classroom and then release them into the river, reinforcing their education about the importance of these species in our culture.



Grant PUD operates

20

RECREATION SITES

Grant PUD Visitor Center and Wanapum Heritage Center offer

FREE ADMISSION



Three of our campsites have the option to

BOOK ONLINE

In 2019 Crescent Bar Recreation Area saw a

20%

increase in visitors from the year before.



Powered by Recreation

As a federally-licensed dam operator on the Columbia River, one of our main responsibilities is to provide for public access and recreation along our project lands. In the past decade, we have made significant upgrades to 19 recreation sites and opened our visitors center at Wanapum Dam. We invite all to come to one of these sites and enjoy the power of the Columbia. For a full list of all recreation sites and campsite fees visit grantpud.org/recreation.



Grant PUD Visitors Center











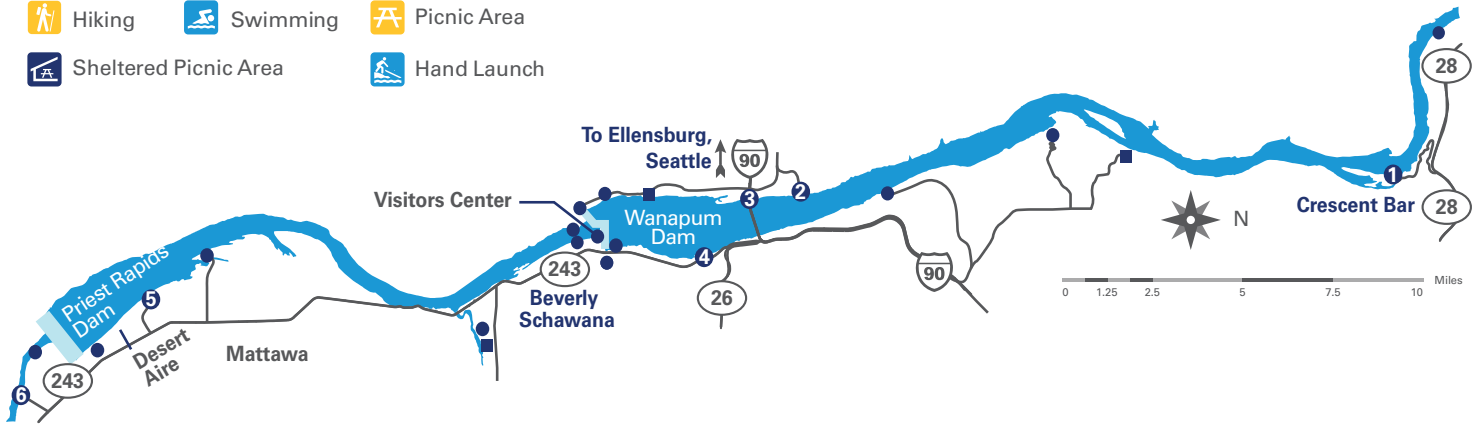
Experience the Power of the Columbia River! Hands-on activities, exhibits, and interactive features show how the Columbia River shaped Grant County. Visitors can see how Wanapum Dam works, learn about the different types of fish, and discover how Grant PUD is powering our way of life.

Also, as part of our Visitor's Center experience, we have our Wanapum Dam Turbine Park and the Wanapum Dam Overlook.

Wanapum Dam Turbine Park: This picnic area has shaded tables and an irrigated lawn. Wanapum Dam and fish bypass can be viewed from this location. Other features include interpretive signage/kiosks and trail, restroom, and turbine interpretive elements.

Wanapum Dam Overlook: See the scenic vista that showcases views of Wanapum Dam and Sentinel Gap. Information about the Ice Age Floods that explain the landscape is available, as well as a picnic area, shelter and restrooms.

-  Fishing
-  Camping
-  Boat Launch
-  Hiking
-  Swimming
-  Picnic Area
-  Sheltered Picnic Area
-  Hand Launch



1 Crescent Bar Recreation Area

Amenities include a 55-site reservation campground (tent/RV and vehicle/boat trailer), golf course, two boat launches, day-use and commercial marina, a floating fuel station, walking/biking trails, picnic shelters, playground, sports courts (pickleball, basketball), and multiple beach areas.



2 Rocky Coulee Recreation Area

Amenities include camping and day-use opportunities, 10 primitive first-come, first-served walk-in campsites, 14-vehicle parking area, and hand boat launch.



3 Vantage Boat Launch

Amenities include: two-lane boat launch, ADA boarding float, picnic tables, restrooms and potable water.



4 Sand Hollow Recreation Area

Amenities include camping, picnic areas, a swim beach, and 40-site reservation campgrounds. 30 of the campsites are accessible by vehicle (tent/RV and single vehicle), 10 campsites are primitive walk-in tent only sites.



5 Priest Rapids Recreation Area

Amenities include camping, boating and day-use opportunities, 14-site reservation campground (tent/RV and single vehicle), three-lane boat launch, walking/biking trails, picnic areas, and swim beach.



6 Jackson Creek Fish Camp

Amenities include camping and fishing opportunities, 10 primitive first-come, first-served campsites, and walk-in fishing access.



71%

of county residents and businesses currently enjoy access to Grant PUD Fiber.

1,527 MILES

of fiber optic cable



19,043

Current Subscribers

and

33,149

Potential Subscribers

Tom Flint (Grant PUD Commissioner) and Rahul Joshi (Microsoft) at George Fiber ribbon-cutting ceremony in 2019.



Powered by Fiber

When Grant PUD was created in 1938, its mandate was to provide low-cost power to everyone in Grant County, whether they lived in the county's largest towns or miles away on remote farms or wilderness.

In the years following, this vision was finally realized as power service provided by our county-wide utility was extended to all. And, because of this available low-cost power, our county has seen tremendous economic growth and prosperity.

Now we are embarking on a similar mission, to provide a necessity of modern life throughout the county - broadband networking through fiber optic service. We began this journey in the early part of our present century as one of the first in Washington state to provide fiber service to the home. Now 20 years later, we have fiber available to 75 percent of our customers in the county and we have plans to extend fiber to the rest of the county within in this decade.

We believe that providing the fiber backbone that connects our homes, farms, businesses and public services to the tools needed to function in our technology-based reality honors the legacy of our public power pioneers. We are excited to see how our fiber expansion initiative will help our county prosper in the decades to come.

2019 Construction

Completed or near completion

- Crescent Bar: Off Island + Trinidad
- Beverly and Schawana
- Sunland Estates
- Coulee City Area
- Blue Lake/Park Lake/Alkali Lake
- Ancient Lake/White Trail
- McConihe/Neppel/Stonecrest
- ML: Complete Base Area
- Kittleson/Rd N Industrial/Wheeler



Fiber Expansion Sequence

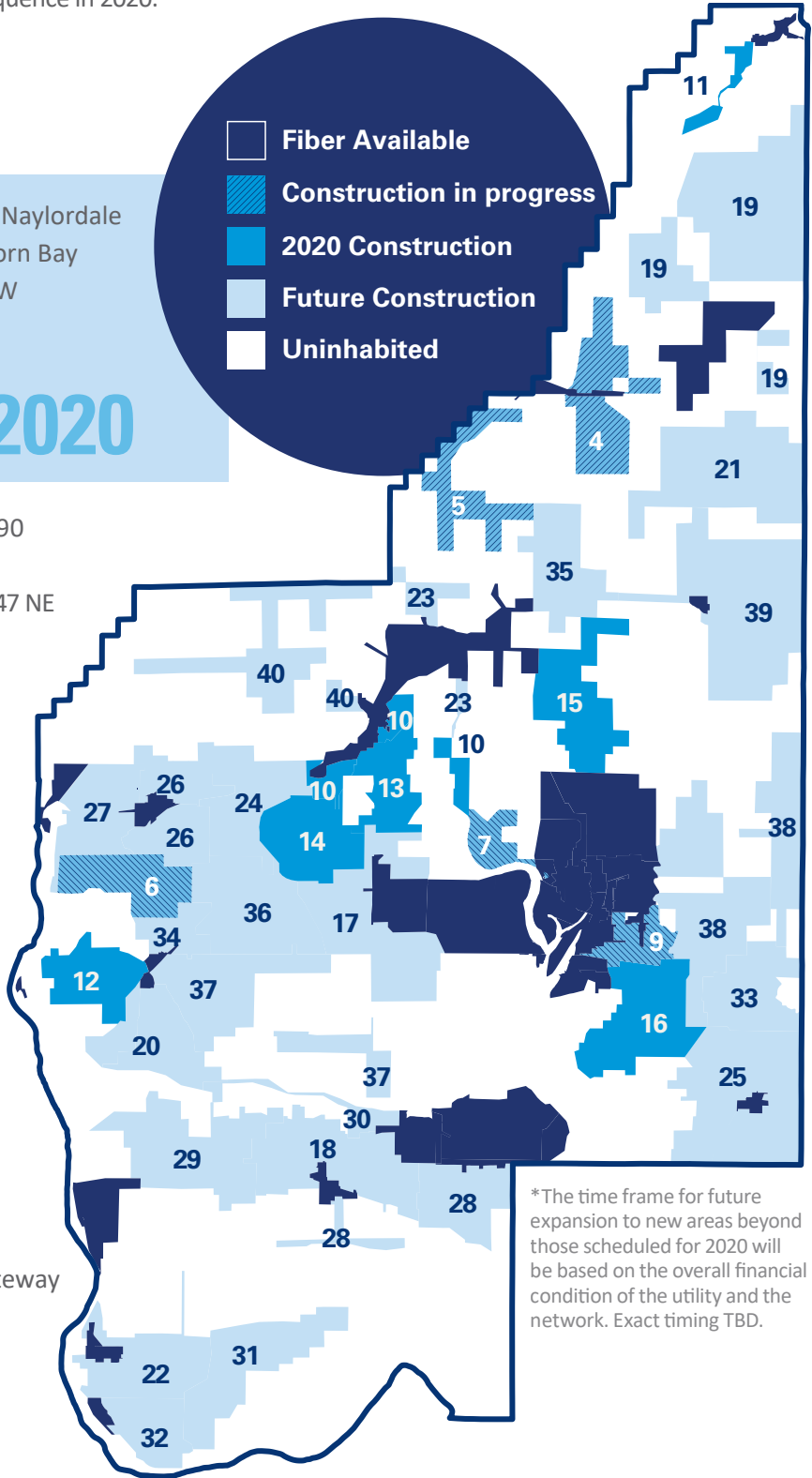
Grant PUD's high-speed fiber optic network is expanding throughout Grant County. In 2019 funding was approved to reach the next seven areas of the build out sequence in 2020. Those areas will soon be under construction.

1-9 Completed or near-completion

- 10 Ephrata City Limits/Rocky Ford/N. of Naylordale
- 11 Electric City: Steamboat Rock to Osborn Bay
- 12 Cave B to Beverly Burke/2 SW to 2 NW
- 13 Ephrata: South Ephrata Substation
- 14 Rd 9 NW and Hwy 283
- 15 Gloyd to Stratford
- 16 Perch Point/Wilbur Ellis to I-90

2020

- 17 Dodson to Winchester Wasteway N I90
- 18 Royal City Surrounding Area
- 19 Complete Hartline Area/Rd V NE at Rd 47 NE
- 20 George Area Completion
- 21 Between Hartline and Wilson Creek
- 22 Mattawa Surrounding Area
- 23 Soap Lake: SE to fish hatchery and N to Lake Lenore
- 24 Winchester
- 25 Warden Area Completion
- 26 North, East and South of Quincy
- 27 NW and SW of Quincy
- 28 Rd A SE/Smyrna/Crab Creek
- 29 Jericho
- 30 Dodson Frenchman
- 31 Wahluke Area East of Mattawa
- 32 Desert Aire to Rd O SW
- 33 I90 Rd U NE/SE
- 34 Hwy 281 N. of I90 to Rd 3
- 35 Stratford/Summer Falls/Billy Clapp
- 36 Adams Road NW to Winchester Wasteway N. of I90 to Rd. 7
- 37 Braden to George and Black Sands
- 38 Ruff
- 39 Wilson Creek Area
- 40 Sagebrush Flats/Johnson Rd. NW



*The time frame for future expansion to new areas beyond those scheduled for 2020 will be based on the overall financial condition of the utility and the network. Exact timing TBD.

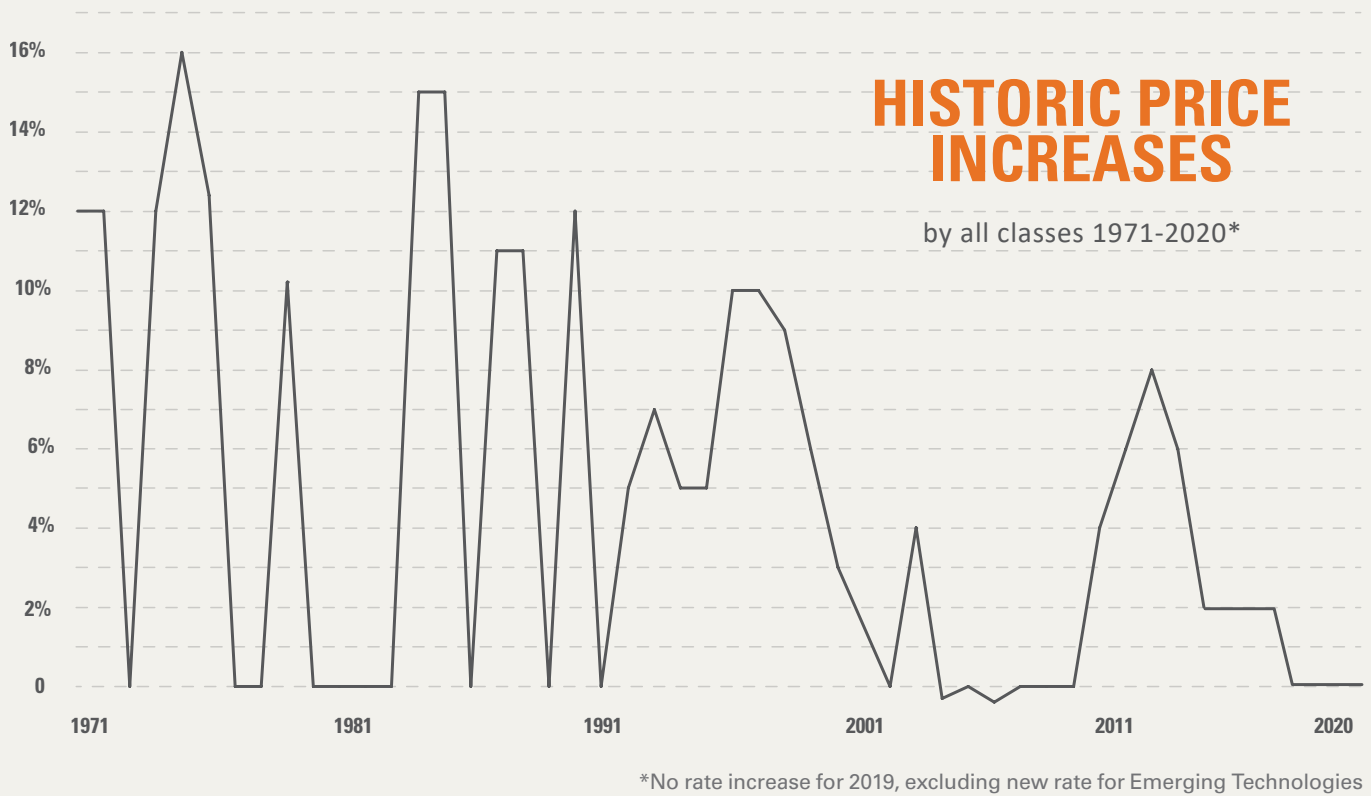
Finances

Grant County enjoys some of the lowest power prices in the nation. We have been able to maintain low power prices for our customers because we have always endeavored to make sound financial decisions with a long-term benefit.

We strive daily to make decisions to balance the investments we are making for the future, while also providing for the needs of the present. We believe the key

to maintaining our high-quality, low-cost power service is by making decisions that will bring the greatest value to our customers.

That's why we adopted a price strategy of implementing small and predictable annual increases over the past several years in anticipation of a future with little to no price increases for the vast majority of our customers in the near future.



ENERGY COSTS

How Do We Compare?

Residential Average Electricity Rates in November 2019

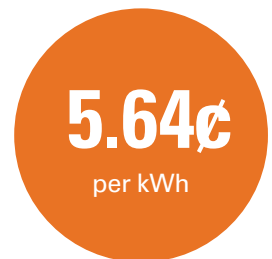
*Source: U.S. Energy Information Administration January 2020 report



UNITED STATES




WASHINGTON




GRANT PUD

2019 Financial Targets

Grant PUD uses a number of metrics to measure our goal of providing value to our customers. The selected metrics below help to show our financial strength.

 OBJECTIVE #1	Maintain a Strong Financial Position	2019 Target	Actual	Final Goal
	Electric System Liquidity	≥ \$105 MM	\$205 MM	≥ \$105 MM
	Consolidated Return on Net Assets	≥ 3.8%	4.0%	≥ 4.0%
	Consolidated Debt To Plant Ratio	≤ 62%	58%	≤ 60%
	Consolidated Debt Service Coverage	≥ 1.80x	2.17x	≥ 1.80x

 OBJECTIVE #2	Provide Long-Term Low Rates	2019 Target	Actual	Final Goal
	Retail Operating Ratio - Adjusted	≤ 113.0%	109%	< 100%
	District Credit Rating	Aa3 (Moody's equivalent)	Aa3	Aa3

Our Bond Ratings

Grant PUD's financial health is measured in part by its bond ratings. Our latest ratings are below:

PRIEST RAPIDS HYDROELECTRIC PROJECT

Rating Agency	Rating	Outlook
Fitch Ratings	AA	STABLE
Moody's Investor Service	Aa3	STABLE
Standard & Poor's Rating Services	AA	STABLE

ELECTRIC SYSTEM

Rating Agency	Rating	Outlook
Fitch Ratings	AA	STABLE
Moody's Investor Service	Aa3	STABLE
Standard & Poor's Rating Services	AA+	STABLE



Report of Independent Auditors

The Board of Commissioners
Public Utility District No. 2 of Grant County, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the Public Utility District No. 2 of Grant County, Washington (the District), which comprise the statement of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's proportionate share of the net pension liability, schedule of the District's contributions, and the schedule of changes in the total OPEB liability and related ratios (collectively, "required supplementary information") be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss Adams LLP

Seattle, Washington
May 13, 2020

OVERVIEW OF GRANT PUD'S FINANCIAL STATEMENTS

As of December 31, 2019, Public Utility District No. 2 of Grant County, Washington ("Grant PUD" or "the utility") is comprised of two operating systems: the Electric System and the Priest Rapids Project. The Priest Rapids Project is operated under Federal Energy Regulatory Commission ("FERC") License, Project No. 2114 authorizing both the Priest Rapids Hydroelectric Production Development ("Priest Rapids") and Wanapum Hydroelectric Production Development ("Wanapum") to operate through April of 2052 as long as license requirements continue to be met. Priest Rapids consists of a dam and hydroelectric generating station with a nameplate rating of 950 megaWatts ("MW") and Wanapum consists of a dam and hydroelectric generating station with a nameplate rating of 1,204 MW. Priest Rapids is located on the Columbia River in Grant and Yakima Counties about 150 air miles northeast of the City of Portland, 130 air miles southeast of the City of Seattle, and 18 miles downstream of Wanapum, which spans Grant and Kittitas Counties. The Electric System maintains 4,381 transmission and distribution line miles and other related infrastructure to serve retail load in Grant County.

This annual financial report consists of a series of financial statements and reflects the self-supporting, proprietary activities of Grant PUD funded primarily by the sale of electrical power. Grant PUD reports the business-type activities in a manner similar to private business enterprises. Grant PUD's financial statements presented in this report consist of the Statements of Net Position, Statements of Revenues and Expenses and Changes in Net Position, Statements of Cash Flows, and the Notes to the Financial Statements.

The Statements of Net Position include all of Grant PUD's assets, liabilities, deferred outflows and inflows, and net position and provide information about the nature and amounts of investments in assets and the obligations of Grant PUD.

All of the revenues and expenses of Grant PUD are accounted for in the Statements of Revenues and Expenses and Changes in Net Position. These statements measure the success of operations over the year and can be used to determine whether Grant PUD has successfully recovered all of its costs through retail revenues and other charges.

The primary purpose of the Statements of Cash Flows is to provide information about Grant PUD's cash receipts and cash disbursements during the year. These statements report cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities.

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the information provided in the three statements described above.

FINANCIAL HIGHLIGHTS

The following discussion provides an overview of the financial activities for Grant PUD for the years ended December 31, 2019, 2018, and 2017. This discussion and analysis is designed to be used in conjunction with the financial statements, notes and other supplementary information, which follow this section.

Grant PUD produced a positive change in net financial position of \$86.3 million, \$89.9 million, and \$76.2 million during 2019, 2018, and 2017, respectively. Grant PUD continued to meet its financial targets and make the necessary investments in infrastructure, technology and employees to make sure that customers will continue to receive reliable power at long term low prices. Additionally, the Commission approved the continued build out of the wholesale fiber network, which will provide connectivity to residents and businesses throughout the county that is critical to remaining competitive and keeping pace with the Information Age.

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2019 and 2018

In January of 2017, and April of 2018, the Commission implemented 2.0% average annual price increases to retail customers. There was no increase in 2019. These increases were driven by strategic major capital investments and increasing operating costs.

Electric System Significant Capital Projects: Grant PUD is undertaking capital improvements to serve expected load growth primarily in the large commercial and industrial customer classes. These improvements include upgrading and expanding transmission and distribution infrastructure. In June of 2016, Grant PUD began work to build or upgrade eight substations leveraging the "Progressive Design Build" procurement legislation to safely complete the work in a much shorter timeframe than a traditional Design-Bid-Build procurement model. Nelson Road, Coulee City, Babcock, Winchester, Peninsula, Cloud View, Quincy Plains and Central Ephrata substations were completed by October 2017 at a total cost of \$44.6 million. This project improved electric system reliability and enabled Grant PUD to begin serving new large customer load in the central county area.

A second expansion project called Design Build 2 (DB2) will continue to use the same delivery method. Phase 1 of DB2 started in December 2019 and will continue through May 2020 and includes upfront planning for the project. This includes refinement of scope, development of the overall detailed project schedule, initial design and site investigation work, and the purchase of select critical long lead material. Phase 1 of the project includes commitments of \$2.0 million. Phase 2 of the project is expected to commence May of 2020 and continue to June of 2022. The two-phase project will ultimately deliver nine full or partial substations and one transmission line.

As noted above, Grant PUD is in the early stages of due diligence on a 230-kV transmission expansion project, which is expected to significantly increase overall system reliability and Grant PUD's ability to serve additional load in the Quincy area. The current timeline calls for the transmission expansion project to be completed in 2026.

Grant PUD has substantially completed the installation and migration to smart meters at a cost of \$19.6 million as of December 31, 2019. The Advanced Metering Infrastructure (AMI) project included digital meters, communication networks and software required to enable communication between the meters and Grant PUD's billing system.

Grant PUD continued to expand its Wholesale Fiber Optic Network in 2019, 2018, and 2017. The Wholesale Fiber Optic Network expansion resulted in additions to plant totaling \$14.1 million, \$8.2 million, and \$3.4 million for years ended December 31, 2019, 2018, and 2017, respectively. Grant PUD is committed to expanding the wholesale fiber optic network to all people of Grant County and has contracted for an additional \$10.5 million to fund design and construction services for the 2020 buildout.

The Priest Rapids Project Significant Capital Projects: Grant PUD has continued its long-term capital improvement plan at the Wanapum Development to upgrade all ten turbines and generators. The ten turbines were upgraded at an average cost of approximately \$22.8 million per turbine, with the last one placed in service in October 2013. The new turbines have increased power output and efficiency and have improved water quality and fish passage within the Wanapum Development's project area. On-site construction for the generators began in June 2010 and is scheduled through September 2020. The existing generators were rated at 109.3 megavolt-amperes ("MVA"). The new upgraded generators have a nameplate rating of 128.6 MVA, an increase of 17.7%. As of December 31, 2019, nine of the ten generators have been replaced at a total cost of \$218.4 million (average of \$24.3 million per generator). The tenth generator outage began in July 2019 and is expected to end in mid-2020.

In August of 2016, on-site construction began for the turbine life extension and generator rewind work at the Priest Rapids Development and the first of ten turbines and generators were placed in service in January 2018. Work began on the second unit (turbine and generator) in February 2018 and was commissioned in April 2019. Work is underway on the third unit (turbine and generator), and is scheduled to return to service July 2020. An

Management’s Discussion and Analysis (Unaudited)
Years ended December 31, 2019 and 2018

outage is expected to take approximately 14 months from the date the unit is removed from service to the time the unit returns to service. Total cost to date of \$216 million includes the turbine modeling and hydraulic design work and other preliminary costs for all units, completion of the first two units and costs for the third- and fourth-unit upgrade currently in progress.

As part of the Federal Energy Regulatory Commission (FERC) license to operate the Priest Rapids Project, Grant PUD has invested \$41.2 million in required improvements to the Crescent Bar Recreation Area to enhance public access and recreation opportunities. A new 55-site RV campground, marina, fuel float, boat launch, parking area, walking trail, and day use area including playground equipment and sports courts, were completed in spring of 2018. A second boat launch and parking area were completed in spring of 2018 and upgrades to the water and wastewater systems were completed in early 2019.

Financial Ratings: Grant PUD maintains very high credit ratings of Aa3, AA (AA+ for Electric System), and AA by Moody’s Investor Services, Fitch Ratings, and Standard and Poor’s Rating Services for both the Electric System and the Priest Rapid Project (except as noted above). Each rating agency issued reports at the time of the last public issuance in December 2019 (refer to Note 5).

FINANCIAL RATINGS			
Credit grade	MOODY’S	FITCH	S&P
HIGHEST	Aaa	AAA	AAA
VERY HIGH	Aa1, Aa2, Aa3	AA+, AA, AA-	AA+, AA, AA-
HIGH	A1, A2, A3	A+, A, A-	A+, A, A-
GOOD	Baa1, Baa2, Baa3, Baa4	BBB+, BBB, BB-	BBB+, BBB, BB-
SPECULATIVE	Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-
VERY SPECULATIVE	B1, B2, B3	B+, B, B-	B+, B, B-
SUBSTANTIAL RISK	Caa1, Caa2, Caa3, Ca	CCC, CC, C, RD, D	CCC+, CCC, CCC-, CC, C, D

These very high-grade credit ratings allow Grant PUD to acquire funding for capital investments at competitive interest rates. This reduces pressure on production costs at the Priest Rapids Project, which remains a very low-cost carbon free resource, and ultimately helps keep the Electric System’s retail prices among the lowest in the nation.

In April of 2019, Grant PUD issued \$50 million of variable rate refunding bond to the Electric System through a direct placement bond with Bank of America. The bond refunded the \$50 million 2016-L issuance and has a floating interest rate of 80% of LIBOR plus 0.37% fee maturing on July 1, 2021.

Grant PUD defeased and refinanced bonds in January and March of 2020 to reduce the interest rates on a portion of Grant PUD’s outstanding debt.

Management’s Discussion and Analysis (Unaudited)
Years ended December 31, 2019 and 2018

A new 3-year collective-bargaining agreement between Grant PUD and Local Union 77 of the International Brotherhood of Electrical Workers (IBEW) was signed and became affective starting January 1, 2020 through March 31, 2023.

In response to the COVID-19 crisis, Grant PUD has proactively implemented measures to mitigate operational and financial impacts to Grant PUD and its customers, including closing lobbies and recreation sites, requiring employees not required to be on site for essential services to work from home, and implementing “social distancing” measures for Grant PUD’s on-site essential staff.

Priest Rapids Project Generation: During the years ending December 31, 2019, 2018, and 2017, the Priest Rapids Project provided the following net megawatt hours (“MWh”) of electric energy at an average cost as follows:

	2019		2018		2017
Net Megawatt hours ("MWh")	8,277,762		9,258,927		9,041,481
Average Cost (per "MWh")	\$ 20.68	\$	18.13	\$	18.60
Average Water Supply*	84%		113%		125%

*Average water supply is based on Rock Island Dam water supply compared to a 30-year average (October through September). The timing of runoff and spill requirements factor into the water available for generation from year to year.

The Electric System’s wholesale contracts help capitalize on the low cost of production of PRP, without retaining an imprudent amount of water or price volatility risks. These contracts aim to increase the predictability of net wholesale revenues by mitigating the effect of fluctuation of wholesale power prices and water variability for generation, which directly contributes to Grant PUD’s objective to maintain a strong financial position and have predictable retail prices well into the future.

Slice Agreements: Grant PUD has entered into various “slice” sales from its retained 63.3% share of the Priest Rapids Projects output. The agreements sell capacity and energy to buyers who assume the associated water and wholesale price risks. Grant PUD obtains stable revenue from the sale. Grant PUD has entered into consecutive agreements with Avangrid Renewables, LLC (“Avangrid”) for a 10% slice of PRP. The most recent agreement was signed in December of 2018 with a three-year term beginning on January 1, 2019. Slice agreements are paid in equal monthly installments over the term of each agreement. Grant PUD regularly monitors its exposure with Avangrid and retains the right to call for additional assurances at any time. Grant PUD has the right to curtail delivery in the event of nonpayment.

Pooling Agreement: Grant PUD entered into an agreement for pooling of the Priest Rapids Project physical output (the “Pooling Agreement”) with Shell Energy North America (U.S.), L.P. (“SENA”) in September 2015. Under the Pooling Agreement, Grant PUD provides SENA with a portion of the utility’s share of the capacity in the Priest Rapids Project, and SENA provides to the utility firm power sufficient to meet the Electric System’s retail load forecast, adjusted for the portion of Electric System load that is expected to be met with other utility resources. In addition, SENA provides certain scheduling services for Grant PUD, including managing power schedules, and the utility provides certain flexibility to SENA within the utility’s balancing area authority. The term of the Pooling Agreement expires September 29, 2020.

The Pooling Agreement provides for the delivery by Grant PUD to SENA of 53.3% of the capacity and associated energy of the Priest Rapids Project through September 29, 2020. The Pooling Agreement greatly reduces the effect that variable water conditions at the Priest Rapids Project and fluctuations in wholesale power prices have on revenues associated with Grant PUD’s wholesale sales and purchases. Under the Pooling Agreement, SENA has

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2019 and 2018

rights to the actual output of a portion of the Priest Rapids Project, which will vary with water conditions. Under the agreement, SENA will provide firm power to meet Grant PUD's load regardless of the actual output of the Priest Rapids Project. Over the life of the agreement, the majority of these values will be offsetting and exchanged without cash payment; there will, however, be monthly payments owed by either SENA or Grant PUD due to the seasonal differences between capacity and energy amounts and loads. These payments are presented as a net sale or purchase. In addition, certain nonhydrological performance metrics were assumed at the beginning of the contract and monthly differences in these metrics will be trued up and payment made by either SENA or Grant PUD. Grant PUD has not experienced significant monthly true-up payments under the agreement. The amount of monthly payments over the term could vary based upon actual performance versus the estimates at the time the Pooling Agreement was executed.

Grant PUD is currently in negotiations with a counterparty to replace the current SENA Pooling Agreement. The terms of this new Agreement will be very similar to the current Agreement, whereas Grant will provide for the delivery of 33.3% of the capacity and associated energy of the Priest Rapids Project for a five-year period. In return, the counterparty will meet Grant PUD's firm power needs on an hourly basis. In addition, there will continue to be certain non-hydrological performance metrics assumed at the beginning of the contract and monthly differences in these metrics will be trued up and payment made by either the counterparty or the utility. Grant PUD does not expect to experience significant monthly true-up payments under this new Agreement. Grant PUD issued an indicative proposal for the remaining 20% of Grant PUD's retained share in April 2020 with bids due back in May 2020, which will commence bilateral negotiations. The remaining share will most likely end up in arrangements with terms similar to the current slice agreement Grant PUD has in place with Avangrid.

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2019 and 2018

Condensed Statements of Net Position	2019	2018	2017*
Assets			
Current	\$ 292,455	\$ 311,863	\$ 224,660
Utility plant, net	2,171,380	2,097,261	2,045,370
Noncurrent	322,789	287,558	398,402
Total assets	<u>2,786,624</u>	<u>2,696,682</u>	<u>2,668,432</u>
Total deferred outflows of resources	12,200	10,127	12,136
Total assets and deferred outflows of resources	<u>\$ 2,798,824</u>	<u>\$ 2,706,809</u>	<u>\$ 2,680,568</u>
Liabilities			
Current	\$ 201,050	\$ 138,751	\$ 154,217
Noncurrent	1,337,074	1,394,632	1,447,745
Total liabilities	<u>1,538,124</u>	<u>1,533,383</u>	<u>1,601,962</u>
Total deferred inflows of resources	14,702	13,693	8,725
Total liabilities and deferred inflows of resources	<u>1,552,826</u>	<u>1,547,076</u>	<u>1,610,687</u>
Net position			
Net investment in capital assets	868,132	749,689	761,891
Restricted	320,507	303,885	288,064
Unrestricted	57,359	106,159	19,926
Total net position	<u>1,245,998</u>	<u>1,159,733</u>	<u>1,069,881</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,798,824</u>	<u>\$ 2,706,809</u>	<u>\$ 2,680,568</u>
Condensed Statement of Revenues and Expenses and Changes in Net Position	2019	2018	2017
Operating revenues			
Retail energy sales	\$ 209,896	\$ 201,391	\$ 188,472
Wholesale revenues, net	69,381	67,186	54,753
Sales to power purchasers at cost	29,934	31,610	41,789
Other	11,963	11,083	8,895
Total operating revenues	<u>321,174</u>	<u>311,270</u>	<u>293,909</u>
Operating Expenses			
Depreciation and amortization	76,050	73,234	66,206
Other operating expenses	144,294	129,473	132,584
Total operating expenses	<u>220,344</u>	<u>202,707</u>	<u>198,790</u>
Net Operating Income	<u>100,830</u>	<u>108,563</u>	<u>95,119</u>
Other revenues (expenses)	(23,076)	(31,196)	(29,608)
Contributions in aid of construction	8,511	12,485	10,649
Change in net position	<u>\$ 86,265</u>	<u>\$ 89,852</u>	<u>\$ 76,160</u>
Total net position - beginning of year	<u>\$ 1,159,733</u>	<u>\$ 1,069,881</u>	<u>\$ 993,721</u>
Total net position - end of year	<u>\$ 1,245,998</u>	<u>\$ 1,159,733</u>	<u>\$ 1,069,881</u>

* Grant PUD's 2017 Statements of Net Position and Statements of Revenues and Expenses and Changes in Net Position were restated for the impacts of the required retroactive implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which became effective for Grant PUD in 2018.

FINANCIAL ANALYSIS

The following discussion provides comparative financial information for the years ended December 31, 2019, 2018, and 2017.

ASSETS AND DEFERRED OUTFLOWS

Total assets and deferred outflows have increased by \$92.0 million (3%) from 2018 to 2019 and \$26.2 million (1%) from 2017 to 2018. This is driven by the continued investments in the turbines and generators at Wanapum and Priest Rapids, and other capital improvements in both systems, which increases Utility plant, net. These investments align with Grant PUD's Strategic Plan objectives, which include reliably delivering power at long term low prices to customers.

Deferred outflows of resources related to pensions were \$6.4 million, \$5.8 million and \$6.6 million as of December 31, 2019, 2018 and 2017, respectively. Deferred outflows of resources related to pensions fluctuate due to Grant PUD recording its proportionate share of the increase or decrease in collective deferred outflows each year for the PERS plans as provided by the Department of Retirement Systems, partially offset by associated amortization.

LIABILITIES AND DEFERRED INFLOWS

Total liabilities and deferred inflows have increased by \$5.7 million (0.4%) from 2018 to 2019 and decreased by \$63.6 million (4%) from 2017 to 2018. The increase from 2018 to 2019 increase were driven by a \$11.2 million increase in trade accounting payable, a \$7.2 million decrease in Customer Deposits, and a \$26.3 million increase in noncurrent Licensing Obligations which was result of a prospective change in estimate. Grant PUD's annual payment for 2019, 2018, and 2017 were approximately \$2 million for each year. The decrease from 2017 to 2018 were driven primarily by a \$11.8 million decrease in trade accounts payable, and a decrease in the utility's pension obligations, which are driven by its proportionate share in the changes in the actuarial valuation of the Washington State Department of Retirement Services ("DRS") Public Employees' Retirement System ("PERS") collective net pension liability, which decreased \$7.9 million and \$13.7 million from 2018 to 2019 and 2017 to 2018, respectively. Grant PUD had approximately \$1.3 billion in bonded debt outstanding for each of the years ended December 31, 2019, 2018, and 2017, respectively.

Deferred inflows of resources related to pensions were \$14.5 million, \$13.7 million and \$8.7 million as of December 31, 2019, 2018, and 2017, respectively. The increases in deferred inflows partially offset the decrease in the utility's proportionate share in of the PERS net pension liability and are then amortized over future periods.

NET POSITION

Total net position was \$1.2 billion, \$1.2 billion, and \$1.1 billion as of December 31, 2019, 2018, and 2017, respectively. These increases have been driven by the positive changes in net position resulting from increased retail energy sales and stable net wholesale revenues, partially offset by increasing operating expenses. Refer to 'Statement of Revenues, Expenses and Changes in Net Position' section below for further analysis.

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

Operating Revenues: Total operating revenues increased by \$9.9 million (4%) from 2018 to 2019 and \$17.4 million (6%) from 2017 to 2018, which was the net result of several items discussed below:

Retail energy sales were \$209.9 million, \$201.4 million, and \$188.5 million in 2019, 2018 and 2017, respectively. These increases of 4% and 7% from 2019 to 2018 and 2018 to 2017, respectively, are primarily driven by continued load growth of the utility's largest commercial and industrial customers and moderate 2% average price increases for fiscal years 2018 and 2017 implemented by the Commission.

Wholesale revenues, net, were \$69.4 million, \$67.2 million and \$54.8 million in 2019, 2018 and 2017, respectively. These revenues are reflective of the individual ebbs and flows of the economy through power consumption, market forces on wholesale power prices, and generation or hydrology variability. The aforementioned Pooling Agreement and slice agreements hedge water and price risks for Grant PUD resulting in relatively stable revenue streams. Total net payments received by Grant PUD under the Pooling Agreement have been \$1.9 million, \$12.9 million, and \$12.8 million in 2019, 2018, and 2017, respectively. Additionally, market purchases are offset by financial proceeds Grant PUD receives according to the long-term power sales contracts associated with Grant PUD load that is above the reserve 63.3% physical share of the Priest Rapids Project. These proceeds totaled \$57.2 million, \$40.4 million and \$24.5 million in 2019, 2018 and 2017, respectively, which exceeded other power purchases of \$28.8 million, \$12.9 million and \$15.9 million for the same periods.

Sales to power purchasers at cost were \$29.4 million, \$31.6 million, and \$41.8 million in 2019, 2018 and 2017, respectively. These revenues are directly tied to power costs as defined in the long-term power sales contracts and the proportion of the power costs that the power purchasers are responsible for per the contracts. Total contractual power costs were \$166.8 million, \$167.0 million and \$167.2 million in 2019, 2018 and 2017, respectively. The percentage of these costs covered by power purchasers continued to decrease (17.7%, 18.9% and 25.0% in 2019, 2018 and 2017, respectively) which, drove the relative decrease in revenues versus total power costs.

Wholesale fiber optic network sales were \$9.4 million, \$8.3 million and \$6.9 million in 2019, 2018 and 2017, respectively. These increases of \$1.1 million (13%) from 2018 to 2019 and \$1.4 million (20%) from 2017 to 2018 are primarily driven by the substantially improved take rate (percentage of system subscribed versus unsubscribed), continued build out of the network and moderate price increases on a number of service offerings that were effective in 2018.

Operating Expenses: Total operating expenses increased by \$17.6 million (9%) from 2018 to 2019 and \$3.9 million (2%) from 2017 to 2018, which was the net result of several items discussed below:

Depreciation and amortization expense was \$76.0 million, \$73.2 million, and \$66.2 million in 2019, 2018 and 2017, respectively. These increases are consistent with the investment in utility plant, net and are affected by the timing of major units at the Priest Rapids Project being placed in service (one unit was commissioned in January 2018; another was commissioned in March 2019).

Other operating expenses were \$144.3 million, \$129.5 million, and \$132.6 million in 2019, 2018, and 2017, respectively. The increase of \$14.8 million (11%) from 2018 to 2019 was largely driven by the \$11.7 million (86%) increase in distribution expenses and \$6 million (20%) increase in generation expense. The decrease of \$3.1 million (2%) from 2017 to 2018 was largely due to the \$3.1 million non-recurring repair of the Wanapum apron spillway affecting 2017 and the amortization of deferred inflows and outflows related to Grant PUD's pension

Management’s Discussion and Analysis (Unaudited)
Years ended December 31, 2019 and 2018

obligations (\$2.4 million), partially offset by a moderate overall increase in all other operating expenses (\$2.4 million).

Non-Operating Revenues and Expenses:

Total other non-operating expenses were \$23.1 million, \$31.2 million and \$29.6 million in 2019, 2018 and 2017, respectively. The \$8.1 million (26%) decrease from 2018 to 2019 and \$1.6 million (5%) increase from 2017 to 2018 were largely due to the unrealized gain/loss on investments; 2018 had a \$3.0 million loss and 2019 had a \$5.2 million gain. Interest expense (net federal rebates on revenue bonds) is the largest component of non-operating revenues and expenses and remained relatively flat at \$48.8 million, \$46.2 million and \$46.4 million in 2019, 2018, and 2017, respectively.

Contributions in aid of construction (“CIACs”) revenues were \$8.5 million, \$12.5 million, and \$10.6 million in 2019, 2018, and 2017, respectively. These revenues are earned as Grant PUD completes infrastructure requests funded by customers. Variability in numbers correlate with any planned or ongoing capital projects.

CONTACTING GRANT PUD’S FINANCIAL MANAGEMENT

This report is designed to provide Grant PUD’s customers, bondholders, creditors, and other interested parties with a general overview of Grant PUD’s finances. For questions regarding this report or additional information, please contact Grant PUD’s Chief Financial Officer, Jeff Bishop, at Jbishop@gcpud.org, or at the Public Utility District No. 2 of Grant County, P.O. Box 878, Ephrata, Washington 98823.

Statements of Net Position

December 31, 2019 and 2018

(amounts in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2019	2018
CURRENT ASSETS		
Cash	\$ 42	\$ 2,823
Investments	103,499	131,675
Restricted funds		
Cash	1,108	921
Investments	142,731	125,860
Customer accounts receivable, net	25,851	29,849
Materials and supplies	17,438	17,956
Due from power purchasers	-	1,195
Other current assets	1,786	1,584
Total current assets	292,455	311,863
NONCURRENT ASSETS		
Investments	13,087	21,538
Restricted funds		
Cash	505	144
Investments	304,505	259,093
Conservation loans	397	365
Demand-side management	211	413
Preliminary survey costs	4,084	6,005
Total noncurrent assets	322,789	287,558
Utility plant, net	2,171,380	2,097,261
Total noncurrent assets	2,494,169	2,384,819
TOTAL ASSETS	2,786,624	2,696,682
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	6,409	5,753
Deferred outflows of resources - OPEB	2,291	-
Deferred outflows of resources - losses on refundings	3,500	4,374
Total deferred outflows	12,200	10,127
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,798,824	\$ 2,706,809

The accompanying notes are an integral part of these financial statements.

Statements of Net Position

December 31, 2019 and 2018

(amounts in thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2019	2018
CURRENT LIABILITIES		
Accounts payable		
Trade	\$ 33,936	\$ 22,746
Wages payable	14,591	12,742
Due to Power purchasers	1,703	-
Accrued taxes	7,513	7,432
Customer deposits	6,553	13,831
Accrued bond interest	28,745	29,470
Unearned revenue	9,537	4,982
Habitat liability	15,508	15,985
Other current liabilities	40	40
Current portion of licensing obligations	2,344	2,283
Current portion of long-term debt	80,580	29,240
	<u>201,050</u>	<u>138,751</u>
TOTAL current liabilities		
	<u>201,050</u>	<u>138,751</u>
NONCURRENT LIABILITIES		
Long-term debt, less current portion	1,221,069	1,306,064
Licensing obligations, less current portion	73,072	46,748
Net pension liability	24,837	32,686
Other postemployment benefits	9,705	6,977
Long-term unearned revenue	8,391	2,157
	<u>1,337,074</u>	<u>1,394,632</u>
TOTAL noncurrent liabilities		
	<u>1,337,074</u>	<u>1,394,632</u>
TOTAL LIABILITIES		
	<u>1,538,124</u>	<u>1,533,383</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	14,702	13,693
	<u>14,702</u>	<u>13,693</u>
TOTAL liabilities and deferred inflows of resources		
	<u>1,552,826</u>	<u>1,547,076</u>
NET POSITION		
Net investment in capital assets	868,132	749,689
Restricted	320,507	303,885
Unrestricted	57,359	106,159
	<u>868,132</u>	<u>749,689</u>
TOTAL net position		
	<u>868,132</u>	<u>749,689</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
	<u>\$ 2,798,824</u>	<u>\$ 2,706,809</u>

The accompanying notes are an integral part of these financial statements.

Statements of Revenues and Expenses and Changes in Net Position

Years Ended December 31, 2019 and 2018

(amounts in thousands)

	2019	2018
OPERATING REVENUES		
Sales to power purchasers at cost	\$ 29,934	\$ 31,610
Retail energy sales		
Residential	46,844	43,160
Irrigation	24,927	25,785
Commercial and industrial	135,432	130,390
Governmental and others	2,693	2,056
Wholesale revenues, net	69,381	67,186
Wholesale fiber optic network sales	9,431	8,260
Other	2,532	2,823
	<u>321,174</u>	<u>311,270</u>
OPERATING EXPENSES		
Generation	37,031	31,073
Transmission	6,496	6,679
Distribution	25,245	13,561
Customer and information services	4,326	5,766
Wholesale fiber optic network operations	2,723	2,265
Administrative and general	35,287	33,383
License compliance and related agreements	15,300	19,945
Depreciation and amortization	76,050	73,234
Taxes	17,886	16,801
	<u>220,344</u>	<u>202,707</u>
NET OPERATING INCOME	<u>100,830</u>	<u>108,563</u>
OTHER REVENUES (EXPENSES)		
Interest and other income	22,324	11,391
Interest on revenue bonds and other, net	(59,344)	(56,780)
Federal rebates on revenue bonds	10,545	10,552
Amortization of debt discount/premium	3,540	3,641
Cost of debt issuance	(141)	-
	<u>(23,076)</u>	<u>(31,196)</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>8,511</u>	<u>12,485</u>
CHANGE IN NET POSITION	<u>86,265</u>	<u>89,852</u>
NET POSITION		
Beginning of year	<u>1,159,733</u>	<u>1,069,881</u>
Total net position - end of year	<u>\$ 1,245,998</u>	<u>\$ 1,159,733</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

(amounts in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retail energy sales	\$ 213,998	\$ 198,460
Cash received from sales to power purchasers at cost	32,831	31,369
Cash received from wholesale revenues	98,391	78,889
Other cash receipts	14,873	13,279
Cash paid for customer deposits	(7,279)	(1,070)
Cash paid for purchase of power	(28,823)	(11,439)
Cash paid to contractors, suppliers, and employees	(127,796)	(118,956)
Taxes paid	(17,804)	(16,384)
	<u>178,391</u>	<u>174,148</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on revenue bonds	(29,240)	(31,635)
Interest paid on revenue bonds	(60,069)	(55,503)
Federal interest rebates	10,545	10,552
Bond proceeds	50,000	-
Payment on refunded debt	(50,000)	-
Bond issuance cost	(141)	-
Cash received from contributions in aid of construction	18,633	4,070
Licensing obligation payments	(2,283)	(2,313)
Acquisition and construction of plant assets	(111,763)	(138,627)
Proceeds on sale of plant assets	294	520
Proceeds from insurance on capital assets	-	1,009
	<u>(174,024)</u>	<u>(211,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(534,534)	(488,923)
Sale of investment securities	466,231	516,188
Investment income proceeds	14,203	12,277
Net repurchase agreements	47,500	(50,100)
	<u>(6,600)</u>	<u>(10,558)</u>
NET DECREASE IN CASH	\$ (2,233)	\$ (48,337)
CASH AT BEGINNING OF YEAR	3,888	52,225
CASH AT END OF YEAR	\$ 1,655	\$ 3,888

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years Ended December 31, 2019 and
2018 (amounts in thousands)

	2019	2018
Reconciliation of operating gain to net cash used for operating activities:		
Net operating income	\$ 100,830	\$ 108,563
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	76,050	73,234
Accretion expense	60	2,605
Miscellaneous income	2,774	2,049
Earned revenue on long-term contracts	416	(107)
Provision for uncollectible accounts	376	24
Cash provided by (used in) changes in operating assets:		
Customer accounts receivable	3,873	(4,052)
Materials and supplies	518	(113)
Conservation loan	(31)	94
Other current assets	(202)	135
Deferred outflows - pension	(656)	828
Deferred outflows - other postemployment benefit	(2,291)	-
Cash provided by (used in) changes in operating liabilities:		
Habitat funds	(596)	972
Trade and wages payables	5,681	(636)
Customer deposits	(7,279)	(1,069)
Accrued taxes	82	406
Net pension liability	(7,849)	(13,684)
Other postemployment benefits liability	2,729	171
Deferred inflows - pensions	1,009	4,968
Receivable from (payable to) power purchasers, net	2,897	(241)
	<u>\$ 178,391</u>	<u>\$ 174,147</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Non-cash Investing, Capital and Related Financing Activities		
Changes in construction costs included in accounts payable	\$ 7,971	\$ (10,238)
Amortization of debt related costs, net	3,539	2,195
Changes in unrealized gain/(loss) on investments	5,257	2,983
Gain(loss) on retirements, net	565	-
Change in licensing obligation	28,607	2,794

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY AND OPERATIONS OF GRANT PUD

Public Utility District No. 2 of Grant County, Washington (the “Grant PUD” or “the utility”) is a municipal corporation of the state of Washington established in 1938 to serve the people of Grant County. Grant PUD comprises two operating systems: the Electric System and the Priest Rapids Project. Grant PUD is governed by an elected five-member Board of Commissioners (Commissioners). The Commissioners’ responsibilities are to appoint the General Manager, approve budgets for Grant PUD’s systems, and adopt regulations and set policies and guiding financial and operating principles for the operations included in these financial statements.

The Electric System is made up of Grant PUD’s electric transmission and distributions system and a fiber-optic telecommunication system. The Priest Rapids Project is composed of Grant PUD’s Wanapum Dam and the Priest Rapids Dam. The Priest Rapids Project is operated under Federal Energy Regulatory Commission (“FERC”) License, Project No. 2114. Grant PUD also maintains a Service System to provide administrative services to the operating systems. Internal transactions, which consist of intersystem loans and intercompany transactions between Grant PUD’s reporting segments and the Service System, have been eliminated in the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America. Grant PUD is required by its financing arrangements to maintain separate accounts and to report separately on each operating system (see Note 13).

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting Standards – Grant PUD maintains its accounts in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the Governmental Accounting Standards Board (“GASB”). Grant PUD’s accounting records generally follow the Uniform System of Accounts for public utilities and licensees prescribed by FERC. Grant PUD’s accounting records are further maintained in accordance with method prescribed by the State Auditor under authority of Chapter 43.09.

Grant PUD’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred. Revenues and costs that are directly related to the generation, purchase, transmission, and distribution of electricity or fiber are reported as operating revenue and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

The accompanying financial statements are those of Grant PUD, which generates, transmits, and distributes electric energy and wholesale fiber optic network services within Grant County, Washington.

The significant accounting and financial policies followed by Grant PUD are outlined below.

Sales to power purchasers at costs – Sales to power purchasers at cost are revenues associated with power sales from the Priest Rapids Project under the long term Power Sales Contracts described in Note 6 and are recorded on a cost-based formula specified in the contracts which include operation and maintenance costs, 115% of debt service, and adjustments related to other factors. Depreciation, amortization, charges paid by the Renewal, Replacement and Contingency Fund, and Construction Funds are not considered costs of producing and delivering power for this purpose.

Retail Sales – Grant PUD recognizes revenues associated with its retail customers when the power is delivered, which includes an estimate of revenue earned but not billed to customers as of year-end.

Notes to the Financial Statements (cont.)

Wholesale - Wholesale revenues, net are recognized when contractual obligations are met or ratably over the contract term (capacity payments) and presented gross except for the SENA Pooling Agreement.

Under the Pooling Agreement, SENA has rights to the actual output of a portion of the Priest Rapids Project, which will vary with water conditions, and will provide firm power to meet Grant PUD's load forecast regardless of the actual output of the Priest Rapids Project. Over the life of the agreement, the majority of these values will be offsetting and exchanged without cash payment; there will, however, be monthly payments owed by either SENA or Grant PUD due to the seasonal differences between capacity and energy amounts and loads. In addition, certain nonhydrological performance metrics were assumed at the beginning of the contract and monthly differences in these metrics will be trued up and payment made by either SENA or Grant PUD. Grant PUD has not experienced any significant monthly true-up payments. The amount of monthly payments over the term could vary based upon actual performance versus the estimates at the time the Pooling Agreement was executed. All activities under the SENA pooling agreement are presented net in the Wholesale revenues, net line item on the Statements of Revenues and Expenses and Changes in Net Position.

Cash – Grant PUD only classifies amounts held in demand deposit accounts as cash.

Deposits and Investments – Deposits and Investments of Grant PUD are stated at fair value (refer to Note 2 for additional details), except for investments in the Washington State Local Government Investment Pool (LGIP) which are reported at amortized cost.

Realized and unrealized gains and losses on investments are included in interest and other income on the Statements of Revenues and Expenses and Change in Net Position.

Short-term investments are defined as investments with a maturity of less than one year. The purchase and maturity of investment instruments are reported on a gross basis in the Statements of Cash Flows, with the exception of repurchase agreements, which are reported on a net basis.

Investments are made in accordance with allowable investments established by state statutes. Authorized investments include: 1) Bonds of the state of Washington and any local government in the state of Washington; 2) General obligation bonds of a state or local government of a state, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency; 3) Registered warrants of a local government in the same county as the government making the investment (subject to compliance requirements); 4) Obligations of the U.S. Government and its agencies; 5) Federal home loan and federal land bank bonds and federal national mortgage association obligations whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system; 6) Banker acceptances purchased on the secondary market; 7) Commercial paper and Corporate notes purchased in the secondary market, provided that the investments are to adhere to the investment policies and procedures adopted by the state investment board; and 8) the Washington State Treasurer's Local Government Investment Pool ("LGIP" or "State Investment Pool").

Materials and Supplies – Materials and supplies consist of hydroelectric generation, transmission, and distribution assets as well as fiber optic cable and fiber-related supplies. All inventory amounts are recorded at average cost and include overheads.

Allowance for Uncollectible Accounts – Management reviews accounts receivable on a regular basis to determine if any receivables will potentially be uncollectible. The allowance for uncollectible accounts includes amounts due from specific customers for which collection is in question. Such estimates are developed based on

historical experience. For 2019 and 2018, the allowance for uncollectible accounts was approximately \$0.6 million \$0.2 million, respectively.

Contributions in Aid of Construction – A portion of Grant PUD’s utility plant is financed through contributions from customers in accordance with the Customer Service Policy. Additionally, a portion of utility plant may be financed through contributions from other sources, such as other governmental organizations or Fiber Optic Network Customers. Grant PUD recognizes capital contributions from these sources as non-operating revenue at the point at which it becomes nonrefundable. Grant PUD recognized \$8.5 million and \$12.5 million of Contributions in Aid of Construction for the years ended December 31, 2019 and 2018, respectively.

Utility Plant – Utility plant assets are recorded at cost including an allocation of internal payroll and other administrative and general costs associated with construction of the assets. Depreciation is determined by the straight-line method over the estimated life of the asset. Meters and transformers begin depreciating when received regardless of in-service date. Grant PUD’s asset lives used for computing depreciation range from five to 100 years, with an average rate of 2.49% and 2.46% for 2019 and 2018, respectively. Depreciation is calculated using the following estimated useful lives:

Generation	5 to 100
Transmission and Distribution	5 to 65
General	5 to 55
Fiber	10 to 30

When Grant PUD retires portions of its Utility Plant, retirements are recorded against Accumulated Depreciation and the retired portion of Utility Plan is removed from the Plant in Service. When utility plant assets are retired, their original cost, together with removal costs, less salvage, are charged to accumulated depreciation. The costs of maintenance and repairs are charged to operations as incurred. Renewals, replacements, and betterments are capitalized per Grant PUD’s Asset Capitalization Policy. The Policy requires assets to have a minimum useful life of five years and minimum cost of \$10,000, except for permanent additions to transmission and distribution or wholesale fiber plant, which only require a useful life greater than one year. Grant PUD assesses its assets for obsolescence and possible impairment on a periodic basis. Once an asset has been identified as impaired due to a significant and unexpected decline in usable capacity, it is written down to reflect its current service utility and the associated impairment loss is charged either to operations or an extraordinary item depending on its nature.

Preliminary Survey Costs – Certain preliminary costs are capitalized in accordance with FERC accounting guidance, which allows the capitalization of preliminary surveys, plans, designs, investigations, etc., incurred for the purpose of determining the feasibility of utility projects under contemplation. If construction results, these costs are transferred to construction work in progress. A project that is unfeasible or abandoned is expensed in the current period.

Demand-Side Management (“DSM”) Programs – Grant PUD’s expenditures for regional conservation programs and other DSM programs which benefit future periods by reducing energy supply requirements have historically been capitalized and amortized over the expected useful lives of the programs. During 2009, Grant PUD began expensing DSM costs as Customer information and services expense. The balances accumulated prior to the change in accounting are being amortized over the original useful lives of the programs.

Due from/to Power Purchasers – This balance represents the difference between estimated power costs collected by the Priest Rapids Project from power purchasers versus actual power costs, which will be paid to or collected from the power purchasers in the following year.

Debt Discounts, Premiums, and Issuance Costs – Debt discounts and premiums relating to the sale of bonds are amortized over the lives of the related bonds using the constant yield method. Debt issuance costs are recognized in the period incurred for issuances that occurred after 2013. For issuances that occurred prior to 2013, debt issuance costs are being amortized over the life of the related debt.

Refunding of Debt – The gain or loss on refunding of debt is recognized as a deferred inflow or outflow of resources and amortized over the remaining life of the refunded or newly issued bond(s), whichever is shorter. If debt is extinguished using Grant PUD’s existing resources, any resulting gain or loss is recognized during the current period.

Unearned Revenue – Contributions in aid of construction that are refundable are recorded as short-term or long-term unearned revenue depending on when construction associated with the contribution(s) is expected to be complete. Additionally, Grant PUD has two long-term exchange contracts under which Grant PUD received collective prepayments of \$2.0 million that are being amortized into revenue on a straight-line basis over the life of these agreements.

Revenue Taxes – Utility revenue-based taxes assessed by governmental entities are accounted for as a separate cost collected from customers for remittance to those governmental entities. Therefore, revenue taxes paid to the taxing authorities are accounted for as an operating expense on the Statements of Revenues and Expenses and Changes in Net Position. Taxes collected from customers on behalf of other governmental entities are included in Retail energy sales in the Statements of Revenues and Expenses and Changes in Net Position.

Net Position – Grant PUD classifies net position into three components: Net investment in capital assets, Restricted, and Unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances, net of unamortized debt expenses, and related unspent project and debt service funds.
- *Restricted* – This component of net position consists of assets with constraints placed on their use. Constraints include those imposed by debt trust indentures, grants or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net assets and liabilities that do not meet the definition of “restricted” or “net investment in capital assets.”

When Grant PUD restricts or designates funds for a specific purpose, and restricted and designated and unrestricted resources are available for use, it is Grant PUD’s policy to use restricted and designated first, then unrestricted resources as they are needed.

Restricted Bond Funds – Grant PUD has established separate sinking fund accounts in accordance with certain bond issuances and related agreements. The assets in these funds are restricted for specific uses, including debt service and other reserve requirements.

Significant Risk and Uncertainties – Grant PUD is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include weather and natural-disaster-related disruptions, collective bargaining labor disputes, fish and other Endangered Species Act (“ESA”) issues, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance and/or licensing of hydroelectric facilities, and the changes to the regulatory environment of the electrical utility industry.

Grant PUD carries excess liability coverage with an annual aggregate limit of \$60 million with a self-insured retention of \$2 million per occurrence. It carries underlying liability policies for specific loss types such as foreign travel and non-owned aviation liability to protect Grant PUD from losses associated with these risks. Grant PUD has established an insurance reserve fund at a minimum balance of \$1 million and a maximum of \$1.5 million to cover the self-insured portion of liability losses. The insurance reserve fund had a balance of \$1.1 million at December 31, 2019 and 2018. Grant PUD also maintains property insurance coverage with an aggregate limit of \$200 million, protecting against significant losses at the Priest Rapids Project, the Electric System, and all of the various Grant PUD real properties, with deductibles up to \$2.5 million per loss, and subject to policy terms and conditions.

Energy Risk Management – Grant PUD’s power marketing activities are confined to balancing Grant PUD loads and resources and optimizing the value of the Priest Rapids Project with the goal of maximizing the benefit for Electric System retail customers. Power is purchased only to meet Electric System projected loads. The primary purpose of trading at the District is to mitigate power portfolio risk and to stabilize power portfolio cost and revenue. Power surplus to the Electric System’s needs is resold in a manner that seeks to average market prices. The Risk Oversight Committee consists of senior management in the areas of wholesale energy marketing, financial management, and risk management, and meets regularly to monitor marketing activities, corporate position, policies, and risk. The Energy Risk Oversight Committee has developed and maintained an Energy Risk Management and Reporting Policy which has been adopted by the Commission. The policy outlines the parameters for transactions, trader and counterparty exposure, and establishes review protocols and reporting frequency for all power supply management activities. Grant PUD believes its adherence to a periodic review of these policies and its controls to assure they are pertinent and being followed limit the risk of substantial financial loss resulting from Grant PUD’s power supply management activities.

Personal Leave Benefit – Employees of Grant PUD accrue a personal leave benefit at rates dependent on year of service. Personal leave may be used for vacation, sick leave, or other employee absences. Unused personal leave may be accumulated up to a maximum of 1,200 hours for employees who began service prior to April 1, 2011. For employees hired on or after April 1, 2011, the maximum amount of accrued personal leave is 700 hours. Accrued liability for personal leave was \$9.9 million and \$9.1 million at December 31, 2019 and 2018, respectively. These liabilities are presented as part of Wages payable. Additions to and deductions from accrued personal leave was \$7.6 million and \$7.2 million for 2019, and \$8.0 million and \$7.2 million for 2018.

Use of Estimates – The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Grant PUD has used significant estimates in determination of unbilled revenue, licensing obligations, allowance for uncollectible accounts, net pension and other postemployment benefits/liabilities, and depreciable lives of utility plant.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. Accordingly, the balances are generally reported as of June 30 instead of December 31 because the DRS’ fiscal year ends on June 30 of each year. Benefit payments (including refunds of employee contributions) are

recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value at the state level.

Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of losses on refunding of debt, contributions to pension plans subsequent to the June 30 measurement date, Grant PUD’s proportionate share of deferred outflows related to those plans, and effects of economic/demographic gains or losses and assumption changes or inputs. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of Grant PUD’s proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Reclassifications – Certain classifications have been made to the 2018 financial statements to conform to the 2019 presentation.

ACCOUNTING CHANGES

In March and May 2017, GASB issued Statement No. 85, “*Omnibus 2017*” and Statement No. 86, “*Certain Debt Extinguishments Issues*.” Statement No. 85 addresses a variety of practice issues, and the primary objective of Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Implementation of these Statements did not have a material impact to Grant PUD’s financial statements.

In April 2018, GASB issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.” The primary objective of this Statement is to improve the information that is disclosed in notes to the government financial statements related to debt including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement was early adopted during fiscal year 2019 and has been implemented throughout the debt disclosures.

In June 2018, GASB issued Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*.” The objective of this Statement is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end a construction period. This Statements is effective for Grant PUD in fiscal year 2020. Grant PUD early adopted this pronouncement prospectively for fiscal year 2019 resulting in discontinuation of the capitalized interest process.

Notes to the Financial Statements (cont.)

In May 2020, GASB issued Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance*”. The objective of this Statement is to provide temporary relief from certain new accounting and financial reporting requirements to governments in light of the COVID-19 pandemic. With the statement being effective immediately, Grant PUD has adopted this pronouncement for fiscal year 2019 resulting in postponement of implementing GASB Statement No. 83, “*Certain Asset Retirement Obligations*”, and GASB Statement No. 84, “*Fiduciary Activities*”. Other Statements impacted by this Statement were either early adopted by Grant PUD, as noted above, or are not effective for fiscal year end 2019. Grant PUD will continue to evaluate the financial statement impact of adopting this Statement.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In November 2016, GASB issued Statement No. 83, “*Certain Asset Retirement Obligations*.” This Statement addresses the accounting and financial reporting for certain asset retirement obligations (AROs). In response to the issuance of GASB Statement No. 95, Grant PUD has postponed the implementation of GASB Statement No. 83 for fiscal year 2019. The requirements of Statement No. 83 are now effective for reporting periods beginning after June 15, 2019. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In January 2017, GASB issued Statement No. 84, “*Fiduciary Activities*.” The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for financial and reporting purposes and how the activities should be reported. Grant PUD adopted GASB Statement No. 95, which has postponed the implementation of GASB Statement No. 84 for fiscal year 2019. The requirements of Statement No. 84 are now effective for reporting periods beginning after December 15, 2019. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In June 2018, GASB issued Statement No. 87, “*Leases*.” The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of Statement No. 87 are effective for reporting periods beginning after June 15, 2021. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In August 2019, GASB issued Statement No. 90, “*Majority Equity Interests*.” The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirements of Statement No. 90 are effective for reporting periods beginning after December 15, 2019. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In May 2019, GASB issued Statement No. 91, “*Conduit Debt Obligations*”. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangement associated with conduit debt obligations,

Notes to the Financial Statements (cont.)

and (3) related note disclosures. The requirements of Statement No. 91 are effective for reporting periods beginning after December 15, 2021. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In January 2020, GASB issued Statement No. 92, *“Omnibus 2020”*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues for eight recent pronouncements, including GASB 87, *“Leases”*, GASB 84, *“Fiduciary Activities”*, and GASB 83, *“Asset Retirement Obligations”*. The requirements of Statement 92 are effective for reporting periods beginning after June 15, 2021. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In March 2020, GASB issued Statement No. 93, *“Replacement of Interbank Offered Rates.”* The primary objective of this Statement is to establish accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivatives instruments. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form after December 31, 2021. The requirement of Statement 93 are effective for reporting periods ending after December 31, 2021. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

In March 2020 GASB issued Statement No. 94, *“Public-Private and Public-Public Partnerships and Availability Payment Arrangements.”* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPP). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction. The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of Statement 94 are effective for reporting periods beginning after June 15, 2022. Grant PUD is currently evaluating the financial statement impact of adopting this Statement.

2. CASH AND INVESTMENTS

Grant PUD’s cash deposits at December 31, 2019 and 2018, were either covered by federal depository insurance or protected against loss by being on deposit with financial institutions recognized as qualified public depositories of the state of Washington under the Revised Code of Washington (“RCW”) Chapter 39. Subject to specific bond resolution limitations, management is permitted to invest as provided under the laws of the state of Washington.

Unspent cash, and associated investments, received in connection with bond offerings are maintained in funds as required by Grant PUD’s bond indentures. Restricted assets represent funds that are restricted by bond covenants or third-party contractual agreements. Funds that are allocated by Commission resolution are considered to be restricted assets. However, their use may be redirected at any time with Commission approval. Additionally, the Electric System Reserve and Contingency Fund’s board resolution explicitly includes the ability to transfer rate stabilization resources out of the fund to be available for debt service coverage in any given year, if required. No rate stabilization transfers in or out of the fund occurred in 2019 or 2018.

As of December 31, 2019, and 2018, Grant PUD’s unrestricted and restricted assets included on the Statement of Net Position as Cash and Investments, including accrued interest, consisted of the following:

(amounts in thousands)	2019	2018
Unrestricted assets:		
Revenue and Service System funds	\$ 116,630	\$ 156,036
Total unrestricted assets	116,630	156,036
Restricted assets:		
Electric System Reserve and Contingency fund	128,837	124,201
Self-Insurance Reserve fund	1,128	1,084
Total board designated assets	129,965	125,285
Construction funds	71,740	27,423
Bond Sinking funds	160,481	149,449
Debt Service Reserve funds	58,321	55,636
Renewal, Replacement and Contingency fund	12,453	12,000
Habitat funds	15,887	16,225
Total restricted assets	448,847	386,018
Total cash and investments	\$ 565,477	\$ 542,054

Notes to the Financial Statements (cont.)

Interest Rate Risk – Grant PUD’s investment policy and investment oversight committee governs and monitors investment position limitations as a means of managing its exposure to fair value losses arising from increasing interest rates and to ensure compliance with state law. To further mitigate risk of selling investments early to meet unexpected cash flow needs, a minimum of 20% of the total portfolio will consist of investments maturing within one year. To the extent possible, Grant PUD matches its investments with anticipated cash flow requirements such as operating, construction, habitat, and current-year debt service. Other funds such as reserves and long-term sinking funds are invested within targeted effective duration parameters as determined by the investment oversight committee. With the exception of reserve and long-term sinking funds, Grant PUD will not invest in securities with an effective duration of more than six years from the date of purchase unless authorized by the investment oversight committee for specific transactions. Callable investments are assumed to be held to final maturity.

Below are Grant PUD’s investment maturities as of December 31, 2019 and 2018:

(amounts in thousands)	Total 2019	Investment Maturities (in Years)			
	Total	Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 55,478	\$ 46,922	\$ 8,556	\$ -	\$ -
Municipal Bonds	189,334	32,119	48,335	40,388	68,492
U.S. Agencies Bonds	49,380	14,919	23,078	9,344	2,039
Repurchase Agreements	23,500	23,500	-	-	-
Commercial Paper	5,984	5,984	-	-	-
Supranational Institutions	23,662	18,135	5,527	-	-
Corporate Notes	30,092	13,810	16,282	-	-
State Investment Pool	183,245	183,245	-	-	-
Total	\$ 560,675	\$ 338,634	\$ 101,778	\$ 49,732	\$ 70,531

(amounts in thousands)	Total 2018	Investment Maturities (in Years)			
	Total	Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 96,596	\$ 75,903	\$ 20,693	\$ -	\$ -
Municipal Bonds	189,864	6,297	40,799	63,187	79,581
U.S. Agencies Bonds	49,243	7,861	21,888	18,730	764
Repurchase Agreements	71,000	71,000	-	-	-
Commercial Paper	38,731	38,731	-	-	-
Supranational Institutions	46,223	46,223	-	-	-
Corporate Notes	27,922	14,806	13,116	-	-
State Investment Pool	15,037	15,037	-	-	-
Total	\$ 534,616	\$ 275,858	\$ 96,496	\$ 81,917	\$ 80,345

Notes to the Financial Statements (cont.)

Credit Risk – Grant PUD’s investment policy complies with state law and specifies minimal credit rating acceptability criteria of potential investment issuers. Pursuant to the investment policy, the minimum credit rating requirement at the time of investment purchase is one of the three highest credit ratings of a nationally recognized rating agency. Additionally, state law limits investments in commercial paper and corporate notes to adhere to the investment policies and procedures adopted by the state investment board, which requires commercial paper to be rated with the highest short-term credit rating category of any two major Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase and corporate notes to be rated at least weak single-A or better by all of the major rating agencies that rate the note at the time of purchase.

As of December 31, 2019, and 2018, investments in debt securities had credit quality ratings as follows:

Investment Rating (S&P) Equivalent

(amounts in thousands)	Total									
	2019									
	Fair Value	Long-term					Short-term			
	AAA	AA+	AA	AA-	A+	A	A-	NR	A-1+	
Municipal Bonds	\$ 189,335	\$ 47,828	\$ 48,513	\$ 49,198	\$ 37,275	\$ 4,934	\$ 1,018	-	\$ 569	\$ -
U.S. Agencies Bonds	49,380	-	48,378	-	-	-	-	-	-	1,002
Commercial Paper	5,984	-	-	-	-	-	-	-	-	5,984
Supranational Institutions	23,662	23,662	-	-	-	-	-	-	-	-
Corporate Notes	30,092	5,577	10,713	8,208	500	-	3,585	1,509	-	-
Total	\$ 298,453	\$ 77,067	\$107,604	\$ 57,406	\$ 37,775	\$ 4,934	\$ 4,603	\$1,509	\$ 569	\$ 6,986

(amounts in thousands)	Total									
	2018									
	Fair Value	Long-term					Short-term			
	AAA	AA+	AA	AA-	A+	A	A-	NR	A-1+	
Municipal Bonds	\$ 189,863	\$ 45,312	\$ 51,570	\$ 57,382	\$ 31,072	\$ 4,527	\$ -	\$ -	\$ -	\$ -
U.S. Agencies Bonds	49,242	1,214	48,028	-	-	-	-	-	-	-
Commercial Paper	38,731	4,966	2,997	4,905	9,899	5,508	10,456	-	-	-
Supranational Institutions	46,225	46,225	-	-	-	-	-	-	-	-
Corporate Notes	27,922	3,216	9,393	3,498	10,815	-	-	1,000	-	-
Total	\$ 351,983	\$100,933	\$111,988	\$ 65,784	\$ 51,786	\$ 10,035	\$ 10,456	\$1,000	\$ -	\$ -

Custodial Credit Risk – Grant PUD’s investment policy requires that securities purchased are held by a master custodian or other entity legally allowed to act as an independent third party on behalf of Grant PUD within that entity’s trust department.

Concentration of Credit Risk – Grant PUD’s investment policy states that with the exception of direct U.S. Government obligations, repurchase agreements collateralized by the same, and the state investment pool, no more than 50% of the total portfolio par value will be invested in government sponsored agencies, supranational institutions, or municipal bonds, and no more than 25% of the total portfolio par value will be invested in corporate bonds and commercial paper. Credit concentration of Grant PUD’s investment portfolio is actively monitored by the investment oversight committee as required by Grant PUD’s investment policy.

The investment oversight committee actively monitors portfolio composition and seeks to ensure prudent diversification is maintained. The following are the concentrations of risk greater than five percent in either year.

The credit ratings listed are from Standard and Poor’s Rating Services as of December 31, 2019.

Investments by Issuer	Credit Rating	2019	2018
U.S. Treasury	AAA	10%	18%

Notes to the Financial Statements (cont.)

Grant PUD’s investments at December 31, 2019 and 2018, as identified on the Statements of Net Position, are shown below by investment type. All investments are either issued or registered in the name of Grant PUD or are held by Grant PUD or by Grant PUD’s agent in Grant PUD’s name, except for funds held in the Washington State Local Government Investment Pool which are not evidenced by securities. The difference between the totals shown in the previous table and table below is accrued interest of \$3.1 million and \$3.6 million for 2019 and 2018, respectively.

During 2019 and 2018, Grant PUD recognized \$13.8 million and \$12.3 million of interest income, respectively. The net increase (decrease) in the fair value of investments held at December 31, 2019 and 2018 was a \$5.2 million net gain, and was a \$3.0 million net loss, respectively.

Investments by type at December 31, 2019 and 2018, were as follows:

(amounts in thousands)	2019		2018	
U.S. Treasuries	\$ 55,478	10%	\$ 96,596	18%
Municipal Bonds	189,334	34%	189,863	35%
U.S. Agencies Bonds	49,380	9%	49,242	9%
Repurchase Agreements	23,500	4%	71,000	13%
Commercial Paper	5,984	1%	38,731	7%
Supranational Institutions	23,662	4%	46,225	9%
Corporate Notes	30,092	5%	27,922	5%
State Investment Pool	183,245	33%	15,037	3%
Total investments	\$ 560,675	100%	\$ 534,616	99%
Cash	1,655	0%	3,888	1%
Total cash and investments	\$ 562,330	100%	\$ 538,504	100%

Investments in Local Government Investment Pool (LGIP) – Grant PUD is a participant in the State Local Government Investment Pool authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool that transacts with its participants at a stable net asset value per share of \$1.00. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB Statement 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost.

Participants may contribute and withdraw funds on a daily basis and must inform the LGIP of any contribution or withdrawal over \$1.0 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for \$1 million or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than \$1 million when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the LGIP. The LGIP is unrated and does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Notes to the Financial Statements (cont.)

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, and online at <http://www.tre.wa.gov>.

Fair Value Measurements – Grant PUD’s investments have been adjusted to reflect fair value measurements as of December 31, 2019, obtained from available financial industry valuation sources. Grant PUD categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, “Fair Value Measurement and Application.” The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. In particular, Grant PUD valued its U.S. Treasuries using quoted prices in active markets. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

Below are Grant PUD’s fair value measurements as of December 31, 2019 and 2018:

(amounts in thousands)	Total 2019	Fair Value Measurements			Not Leveled (amortized cost)
		Level 1	Level 2	Level 3	
Investments by fair value level					
Debt Securities					
Municipal Bonds	\$ 189,334	\$ -	\$ 189,335	\$ -	\$ -
U.S. Treasuries	55,478	55,478	-	-	-
U.S. Agencies	49,380	-	49,380	-	-
Supranational Institutions	23,662	-	23,662	-	-
Corporate Notes	30,092	-	30,092	-	-
Commercial Paper	5,984	-	5,984	-	-
Repurchase Agreements	23,500	-	23,500	-	-
State Investment Pool	183,245	-	-	-	183,245
Total investments by fair value level	\$ 560,675	\$ 55,478	\$ 321,953	\$ -	\$ 183,245

(amounts in thousands)	Total 2018	Fair Value Measurements			Not Leveled (amortized cost)
		Level 1	Level 2	Level 3	
Investments by fair value level					
Debt Securities					
Municipal Bonds	\$ 189,863	\$ -	\$ 189,863	\$ -	\$ -
U.S. Treasuries	96,596	96,596	-	-	-
U.S. Agencies	49,242	-	49,242	-	-
Supranational Institutions	46,225	-	46,225	-	-
Corporate Notes	27,922	-	27,922	-	-
Commercial Paper	38,731	-	38,731	-	-
Repurchase Agreements	71,000	-	71,000	-	-
State Government Investment Pool	15,037	-	-	-	15,037
Total investments by fair value level	\$ 534,616	\$ 96,596	\$ 422,983	\$ -	\$ 15,037

3. UTILITY PLANT

Utility plant of Grant PUD as of December 31, 2019, and 2018, is summarized as follows:

(amounts in thousands)	Balance 2018	Additions	Retirements/ Transfers	Balance 2019
Land and land rights	\$ 24,919	\$ -	\$ 297	\$ 25,216
Construction in progress	133,001	120,383	(128,859)	124,525
Total nondepreciable assets	157,920	120,383	(128,562)	149,741
Distribution facilities	608,243	26,941	(1,511)	633,673
Transmission facilities	251,026	13,778	-	264,804
Hydro facilities				
Power plant structures	144,113	-	-	144,113
Reservoirs, dams, waterways	511,075	4,485	-	515,560
Power plant equipment	749,586	56,336	(25)	805,897
General facilities				
Quincy Chute (Note 6)	18,543	956	-	19,499
Potholes East Canal (Note 6)	16,491	-	-	16,491
Other generation	30	-	-	30
General plant	541,132	24,617	(644)	565,105
FERC License	113,256	28,607	-	141,863
Other intangible assets	46,354	3,275	(530)	49,099
Total depreciable assets	2,999,849	158,995	(2,710)	3,156,134
Accumulated depreciation and amortization	(1,060,508)	(75,935)	1,948	(1,134,495)
Total depreciable assets, net	1,939,341	83,060	(762)	2,021,639
Total net utility plant	\$ 2,097,261	\$ 203,443	\$ (129,324)	\$ 2,171,380

Notes to the Financial Statements (cont.)

(amounts in thousands)	Balance 2017	Additions	Retirements/ Transfers	Balance 2018
Land and land rights	\$ 24,920	\$ -	\$ (1)	\$ 24,919
Construction in progress	231,150	130,782	(228,931)	133,001
Total nondepreciable assets	256,070	130,782	(228,932)	157,920
Distribution facilities	562,141	50,398	(4,296)	608,243
Transmission facilities	250,073	953	-	251,026
Hydro facilities				
Power plant structures	138,047	6,066	-	144,113
Reservoirs, dams, waterways	508,357	6,288	(3,570)	511,075
Power plant equipment	625,031	124,555	-	749,589
General facilities				
Quincy Chute (Note 6)	17,771	22	750	18,543
Potholes East Canal (Note 6)	16,450	41	-	16,491
Other generation	30	-	-	30
General plant	507,289	35,549	(1,706)	541,132
FERC License	116,050	-	(2,794)	113,256
Other intangible assets	41,067	6,706	(1,419)	46,351
Total depreciable assets	2,782,306	230,578	(13,035)	2,999,849
Accumulated depreciation and amortization	(993,006)	(73,036)	5,534	(1,060,508)
Total depreciable assets, net	1,789,300	157,542	(7,501)	1,939,341
Total net utility plant	\$ 2,045,370	\$ 288,324	\$ (236,433)	\$ 2,097,261

4. LICENSING

The Priest Rapids Project is operated under a 44-year FERC license that expires in 2052. Costs associated with the relicensing efforts, totaling \$57.1 million, were recorded as an intangible asset included in Utility plant and are being amortized over the term of the license. Accumulated amortization related to the relicensing efforts totaled \$26.4 million and \$24.6 million as of December 31, 2019 and 2018, respectively.

Under the license, Grant PUD is committed to numerous obligations related to fish and habitat protection that require payments to other organizations using funds provided by Grant PUD. The present value of these obligations totaled \$75.4 million as of December 31, 2019, of which approximately \$2.3 million is expected to be paid within one year. The present value of the obligations was \$49.0 million as of December 31, 2018. These amounts are the FERC Licensing Obligations reflected as liabilities in the Statement of Net Position. The elements of these obligating payments, comprising the Salmon and Steelhead Agreement, Part A (Hatchery Renovation) and Part B (Resident Fish Monitoring and Trout Purchase), are further discussed in Note 7.

5. LONG-TERM DEBT

Long-term Debt

Grant PUD's total principal of outstanding debt and coupon interest rate is presented below:

(amounts in thousands)	2019	2018
Electric System, interest rates of 1.32% to 5.00%, maturing through 2047	\$ 282,035	\$ 282,035
Priest Rapids Project, interest rates of 2.00% to 5.83%, maturing through 2044	<u>987,360</u>	<u>1,016,600</u>
Total debt outstanding	<u>\$1,269,395</u>	<u>\$1,298,635</u>

Scheduled debt service requirements to maturity for debt from revenue bonds are as follows:

(amounts in thousands)	Principal	Interest	Total
2020	\$ 30,580	\$ 56,490	\$ 87,070
2021	31,985	54,979	86,964
2022	32,940	53,379	86,319
2023	32,180	51,774	83,954
2024	27,510	50,292	77,802
2025 - 2029	258,970	215,811	474,781
2030 - 2034	250,460	149,368	399,828
2035 - 2039	240,700	89,320	330,020
2040 - 2044	253,050	19,134	272,184
2045 - 2047	<u>11,020</u>	<u>845</u>	<u>11,865</u>
Total	<u>\$ 1,169,395</u>	<u>\$ 741,392</u>	<u>\$ 1,910,787</u>

Scheduled debt service requirements to maturity for debt from direct borrowing and direct placements are as follows:

(amounts in thousands)	Principal	Interest	Total
2020	\$ 50,000	\$ 2,828	\$ 52,828
2021	<u>50,000</u>	<u>1,685</u>	<u>51,685</u>
Total	<u>\$ 100,000</u>	<u>\$ 4,513</u>	<u>\$ 104,513</u>

Interest in the preceding table includes interest requirements for fixed rate debt at their stated rates, and interest for variable-rate debt is computed using 80 percent of the 1-month London Interbank Offered Rate (LIBOR) plus a fixed fee for the Series 2019-P and 65.1 percent of the 1-month LIBOR plus a fixed fee for the Series 2017-M. The LIBOR rate is based on the rate in effect at December 31, 2019, for the issues.

Notes to the Financial Statements (cont.)

During the years ended December 31, 2019 and 2018, the following changes occurred in Grant PUD's long-term debt:

(amounts in thousands)	2018 Balance	Additions	Reductions	2019 Balance	Due Within One Year
Revenue bonds payable	\$ 1,198,635	\$ -	\$ (29,240)	\$ 1,169,395	\$ 30,580
Unamortized premiums and discounts, net	36,669	-	(4,414)	32,255	-
Subordinate direct placement revenue bonds	100,000	50,000	(50,000)	100,000	50,000
Total	\$ 1,335,304	\$ 50,000	\$ (83,654)	\$ 1,301,650	\$ 80,580

(amounts in thousands)	2017 Balance	Additions	Reductions	2018 Balance	Due Within One Year
Revenue bonds payable	\$ 1,230,270	\$ -	\$ (31,635)	\$ 1,198,635	\$ 29,240
Unamortized premiums and discounts, net	41,489	-	(4,820)	36,669	-
Subordinate direct placement revenue bonds	100,000	-	-	100,000	-
Total	\$ 1,371,759	\$ -	\$ (36,455)	\$ 1,335,304	\$ 29,240

Unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increase by the amortization of debt issue costs and discount.

Refunded Debt

On April 8, 2019, Grant PUD signed a subordinate direct placement bond purchase agreement with Bank of America, N.A., to issue a \$50 million variable rate Electric System refunding bond (2019-P). The bond refunded the \$50.0 million 2016-L issuance and has a floating interest rate of 80% of LIBOR plus 0.37% fee maturing on July 1, 2021. Grant PUD did not issue new bonds in 2018.

Covenants

Grant PUD's Parity Bond (senior) resolutions contain various covenants that include requirements to maintain minimum debt service coverage ratios, certain other financial ratios, stipulated minimum funding of revenue bond reserves, and various other requirements. These covenants require Grant PUD to establish, maintain and collect rates or charges for electric energy and all other commodities, services and facilities sold, furnished or supplied or through the Priest Rapids Project System, adequate net revenues in each system sufficient to pay at least (a) 100% of annual debt service in such fiscal year and (b) together with available funds, 125% of annual debt service in such fiscal year on Grant PUD as a whole.

For the years ending December 31, 2019 and 2018, Grant PUD is in compliance with all debt covenants related to the outstanding bonds, which includes a minimum debt service coverage of 1.15x and 1.25x for the Priest Rapids Project and Electric System senior bonds, respectively. The Electric System variable rate short term debt products are subordinate and have a coverage requirement of 1.10x.

Collateral

The principal and interest on Grant PUD's revenue bonds are payable exclusively from, and are collateralized by a pledge of, the net revenues of Grant PUD. Neither the credit nor the taxing power of Grant PUD is pledged to the payment of the bonds.

6. POWER PURCHASER COMMITMENTS

Priest Rapids Project

Under the Priest Rapids Power Sales Contracts, the amount of net Priest Rapids Project power costs incurred by Grant PUD in serving its load changes on an annual basis in relation to its firm power requirements. Grant PUD incurred 82.5% and 81.1% of Priest Rapids Project power costs with the long-term contract power purchasers funding the remaining 17.5% and 18.9% for 2019 and 2018, respectively. Each purchaser is obligated to pay its share of the cost (excluding depreciation and amortization) of producing and delivering power, plus 115% of its share of the amounts required for debt service payments in accordance with the power purchase agreement.

Bonneville Power Administration (BPA)

Grant PUD is a statutory preference customer of BPA. Grant PUD signed a BPA preference contract during 2008 to serve its Grand Coulee load of approximately 5 average megawatts (“aMW”) that expires September 30, 2028. In addition, Grant PUD has purchased from BPA the transmission required to deliver the power associated with this load through September 30, 2028. Grant PUD has 12 megawatts (“MW”) of transmission for the delivery of power from the Nine Canyon Wind Project with a term expiring on October 1, 2030.

Grant PUD management estimates Grant PUD’s minimum commitments to BPA for the next five years are as follows:

Estimated BPA Contractual Payments (amounts in thousands)		
2020	\$	2,520
2021		2,593
2022		2,668
2023		2,745
2024		2,824

Nine Canyon Wind Power Purchase Agreement

Grant PUD participates in a power purchase agreement with Energy Northwest for Phase I of the Nine Canyon Wind Project (the “Project”) which consists of 37 wind turbines with an aggregate generating capacity of approximately 48 MW. Energy Northwest is a municipal corporation and a joint operating agency of the State of Washington (formerly known as the Washington Public Power Supply System).

The project was constructed in phases. Grant PUD is one of nine public agencies participating in the original project power purchase agreement for Phase I of the Project. Grant PUD’s purchaser share of Phase I of the project output was 25% of output up to a maximum of 12 MW. Since Grant PUD did not participate in either Phase II or Phase III of the Project, its amended share of the combined Project is 12.54% through the expiration of the agreement in 2030. In exchange for the output, Grant PUD pays its 12.54% share of certain Project costs and its 25% share of Phase I debt service (principal and interest) issued by Energy Northwest to finance the construction of the Project, which is estimated to be a total of \$2.0 million annually. Grant PUD does not participate in the two other phases of the Project. The phases are operated together as a single project under an amended power purchase agreement.

Complete financial statements for Energy Northwest, including the Nine Canyon Project, is available from the Energy Northwest, PO Box 968, Richland, Washington, 99352-0968, and online at <http://www.energy-northwest.com>.

Yakama Nation Agreement

In 2007, Grant PUD entered into an agreement with the Yakama Nation that provides mutual benefits to both parties. In exchange for physical benefits from the Priest Rapids Project, the Yakama Nation works collaboratively with Grant PUD on environmental issues affecting the project and in the development of new generation resources. The Yakama Nation is responsible to pay the costs associated with producing the benefit received.

A primary consideration for the agreement is an allocation of the benefit from the Priest Rapids Project to the Yakama Nation. The financial equivalent of 15 aMW was paid during 2010-2015 less the associated power costs. Per the agreement, the financial benefit will be 10 aMW net of cost of production from 2017 through the remainder of the agreement. The net payments to the Yakama Nation totaled \$1.6 million and \$1.1 million during 2019 and 2018, respectively. The agreement expires at the end of the FERC license term (2052). The projected annual cost for this agreement is listed in the table below.

**Estimated Yakama Nation Contractual Payments
(amounts in thousands)**

2020	\$	435
2021		775
2022		833
2023		830
2024		846
2025		818

Other Sources

Pursuant to agreements with three irrigation districts, Grant PUD constructed, operates, and maintains both the Quincy Chute and Potholes East Canal hydroelectric generation facilities in return for the right to all output from the projects. The construction costs of Quincy Chute and Potholes East Canal are included in Net utility plant and are being amortized over the terms of the agreements, which expire October 1, 2025, and September 1, 2030, respectively. The irrigation districts hold title to the project facilities.

7. NONPOWER COMMITMENTS

Capital Projects

Grant PUD has contractual commitments relating to several Electric System capital improvement projects including the fiber buildout, electrical system upgrades, multiple transformer purchases, power cable purchases, and substation and distribution line construction projects. As of December 31, 2019, the spent to date for these Electric System major capital contracts totaled \$27 million. The remaining commitment for these contracts as of December 31, 2019 was \$84 million.

Grant PUD's improvement programs for the Priest Rapids Project include restoration or replacement of generators, turbine upgrades, unit controls, the station service and substation circuit breakers, and replacing trunnion bearings and coating systems for spillway gates. Grant PUD also is committed to ongoing dam safety initiatives, which currently include Priest Rapids Dam's right embankment upgrade, assessment of Wanapum

Dam's left embankment, and seismic evaluation of concrete structures at both dams. Grant PUD intends to, or has committed by contract or regulatory requirement to, fulfill these programs, which are projected to be substantially complete by 2028. As of December 31, 2019, the spent to date price for these Priest Rapid Project major capital contracts totaled \$320 million. The remaining commitments for these contracts as of December 31, 2019 was \$181 million.

ENVIRONMENTAL MATTERS

In 2006, Grant PUD entered into a Salmon and Steelhead Settlement Agreement (Agreement) with U.S. Fish and Wildlife Service (USFWS), the National Marine Fisheries Service of the National Oceanic and Atmospheric Administration (NOAA), the Washington Department of Fish and Wildlife (WDFW), Yakama Nation (YN), and the Confederated Tribes of the Colville Reservation (CCT) for the purpose of resolving all issues between Grant PUD and the other signatories related to anadromous salmonid fish species.

This agreement is intended to constitute a comprehensive and long-term adaptive management program for the protection, mitigation, and enhancement of anadromous fish (both listed and not listed species under the Endangered Species Act) that pass or may be affected by the Priest Rapids Project.

Under the Agreement, Grant PUD is obligated to establish a habitat conservation account and a no-net-impact fund (referred herein as "Habitat funds") into which Grant PUD deposits payments for further distribution in accordance with the requirements of the Salmon and Steelhead Agreement. The purpose of the Habitat funds are two-fold: (1) to establish and shepherd a habitat restoration program that promotes the rebuilding of self-sustaining and harvestable populations of anadromous species and to mitigate for a portion (2%) of unavoidable losses resulting from the Priest Rapids Project operations and (2) to provide near-term compensation for annual survivals that are less than the survival objectives in the performance standards for the Priest Rapids Project for spring Chinook, steelhead, summer Chinook, and sockeye. The parties that oversee the distribution of these funds include the signatories to the Priest Rapids Salmon and Steelhead Settlement Agreement (USFWS, NOAA Fisheries, WDFW, CCT, YN, and Grant PUD). Per the Agreement, when performance standards have been achieved on a species-by-species basis, the no-net-impact fund annual contributions for that species will be terminated.

In addition to the Habitat funds discussed above, Grant PUD is obligated to establish a habitat account into which Grant PUD deposits payments for further distribution in accordance with the requirements of the NOAA Fisheries 2008 Biological Opinion ("2008 BiOp") for the Priest Rapids Project. Funds from this account are used for habitat actions that directly benefit Upper Columbia River ("UCR") spring-run Chinook salmon and UCR steelhead. The parties identified above and the Confederated Tribes of the Umatilla Reservation have been identified in the 2008 BiOp as responsible for overseeing distribution of these funds.

The Habitat funds are restricted and cannot be spent without unanimous consent. Interest earned by the Habitat funds increases the balance of these funds and is not recognized as income by Grant PUD. Expenditures of these funds are made in accordance with the Agreement and the 2008 NOAA Fisheries BiOp for the protection and restoration of habitats along the mainstream and tributaries within the UCR watershed including the Okanogan, Methow, Entiat, and Wenatchee watersheds. Grant PUD anticipates funding these accounts up to and through the term of its FERC license.

In October 2006, Grant PUD filed a request for a 401 Water Quality Certification ("401 WQC") from the Washington State Department of Ecology ("Ecology"), pursuant to the provisions of section 401 of the Clean Water Act. A 401 WQC for the operation of the Priest Rapids Project was issued by Ecology on April 3, 2007, and amended on March 6, 2008.

Notes to the Financial Statements (cont.)

In order to fulfill requirements of the 401 WQC related to native resident fish, Grant PUD is required to provide funds to track native resident fish species diversity and provide mitigation for impacts to and loss of resident fish and harvest opportunities by compliance with Parts A and B. Grant PUD has met all requirements of Part A as of December 31, 2018. Part B requirements are described in further detail below. Under Part B (“Resident Fish Monitoring and Trout Purchase”), Grant PUD is obligated to establish and administer a fund for resident fish monitoring and fish purchase. Funds from Part B are specifically directed toward the monitoring of native resident fish species within the Priest Rapids Project area. Grant PUD is required to make contributions to the fund annually on or before February 15 of each year in the amount of \$0.1 million per year, based upon 2003 dollars and annually adjusted for inflation.

In a FERC Order (issued on August 31, 2010) approving the Wildlife Habitat Management Plan (Article 409), Grant PUD is required to assist the Washington Department of Fish and Wildlife in fire suppression by contributing \$40,000 annually to an account. Funds from the account are to be designated for: 1) revegetating burned areas; 2) revegetating areas known to burn frequently with species carrying lesser fuel loads; 3) creating fire breaks in appropriate locations; and 4) paying for firefighting activities.

Grant PUD’s total contributions to these Habitat funds for the years ended December 31, 2019 and 2018, equaled \$2.3 million for each year. The following table shows Grant PUD’s estimate of the remaining fixed contributions to the Habitat funds as of December 31, 2019, representing required contributions through the FERC License term (2052).

Estimated Fixed Habitat Funding Commitments (amounts in thousands)		
2020	\$	2,344
2021		2,399
2022		2,456
2023		2,514
2024		2,573
2024 through 2052		103,005
Total		\$ 115,291

8. RETIREMENT AND DEFERRED COMPENSATION PLANS

The following table represents the aggregate pension amounts for all plans as of and for the years ended December 31, 2019 and 2018:

Aggregate Pension Amounts - All Plans (amounts in thousands)			
		2019	2018
Pension Liabilities	\$	24,837	\$ 32,686
Deferred Outflows of Resources	\$	6,409	\$ 5,753
Deferred Inflows of Resources	\$	14,701	\$ 13,693
Pension Expense	\$	1,416	\$ 423

State Sponsored Pension Plans

Substantially all Grant PUD’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The

Notes to the Financial Statements (cont.)

state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS comprises three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Notes to the Financial Statements (cont.)

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 and 2018 were as follows:

PERS Plan 1 Actual Contribution Rates:	Employer	Employee
2019		
January - June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	-
Administrative Fee	0.18%	-
Total	12.83%	6.00%
July - December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	-
Administrative Fee	0.18%	-
Total	12.86%	6.00%
2018		
January - August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	-
Administrative Fee	0.18%	-
Total	12.70%	6.00%
September - December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	-
Administrative Fee	0.18%	-
Total	12.83%	6.00%

Grant PUD’s actual contributions to the plan were \$3.5 million and \$3.4 million for the years ended December 31, 2019 and 2018, respectively.

Notes to the Financial Statements (cont.)

PERS Plan 2/3 provide retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

With a benefit that is reduced by three percent for each year before age 65, or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Notes to the Financial Statements (cont.)

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL) and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The **PERS Plan 2/3** required contribution rates (expressed as a percentage of covered payroll) for 2019 and 2018 were as follows:

PERS Plan 2/3 Actual Contribution Rates:	Employer	Employee
2019		
January - June 2019		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	varies
Total	12.83%	7.41%
July - December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	varies
Total	12.86%	7.90%
2018		
January - August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	varies
Total	12.70%	7.38%
September - December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	varies
Total	12.83%	7.41%

Grant PUD's actual contributions to the plan were \$5.4 million and \$4.9 million for the years ended December 31, 2019 and 2018, respectively.

Actuarial Assumptions

The 2019 total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Notes to the Financial Statements (cont.)

The 2018 TPL for each of the DRS plans was determined using the actuarial valuation completed in 2018, with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic experience Study*.

Additional 2019 assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. Additional 2018 assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement dates of June 30, 2019, and June 30, 2018. The 2019 plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, and 2018 plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Inflation: 2.75% total economic inflation; 3.50% salary inflation

Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

Investment rate of return: 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions between the 2019 and 2017 valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for termination vested members who delay application for retirement benefits.
- OSA updated Cost-of-Living Adjustment (COLA) programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

There were changes in methods and assumptions between the 2018 and 2017 valuations.

- Lowered the valuation interest rate from 7.70% to 7.50% for all plans.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all plans.
- Lowered assumed inflation from 3.00% to 2.75% for all plans.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test included an assumed 7.5% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% was used to determine the total liability.

Notes to the Financial Statements (cont.)

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience date, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the tables below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return
2019		
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<u>100%</u>	
2018		
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<u>100%</u>	

Notes to the Financial Statements (cont.)

Sensitivity of Net Pension Liability (NPL)

The tables below present Grant PUD’s proportionate share of the net pension liability calculated using the applicable discount rate, as well as what Grant PUD’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than applicable discount rate.

2019 (amounts in thousands)	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 23,555	\$ 18,809	\$ 14,692
PERS 2/3	46,233	6,028	(26,963)

2018 (amounts in thousands)	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 27,099	\$ 22,050	\$ 17,678
PERS 2/3	48,648	10,636	(20,530)

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019 and 2018, Grant PUD reported a total pension liability for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2019 and 2018):

Liability (amounts in thousands)	2019	2018
PERS 1	\$ 18,809	\$ 22,050
PERS 2/3	6,028	10,636
Total	\$ 24,837	\$ 32,686

Notes to the Financial Statements (cont.)

Grant PUD’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2018	Proportionate Share 6/30/2019	Change in Proportion
PERS 1	0.493735%	0.489144%	-0.004591%
PERS 2/3	0.622917%	0.620593%	-0.002324%

	Proportionate Share 6/30/2017	Proportionate Share 6/30/2018	Change in Proportion
PERS 1	0.509107%	0.493735%	-0.015372%
PERS 2/3	0.639308%	0.622917%	-0.016391%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the Schedules of *Employer and Nonemployer Allocations*.

The 2019 and 2018 collective net pension liability was measured as of June 30, 2019 and 2018, respectively, and the actuarial valuation dates on which the total pension liability is based was as of June 30, 2018 and 2017, respectively, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the years ended December 31, 2019 and 2018, Grant PUD recognized pension expense as follows:

Pension Expense (amounts in thousands)	2019	2018
PERS 1	\$ 655	\$ 1,172
PERS 2/3	684	(749)
Total	\$ 1,339	\$ 423

Notes to the Financial Statements (cont.)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019 and 2018, respectively, Grant PUD recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
(amounts in thousands)				
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 1,257	\$ -	\$ 876
Contributions subsequent to measurement date	1,714	-	1,720	-
Total	\$ 1,714	\$ 1,257	\$ 1,720	\$ 876

PERS Plan 2/3	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
(amounts in thousands)				
Differences between expected and actual experience	\$ 1,727	\$ 1,296	\$ 1,304	\$ 1,862
Net difference between projected and actual investment earnings on pension plan investments	-	8,774	-	6,527
Changes of assumptions	155	2,529	123	3,027
Changes in proportion and differences between contributions and proportionate share of contributions		845	115	1,401
Contributions subsequent to measurement date	2,814	-	2,491	-
Total	\$ 4,696	\$ 13,444	\$ 4,033	\$ 12,817

Notes to the Financial Statements (cont.)

Deferred outflows of resources related to pensions resulting from Grant PUD's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(amounts in thousands)

Year ended December 31:

	PERS 1	PERS 2/3
2020	\$ (277)	\$ (2,908)
2021	(657)	(4,665)
2022	(235)	(2,158)
2023	(88)	(1,230)
2024	-	(614)
Thereafter	-	13
	<u>\$ (1,257)</u>	<u>\$ (11,562)</u>

Deferred Compensation Plans

Grant PUD offers its employees a deferred compensation plan created under Internal Revenue Code Section 457(b), which permits employees to defer a portion of their compensation until future years. The plan is available to all active employees. Grant PUD has no liability for losses under the plan; it is completely funded with employee contributions.

Grant PUD also administers a 401(a) governmental money purchase plan and trust. Eligible employees may participate in the 401(a) defined contribution plan. The election to participate in the 401(a) defined contribution plan must be made at the time the employee becomes eligible to participate and cannot be changed during the time of their employment. Eligible employees can also elect to contribute to the 457(b) plan as discussed above. Grant PUD's matching employer contributions (\$0.50 per \$1 of employee contributions) are deposited into the 401(a) plan, and is capped at 2% of straight-time employee wages for the pay period. Grant PUD made matching contributions of approximately \$1 million in 2019 and 2018. Beginning in 2020, Grant PUD will deposit into employees' 401(a) 3% of straight-time wages for the pay period and will not require any contributions by the employee.

9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

Plan Description

Grant PUD administers a single-employer defined benefit premium program ("the retiree subsidy plan"). The retiree subsidy plan may be amended through collective bargaining (for bargaining unit employees) and ratified by Grant PUD's Commission, or changed without bargaining for non-bargaining unit employees. The retiree subsidy plan does not issue a publicly available financial report.

Benefits Provided

Grant PUD pays a portion of the medical premiums for eligible retirees and their spouses from age 59 ½ until age 65. Retirees younger than 59 ½ may continue to receive coverage on a self-pay basis. The percentage of the medical premiums based upon years of full-time service of the retirees. At the age of 59 ½, the retiree is eligible for a subsidy of 3% of their premium cost for each year of service (years x 3% x retiree premium). The subsidy cannot be more than the premium amount paid for active employees and is effective until the retiree turns 65. The cap for 2019 was \$499.40 for employee coverage and \$1,149.38 for employee and spouse coverage. The cap for 2020 is \$546.81 for employee coverage and \$1,257.62 for employee and spouse coverage. Retirees may seek

Notes to the Financial Statements (cont.)

COBRA coverage (subject to all COBRA provisions) through Grant PUD’s group health insurance plan, the Central Washington Public Utilities Unified Insurance Program Trust (Trust) or find independent coverage.

Employees Covered by Benefit Terms

At December 31, 2019 and 2018, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees or beneficiaries currently receiving benefit payments	67	51
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	651	640
Total number of participants	718	691

Funding Policy

The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

Contributions

Grant PUD paid approximately \$0.4 million in retiree subsidies for each of the years ended December 31, 2019 and 2018.

Total OPEB Liability

Grant PUD’s total OPEB liability for December 31, 2019 was measured as of December 31, 2019 with an actuarial valuation date of December 31, 2019. The December 31, 2018 OPEB liability was determined by an actuarial valuation dated December 31, 2017, rolled forward to the December 31, 2018, measurement date.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the years 2019 and 2018:

Aggregate OPEB Amounts - All Plans (amounts in thousands)	2019	2018
OPEB liabilities	\$ 9,705	\$ 6,977
Deferred Outflows of Resources	2,291	-
Deferred Inflows of Resources	-	-
OPEB expense	877	599

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study* and the *2015 Economic experience Study*.

Actuarial Cost Method:	Entry Age Normal
Discount Rate:	2.75% and 3.50% for 2019 and 2018, respectively (based on all years discounted at Bond Buyer 20-year Bond General Obligation Index)
General Inflation:	2.50% per year
Wage Growth:	3.0% per year

Notes to the Financial Statements (cont.)

Merit and Longevity Scale: Salaries are assumed to increase at the sum of the Wage Growth assumption and the merit and longevity scale below:

Years of Service	Rate
0	6.00%
5	2.20%
10	0.50%
15	0.20%
18+	0.00%

Annual Premium Increase Rate: The assumed increases for medical plans are:

Year	Rate	Year	Rate
2019-20	6.30%	2030-31	5.30%
2020-21	6.20%	2031-32	5.20%
2021-22	6.10%	2032-33	5.10%
2022-23	6.00%	2033-34	5.00%
2023-24	5.90%	2034-35	4.90%
2024-25	5.80%	2035-36	4.80%
2025-26	5.70%	2036-37	4.70%
2026-27	5.60%	2037-38	4.60%
2027-28	5.50%	2038+	4.50%
2028-29	5.40%		

The initial rates in the table above are based in part on the 2019 Segal Health Plan Cost Trend Survey. Rates are trended down in subsequent years in accordance with prevalent actuarial practice, based in part on the Society of Actuaries – Getzen Long-Term Healthcare Trends Resource Model, as updated October 2019.

Mortality Rates: Retirement Plan 2000, combined active/healthy retired, no collar, sex-distinct, projected fully generationally with Scale BB.

Turnover Rates Generally as developed for the valuation of benefits under Washington PERS. Examples of turnover rates are as follows:

Service	Male	Female
0	26.24%	26.24%
5	5.44%	6.65%
10	3.37%	4.17%
15	2.36%	2.77%
20	1.53%	1.80%
25	0.74%	0.94%
30+	0.36%	0.49%

Notes to the Financial Statements (cont.)

Disability Rates

As developed for the valuation of benefits under Washington PERS. Sample rates are as follows:

Age	Male	Female
20	0.0000%	0.0000%
40	0.0235%	0.0275%
60	0.7863%	0.7681%
80	0.0000%	0.0000%

Retirement Rates

Eligible Employees are assumed to delay retirement until reaching the eligibility requirements for the Retiree Subsidy. Employees participating in PERS are assumed to delay retirement until reaching PERS eligibility, if later.

Employees with fewer than 30 years of service are assumed to retire with rates as follows:

Age	Male	Female
55	2.00%	2.00%
56	3.00%	2.00%
57	4.00%	2.00%
58	5.00%	2.00%
59	6.00%	4.00%
60	7.00%	6.00%
61	8.00%	13.00%
62	24.00%	20.00%
63	22.00%	18.00%
64	56.00%	56.00%
65	40.00%	40.00%

Employees with 30 or more years of service are assumed to retire with rates as follows:

Age	Male	Female
55	12.00%	12.00%
56	12.00%	12.00%
57	12.00%	12.00%
58	12.00%	12.00%
59	16.00%	24.00%
60	12.00%	12.00%
61	20.00%	20.00%
62	28.00%	28.00%
63	26.00%	26.00%
64	56.00%	56.00%
65	40.00%	40.00%

Notes to the Financial Statements (cont.)

Participation	100% of actives eligible for Grant PUD-paid medical benefits are assumed to be enrolled in a medical plan at retirement.
Plan Enrollment	Current and future retirees are assumed to remain enrolled in the plans in which they are currently enrolled, if any.
Marital Status	65% of future retirees electing coverage are assumed to cover a spouse as well. Males are assumed to be three years older than their female spouses. Actual marital status and ages as of the valuation date are used for current retirees.
Coverage of Eligible Children	We have assumed no impact of dependent children on the implicit rate subsidy.
Health Care Claims Costs	2020 claim costs for an age 64 retiree or spouse are assumed to be \$14,150 for PPO and \$9,700 for CDHP.
Aging Factors	Aging factors are used to adjust the age 64 per capita claims cost. Percentages shown below age 64 reduce the claim costs.

Attained Age	Factor
Under 40	4.00% per year
40-44	3.75% per year
45-49	3.50% per year
50-54	3.00% per year
55-64	3.25% per year

Change in Assumptions and Methods	<p>Actuarial results reflect the following changes in assumptions and methods:</p> <ul style="list-style-type: none"> • The interest rate for discounting future liabilities was lowered to reflect current municipal bond rates, as outlined in GASB Statement 75. • Premium increases were modified to reflect anticipated experience. • Assumptions pertaining specifically to the implicit medical benefit (participation, coverage of eligible children, health care claims costs, and aging factors) were introduced.
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Changes in Total OPEB Liability

(amounts in thousands)	2019	2018
	Increase (Decrease) Total OPEB Liability	Increase (Decrease) Total OPEB Liability
Total OPEB Liability at January 1	\$ 6,977	\$ 6,806
Service Cost	372	362
Interest on total OPEB Liability	249	237
Effect of plan changes	-	-
Effect of economic/demographic gains or losses	255	-
Effect of assumptions changes or inputs	2,291	-
Benefit payments	(439)	(428)
Net change in total OPEB liability	2,728	171
Total OPEB Liability at December 31	\$ 9,705	\$ 6,977

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.

The following presents the total OPEB liability of Grant PUD calculated using the discount rate of 2.75 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.75%) or 1-percentage point higher (3.75%) than the current rate.

(amounts in thousands)	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB liability	\$ 10,496	\$ 9,705	\$ 8,960

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates.

The following presents the total OPEB liability of Grant PUD calculated using the current healthcare cost trend rate of 6.3 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.3%) or 1-percentage point higher (7.3%) than the current rate.

(amounts in thousands)	1% Decrease 5.30% Graded Down to 4.00%	Current Discount Rate 6.30% Graded Down to 5.00%	1% Increase 7.30% Graded Down to 6.00%
Total OPEB liability	\$ 8,592	\$ 9,705	\$ 11,035

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019 and 2018, Grant PUD reported a liability of \$9.7 million and \$7 million, respectively. The total OPEB liability is based on the present value of the portion of future expected benefit payments that is considered to have been already earned by the participants. In future years, changes in the total OPEB liability due to actuarial gains or losses or changes in assumptions will be amortized over the average expected future working lifetime of participants, with unamortized amounts treated as deferred outflows or inflows of resources.

Notes to the Financial Statements (cont.)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019 and 2018, the District recognized deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

(amounts in thousands)	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 229	\$ -	\$ -	\$ -
Changes of assumptions	2,062	-	-	-
Total	\$ 2,291	\$ -	\$ -	\$ -

The deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(amounts in thousands)	
Year ended December 31:	
2020	\$ 255
2021	255
2022	255
2023	255
2024	255
Thereafter	1,016
Total	\$ 2,291

OPEB Expense

Grant PUD’s annual OPEB cost (expense) is equal to the change in total OPEB liability, plus or minus changes in deferred outflows or inflows, plus employer contributions. For the years ended December 31, 2019 and 2018, Grant PUD recognized OPEB expense of \$0.9 and \$0.6 million, respectively.

10. CONTINGENCIES

Grant PUD is involved in various claims arising in the normal course of business. Grant PUD does not believe that the ultimate outcome of these matters will have a material impact on its financial position, results of operations, or cash flows.

11. WHOLESALE FIBER OPTIC NETWORK

Grant PUD is installing a wholesale fiber optic network to the premises in its service area. This fiber optic network is interconnected with multiple regional and national telecommunications carriers. The wholesale fiber optic network is available to retail and wholesale providers of Internet, telephone, and video services. Grant PUD has also implemented a wholesale wireless network which is available to retail wireless providers.

The following is a summary of the results of operations of the wholesale fiber optic and wireless networks, and the related utility plant balances and related additions, as of and for the years ended December 31, 2019 and 2018:

(amounts in thousands)	2019	2018
Operating revenues		
Wholesale fiber services	\$ 8,733	\$ 7,594
Dark fiber revenue	608	585
Wireless fiber revenue	91	81
Wholesale fiber optic network sales	\$ 9,432	\$ 8,260
Operating expenses		
Administrative and general	\$ 1,374	\$ 646
Repairs and maintenance	1,348	1,619
Depreciation	8,551	7,835
Total operating expenses	\$ 11,273	\$ 10,100
Nonoperating revenues		
Contributions in aid of construction	\$ 53	\$ 272
Utility plant		
Additions to utility plant	\$ 14,133	\$ 8,189
Utility plant, net of accumulated depreciation	89,496	83,915

12. SUBSEQUENT EVENT

Long-Term Debt

Grant PUD closed two refunding and defeasance transactions for the Electric System and Priest Rapids Project with a delivery date of January 29, 2020. The Electric System fully defeased the outstanding 2013-J bonds for savings relieving the outstanding par amount of \$67.6 million and issued taxable refunding bonds, series 2020-Q, in the amount of \$75.0 million. The new bonds were issued over the original life of the refunded bonds with a final maturity of January 1, 2041. The average coupon of the new bonds is 2.98%. The Priest Rapids Project fully defeased six series of bonds via a combination of new refunding bonds for savings and cash contributions from excess operating and reserve funds to reduce the total amount of outstanding debt. The bonds defeased were: 2010A, 2012A, 2013A, 2013Z, 2014B, and 2015B. The new PRP bonds 2020 series Z were issued in the amount of \$219.7 million with an average coupon of 2.99% in level savings over the original life of the refunded bonds with a final maturity of January 1, 2043.

An additional refunding transaction dated March 25, 2020 fully defeased the 2014A and 2015A bonds through a combination of refunding bonds and cash contribution of excess reserves. The new refunding taxable bonds for series 2020 Z-2 was in the amount of \$229.9 million with level savings over the original life of the refunded bonds with a final maturity of January 1, 2044. The average coupon on the refunding bonds for the 2020 Z-2 series was 2.64%.

COVID-19

The first COVID-19 case caused by the novel coronavirus in the United States was confirmed on January 21, 2020, and the first virus-related death occurred on February 29, 2020, both in Washington State. Governor Jay Inslee has subsequently restricted public gathering, limited operations of restaurants and bars, and canceled public schools through the remainder of the current school year. The situation continues to change as new facts become available and new circumstances arise.

In response to the crisis, Grant PUD has proactively implemented measures to mitigate operational and financial impacts to Grant PUD and its customers, including closing lobbies and recreation sites, requiring employees not required to be on site for essential services to work from home, and implementing “social distancing” measures for Grant PUD’s on-site essential staff. Grant PUD also has declared that until further notice it will not disconnect utility service from customers impacted by COVID-19 for failure to pay or charge late fees during the outbreak of COVID-19. This did not have an impact on the financial results for 2019 and will continued to be monitored throughout 2020 to determine any financial impact going forward.

Collective Bargaining Agreement (CBA)

Of the 627 regular employees, as of February 20, 2020, 50% are bargaining unit employees under a Collective Bargaining Agreement (“CBA”) with the International Brotherhood of Electric Workers (the “IBEW”). The current IBEW three-year CBA runs through March 31, 2020. A contract extension covering the period January 1, 2020 to March 31, 2023 was approved by the Commission on December 10, 2019. The agreement includes various provisions including; creating a Personal Protective Equipment and Productivity committee, a wage adjustment for linemen, electricians and other apprenticeable positions to align Grant PUD wages for these positions to market wages. The first adjustment of 4% happened January 1, 2020, with two additional wage increases of 2.5% on April 1, 2021 and April 1, 2022. The agreement also provides for a general wage increase of 2.25% at the beginning of each contract year (April 1).

Notes to the Financial Statements (cont.)

13. SEGMENTS

Grant PUD has outstanding revenue bonds used to finance the Electric System and the Priest Rapids Project. As described in Note 5, all the outstanding bond issues are secured by a pledge of the net revenues of Grant PUD. The Electric System has committed to cover, without limitation, any costs incurred by the Priest Rapids Project that are not covered by purchasers other than Grant PUD.

Each system is required to be accounted for separately according to external contractual requirements. The following condensed financial statements of the operating segments of Grant PUD include the Electric System and the Priest Rapids Project. Grant PUD’s Service System, as well as eliminating internal transactions, is presented as “Other” in order to reconcile to the consolidated Grant PUD’s results. “Other” is not considered a segment of Grant PUD.

CONDENSED STATEMENT OF NET POSITION

DECEMBER 31, 2019 (AMOUNTS IN THOUSANDS)	Electric System	Priest Rapids Project	Other	Total
ASSETS				
Other current assets	\$ 158,521	\$ 126,175	\$ 7,759	\$ 292,455
Intersystem receivables	\$ 7,291	\$ 25	\$ (7,316)	\$ -
Intersystem loan receivable	\$ 11,967	\$ -	\$ (11,967)	\$ -
Utility plant, net	\$ 608,014	\$ 1,563,366	\$ -	\$ 2,171,380
Noncurrent intersystem loan receivable	\$ 343,917	\$ -	\$ (343,917)	\$ -
Other noncurrent assets	\$ 111,432	\$ 213,543	\$ (2,186)	\$ 322,789
TOTAL ASSETS	\$ 1,241,142	\$ 1,903,109	\$ (357,627)	\$ 2,786,624
Deferred outflows of resources	\$ 23,718	\$ 8,471	\$ (19,989)	\$ 12,200
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,264,860	\$ 1,911,580	\$ (377,616)	\$ 2,798,824
LIABILITIES				
Other current liabilities	\$ 88,479	\$ 106,213	\$ 6,358	\$ 201,050
Intersystem payables	4,188	4,004	(8,192)	-
Accrued interest intersystem loan payable	-	6,892	(6,892)	-
Intersystem loan payable	-	5,075	(5,075)	-
Noncurrent intersystem loan payable	-	343,917	(343,917)	-
Other noncurrent liabilities	262,260	1,074,814	-	1,337,074
TOTAL LIABILITIES	354,927	1,540,915	(357,718)	1,538,124
Deferred Inflows of resources	5,760	28,931	(19,989)	14,702
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	360,687	1,569,846	(377,707)	1,552,826
NET POSITION				
Net investment in capital assets	310,952	208,500	348,680	868,132
Restricted	142,312	178,701	(506)	320,507
Unrestricted	450,909	(45,467)	(348,083)	57,359
TOTAL NET POSITION	904,173	341,734	91	1,245,998
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 1,264,860	\$ 1,911,580	\$ (377,616)	\$ 2,798,824

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2019 (AMOUNTS IN THOUSANDS)	Electric System	Priest Rapids Project	Other	Total
OPERATING REVENUES				
Retail energy sales	\$ 209,896	\$ -	\$ -	\$ 209,896
Wholesale revenues, net	41,039	-	28,342	69,381
Sales to power purchasers at cost	-	168,704	(138,770)	29,934
Other	11,963	-	-	11,963
Total operating revenues	262,898	168,704	(110,428)	321,174
OPERATING EXPENSES				
Depreciation and amortization	41,045	35,005	-	76,050
Other operating expenses	178,611	76,111	(110,428)	144,294
Total operating expenses	219,656	111,116	(110,428)	220,344
NET OPERATING INCOME	43,242	57,588	-	100,830
OTHER REVENUES (EXPENSES)				
Interest and other income	20,132	12,773	(10,581)	22,324
Interest on revenue bonds and other, net	(9,746)	(61,539)	11,941	(59,344)
Federal rebates on revenue bonds	-	10,545	-	10,545
Amortization of debt discount/premium	546	4,281	(1,287)	3,540
Cost of debt issuance	(141)	-	-	(141)
Total other revenues (expenses)	10,791	(33,940)	73	(23,076)
CONTRIBUTIONS IN AID OF CONSTRUCTION	8,511	-	-	8,511
CHANGE IN NET POSITION	62,544	23,648	73	86,265
NET POSITION				
Beginning of year	841,629	318,086	18	1,159,733
End of year	\$ 904,173	\$ 341,734	\$ 91	\$ 1,245,998

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019
(AMOUNTS IN THOUSANDS)

	Electric System	Priest Rapids Project	Other	Total
Net cash provided by (used in) operating activities	\$ 64,392	\$ 111,640	\$ 2,359	\$ 178,391
Net cash provided by (used in) capital and related financing activities	(137,850)	(35,595)	(579)	(174,024)
Net cash provided by (used in) investing activities	72,348	(63,337)	(15,611)	(6,600)
NET INCREASE/(DECREASE) IN CASH	\$ (1,110)	\$ 12,708	\$ (13,831)	\$ (2,233)
CASH AT END OF YEAR	\$ 2,520	\$ 13,002	\$ (13,867)	\$ 1,655
CASH AT BEGINNING OF YEAR	3,630	294	(36)	3,888
NET INCREASE/(DECREASE) IN CASH	\$ (1,110)	\$ 12,708	\$ (13,831)	\$ (2,233)

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF NET POSITION

DECEMBER 31, 2018 (AMOUNTS IN THOUSANDS)	Electric System	Priest Rapids Project	Other	Total
ASSETS				
Other current assets	\$ 203,710	\$ 112,429	\$ (4,276)	\$ 311,863
Intersystem receivables	371	60	(431)	-
Intersystem loan receivable	8,386	-	(8,386)	-
Utility plant, net	595,796	1,501,465	-	2,097,261
Noncurrent intersystem loan receivable	240,279	-	(240,279)	-
Other noncurrent assets	135,144	149,485	2,929	287,558
TOTAL ASSETS	1,183,686	1,763,439	(250,443)	2,696,682
Deferred outflows of resources	18,627	7,271	(15,771)	10,127
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,202,313	\$ 1,770,710	\$ (266,214)	\$ 2,706,809
LIABILITIES				
Other current liabilities	\$ 36,281	\$ 88,602	\$ 13,867	\$ 138,750
Intersystem payables	9,795	5,868	(15,663)	-
Accrued interest intersystem loan payable	-	5,086	(5,086)	-
Intersystem loan payable	-	3,300	(3,300)	-
Noncurrent intersystem loan payable	-	240,279	(240,279)	-
Other noncurrent liabilities	309,243	1,085,390	-	1,394,633
TOTAL LIABILITIES	355,319	1,428,525	(250,461)	1,533,383
Deferred inflows of resources	5,365	24,099	(15,771)	13,693
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	360,684	1,452,624	(266,232)	1,547,076
NET POSITION				
Net investment in capital assets	303,754	200,054	245,881	749,689
Restricted	137,107	161,672	5,106	303,885
Unrestricted	400,768	(43,640)	(250,969)	106,159
TOTAL NET POSITION	841,629	318,086	18	1,159,733
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 1,202,313	\$ 1,770,710	\$ (266,214)	\$ 2,706,809

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2018 (AMOUNTS IN THOUSANDS)	Electric System	Priest Rapids Project	Other	Total
OPERATING REVENUES				
Retail energy sales	\$ 201,391	\$ -	\$ -	\$ 201,391
Wholesale revenues, net	39,717	-	27,469	67,186
Sales to power purchasers at cost	-	167,845	(136,235)	31,610
Other	11,083	-	-	11,083
Total operating revenues	252,191	167,845	(108,766)	311,270
OPERATING EXPENSES				
Depreciation and amortization	40,033	33,201	-	73,234
Other operating expenses	161,153	77,086	(108,766)	129,473
Total operating expenses	201,186	110,287	(108,766)	202,707
NET OPERATING INCOME	51,005	57,558	-	108,563
OTHER REVENUES (EXPENSES)				
Interest and other income	14,003	6,245	(8,857)	11,391
Interest on revenue bonds and other, net	(9,385)	(57,568)	10,173	(56,780)
Federal rebates on revenue bonds	-	10,552	-	10,552
Amortization of debt expense, discount, and premium	319	4,593	(1,271)	3,641
Cost of debt issuance	-	-	-	-
Total other revenues (expenses)	4,937	(36,178)	45	(31,196)
CONTRIBUTIONS IN AID OF CONSTRUCTION	12,485	-	-	12,485
CHANGE IN NET POSITION	68,427	21,380	45	89,852
NET POSITION				
Beginning of year	773,202	296,706	(27)	1,069,881
End of year	\$ 841,629	\$ 318,086	\$ 18	\$ 1,159,733

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

Notes to the Financial Statements (cont.)

CONDENSED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018 (AMOUNTS IN THOUSANDS)	Electric System	Priest Rapids Project	Other	Total
Net cash provided by (used in) operating activities	\$ 94,855	\$ 82,443	\$ (3,434)	\$ 173,864
Net cash provided by (used in) capital and related financing activities	(48,190)	(173,721)	10,174	(211,737)
Net cash provided by (used in) investing activities	(47,606)	41,590	(4,448)	(10,464)
NET INCREASE/(DECREASE) IN CASH	\$ (941)	\$ (49,688)	\$ 2,292	\$ (48,337)
CASH AT END OF YEAR	\$ 3,630	\$ 294	\$ (36)	\$ 3,888
CASH AT BEGINNING OF YEAR	4,571	49,982	(2,328)	52,225
NET INCREASE/(DECREASE) IN CASH	\$ (941)	\$ (49,688)	\$ 2,292	\$ (48,337)

(Internal transactions are eliminated based on Generally Accepted Accounting Principles)

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Required Supplementary Information (Unaudited)

Schedule of the District's Proportionate Share of the Net Pension Liability (amounts in thousands)

Measurement Date Ended June 30	PERS 1					
	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.489144%	0.493735%	0.509107%	0.524928%	0.544648%	0.574446%
Proportionate share of the net pension liability	\$ 18,809	\$ 22,050	\$ 24,158	\$ 28,191	\$ 28,490	\$ 28,938
Covered-employee payroll	67,418	65,002	63,510	61,646	56,606	63,970
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	27.90%	33.92%	38.04%	45.73%	50.33%	45.24%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	63.22%	61.24%	57.03%	59.10%	61.19%
	PERS 2/3					
Measurement Date Ended June 30	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.620593%	0.622917%	0.639308%	0.650080%	0.679264%	0.706321%
Proportionate share of the net pension liability	10,596	\$ 10,636	\$ 22,213	\$ 32,731	\$ 24,271	\$ 14,277
Covered-employee payroll	66,946	64,541	62,862	60,733	55,717	62,709
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	15.83%	16.48%	35.34%	53.89%	43.56%	22.77%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	95.77%	90.97%	85.82%	89.20%	93.29%

Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, Grant PUD will present information for only those years for which information is available.

Grant PUD implemented GASB 68 effective January 1, 2014.

Required Supplementary Information (Unaudited)

Schedule of the District's Contributions (amounts in thousands)

	PERS 1									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 3,510	\$ 3,385	\$ 3,222	\$ 2,985	\$ 2,653	\$ 2,535	\$ 2,043	\$ 883	\$ 146	\$ 138
Contributions in Relation to the Contractually Required Contribution Subtotal	<u>(3,510)</u>	<u>(3,385)</u>	<u>(3,222)</u>	<u>(2,985)</u>	<u>(2,653)</u>	<u>(2,535)</u>	<u>(2,043)</u>	<u>(883)</u>	<u>(146)</u>	<u>(138)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$70,371	\$66,174	\$64,999	\$61,575	\$59,113	\$61,536	\$61,088	\$59,498	\$60,157	\$57,383
Contributions as a Percentage of Covered Employee	4.99%	5.12%	4.96%	4.85%	4.49%	4.12%	3.34%	1.48%	0.24%	0.24%
	PERS 2/3									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 5,403	\$ 4,927	\$ 4,418	\$ 3,788	\$ 3,293	\$ 3,022	\$ 2,873	\$ 3,297	\$ 3,022	\$ 2,807
Contributions in Relation to the Contractually Required Contribution	<u>(5,403)</u>	<u>(4,927)</u>	<u>(4,418)</u>	<u>(3,788)</u>	<u>(3,293)</u>	<u>(3,022)</u>	<u>(2,873)</u>	<u>(3,297)</u>	<u>(3,022)</u>	<u>(2,807)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$69,956	\$65,702	\$64,444	\$60,809	\$58,216	\$60,489	\$59,776	\$57,410	\$57,713	\$54,551
Contributions as a Percentage of Covered Employee	7.72%	7.50%	6.86%	6.23%	5.66%	5.00%	4.81%	5.74%	5.24%	5.15%

Required Supplementary Information (Unaudited)

Schedule of Changes in Total OPEB Liability and Related Ratios (amounts in thousands)

	2019	2018	2017
Total OPEB Liability - beginning	\$ 6,977	\$ 6,806	\$ 6,525
Service Cost	373	362	351
Interest on Total OPEB Liability	249	237	229
Changes of Benefit Terms	-	-	-
Effect of Economic/Demographic Gains or (Losses)	255	-	-
Effect of Assumptions Changes or Inputs	2,291	-	-
Benefit Payments	(439)	(428)	(299)
Net Change in Total OPEB Liability	2,729	171	281
Total OPEB Liability - Ending	\$ 9,706	\$ 6,977	\$ 6,806
Covered-Employee Payroll	\$ 67,940	\$ 68,629	\$ 66,630
Total OPEB Liability as a Percentage of Covered-Employee Payroll	14.29%	10.17%	10.21%

Notes to Schedule

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, Grant PUD will present information for only those years for which information is available.

During fiscal year 2019 assumptions pertaining specifically to the implicit medical benefit (participation, coverage of eligible children, health care claims costs, and aging factor) were introduced.

Grant PUD implemented GASB 75 effective January 1, 2017.

There are no assets accumulated in a qualified trust to provide benefits under the plan.









30 C Street SW, Ephrata, WA 98823 | 509-766-2505 | grantpud.org



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