

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Public Utility District No. 2 of Grant County, Washington (the “District”), which comprise the statements of net position as of December 31, 2025 and 2024, 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, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2025 and 2024, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 of the financial statements, the District adopted regulatory accounting under Governmental Accounting Standards Board (GASB) Statement No. 62 for purposes of deferring the recognition of Washington Climate Commitment Act auction proceeds and restated 2024 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 GAAS, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the commissioners' report, manager's report, and other information, such as the introductory information, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2026, 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.

Baker Tilly US, LLP

Portland, Oregon
April 14, 2026

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of Public Utility District No. 2 of Grant County, Washington (the “District”) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated April 14, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Portland, Oregon
April 14, 2026

DISTRICT FINANCIAL OVERVIEW

FEBRUARY 2026

O&M DIRECTS YTD			
YTD BUDGET	ACTUALS	YTD VARIANCE	YTD VAR %
\$14,499K	\$11,519K	(\$2,980K)	-20.6%

O&M DIRECTS YE PROJECTION			
TOTAL BUDGET	YEP	YE VARIANCE	YE VAR %
\$88,895K	\$88,898K	\$3K	0.0%

LABOR YTD			
YTD BUDGET	ACTUALS	YTD VARIANCE	YTD VAR %
\$21,913K	\$19,696K	(\$2,217K)	-10.1%

LABOR YE PROJECTION			
TOTAL BUDGET	YEP	YE VARIANCE	YE VAR %
\$144,209K	\$141,991K	(\$2,217K)	-1.5%

COST CATEGORY TYPE	YTD BUDGET	ACTUALS	YTD VARIANCE	YTD VAR %
Purchased Services	\$5,022,989	\$2,689,513	(\$2,333,476)	-46.5%
Operating Materials & Equ...	\$2,273,607	\$1,891,432	(\$382,175)	-16.8%
G&A	\$4,717,032	\$4,372,718	(\$344,314)	-7.3%
IT	\$708,879	\$1,031,433	\$322,554	45.5%
Total	\$12,722,507	\$9,985,096	(\$2,737,411)	-21.5%

The table is filtered to display only the largest variances; small variances are not shown.

Purchased Services: \$2,333K Favorable | Outside of Target; Driven by timing differences and delayed costs, with no impact to the full-year outlook.

Operating Materials & Equipment: \$382K Favorable | Outside of Target; Annualized travel allocation; expected to align by year-end.

Labor: \$2,217K Favorable | Outside of Target; Hiring delays and vacancies

DISTRICT CAPITAL OVERVIEW

FEBRUARY 2026

Initiative	Budget	Approved Spend	YTD Actuals	Projections	YEP	CAP Budget Variance	Approved Spend Variance
IN410 - PDF_Power Delivery Facilities	\$85,506,517	\$85,506,517	\$2,011,104	\$94,351,229	\$96,362,333	\$10,855,816	\$10,855,816
IN570 - AL FH Transmission Rebuild		\$1,000,000	\$1,592	\$9,097,381	\$9,098,973	\$9,098,973	\$8,098,973
IN412 - LAR-STRAT 115kV Relocation		\$187,874	(\$180,908)	\$5,174,823	\$4,993,915	\$4,993,915	\$4,806,041
IN504 - ERP Plus Implementation	\$1,000,000	\$1,000,000		\$5,390,705	\$5,390,705	\$4,390,705	\$4,390,705
IN263 - IQ#3 ECBID		\$6,510,423	\$2,220,691	\$1,555,000	\$3,775,691	\$3,775,691	(\$2,734,732)
IN772 - QTEP MH-RF 230kV Line	\$622,092	\$622,092	\$12,461	\$3,949,682	\$3,962,144	\$3,340,052	\$3,340,052
IN774 - QTEP COL-MTV 230kV Line	\$622,092	\$622,092	\$15,962	\$3,608,270	\$3,624,232	\$3,002,140	\$3,002,140
IN773 - QTEP MTV-MH 230kV Line	\$622,092	\$622,092	\$33,671	\$3,377,546	\$3,411,217	\$2,789,125	\$2,789,125
IN351 - IQ#7 Grey Bobcat Solar		\$947,900		\$2,733,970	\$2,733,970	\$2,733,970	\$1,786,070
IN191 - Broadband Customer Connectivity	\$1,767,000	\$1,767,000	\$265,807	\$3,684,252	\$3,950,060	\$2,183,060	\$2,183,060
IN764 - Customer CARE	\$3,921,000	\$3,921,000	\$273,252	\$586,052	\$859,304	(\$3,061,696)	(\$3,061,696)
IN763 - System RENEW	\$4,378,600	\$4,378,600	\$11,435	\$434,075	\$445,510	(\$3,933,090)	(\$3,933,090)
IN349 - IQ#5 SR Quincy Valley	\$9,148,710	\$9,148,710	\$434,317	\$4,751,962	\$5,186,279	(\$3,962,431)	(\$3,962,431)
IN505 - SBITA Renewal Fitness	\$4,043,493		(\$145,856)		(\$145,856)	(\$4,189,349)	(\$145,856)
IN203 - PR Spillway Stability Improvements	\$29,000,475	\$28,976,475	\$69,748	\$23,112,486	\$23,182,234	(\$5,818,241)	(\$5,794,241)
IN245 - QTEP - Monument Hill	\$31,117,448	\$31,117,448	\$2,274,711	\$15,759,951	\$18,034,662	(\$13,082,786)	(\$13,082,786)
IN291 - QTEP - MT View Breaker & Half	\$41,650,000	\$40,545,662	\$635,731	\$17,797,456	\$18,433,187	(\$23,216,813)	(\$22,112,475)
Total	\$317,909,996	\$324,377,585	\$17,753,747	\$300,745,551	\$318,499,298	\$589,302	(\$5,878,287)



The table is filtered to display only the largest variances; small variances are not shown, but all variances are reflected in the total.


*The approved spend is as of 3/13/2026

MEMORANDUM

April 28, 2026

TO: John Mertlich, General Manager/CEO

VIA: Bonnie Overfield, Chief Financial Officer 
Jennifer Sager, Senior Manager Accounting 

FROM: Jessica Aloysius, Financial Reporting Analyst 

SUBJECT: Preliminary Unaudited February 2026 Financial Statements

Monthly Financial Summary — February 2026 (Preliminary, Unaudited) with comparison to February 2025.

Overall Financial Performance

February financial performance remains strong. Operating revenues are up \$18.1M year-over-year, primarily due to higher wholesale revenues, while operating expenses increased \$3.3M driven by A&G, License compliance and related agreements, and Transmission and Distribution costs. Net position increased \$37.2M for the month.

Operating Revenues

- Operating revenues increased \$18.1M, driven by an \$18.5M increase in wholesale revenue resulting from higher MWh volumes sold on the market and increased slice revenues.

Operating Expenses

- Operating expenses increased \$3.3M, primarily due to higher A&G driven by labor and purchased services.

Other Revenues (Expenses)

- Other revenues decreased \$1.0M due to lower unrealized investment gains.

Capital-Related Items

- Contributions in Aid of Construction (CIAC) decreased \$0.9M, driven by the number of ongoing projects and the timing of completion.
-

Assets

- Cash & investments increased \$282.4M, largely due to investment of CCA proceeds and strong operating income.
- Current assets (excluding cash & investments) increased \$25.9M due to materials & supplies and higher A/R tied to wholesale power counterparties.
- Utility plant, net increased \$106.3M, reflecting continued investment in DB2, QTEP, turbine/generator replacements, WAN left embankment, the new service center, and large load projects.

Liabilities / Deferred Inflows

- Current liabilities rose to \$47.9M, primarily due to transfer of 2010-M bond to current portion.
- Noncurrent liabilities decreased \$165.4M due to debt payoffs and principal payments.
- Deferred inflows increased \$298.1M from the timing of the implementation of Regulatory Accounting for CCA proceeds.

Change in Net Position

- Change in net position increased 22.1% to \$71.2M in February
- Drivers: revenue growth of 18.1% combined with a 34.1% increase in cash and investments partially offset by a 7.1% rise in expenses.

Notable Trends or Items to Watch

- Significant influx of CCA proceeds and the timing of regulatory accounting changes.
- Ongoing capital expansion across major generation, transmission, and facilities projects.

**PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY
UNAUDITED
STATEMENT OF NET POSITION
February 28, 2026 and 2025
(amounts in thousands)**

	2026	2025	Difference
CURRENT ASSETS			
Cash	\$ 4,323	\$ 5,947	\$ (1,624)
Investments	265,285	231,414	33,872
Restricted funds			
Cash	2,029	1,783	247
Investments	206,683	182,203	24,481
Accounts receivable, net	66,424	56,176	10,248
Materials and supplies	47,254	33,544	13,709
Due from power purchasers	-	183	(183)
Current lease receivable	513	510	3
Other current assets	9,034	6,938	2,096
Total current assets	601,545	518,696	82,849
NONCURRENT ASSETS			
Investments	15,687	37,021	(21,335)
Restricted funds			
Cash	811	729	82
Investments	614,512	367,881	246,631
Net pension assets	24,356	21,012	3,344
Long-term lease receivable	15,568	16,178	(610)
Conservation loans	83	106	(23)
Preliminary survey costs	3,726	3,726	-
Total other noncurrent assets	674,744	446,655	228,089
Utility plant, net	2,687,384	2,581,060	106,324
Total noncurrent assets	3,362,129	3,027,715	334,413
DEFERRED OUTFLOWS			
Net pension, change in proportion	30,822	28,732	2,090
Other Post Employment Benefits	3,874	2,115	1,759
Unamortized refunding loss	27,702	31,536	(3,834)
Total deferred outflows	62,398	62,383	15
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,026,071	\$ 3,608,794	\$ 417,277

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY
UNAUDITED
STATEMENT OF NET POSITION
February 28, 2026 and 2025
(amounts in thousands)

	2026	2025	Difference
CURRENT LIABILITIES			
Accounts payable			
Trade	\$ 52,745	\$ 49,822	\$ 2,923
Accrued salaries and compensated absences	19,627	16,287	3,340
Due to Power Purchasers	2,135	472	1,663
Accrued taxes	3,651	3,525	126
Customer deposits	9,365	7,676	1,689
Accrued bond interest	6,372	6,978	(605)
Unearned revenue	6,978	13,008	(6,030)
Habitat liability	24,718	23,707	1,011
Other current liabilities	79	87	(9)
Current portion of licensing obligations	2,953	2,877	76
Current portion of subscription liability	3,727	2,929	798
Current portion of long-term debt	119,774	76,869	42,905
Total current liabilities	252,124	204,237	47,887
NONCURRENT LIABILITIES			
Long-term debt, less current portion	805,533	981,166	(175,633)
Licensing obligations, less current portion	56,418	58,777	(2,359)
Net pension liability	5,827	8,738	(2,912)
Other post-employment benefits liability	11,051	9,499	1,553
Long-term unearned revenue	17,557	2,442	15,115
Long-term subscription liability, less current portion	2,484	3,048	(564)
Other long-term liabilities, less current portion	4,524	5,112	(588)
Total noncurrent liabilities	903,393	1,068,782	(165,389)
DEFERRED INFLOWS			
Regulatory Liability CCA	289,671	-	289,671
Net pension	6,628	8,162	(1,534)
Regulatory Liability - Pension	67,934	58,055	9,879
Other post employemnt benefits	3,445	2,645	800
Leases	15,104	15,776	(672)
Total deferred inflows	382,782	84,637	298,145
Total liabilities and deferred inflows of resources	1,538,300	1,357,657	180,643
NET POSITION			
Net investment in capital assets	1,830,836	1,550,639	280,197
Restricted	386,283	455,943	(69,660)
Unrestricted	270,652	244,555	26,097
Total net position	2,487,771	2,251,138	236,634
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 4,026,071	\$ 3,608,794	\$ 417,277

PUBLIC UTILITY DISTRICT NO. 2 OF GRANT COUNTY
UNAUDITED
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
For the Two Month Ended February 28, 2026 and 2025
(amounts in thousands)

	2026	2025	Difference
OPERATING REVENUES			
Sales to power purchasers at cost	\$ 4,823	\$ 4,375	\$ 448
Retail energy sales			
Residential	12,819	13,889	(1,070)
Irrigation	42	46	(4)
Commercial and industrial	35,244	35,060	184
Governmental and others	264	330	(66)
Wholesale revenues, net	61,575	43,078	18,497
Fiber optic network sales	2,872	2,667	205
Other	325	409	(84)
Total operating revenues	117,965	99,855	18,110
OPERATING EXPENSES			
Generation	7,295	7,502	(207)
Transmission	1,042	680	362
Distribution	6,232	5,928	304
Customer and information services	996	1,068	(72)
Fiber optic network operations	659	560	99
Administrative and general	14,720	11,438	3,282
License compliance and related agreements	469	981	(512)
Depreciation and amortization	14,635	14,708	(73)
Taxes	4,227	4,095	132
Total operating expenses	50,274	46,958	3,315
NET OPERATING INCOME	67,692	52,896	14,795
OTHER REVENUES (EXPENSES)			
Interest and other income (expense)	7,717	9,212	(1,496)
Interest on revenue bonds and other, net	(6,372)	(6,978)	605
Federal rebates on revenue bonds	1,267	1,238	29
Amortization of debt discount/premium	355	485	(131)
Total other revenue (expenses)	2,965	3,958	(992)
CONTRIBUTIONS IN AID OF CONSTRUCTION	575	1,505	(930)
CHANGE IN NET POSITION	71,232	58,359	12,872
NET POSITION			
Beginning of year	2,416,540	2,192,778	223,761
End of year	\$ 2,487,771	\$ 2,251,138	\$ 236,634


Memo - Feb 2026 financial stmt

Final Audit Report

2026-04-14

Created:	2026-04-13
By:	Kim Bowie (kbowie@gcpud.org)
Status:	Approved
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"Memo - Feb 2026 financial stmt" History


-  Document created by Kim Bowie (kbowie@gcpud.org)
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MEMORANDUM

April 15, 2026

TO: Bonnie Overfield, VP of Finance/CFO/Treasurer

VIA: Angelina Johnson, Senior Manager of Treasury and FP&A/Deputy Treasurer 
Angelina Johnson

FROM: Amy Thompson, Manager of Treasury Operations 
ADT

SUBJECT: Q1 2026 Treasurer’s Report

Purpose:

To communicate to the Commission the Q1 2026 Treasurer’s Report.

Discussion/Summary:

Per Resolution Number 8712 – The Treasurer will provide a report periodically to the Commission that includes cash and investment activity/balances, authorized list of banking institutions and investment brokers (Exhibit A), list of authorized staff to perform banking activities (Exhibit B) and a summary of issued petty cash funds (Exhibit C).

Cash and Investment unaudited financials total for March 31, 2026: \$1.2B

- Unrestricted cash and investments made up \$497.2M of the portfolio with 52% of the unrestricted cash and investments being held in the Electric System Revenue.
- The Electric System invested \$120.0M in a Junior Lien Bond (JLB) issuance in January 2026 for Priest Rapids Project capital projects for the forecasted 18 months. Only unrestricted cash is available for liquidity and is calculated in the Days Cash on Hand (DCOH).
- Restricted cash and investments made up \$663.4M of the portfolio, comprised of construction funds, debt service reserve funds, debt service set-asides, Clean Renewable Energy Bonds (CREBs) sinking funds, habitat and Climate Commitment Act (CCA) funds.

Public Utility District No. 2 of Grant County
Quarterly Treasurer's Report

As of 03/31/2026

Historical Cash and Investments Summary | Liquidity and Restricted

In Millions

Cash & Investments	12/31/2022	12/31/2023	12/31/2024	6/30/2025	12/31/2025	3/31/2026
Liquidity-ES R&C Fund ⁽¹⁾	\$ 98.2	\$ 150.4	\$ 145.1	\$ 150.8	\$ 170.4	\$ 171.0
Liquidity-ES Revenue Fund ^{(2) (4)}	28.6	172.0	208.3	269.8	317.8	259.2
Other DCOH Funds ⁽³⁾	41.5	41.4	41.5	59.8	56.3	67.0
Liquidity and Other DCOH Funds	\$ 168.3	\$ 363.8	\$ 395.0	\$ 480.3	\$ 544.5	\$ 497.2
Restricted-Construction Funds ⁽⁴⁾	28.4	15.0	60.8	38.6	0.2	98.5
Restricted-DS Reserve Funds	57.0	57.6	49.1	46.3	47.5	47.8
Restricted-DS P&I Funds	70.9	73.3	81.5	112.9	80.5	31.8
Restricted-DS CREBs Sinking Funds ⁽⁵⁾	104.1	117.5	130.3	138.0	144.7	147.0
Restricted-Habitat Funds	17.3	20.6	23.5	23.6	22.3	24.5
Restricted-CCA Funds ⁽⁶⁾			92.1	143.6	288.5	313.8
All Restricted Funds	\$ 277.7	\$ 283.9	\$ 437.2	\$ 503.0	\$ 583.7	\$ 663.4
Total	\$ 446.0	\$ 647.7	\$ 832.2	\$ 983.4	\$ 1,128.2	\$ 1,160.7

⁽¹⁾ Electric System R&C Fund liquidity target = \$145M + interest earnings
⁽²⁾ Electric System Revenue Fund minimum balance = \$5M. Excess funds above liquidity target utilized for annual planning of equity financing of PRP capital (Junior Lien Bonds, see Note 4).
⁽³⁾ Other funds used in Days Cash On Hand metric include PRP Revenue, PRP Supplemental R&C, Service System, and Customer Deposit Fund.
⁽⁴⁾ Construction funds comprised of internally pledged funds for capital and issued bonds.
⁽⁵⁾ CREB sinking fund payments required by bond covenants to pay bullet maturities in years 2027 (\$90M), 2032 (\$42.4 M), and 2040 (\$90M). Monthly deposits to sinking fund made, recalibrated every 6 months.
⁽⁶⁾ CCA funds are Commission restricted.

Investment portfolio ended March 31, 2026, at a market value of \$997.3M (\$988.3M in securities with accrued interest owed to the District of \$9.0M).

Policy Limits and Targets: The District is currently within all Policy Limits and Targets in the investment portfolio. The District does not currently hold any Commercial Paper as the rates available have been below what can be obtained in other high rated and approved alternatives.

Security Type	Book Value (\$ in Millions)	Duration	Yield	Portfolio Allocation	Policy Max	Target Range	In Compliance
Municipal Bonds	\$ 239.3	3.70 Yr	3.92%	21%	50%	20-40%	YES
WA State LGIP	\$ 95.8	0 Yr	3.83%	8%	100%	Varies	YES
Agency	\$ 227.7	1.09 Yr	3.61%	20%	50%	5-25%	YES
Corporate Bond	\$ 160.1	1.95 Yr	4.10%	14%	25%	5-15%	YES
US Treasury	\$ 293.4	0.91 Yr	3.65%	25%	100%	10-35%	YES
Supranational	\$ 73.4	1.40 Yr	4.01%	6%	50%	5-20%	YES
Commercial Paper	\$ -		0.00%	0%	25%	0-10%	YES
Cash (Bank)	\$ 67.6		-	6%	n/a	< \$3M avg	YES
	\$ 1,156.8	1.62 Yr	3.81%	100%			

Figure 1 Difference in Cash and Investment Table and Security Type is Due to TEA Investment

The District monitors performance of the cash and investment portfolio with policy limits and strategic targets. The investment policy is reviewed annually per Resolution 8745. The Investment Oversight Committee (IOC) meets monthly and monitors status and compliance. There are no compliance issues or exceptions in place.

Items of note relative to March 31, 2026, Portfolio Balances and Diversification:

- The Washington State Local Government Investment Pool (LGIP) allocation was \$95.8M.
- Cash was higher than the average balance high due to a large deposit from the Washington State Department of Ecology (CCA funds) deposited on March 31, 2026s.

Upcoming items of note:

- Electric System capital planned to be funded by revenue in 2026.
- The CREBs series issued in 2010 has a maturity payment of \$90.0M due on January 1, 2027; this has been fully set aside in preparation of the payment.
- Forecasted debt does not show any Electric System external issuances for 2026-2030.
- The Forecast team is evaluating PRP external debt issuances for 2027-2030.

CCA Funds

- The last deposit of \$65.3M was received on March 31, 2026, bringing the balance to \$313.8M.
- CCA funds used year to date: \$41,545,878.

External Funding Q1 activity

Active Applications/Agreements:

Name of Opportunity	Funding Source	Submitted	Capital Project	Requested Amount
Grid Resiliency - Not awarded in Q1, scored 83%	Federal	12/25	Substation Controls Upgrade	\$4.2M
Geothermal (Letter of Intent)	Federal	3/26	ESM Energy Exploration	\$5.4M
Lawyers for Good Government (L4GG)	Federal Tax Credits	2/26	Turbine Generator Upgrade New Energy Resources	N/A

Awarded Applications or Agreements:

Name of Opportunity	Funding Source	Capital Project	\$ Awarded
VW Settlement (EV chargers)	State - ECY	Ephrata Service Center (public)	\$100K
WA EV Charging Program (WAEVCP2)	State - DOC	EV Charging Infrastructure (fleet)	\$150K

Exhibits

Exhibit A

Implement on: 3/31/2025	Version: 10 Supersedes: 9	See Also:
LIST		
Approved by: Angelina Johnson, Senior Manager of Treasury/Financial Planning		
TY000007B-LST – Treasury Authorized Investment Brokers & Banking Financial Institutions		
List	FINRA Standings Update	Description
Broker	09/30/2025	FTN Financial Securities Corp
Broker	09/30/2025	ICBC Financial Services, LLC
Broker	09/30/2025	KeyBanc and Capital Markets
Broker	09/30/2025	Mischler Financial Group, Inc
Broker	09/30/2025	Oppenheimer & Co, Inc
Broker	09/30/2025	Piper Sandler & Co
Broker	09/30/2025	Stifel, Nicolaus & Co
Broker	09/30/2025	UBS Financial Services
Broker	09/30/2025	Wells Fargo Securities, LLC
Broker	09/30/2025	Mesirow Fin
Broker	09/30/2025	Hilltop Securities
Broker	09/30/2025	Great Pacific Sec
Broker	09/30/2025	Stonex
Banking Institutions		Bank of America
Banking Institutions		J.P. Morgan Chase
Banking Institutions		US Bank of Washington
Custody Safekeeping		Principal Financial Group

TY000007B-LST Treasury Authorized Investment Brokers & Banking Financial Institutions
Page 1 of 1
Printed copies are for reference only. Refer to the electronic copy in PolicyTech for the latest version.

Exhibit B

Implement on: 06/26/2025	Version: 10 Supersedes: 9	See Also: Commission Resolution 8712 Investment Policy
LIST		
Approved by: Angelina Johnson, Senior Manager of Treasury/Financial Planning		
TY000007A-LST – Treasury Authorized Personnel for Payment of Funds and Procurement of Investments		
List	Description	
Payment	Bonnie Overfield, Chief Financial Officer	
Payment	Angelina Johnson, Senior Manager of Treasury/Financial Planning	
Payment	Tina Main, Financial Analyst	
Payment	Amy Thompson, Manager of Treasury Operations	
Payment	Cesar Castro-Leon, Financial Analyst	
Payment	Harris Turner, Financial Analyst	
Investments	Bonnie Overfield, Chief Financial Officer	
Investments	Angelina Johnson, Senior Manager of Treasury/Financial Planning	
Investments	Mark Buchta, Senior Financial Analyst	
Investments	Bryndon Ecklund, Manager of FP&A	
Investments	Amy Thompson, Manager of Treasury Operations	
Investments	Harris Turner, Financial Analyst	

Exhibit C

Implement on: 12/20/2020 Revised: 3/13/2025	Version: 12 Supersedes: 11	See Also:
LIST		
Approved by: Sr. Manager of Treasury		
FIN-CM-LST-035 – Treasury Authorized Imprest Accounts		
<ul style="list-style-type: none"> Funds > \$2,500 held in a checking account per resolution Total list shall not exceed \$60,000 		
Last Updated on 03/13/2025		
List	Description	
Amount	Fund	Bank/Acct Custodian Alt. Custodian
\$5,000	Power Production - Advance Travel Imprest	JPMorgan Chase: #8352 Tina Main Cesar Castro Leon Amy Thompson Angelina Johnson
\$400	MLLO Cash Drawer 1	Kerri Wendell
\$400	MLLO Cash Drawer 2	Kerri Wendell
\$400	MLLO Cash Drawer 3	Kerri Wendell
\$400	MLLO Cash Drawer 4	Kerri Wendell
\$400	Ephrata Cash Drawers 1	Kerri Wendell
\$400	Ephrata Cash Drawer 2	Kerri Wendell
\$400	Quincy Cash Drawer 1	Kerri Wendell
\$400	Quincy Cash Drawer 2	Kerri Wendell
\$400	Royal City Cash Drawer 1	Kerri Wendell
\$400	Royal City Cash Drawer 2	Kerri Wendell
\$9,000	Aggregate Total	

Signature:
 Amy Thompson (Apr 17, 2026 16:43:28 PDT)
 Email: athompson@gcpud.org






Q1 2026 Treasurers Report Final

Final Audit Report

2026-04-17

Created:	2026-04-17
By:	Kim Bowie (kbowie@gcpud.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAAZnOkmm0ouzcHC4MJuGw5GYCyEGt01RR2

"Q1 2026 Treasurers Report Final" History

-  Document created by Kim Bowie (kbowie@gcpud.org)
2026-04-17 - 11:41:14 PM GMT
-  Document emailed to Amy Thompson (athompson@gcpud.org) for signature
2026-04-17 - 11:41:18 PM GMT
-  Email viewed by Amy Thompson (athompson@gcpud.org)
2026-04-17 - 11:42:10 PM GMT
-  Document e-signed by Amy Thompson (athompson@gcpud.org)
Signature Date: 2026-04-17 - 11:43:28 PM GMT - Time Source: server
-  Agreement completed.
2026-04-17 - 11:43:28 PM GMT



ANNUAL REPORT 2025

POWERING OUR WAY OF LIFE





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.

Our Mission

To safely, efficiently, and reliably provide electric power and fiber optic broadband services to our customers.

Our Vision

EXCELLENCE IN SERVICE AND LEADERSHIP

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

Our Values

SAFETY

We believe that employee and public safety is paramount.

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

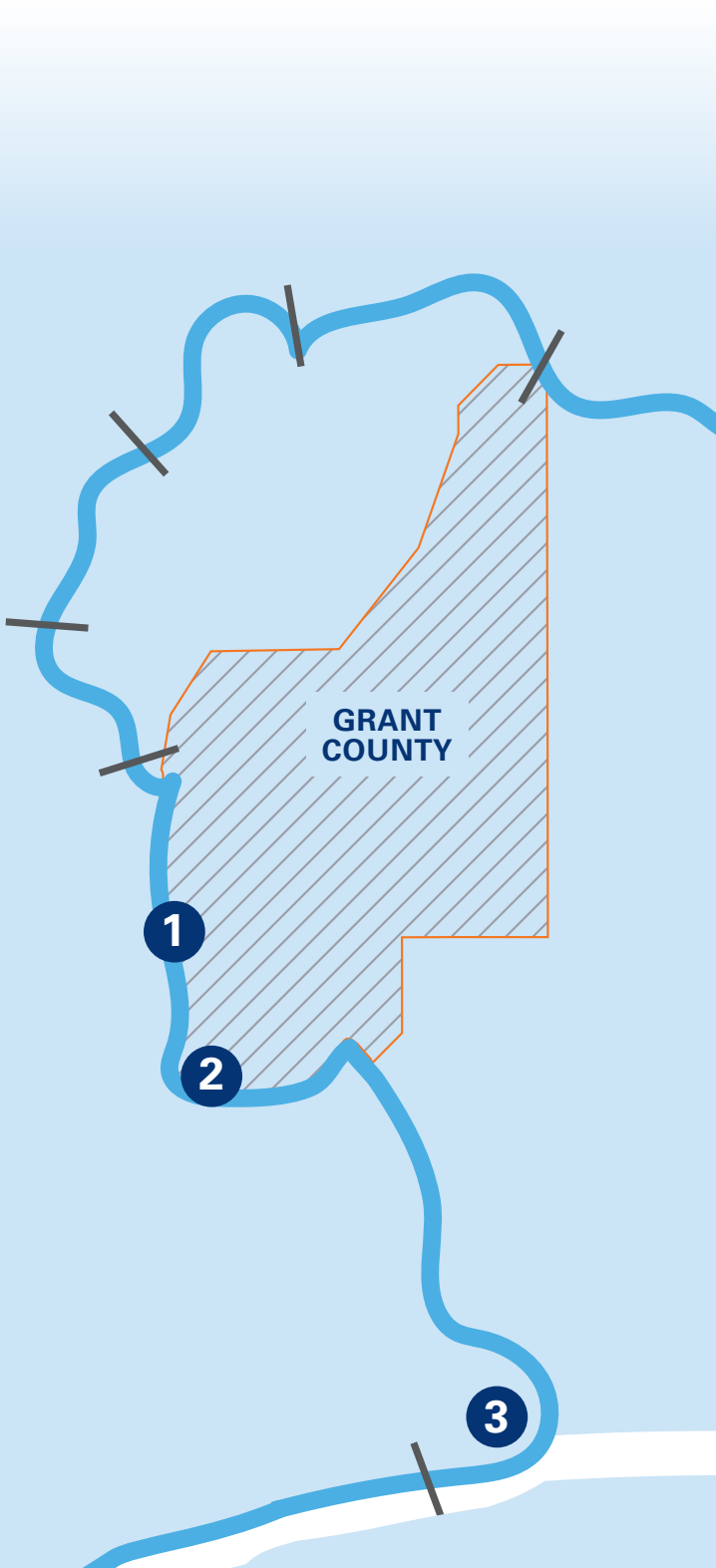
We protect, preserve, and perpetuate both the spirit of the Grant PUD and the Wanapum relationship.



Grant PUD confirmed its strong relationship with the International Brotherhood of Electrical Workers (IBEW) Local 77 by formalizing its commitment to the IBEW's Code of Excellence in 2021. The code calls for a shared commitment between IBEW members and employers of high standards and mutual respect. The commitment emphasizes the vision of "One team, one family, better together."

The Grant PUD Power Portfolio

Our power portfolio has a capacity of more than 2,100 MW of carbon-free generation.



1 WANAPUM DAM



Generation Units 10
 Rated Capacity **1,222 MW**
 Concrete/Earthfill Length **8,637 FT**
 Rated Head **80 FT**
 Construction Started **1959**
 First Power Generation **1963**

2 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**

3 NINE CANYON WIND PROJECT

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

Statistics as of Dec. 31, 2025

Substations

52

DISTRIBUTION

5

TRANSMISSION

2

TRANSMISSION
SWITCHYARD

Active Meters



RESIDENTIAL

43,160



INDUSTRIAL

313



COMMERCIAL

8,208



IRRIGATION

5,072

56,753 TOTAL ACTIVE METERS

Electric System

OVERHEAD
DISTRIBUTION
LINES

2,811 MILES

UNDERGROUND
DISTRIBUTION
LINES

1,189 MILES

OVERHEAD
TRANSFORMERS

25,149

230KV
TRANSMISSION
LINES

210 MILES

115KV
TRANSMISSION
LINES

286 MILES

PADMOUNT
TRANSFORMERS

11,110

High Speed Network

715 BACKBONE
MILEAGE

High capacity, core network fiber cabling that connects Grant PUD facilities, substations, hubs, and colocation sites.

10 REPAIR
MILEAGE

Miles of fiber that Grant PUD has repaired or replaced in 2025.

3,213 WHOLESALE FIBER CONNECT
THE CUSTOMER MILEAGE

Individual fiber cables that connect customers to the hub.

*Disclaimer: All Power System and Network statistics are as of Dec. 31, 2025

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Commissioners' Report

As Grant PUD Commissioners, we know that our customer owners have one main priority for our utility: provide reliable power at affordable rates.

To ensure reliability, we believe it is vital to invest in capital improvements that provide decades of long-term value for our customers. In 2025, we broke ground for the new Ephrata Service Center, which will replace present aging facilities no longer adequate for our mission. We authorized funding to improve our hydropower facilities, including the ongoing effort to rehabilitate the generating units at Priest Rapids Dam, and a project to make the dam's spillway more resistant to seismic activity. Additionally, we approved several key projects to upgrade and extend our power-delivery and wholesale fiber-optic systems to meet the needs of our growing county. While these capital projects require significant investments of money and time, they will deliver lasting benefits by meeting customer needs, improving operational efficiency, and extending asset life. Ultimately, these proactive investments are intended to provide reliable power and ensure a stable rate trajectory for decades to come.

The long-term benefits of our hydropower resources, plus prudent financial management, have kept our rates among the lowest in the nation. In 2025, after an extensive two-year rate strategy discussion with our customers, we adopted a rate policy that provides core customers — residential, agricultural, and small business/general service — with preferential access to our hydropower, which is our lowest-cost generating resource. By doing so, these customers should continue having rates well below state and national averages.

As our county's power demand continues to grow, we must blend new generating resources with our hydropower. Our new rate strategy allocates the incremental cost of new generation to Tier 1 (large general service, industrial,

ag processing, ag boiler) and Tier 2 customers (large industrial, evolving industry, commercial electric vehicle charging).

As we implement this approach, our long-term plan is to charge these large power-using customers at regionally competitive rates.

Additionally, we plan to provide a rolling 10-year projection of anticipated rate adjustments, which will be reviewed and adjusted annually in response to market conditions. This forward-looking approach will allow us to address anticipated operating expenses, rising material costs, and increasing power-generation prices while providing more transparency into our rate-making process.

Finally, we know the important component helping us provide reliable and low-cost power to our customers is our talented and dynamic workforce. We have directed our leadership to look for ways to maximize opportunities for career and professional development among our local labor pool to attract and maintain a workforce that is ready to meet the challenges of our time. In 2025, we celebrated the first graduates from our new apprenticeship program for key line crew and hydro operator positions. We also supported expanded workforce development programs and outreach efforts in Grant County for the students in our elementary schools up to local colleges.

We believe investing in operational upgrades, having a thoughtful rate design, making a sustainable energy commitment, and supporting a sharper organizational structure with skilled and experienced employees are all key strategies in our mission to deliver reliable and affordable power for our customers.

Grant PUD is well positioned to power Grant County's future. We are grateful to govern this utility during such an exciting time.

2025 Commission



Terry Pyle
Commission President



Larry Schaapman
Commission V.P.



Judy Wilson
Commission Secretary



Nelson Cox
Commissioner



Tom Flint
Commissioner



Letter from the CEO

John Mertlich
CEO & General Manager

Turning the Corner on 2025

Dear Customer-Owners,

Grant County PUD exists for one purpose: to serve you. In 2025, we remained focused on our mission to safely, efficiently and reliably provide electric power and fiber-optic broadband services to our customers. As we move into the future, that focus will not change, but we also recognize the complexities of balancing the realities of our industry while driving value and affordability for you, the customer-owner. These complexities are driven by generational pressures of load growth and industry transformation.

Years of careful planning came together in 2025, with Grant PUD now on a path toward a more diversified energy portfolio, compliance with the state's clean-energy requirements and a continued, sustainable future of reliable service at some of the lowest rates in the country. Our Columbia River dams, Priest Rapids and Wanapum, will always be a big part of our identity, but they are no longer enough to completely supply our growing county. We've taken major steps this year to ensure adequate power for growth, while meeting the state's requirements to eliminate by 2045 all carbon-producing electricity from the state's energy supply.

Grant PUD signed contracts this year for 380 more megawatts of solar energy.

When operational in October 2027, Quincy Solar, planned for the Rocky Ford area, will have capacity for 120 megawatts of energy. Royal Slope Solar, near Wanapum Dam, will have capacity for 260 megawatts of solar and 1,040 megawatt hours of battery storage by March 2028. This is on top of the 80 megawatts we contracted in 2024 with Goose Prairie Solar, near Yakima.

We're collaborating with the Pacific Northwest National Laboratories to evaluate the possibility of installing battery storage at Priest Rapids and Wanapum dams, too. Our

hydropower would charge the batteries at times of low demand for energy. These batteries would act as "second reservoirs," allowing power to be used during peak demand hours.

We also intend to contract with the Bonneville Power Administration under its "Provider of Choice" program, starting in 2028.

We're continuing our analyses of other generation resources, including geothermal and cutting-edge, small, scalable nuclear power. We continue to be open-minded on the use of natural gas generation as a technology bridge for a no or low carbon future. We're exploring technologies that would allow us to transition natural gas to a carbon-free fuel, like hydrogen, to comply with state environmental rules.

We anticipate full participation in the Western Resource Adequacy Program (WRAP) – an energy-resource-sharing initiative among the region's utilities – and the Southwest Power Pool's Markets+ energy market by late 2027.

As energy demand continues to grow, and we add more generation, we must increase the capacity and scope of our transmission system. We've created a "Transmission Strategy and Development" team to create a long-range master plan for our transmission system. That same team will also lead transmission marketing activities as we become a transmission service provider.

The complexities ahead of your utility for the next five to 10 years are significant. There's a lot to get done, and the pace of change means there's more to come. These are, indeed, exciting times at Grant PUD. Our highly capable staff and forward-thinking commission are preparing us for a proud, sustainable future.



Our History

1938

Grant County PUD No. 2 is established by a county-wide vote.

1945

Grant PUD moves offices to Ephrata, county seat.

1951

County Chamber of Commerce Proposes Priest Rapids Dam location to Grant PUD Commissioners.

1955

Federal Power Commission issues Grant PUD license to build and operate two dams.

1962

Priest Rapids Dam dedication.

1966

Wanapum Dam dedication.

Grant PUD arranges procedures with county and USBR to provide power to farmland being developed as part of the Columbia Basin Reclamation Project.

1949

Rural Electrification Administration loans Grant PUD \$600,000 for ~440 miles of electric distribution lines in Grant & Douglas counties and for Coulee City and Soap Lake electric systems.

1941

Construction Begins at Wanapum Dam.

1959

Vera Claussen is elected as the first female commissioner.

1982

First Concrete Pour at Priest Rapids Dam.

1957





2000

Commissioners authorize construction and testing of full-size prototype of new advanced turbines for Wanapum Dam.

2008

Federal Energy Regulatory Commission awards Grant PUD new 44-year license to operate Priest Rapids Project.

2014

Discovered and repaired 65-ft fracture in Wanapum Dam Spillway.

2015

Opened new Wanapum Heritage Center and Grant PUD Visitors Center.

2024

Completion of a new, roller-compacted concrete right embankment at Priest Rapids Dam, greatly improving its seismic resistance.

2024

Grant PUD celebrates the completion of a two-decades long effort to build a county-wide wholesale fiber-optic network.

Completion of Advanced Turbine Replacement Project at Wanapum Dam, replacing all 10 of the original turbines.

2013

Completed rehab of final generating unit at Wanapum Dam, a 20-year project.

2020

Groundbreaking ceremony for the new Ephrata Service Center.

2025

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

2001

Pay-it-Forward program established with two large industrial customers to provide funds from energy conservation rebates (~\$500,000) toward programs benefiting county residents.

2019



No Net Impact Hydropower

A high standard for power producers—one that Grant PUD meets to offset the losses of salmon, steelhead, and Pacific lamprey that migrate through our hydropower project.

Fish Loss



Hydropower Development and Operation



Fish Predators

Fish Mitigation



Fish Hatcheries



Preserving and Restoring Habitats



Predator Management



Fish Science

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 (2006-2025).

\$59.8 Million in contributions

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

Other Mitigation

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

 Rainbow Trout

 Bald Eagles

 Bull Trout

 Pacific Lamprey

 Rare Plants

High Level of Review, Oversight, and Coordination

Grant PUD's NNI mitigation is overseen and approved by committees and 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 Hydropower Provides Low-cost, Reliable 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.

Hydropower facilities like Priest Rapids and Wanapum dams help our region by providing carbon-free, fast-ramping generation that can

augment variable wind and solar power. As demand for power continues to grow in the Northwest, hydropower will remain a key to help Washington achieve its clean-energy goals.

Energy Costs

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.



How Do We Compare?

Residential Average Electricity Rates as of December 2025*

 17.30¢ per kWh (US)

 13.11¢ per kWh (WA)

 6.20¢ per kWh (GPUD)

Source: U.S. Energy Information Administration Annual as of Dec. 2025.



From left commissioners Nelson Cox, Judy Wilson, Terry Pyle, Larry Schaapman and Tom Flint at the Ephrata Service Center groundbreaking ceremony.

Building for the Future

The new Ephrata Service Center will provide Grant PUD with space, agility and facilities to safely and more efficiently respond to day-to-day operations, maintenance work, connection requests and emergent outages for the western part of Grant County well into the future.

Located a short distance from downtown Ephrata, the new Ephrata Service Center will offer direct access to Highway 282 and ample room for future growth. Construction began in 2025 and will continue through 2027.

For more information visit, grantpud.org/key-projects



From Then to Now

Our needs have changed since the current service center was built in the 70's.

Grant PUD Assets	1975	Today
Number of active electric meters	16,170	56,753
Substations	19	59
Miles of electric line	2,637	4,487
Miles of fiber-optic cable	0	3,928

Advancing the Customer Commitment

In 2025, the Customer Strategist team advanced the organization's customer-focused culture by driving initiatives that delivered meaningful improvements for those served. Customer experience principles were embedded across the organization through widespread training - reaching 98% of retail operations employees - and by integrating Customer experience into new hire orientation, leadership development programs, and company-wide events.

The team also led efforts to improve key customer

journeys. Two major redesign sprints streamlined new service applications for electricity and revised service level agreements with Fiber retailers. These changes reduced customer wait times, enhanced communication, and reworked internal processes to better support customers.

These efforts underscore a sustained commitment to listening, learning, and innovating - ensuring every interaction strengthens trust and delivers greater value to customers.

Our Heritage

For more than 60 years, the Wanapum and Grant PUD have worked together to protect, preserve and perpetuate the Wanapum culture, beliefs, and traditions. Located next to the Wanapum's ancestral village and Priest Rapids Dam, the 50,000-square-foot Wanapum Heritage Center combines museum, offices, meeting space and repository for native artifacts found during and since Grant PUD's dams were built. For more information about the Wanapum and the Wanapum Heritage Center, visit wanapum.org.



Committed to Community Service

As a public power utility, Grant PUD is only as strong as the communities it serves. In 2025, we deepened our relationships across Grant County, highlighted by the 2025 LEAD Summit, hosted with the Grant County EDC and Grant County. Grant PUD's Senior Vice President of Retail Operations delivered the keynote address to open the two-day event, where leaders from across the region gathered to discuss opportunities, challenges, and the future of our community.

Youth education remained central to our mission. We welcomed schools to Wanapum Dam for tours showcasing how local hydroelectricity is generated

and hosted our first River of Power event. We also redesigned our 5th Grade Energy Science Days into a full day of STEM learning for every fifth grader in the county, including hands-on activities and a model EV car race.

Looking ahead to 2026, we will continue our work under the Growth Management Strategy theme of Meeting Customer Expectations through Customer Centric Policies and Services. This direction will guide us as we strengthen community relationships and support the cities and towns that make Grant PUD a premier public power provider.






Recreation

Grant PUD owns and operates 19 recreation sites with purpose-built recreation amenities, including boat launches, restrooms, campsites, and ADA accessible features.

At Grant PUD, hydropower is synonymous with recreation and river fun. We operate recreation sites on our project lands to provide public access and recreation on or near the Columbia River. Collectively these sites provide a wide variety of fun and Interpretive and Educational signs for all ages and abilities, including water recreation, camping, hiking, fishing, hunting, wildlife watching and just relaxing.



Grant PUD Operates:


-  **19 Recreation Sites**
-  **5 Campgrounds**
-  **10 Boat Launches**

Areas within our project lands on the Columbia River shoreline



509 RIVER

For a full list of all recreation sites, available amenities and campsite fees, visit: 509river.org.



Scan the QR code to visit 509river.org and learn more about recreation areas



2025 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.



Maintain a Strong Financial Position

	Target	Actual
Electric System Liquidity	≥ \$215 MM	\$488 MM
Consolidated Return on Net Assets	≥ 4.0%	11.8%
Consolidated Debt To Plant Ratio	≤ 60%	34%
Consolidated Debt Service Coverage	≥ 1.80x	5.45x



Provide Long-Term Low Rates

	Target	Actual
Retail Operating Ratio - Adjusted	< 100%	113%
District Credit Rating	≥ Aa3 (Moody's equivalent)	Aa2

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	Aa2	STABLE
Standard & Poor's Rating Services	AA	STABLE

ELECTRIC SYSTEM

Rating Agency	Rating	Outlook
Fitch Ratings	AA	STABLE
Moody's Investor Service	Aa2	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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Public Utility District No. 2 of Grant County, Washington (the "District"), which comprise the statements of net position as of December 31, 2025 and 2024, 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, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2025 and 2024, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 of the financial statements, the District adopted regulatory accounting under Governmental Accounting Standards Board (GASB) Statement No. 62 for purposes of deferring the recognition of Washington Climate Commitment Act auction proceeds and restated 2024 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 GAAS, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the commissioners’ report, manager’s report, and other information, such as the introductory information, but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2026, 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.

Baker Tilly US, LLP

Portland, Oregon
April 14, 2026

OVERVIEW OF GRANT PUD'S FINANCIAL STATEMENTS

As of December 31, 2025, Public Utility District No. 2 of Grant County, Washington ("Grant PUD", "the utility" or "the District") is comprised of two operating systems: the Electric System and the Priest Rapids Project (PRP). The Electric System maintains 4,487 transmission and distribution line miles and other related infrastructure to serve retail load in Grant County. 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 1,222 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.

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 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 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 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, 2025, 2024, and 2023. The discussion and analysis are 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 \$315.8 million in 2025. In November 2025, the Commission approved the use of regulatory accounting for Climate Commitment Act (CCA) auction proceeds, to align qualified expenses with revenues. As a result, 2024 was restated for the change in accounting principle, as required by GASB Statement No. 100, from \$334.4 million to \$294.3 million. In 2023, Grant PUD also demonstrated strong performance, with a positive change in net financial position of \$352.7. Grant PUD continued to make the necessary investments in infrastructure, technology, and employees to ensure customers will continue to receive reliable power at long-term low prices.

The Commission approved a 3 percent average annual rate increase in each of the years 2025, 2024, and 2023, to help offset inflation-driven operational costs related to power generation and distribution, fund necessary projects, and maintain continued financial strength.

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2025, and 2024

Electric System Significant Capital Projects:

Grant PUD continued to invest in capital improvements designed to enhance electric system reliability and support anticipated load growth, particularly among large commercial and industrial customers. These investments include upgrades and expansions to substation, transmission, and distribution infrastructure. The Design Build 2 (DB2) Load Growth Project was initiated in December 2019 and scheduled for completion in September 2026. Over the course of this project, three new substations, four upgraded substations, and an associated transmission line have been completed. The remaining two new substations are scheduled for completion in 2026. Total cumulative costs for the project were \$144.4 million, as of December 31, 2025.

Grant PUD has completed the initiation phase of the Quincy Transmission Expansion Plan (QTEP) and advanced into the planning phase. This major infrastructure initiative includes six transmission line segments ranging from one to 31 miles, construction of a new switchyard with a high voltage capacitor bank at Monument Hill, and expansions of the existing Mountain View substation and Wanapum switchyard. Upon completion, QTEP is expected to increase Quincy's load capacity from approximately 300 MW to 650 MW, provide redundant transmission sources to enhance reliability, and create a system configuration that enables maintenance without customer outages. These improvements are critical to supporting regional growth and ensuring long-term system resilience. The total estimated project cost was \$266.2 million as of December 31, 2025, with completion anticipated in 2029. Total cumulative costs for the project were \$43.8 million as of December 31, 2025.

In 2024, Grant PUD advanced its long-term facilities strategy through the acquisition of multiple parcels of land intended to support future service center and generation-related development. Construction of a new Ephrata service center began in mid-2025 and is expected to continue through 2027. The 316,822-square-foot facility is designed to consolidate key operational functions – including line crews, engineering, transportation and facilities, dispatch, warehousing, and support services – to improve efficiency, reliability, and emergency response across western Grant County. The project has a total estimated cost of \$250.2 million, with \$21.4 million incurred as of December 31, 2025. Additional costs related to future development totaled \$10.2 million as of December 31, 2025.

The Priest Rapids Project Significant Capital Projects:

On-site construction of the turbine and generator life extension program at the Priest Rapids Dam began in August 2016. The first of ten turbine generator units were placed in service in January 2018, followed by five additional units completed through 2025. The seventh unit was removed from service in January 2025 and is expected to remain out of service for approximately 14 months, with a planned return to service in early April 2026. Cumulative costs of the project were \$401.4 million as of December 31, 2025, and include control system upgrades, turbine modeling and hydraulic design, and rehabilitation and replacement of existing components within the units. This long-term investment supports continued generation reliability and extends the operational life of key generation assets.

The Wanapum Left Embankment Improvement project addresses stability concerns in the River Closure Section related to original construction methods and foundation conditions. This Project supports compliance with Federal Energy Regulatory Commission (FERC) dam safety requirements. Project activities include fragility analysis, seismic risk analysis, and development of a dam safety case to mitigate seismic and internal erosion risks, protect public safety, and support continued full reservoir operations and reliable hydroelectric generation. During 2025, key milestones included the completion and submission of the fragility analysis and seismic risk analysis. The total estimated cost of the project is \$166.0 million, with total cumulative costs of \$13.9 million, as of December 31, 2025.

The Priest Rapids Spillway Stability Improvement Project will install 38 high-capacity post-tensioned anchors to address stability vulnerability in the spillway structure. In 2025, the District completed project planning, installed supporting infrastructure, and executed the construction contract. Construction is scheduled to begin in spring 2026, with anchor installation expected to be completed before summer 2028. The project has an estimated cost of \$76.0 million, and with total cumulative costs of \$5.9 million incurred as of December 31, 2025.

Management’s Discussion and Analysis (Unaudited)
Years ended December 31, 2025, and 2024

Financial Ratings: Grant PUD maintains very high credit ratings, which are issued separately for the Electric System and the Priest Rapids Project and are as follows (Electric System/Priest Rapids Project): Fitch Rating Services AA+/AA, Standard and Poor’s Rating Services AA+/AA, and Moody’s Investor Services Aa2/Aa2. The Electric System Ratings were published in July of 2025 (Fitch), August of 2024 (S&P), and May of 2025 (Moody’s), and the Priest Rapids Project ratings were published in July of 2025 (Fitch), August of 2024 (S&P), and May of 2025 (Moody’s) (refer to Note 6). Moody’s publication reflects an upgrade from Aa3 to Aa2 on outstanding Moody’s-rated issuances.

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 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 November 2025, Grant PUD redeemed in full the \$47.2 million outstanding 2020-R Electric System Revenue Bonds with available cash on hand.

In December 2025, Grant PUD redeemed in full the \$49.3 million outstanding 2023-U Electric System Revenue Bonds with available cash on hand.

In September 2024, Grant PUD issued \$180.8 million in refunding revenue bonds (2024-B Priest Rapids Revenue Bonds) to refinance the District’s outstanding Build America Bonds (BAB’s) upon determination that an “Extraordinary Event” occurred with respect to the 2010-L Priest Rapids Project Bonds. Concurrent with the BABs refunding, the District tendered \$24.8 million of the applicable principal outstanding 2020-Z Priest Rapids Project Bonds and \$38.2 million of the applicable principal outstanding 2020-Z-2 Priest Rapids Project Bonds. The issuance resulted in no incremental increase in outstanding debt and reduced the risk of Federal Rebate sequestration. See Note 6 for additional details.

In November 2023, Grant PUD issued \$44.8 million in refunding revenue bonds (2023-V Electric System Revenue Bonds) to refinance the Electric System’s Mandatory Put Bonds on the December 2023 Redemption Date. The issuance resulted in no incremental increase in outstanding debt and stabilized the interest rates thus avoiding the increased stepped interest rate.

In July 2023, Grant PUD issued \$49.3 million in short-term refunding revenue bonds (2023-U Electric System Revenue Bonds) to refinance the Electric System’s direct placement subordinate refunding bonds, which resulted in no incremental increase in outstanding debt and stabilized the debt service of the refunded debt. Grant PUD also issued \$146.5 million in refunding and new money revenue bonds (2023-A Priest Rapids Revenue Bonds) to refinance and reimburse the District for improvements to the Priest Rapids Project for capital project spending.

Management’s Discussion and Analysis (Unaudited)
Years ended December 31, 2025, and 2024

Priest Rapids Project Generation: During the years ended December 31, 2025, 2024, and 2023, the Priest Rapids Project provided the following net megawatt hours (MWh) of electric energy at an average cost as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Net Megawatt hours (MWh)	8,067,198	7,029,402	6,965,606
Average Cost (per MWh)	\$ 25.87	\$ 28.31	\$ 27.38
Average Water Supply *	80%	77%	74%

*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.

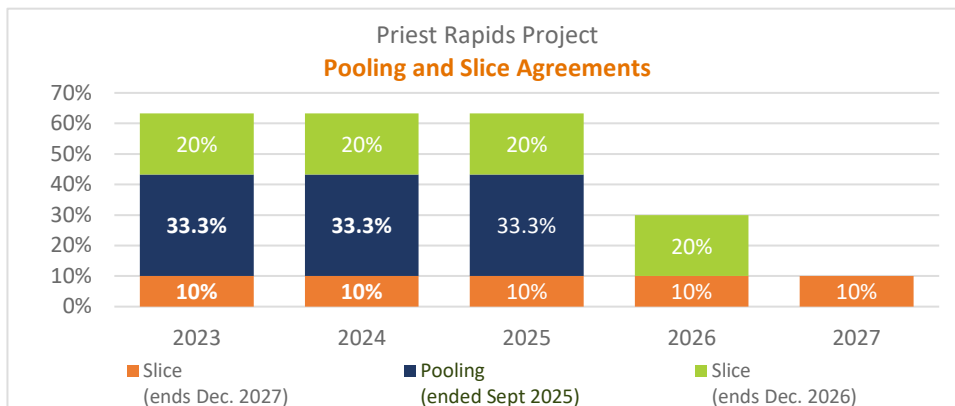
Net Megawatt hours generated are dependent on water supply, impacted by weather and the timing of runoff and spill requirements, as well as activities from upstream entities. 2025 was a slight improvement over 2024 for average water supply which resulted in an increase in Net Megawatt hours of generation.

The Electric System’s energy risk management strategy capitalizes on the low cost of production of the Priest Rapids Project (PRP), without retaining an imprudent amount of water or price-volatility risks as defined by our risk policies. Grant PUD enters into wholesale contracts that aim to increase the predictability of net wholesale revenues by mitigating the effect of fluctuations in wholesale power prices and water variability for generation, which directly contributes to Grant PUD’s objective to maintain a strong financial position and to have predictable retail prices well into the future.

Priest Rapids Project Output: As the Western energy market has transitioned to real time and day ahead markets, a new regional resource adequacy framework, and increasingly stringent state carbon policies, Grant PUD’s historical approach to managing water risk through wholesale slice and pooling agreements has become less effective. These changes combined with participation in the Southwest Power Pool’s Markets Plus (Markets+), and the Western Power Pool’s Western Resource Adequacy Program (WRAP), as well as compliance with Washington’s Clean Energy Transformation Act and Climate Commitment Act required a reassessment of how Grant PUD utilizes its share of the Priest Rapids Project output.

Following an extensive evaluation, Grant PUD selected The Energy Authority (TEA) to provide integrated portfolio management services, covering its PRP share, contracted solar and battery resources, Bonneville Power Administration Product of Choice slice, and Markets+ and WRAP participation. This model supports improved reliability, compliance, risk management, and financial performance. To bridge the period following the expiration of the pooling agreement in September 2025, Grant PUD entered into a 16-month service agreement with Morgan Stanley to manage its physical share of PRP. Additionally, the District evaluated and accepted the proposed membership structure with TEA, which will result in a 15.8 percent equity interest and begin on April 1, 2026.

With the termination of the pooling agreement in September 2025, Grant PUD retained the 33.3 percent portion of its previously contracted pooling share, which was part of its original 63.3 percent retained power share. In 2024 and 2023, Grant PUD’s 63.3 percent retained share of PRP output was distributed through pooling and slice agreements:



Slice Agreements: The slice agreements sell capacity and energy to buyers who assume the associated water and wholesale price risks. Grant PUD obtains stable revenue from these sales. The slice agreements are paid in monthly installments over the term of each agreement and include firm energy purchases from each entity to help meet Grant PUD’s load. Grant PUD regularly monitors its exposure 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 or non-delivery of the firm energy purchases.

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2025, and 2024

Pooling Agreements: Pooling agreements reduce the effect of variable water conditions at the Priest Rapids Project and fluctuations in wholesale power prices on revenues associated with Grant PUD's wholesale sales and purchases. Grant PUD's final pooling agreement was for a five-year term and ended September 29, 2025. Under the pooling agreement, the counterparty receives rights to the actual output of a portion of the Priest Rapids Project, which will vary with water conditions. In return, the counterparty provides firm power to meet Grant PUD's load, regardless of the actual output of the Priest Rapids Project, and certain scheduling services. Over the life of the agreement, the majority of the values were offsetting and exchanged without cash payment; there was, however, monthly payments owed by either the counterparty or Grant PUD due to the seasonal differences between capacity and energy amounts and loads. These payments were presented as a net sale or purchase. In addition, certain non-hydrological performance metrics are assumed at the beginning of the contract and monthly variances in the metrics are trued up and payments made by either the counterparty or Grant PUD. The amount of monthly payments over the term varies based upon actual performance versus the estimates at the time the pooling agreement was executed.

Power Agreements: To support growing capacity and energy needs, Grant PUD entered several new long-term purchased power agreements (PPAs). Delivery under the five-year Goose Prairie Solar PPA began in February 2025, providing near-term incremental solar generation. In 2025, the District also executed two 20-year solar PPAs that are expected to begin delivering energy later in the decade: Quincy Solar Energy in late 2027 and Royal Slope Solar in mid-2028. To enhance system flexibility and complement new solar output, the District entered a 20-year Energy Storage Agreement with Royal Slope BESS, anticipated to begin commercial operation in mid-2028. The BESS is expected to provide capacity and grid-support services and to help integrate additional renewable resources. See Note 7 for additional information.

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2025, and 2024

CONDENSED STATEMENTS OF NET POSITION (amounts in thousands)	2025	2024 (As Restated)	2023
Assets			
Current	\$ 740,216	\$ 537,625	\$ 435,944
Utility plant, net	2,678,717	2,573,903	2,485,949
Noncurrent	554,001	432,834	332,593
Total assets	<u>3,972,934</u>	<u>3,544,362</u>	<u>3,254,486</u>
Total deferred outflows of resources	62,983	63,033	60,607
Total assets and deferred outflows of resources	<u>4,035,917</u>	<u>3,607,395</u>	<u>3,315,093</u>
Liabilities			
Current	210,775	227,535	176,443
Noncurrent	1,026,917	1,102,332	1,199,932
Total liabilities	<u>1,237,692</u>	<u>1,329,867</u>	<u>1,376,375</u>
Total deferred inflows of resources	381,685	176,817	80,368
Total liabilities and deferred inflows of resources	<u>1,619,377</u>	<u>1,506,684</u>	<u>1,456,743</u>
Net position			
Net investment in capital assets	1,673,782	1,504,852	1,327,962
Restricted	425,509	387,423	430,483
Unrestricted	317,249	208,436	99,905
Total net position	<u>2,416,540</u>	<u>2,100,711</u>	<u>1,858,350</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,035,917</u>	<u>\$ 3,607,395</u>	<u>\$ 3,315,093</u>

CONDENSED STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION (amounts in thousands)	2025	2024 (As Restated)	2023
Operating revenues			
Retail energy sales	\$ 290,182	\$ 283,442	\$ 269,355
Wholesale revenues, net	284,999	247,934	310,808
Sales to power purchasers at cost	27,924	26,700	25,002
Other	19,919	18,548	16,653
Total operating revenues	<u>623,024</u>	<u>576,624</u>	<u>621,818</u>
Operating Expenses			
Depreciation and amortization	95,266	90,411	86,439
Other operating expenses	242,327	219,237	211,363
Total operating expenses	<u>337,593</u>	<u>309,648</u>	<u>297,802</u>
Net Operating Income	<u>285,431</u>	<u>266,976</u>	<u>324,016</u>
Other revenues (expenses)	7,945	2,963	(8,471)
Contributions in aid of construction	22,453	24,312	37,131
Change in net position	<u>315,829</u>	<u>294,251</u>	<u>352,676</u>
Total net position - beginning of year	<u>2,100,711</u>	<u>1,858,350</u>	<u>1,505,674</u>
Cumulative effect of change in accounting principle	-	(51,890)	-
Total net position - end of year	<u>\$ 2,416,540</u>	<u>\$ 2,100,711</u>	<u>\$ 1,858,350</u>

* The District's 2024 Financial Statements were restated for the impacts of the change in accounting principle for CCA fund regulatory deferral.

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2025, and 2024

FINANCIAL ANALYSIS

The following discussion provides comparative financial information for the years ended December 31, 2025, 2024, and 2023.

ASSETS AND DEFERRED OUTFLOWS

Total assets and deferred outflows increased by \$428.5 million (11.9%) from 2024 to 2025 and \$292.3 million (8.8%) from 2023 to 2024. The increases from 2024 to 2025 and 2023 to 2024 were primarily driven by continued investment in Utility plant and increases in cash and investments generated from increased revenues and CCA auction proceeds. The continued capital investments in 2025, 2024, and 2023 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 losses on refunding were \$28.3 million, \$32.2 million, and \$36.6 million as of December 31, 2025, 2024, and 2023 respectively. The decrease of \$3.9 million (12.1%) from 2024 to 2025, and \$4.4 million (12.1%) from 2023 to 2024 is due to annual amortization with the losses on refunding amortized over an average of 25 years. Deferred outflows of resources related to pensions were \$30.8 million, \$28.7 million, and \$21.5 million as of December 31, 2025, 2024, and 2023, 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 Public Employees' Retirement System (PERS) plans as provided by the Department of Retirement Systems, partially offset by associated amortization.

LIABILITIES AND DEFERRED INFLOWS

Total liabilities and deferred inflows increased \$112.7 million (7.5%) from 2024 to 2025 and increased \$49.9 million (3.4%) from 2023 to 2024. In 2025, Grant PUD elected to apply regulatory accounting for CCA auction proceeds. This change drove an increase in deferred inflows from 2024 to 2025 and required a restatement of the 2024 financial statements. As a result, the previously reported decrease of \$42.1 million (2.9%) in total liabilities and deferred inflows from 2023 to 2024 was restated to an increase of \$49.9 million (3.4%).

The increase from 2024 to 2025 was primarily due to increased CCA auction proceeds, partially offset by a \$133.0 million reduction in long-term debt, mainly from the redemption of the 2020R and 2023U bonds. The increase from 2023 to 2024 was driven by regularly scheduled long-term debt payments, amortization of premiums and discounts, and bond transactions, partially offset by the restatement-related increase in deferred inflows.

During 2024, Grant PUD refinanced several bonds to reduce interest rates on outstanding debt. Grant PUD had approximately \$915.6 million, \$1.0 billion, and \$1.1 billion in bonded debt outstanding as of the year ended December 31, 2025, 2024, and 2023, respectively.

Deferred inflows of resources related to pensions, including the associated regulatory liability were \$74.6 million, \$66.2 million, and \$61.4 million as of December 31, 2025, 2024, and 2023 respectively. Fluctuations occur from year to year due to the District's proportionate share of changes in pension plan actuarial assumptions. The increase of \$8.3 million (12.6%) from 2024 to 2025 and \$4.8 million (7.8%) from 2023 to 2024 is attributed to changes in the pension plans projected and actual investment earnings and changes in assumptions. Deferred inflows are amortized over future periods to the regulatory liability.

NET POSITION

Total net position was \$2.4 billion as of December 31, 2025. The application of regulatory accounting for CCA auction proceeds resulted in a restatement of 2024 and 2023 from \$2.2 billion to \$2.1 billion and from \$1.9 billion to \$1.8 billion, respectively. The increases, year over year, were driven by positive net operating income related to higher sales to power purchasers at cost, retail energy sales, wholesale power sales, and interest income. Refer to 'Statement of Revenues and 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 \$46.4 million (8.0%) from 2024 to 2025. The application of regulatory accounting for CCA auction proceeds restated 2024 from a decrease of \$6.7 million (1.1%) to a decrease of \$45.2 million (7.3%) for 2023 to 2024.

Retail energy sales increased \$6.7 million (2.4%) from 2024 to 2025 and \$14.1 million (5.2%) from 2023 to 2024 primarily driven by rate increases and continued load growth of commercial and industrial customers.

Wholesale revenues were \$285.0 million for 2025 and restated from \$286.5 million to \$247.9 million in 2024, due to the application of regulatory accounting for CCA auction proceeds and were \$310.8 million in 2023. These revenues are reflective of the individual ebbs and flows of power consumption, market forces on wholesale power prices and the timing and terms of various agreements the utility have in place. Grant PUD receives proceeds on an annual basis in accordance with long-term power sales contracts for Grant PUD load that is above the reserve 63.3 percent physical share of the Priest Rapids Project. These proceeds are offset with other wholesale transactions, including pooling and slice agreements, and market sales and purchases. Grant PUD had decreased proceeds of \$5.9 million in long-term power sales contracts from 2024 to 2025 and increased proceeds of \$2.5 million from 2023 to 2024. All other net wholesale transactions increased \$42.9

Management's Discussion and Analysis (Unaudited) Years ended December 31, 2025, and 2024

million from 2024 to 2025 and decreased \$65.4 million, as restated, for 2023 to 2024, due to the reclass of CCA auction proceeds from Wholesale revenues to Deferred inflows.

Sales to power purchasers at cost were \$27.9 million, \$26.7 million, and \$25.0 million in 2025, 2024, and 2023, 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 \$225.1 million, \$207.9 million, and \$203.1 million in 2025, 2024, and 2023, respectively. The percentage of these costs covered by power purchasers was 13.0 percent, 12.9 percent, and 13.2 percent in 2025, 2024, and 2023, respectively, which drove the relative decrease and increase in revenues versus total power costs in 2025, 2024, and 2023, respectively.

Other revenues were \$19.9 million, \$18.5 million, and \$16.7 million in 2025, 2024, and 2023, respectively. The largest driver of other revenues are Wholesale fiber optic network sales, which were \$16.8 million, \$15.3 million, and \$13.7 million, in 2025, 2024, and 2023, respectively. The increase of \$1.5 million (9.8%) from 2024 to 2025 and \$1.6 million (12.1%) from 2023 to 2024 are driven by improved take rates (percentage of system subscribed versus unsubscribed) and continued build out of the network.

Operating Expenses: Total operating expenses increased by \$27.9 million (9.0%) from 2024 to 2025 and \$11.8 million (4.0%) from 2023 to 2024. These increases were the net result of items discussed below:

Depreciation and amortization expenses were \$95.3 million, \$90.4 million, and \$86.4 million in 2025, 2024, and 2023, respectively. These increases are consistent with the investment in Utility plant and are affected by the timing of major units at the Priest Rapids Project being placed in service.

Other operating expenses increased \$23.1 million (10.5%) from 2024 to 2025 and \$7.9 million (3.7%) from 2023 to 2024. Grant PUD has invested in its workforce to meet the demands of our growing load, customer needs, and changes in the energy and utility industry. This investment has resulted in higher labor and benefit costs, contributing to the overall increase in operating expenses.

Other Revenues (Expenses): Total other revenues (expenses) increased \$5.0 million (168.1%) from 2024 to 2025 and \$11.4 million (135.0%) from 2023 to 2024. The 2023 to 2024 increase was restated from \$13.1 million to reflect regulatory accounting elected for CCA auction proceeds related to investment income. Year over year increases were primarily driven by a \$3.7 million (10.5%) decrease in bond related expenses from 2024 to 2025 and a \$9.5 million (33.0%) increase in interest and other income from 2023 to 2024. Additional changes were from investment related activity, including unrealized gains, interest income fluctuations, and market volatility.

Contributions in Aid of Construction (CIAC): Total CIAC revenues were \$22.5 million, \$24.3 million, and \$37.1 million in 2025, 2024, and 2023, respectively. Revenues are earned as Grant PUD completes infrastructure requests funded by customers. Variability in numbers correlates with ongoing capital projects, percentage of completion, and customer requests.

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, Bonnie Overfield, at Boverfi@gcpud.org, or at the Public Utility District No. 2 of Grant County, P.O. Box 878, Ephrata, Washington 98823.

STATEMENT OF NET POSITION

December 31, 2025 and 2024
(amounts in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2025	2024 (as restated)
	<u> </u>	<u> </u>
CURRENT ASSETS		
Cash	\$ 9,787	\$ 1,095
Investments	320,394	211,314
Restricted funds		
Cash	3,384	1,259
Investments	284,459	226,755
Accounts receivable, net	62,200	53,980
Materials and supplies	46,865	33,183
Due from power purchasers	-	205
Current lease receivable	608	508
Other current assets	12,519	9,326
	<u>740,216</u>	<u>537,625</u>
NONCURRENT ASSETS		
Utility plant, net	2,678,717	2,573,903
Other noncurrent assets:		
Investments	29,970	22,953
Restricted funds		
Cash	937	439
Investments	479,285	368,346
Net pension assets	24,356	21,012
Long-term lease receivable	15,640	16,248
Conservation loans	86	109
Preliminary survey costs	3,727	3,727
	<u>554,001</u>	<u>432,834</u>
Total other noncurrent assets	<u>554,001</u>	<u>432,834</u>
Total noncurrent assets	<u>3,232,718</u>	<u>3,006,737</u>
TOTAL ASSETS	<u>3,972,934</u>	<u>3,544,362</u>
DEFERRED OUTFLOWS OF RESOURCES		
Net pension, change in proportion	30,822	28,732
Other Post Employment Benefits	3,874	2,115
Unamortized refunding loss	28,287	32,186
	<u>62,983</u>	<u>63,033</u>
Total deferred outflows	<u>62,983</u>	<u>63,033</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,035,917</u>	<u>\$ 3,607,395</u>

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

STATEMENT OF NET POSITION (cont.)

December 31, 2025 and 2024
(amounts in thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2025	2024 (as restated)
CURRENT LIABILITIES		
Accounts payable		
Trade	\$ 85,686	\$ 56,247
Accrued salaries and compensated absences	20,336	17,066
Due to power purchasers	1,160	-
Accrued taxes	9,992	9,588
Customer deposits	9,338	6,960
Accrued bond interest	19,476	19,811
Unearned revenue	6,662	13,015
Habitat liability	21,687	21,980
Other current liabilities	79	88
Current portion of licensing obligations	2,953	2,877
Current portion of subscription liability	3,727	2,929
Current portion of long-term debt	29,679	76,974
Total current liabilities	210,775	227,535
NONCURRENT LIABILITIES		
Long-term debt, less current portion	926,197	1,011,931
Licensing obligations, less current portion	59,371	61,654
Net pension liability	5,827	8,738
Other post-employment benefits liability	11,051	9,499
Long-term unearned revenue	17,463	2,350
Long-term subscription liability, less current portion	2,484	3,048
Other long-term liability, less current portion	4,524	5,112
Total noncurrent liabilities	1,026,917	1,102,332
TOTAL LIABILITIES	1,237,692	1,329,867
DEFERRED INFLOWS OF RESOURCES		
Regulatory Liability CCA	288,463	92,068
Net pension	6,628	8,162
Regulatory Liability – Pension	67,934	58,055
Other post-employment benefits	3,445	2,645
Leases	15,215	15,887
Total deferred inflows	381,685	176,817
Total liabilities and deferred inflows of resources	1,619,377	1,506,684
NET POSITION		
Net investment in capital assets	1,673,782	1,504,852
Restricted	425,509	387,423
Unrestricted	317,249	208,436
Total net position	2,416,540	2,100,711
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 4,035,917	\$ 3,607,395

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2025 and 2024
(amounts in thousands)

	2025	2024 (as restated)
OPERATING REVENUES		
Sales to power purchasers at cost	\$ 27,924	\$ 26,700
Retail energy sales		
Residential	52,486	50,832
Irrigation	30,876	30,453
Commercial and industrial	205,213	199,346
Governmental and others	1,607	2,811
Wholesale revenues, net	284,999	247,934
Fiber optic network sales	16,823	15,317
Other	3,096	3,231
Total operating revenues	623,024	576,624
OPERATING EXPENSES		
Generation	57,603	54,461
Transmission	6,793	3,878
Distribution	42,018	38,908
Customer and information services	8,635	6,651
Fiber optic network operations	3,347	3,660
Administrative and general	87,468	76,768
License compliance and related agreements	12,965	13,709
Depreciation and amortization	95,266	90,411
Taxes	23,498	21,202
Total operating expenses	337,593	309,648
NET OPERATING INCOME	285,431	266,976
OTHER REVENUES (EXPENSES)		
Interest and other income	39,712	38,439
Interest on revenue bonds and other, net	(42,063)	(44,005)
Federal rebates on revenue bonds	7,405	9,507
Amortization of debt related costs	2,951	859
Cost of debt issuance	(60)	(1,837)
Total other revenue (expenses)	7,945	2,963
CONTRIBUTIONS IN AID OF CONSTRUCTION	22,453	24,312
CHANGE IN NET POSITION	315,829	294,251
NET POSITION		
Beginning of year	2,100,711	1,858,350
Cumulative effect of change in accounting principle		(51,890)
TOTAL NET POSITION - END OF YEAR	\$ 2,416,540	\$ 2,100,711

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

STATEMENT OF CASH FLOWS

Years Ended December 31, 2025 and 2024
(amounts in thousands)

	2025	2024 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,027,325	\$ 785,539
Other cash receipts	23,548	19,972
Cash payments to suppliers	(318,156)	(263,426)
Cash payments to employees	(137,121)	(123,559)
Taxes paid	(23,094)	(21,784)
Net cash provided by operating activities	572,502	396,742
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on debt	(126,239)	(30,029)
Interest paid on debt	(42,118)	(44,968)
Federal interest rebates received	8,000	10,431
Bond proceeds	-	204,555
Payment on refunded debt	-	(213,471)
Bond issuance cost	-	(1,837)
Principal received on leases	508	495
Interest received on leases	454	467
Acquisition of subscription assets	(2,434)	(419)
Principal paid on subscription liabilities	(4,690)	(3,980)
Interest paid on subscription liabilities	(289)	(248)
Contributions in aid of construction received	31,082	13,323
Licensing obligation payments	(2,877)	(2,800)
Acquisition and construction of plant assets	(188,587)	(174,985)
Proceeds on sale of plant assets	262	156
Proceeds from insurance on capital assets	2,684	-
Net cash used in capital and related financing activities	(324,244)	(243,310)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(2,518,050)	(2,218,302)
Sale of investment securities	2,247,738	2,039,689
Investment income proceeds	33,369	25,450
Net cash used by investing activities	(236,943)	(153,163)
NET INCREASE (DECREASE) IN CASH	11,315	269
CASH AT BEGINNING OF YEAR	2,793	2,524
CASH AT END OF YEAR	\$ 14,108	\$ 2,793

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

STATEMENT OF CASH FLOWS (cont.)

Years Ended December 31, 2025 and 2024
(amounts in thousands)

	2025	2024 (as restated)
Reconciliation of operating gain to net cash used for operating activities:		
Net operating income	\$ 285,431	\$ 266,976
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	95,266	90,411
Accretion expense	670	594
Miscellaneous income	1,426	2,503
Provision for uncollectible accounts	340	313
Cash provided by (used in) changes in operating assets:		
Accounts receivable	(13,847)	(13,168)
Materials and supplies	(13,655)	(4,104)
Conservation loan	23	28
Receivable from (payable to) power purchasers, net	1,365	(1,626)
Other current assets	(2,729)	(1,262)
Cash provided by (used in) changes in operating liabilities:		
Habitat funds	(348)	1,460
Trade and wages payable	26,509	16,353
Customer deposits	2,378	894
Accrued taxes	404	(582)
Unearned revenue on long-term contracts	(101)	(1,011)
Lease deferred inflows	(96)	(96)
Net other post-employment benefits	593	526
Regulatory liabilities	188,873	38,533
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 572,502	\$ 396,742
Non-cash Investing, Capital and Related Financing Activities		
Changes in construction costs included in accounts payable	\$ 5,613	\$ (967)
Write-off on inventory	(128)	
Amortization of debt related costs, net	2,951	859
Unrealized gain/(loss) on investments	11,196	3,664

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

NOTES TO THE 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 (“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” or “the Commission”). The Commissioners’ responsibilities are to appoint the General Manager/Chief Executive Officer (CEO), approve budgets for Grant PUD’s systems, and adopt regulations. In addition, the Commission sets policies guiding financial and operating principles for the activities reported in these financial statements.

The Electric System is made up of Grant PUD’s electric transmission and distribution system in addition to a fiber-optic telecommunication system. The Priest Rapids Project is composed of Grant PUD’s Wanapum Dam and 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 14).

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 licenses prescribed by FERC. Grant PUD’s accounting records are further maintained in accordance with methods prescribed by the State Auditor under the 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, transmission, distribution, and purchases 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 7 and are recorded on a cost-based formula specified in the contracts which include operation and maintenance costs, 115 percent 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.

Wholesale Sales and Purchases – Grant PUD enters into various wholesale power purchase and sale agreements, for the purpose of securing a supply source that satisfies various peak load demand, to accommodate temporary outages, diversify supply and enhance reliability in accordance with prudent reliability standards, and to mitigate commercial risks arising from the potential change in values of owned assets due to hydrology fluctuations. Wholesale revenue is recognized when contractual obligations are met or, ratably over the contract term (capacity payments), and is presented net with simultaneously contracted energy purchases. Wholesale revenue includes slice agreements, pooling agreements, financial proceeds received for Grant PUD’s Estimated Unmet District Load (EUDL) as defined by the long-term Power Sales Contracts, book-out transactions, and proceeds received from the sale of energy credits and allowances. When power purchases exceed the proceeds from the EUDL, the net difference is reported as Purchased power under operating expenses.

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

NOTES TO THE FINANCIAL STATEMENTS

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 Changes 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.

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, of 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) 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 7) the Washington State LGIP Pool (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 overhead charges.

Accounts receivable, net – Accounts receivable, net includes balances for customers and related credit balances, vendors, employees, other governments, and provisions for uncollectible accounts. Accounts receivable, net as of December 31, 2025 and 2024 were as follows:

(amounts in thousands)	2025	2024
Customers	\$ 59,506	\$ 46,982
Vendors	990	5,898
Other governments	1,693	1,078
Employees	11	22
Total	\$ 62,200	\$ 53,980

Management conducts a review of 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. The allowance for uncollectible accounts was approximately \$1.8 million and \$1.4 million, as of December 31, 2025 and 2024, respectively, and is included in Accounts receivable, net.

Additional credit balances exist for customers set up on budget pay plans and customers with prepayments on account for credit purposes. As of December 31, 2025 and 2024, total credit balances were approximately \$4.7 million and \$4.0 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 and Interconnection policies. 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 non-refundable. Grant PUD recognized \$22.5 million and \$24.3 million of Contributions in Aid of Construction for each of the years ended December 31, 2025, and 2024, 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. Depreciation of meters and transformers begin when invoiced 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 2.62 percent and 2.51 percent for 2025 and 2024, 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 50

When Grant PUD retires portions of its Utility plant, retirements are recorded against Accumulated Depreciation, and the retired portion of Utility plant is removed from the Plant in Service. When Utility plant assets are retired, their original cost, together with removal costs, less

NOTES TO THE FINANCIAL STATEMENTS

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 are capitalized regardless of cost. 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 expended in the current period.

Habitat Liability – Per the Priest Rapid Salmon and Steelhead Settlement Agreement and 2008 National Oceanic and Atmospheric Administration (NOAA) Fisheries Biological Opinion which were incorporated into the FERC License Order (FERC No. 2114), Grant PUD is required to provide funds for habitat mitigation activities. Spending from these funds must be unanimously approved by independent committees composed of members from external agencies, tribal representatives, and Grant PUD. The Habitat Liability is recorded as a current liability on the Statements of Net Position. See Note 8 for additional details.

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 settled with power purchasers 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. Debt issuance costs incurred prior to 2013 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 inflows or outflows 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.

Leases – As a lessee, Grant PUD recognizes a lease liability and an intangible right-to-use asset at the commencement of a lease, unless the lease is determined to be short-term or transfers ownership of the underlying asset. Right-to-use lease assets are measured at the present value of lease payments to be made over the lease term, discounted using Grant PUD's incremental borrowing rate.

The lease liability is subsequently reduced by principal payments and increased by the amortization of the discount, which is reported as interest expense. The right-to-use lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset and is reported as an amortization expense.

Lease payments are allocated first to the accrued interest and then to the lease liability. Variable lease payments based on the usage or performance of the underlying assets are not included in the measurement of the lease liability and are recognized as expense in the period incurred.

A remeasurement of the lease liability and related right-to-use asset occurs when there is a change in the lease term or other changes that are expected to have a significant impact on the lease liability.

As a lessor, Grant PUD recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable is measured as the present value of lease payments expected to be received over the lease term, discounted using Grant PUD's incremental borrowing rate, which approximates the rate charged to the lessee.

Leases that include provisions for rent changes based on the consumer price index (CPI) or other market indexes result in variable lease revenues which are not included in the measurement of the lease receivables.

The deferred inflow of resources is measured at an amount equal to the lease receivable, adjusted for any payments received at or before the commencement of the lease term that relate to future periods. The discount on the lease receivable is amortized and reported as interest revenue, while deferred inflows of resources are recognized as lease revenue on a straight-line basis over the lease term. Any initial direct costs are recognized as an expense in the period incurred.

Remeasurement of the lease receivable and related deferred inflows of resource occurs when lease modifications are made, including, but not limited to, changes in the lease payments, lease term, or the addition or removal of an underlying asset. In the event of a partial or full lease termination, Grant PUD reduces the carrying amount of the lease receivable and related deferred inflows of resources and recognizes any resulting gain or loss.

NOTES TO THE FINANCIAL STATEMENTS

Leases identified by management as short-term (with a maximum possible term of 12 months or less), perpetual, variable in nature, or insignificant, are not recognized on the Statement of Net Position. Payments related to these leases are recognized as outflows of resources (expenses) or inflows of resources (revenues) based on the payment provisions of the lease agreement.

Subscription-Based Information Technology Arrangement (SBITA) – Grant PUD recognizes a subscription liability and an intangible right-to-use subscription asset at the commencement of the subscription term, defined as the date the subscription asset is placed into service, unless the subscription is determined to be short-term or transfers ownership of the underlying asset.

The subscription asset is initially measured at the sum of 1) the initial measurement of the subscription liability, 2) payments made to the SBITA vendor at or before the commencement of the subscription term related to the subscription, and 3) capitalizable initial implementation costs.

The subscription asset is adjusted for any remeasurements of the related subscription liability and is amortized on a straight-line basis over the subscription term. Amortization expense is reported as an outflow of resources, beginning at the commencement of the subscription term.

The subscription liability is measured at the present value of payments expected to be made over the subscription term, discounted using Grant PUD's incremental borrowing rate. The liability is subsequently increased by the amortization of the discount, which is reported as interest expense, and reduced by payments made. Payments are allocated first to accrued interest and then to the subscription liability.

Remeasurement of the subscription liability and related subscription assets occur when there is a change in the subscription term or other changes that are expected to have a significant impact on the subscription liability.

Variable payments including those based on usage of the underlying asset, future performance, or number of user seats are not included in the measurement of the subscription liability and are recognized as an expense in the periods incurred.

Subscriptions identified by management as short-term, perpetual, or insignificant are not recognized on the statement of net position and are recorded as outflows of resources (expense) in accordance with the payment provisions of the subscription agreement. See Note 3 for additional information regarding SBITAs.

Incremental Borrowing Rate (IBR) – The incremental borrowing rate used in determining the present value of lease and SBITA payments is based on US Treasury rates, corresponding to the same term of the contract plus basis points (BSP), determined by Grant PUD's historical borrowing spread and similar entities in the utility industry.

Unearned Revenue – Contributions in aid of construction that are recorded as short-term or long-term unearned revenue depending on when construction associated with the contribution(s) is expected to take place. Additionally, Grant PUD has two long-term exchange contracts under which Grant PUD received collective prepayments of \$2.0 million, set to expire January of 2027, 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 the Board of Commissioners, 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 both restricted or designated and unrestricted resources are available for use, it is Grant PUD's policy to use restricted and designated funds first, then unrestricted resources as they are needed for the specific purpose.

Restricted Bond Funds – Grant PUD has established separate reserve 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.

NOTES TO THE FINANCIAL STATEMENTS

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 \$100 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 also maintains property insurance coverage with an aggregate limit of \$300 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.

Enterprise Risk Management – Grant PUD’s Enterprise Risk Management activities are governed by its Enterprise Risk Management Policy. This policy directs how Grant PUD’s risks are to be considered in terms of their effects on the uncertainty and predictability of its key objectives. The Enterprise Risk Management policy at Grant PUD focuses on strategy and planning, management of uncertainty, reporting processes, policies/procedures, as well as corporate values and culture. Grant PUD’s governance structure and processes are centered on the management of risk. Effective risk management is regarded by employees as essential for the achievement of the organization’s objectives. The Enterprise Risk Management Committee consists of senior management and the manager of Enterprise Risk Management. This body assists the Commission and CEO in fulfilling their corporate governance responsibilities regarding risk management for Grant PUD and its related entities.

Energy Risk Management – Grant PUD’s power marketing activities are conducted to balance Grant PUD loads and resources and optimize the value of the Priest Rapids Project for Electric System retail customers. These power marketing activities involve forward power sales and purchase agreements used to manage power portfolio positions, mitigate related risks and stabilize power portfolio costs and revenue. All power sales and purchase transactions are subject to the Energy Risk Management and Reporting policy, and limits established therein. The policy is approved by the Energy Risk Oversight Committee, which meets regularly to monitor Grant PUD’s exposure to various power-related risks. The policy includes credit management provisions that address the assignment of credit limits based on established criteria, utilizing an industry standard credit-scoring model. The policy is subject to a periodic review to further refine and improve the documented roles, responsibilities, risk mitigation, and related monitoring and reporting of power transactions.

Compensated Absences – With the adoption of GASB Statement No. 101 in fiscal year 2024, personal leave is recognized as a liability when earned and expected to be used or paid upon separation. The liability is measured using employees’ current pay rates and includes salary-related costs. The portion expected to be paid within one year is classified as a current liability under Accrued salaries and compensated absences, while the remaining balance is reported as a noncurrent liability under Other long-term liabilities. Accrued personal leave benefit as of December 31, 2025 and 2024, was \$17.7 million and \$16.7 million, respectively. Additions to the liability were \$13.4 million and \$12.2 million while reductions were \$12.4 million and \$9.6 million in 2025 and 2024, respectively.

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 the determination of unbilled revenue, licensing obligations, allowance for uncollectible accounts, net pension and other postemployment benefits/liabilities, regulatory assets/liabilities, lease assets/liabilities, subscription assets/liabilities, compensated absences, and depreciable lives of Utility plant.

Pensions – For purposes of measuring the net pension liability/(asset), 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 pension plan level.

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the implicit and explicit benefit of medical subsidies paid on behalf of participants has been recorded in the financial statements. Net OPEB liability is calculated as the present value of future expected benefit payments considered to have already been earned by participants, plus or minus actuarial gains or losses for changes in actuarial assumptions. Unamortized actuarial gains or losses are recorded as deferred outflows and deferred inflows. OPEB expense is equal to changes in the net OPEB liability and changes in deferred outflows and deferred inflows, plus employer contributions. There are no assets held in a trust.

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, the effects of economic/demographic gains or losses and assumption changes or inputs related to the OPEB liability, 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 inflows of resources (revenue) until that time. Deferred inflows of resources consist of Grant PUD's proportionate share of pension plans and related regulatory liabilities, OPEB, and deferred inflows related to leases. Pension 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. OPEB inflows of resources are the effects of economic/demographic gains or losses, and assumption changes or inputs related to the OPEB liability. Deferred inflows of resources for leases are amortized over the term of the lease. Regulatory liabilities related to pensions are adjusted annually for changes in pension expenses.

Regulated Operations – The Board of Commissioners establishes rates to be charged for Grant PUD services, which recover the costs of providing services to customers. Grant PUD follows industry accounting and capitalization principles for regulated operations. Accordingly, certain expenses and credits, normally reflected in the Statement of Revenues, Expenses and Changes in Net Position as incurred, are recognized when included in rates and recovered from, or refunded to, customers. Regulatory assets or liabilities are recorded to reflect rate-making actions of the Commissioners. Specific directives for regulated operations from the Commission are outlined in Note 9.

Reclassifications – Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 presentation.

Washington Climate Commitment Act (CCA) – In 2021, the Washington Legislature adopted the Climate Commitment Act, which establishes greenhouse gas (GHG) emissions cap-and-invest program that caps GHG emissions beginning January 1, 2023. In general, the program requires covered entities to obtain emission allowances or offset credits for covered emissions. As an electric utility subject to Washington's Clean Energy Transformation Act (CETA), Grant PUD receives an allocation of emission allowances at no cost each year through the year 2030. Grant PUD must annually report GHG emissions and once verified, transfer allocated allowances to cover the emissions. Grant PUD may participate in carbon allowance auctions, which allow Grant PUD to consign a certain amount of allowances for auction. Allowances are recognized using the Weighted Average Inventory Method, which has resulted in no impact to the financial statements, as allowances were allocated to Grant PUD at zero cost. Proceeds received from the auction of allowances are recorded in Regulatory Liability CCA in the period the auction occurs. Revenue is recognized when funds are spent for rate-making purposes (See note 9). Grant PUD will continue to monitor legislation for impacts to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING STANDARD CHANGES

In December 2023, GASB issued Statement No. 102, “*Certain Risk Disclosures*”. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This statement defines these terms and outlines associated requirements and disclosures. The requirements of Statement 102 are effective for reporting periods beginning after June 15, 2024. The District conducted a comprehensive assessment of concentrations and constraints that may expose the District to substantial impacts. There are no concentrations or constraints that meet or have the potential to meet the requirements for disclosure.

Change in Accounting Principle – CCA Funds Regulatory Deferral

In November 2025, the Commission approved Resolution 9104, adopting regulatory accounting for CCA auction proceeds. Under this method, earnings are deferred from rates until the funds are spent. The resolution applies to all CCA funds, including earnings from 2023 and 2024. The change was necessary to best align the financial results of Grant PUD with the Commission objective of maintaining stable, predictable rates by deferring the benefit until expenditures occur, reducing the risk of “rate shock” on ratepayers. The impact on prior years presented was determined to be material; therefore, restatement of the 2024 beginning net position was required. The 2024 financial statements have been restated to conform to the 2025 presentation.

Impacts to the District’s Statement of Net Position

(amounts in thousands)	2024 Balance (as restated)	2024 Balance as previously reported
DEFERRED INFLOWS		
Regulatory Liability CCA	\$ 92,068	\$ -
Total deferred inflows	176,817	84,749
Total liabilities and deferred inflows of resources	1,506,684	1,414,616
NET POSITION		
Restricted	387,423	479,491
Total net position	2,100,711	2,192,779
OPERATING REVENUES		
Wholesale revenues, net	247,934	286,466
Total operating revenues	576,624	615,156
NET OPERATING INCOME	266,976	305,508
OTHER REVENUES (EXPENSES)		
Interest and other income (expense)	38,439	40,085
Total other revenue (expenses)	2,963	4,609
CHANGE IN NET POSITION	294,251	334,429
NET POSITION		
Cumulative effect of change in accounting principle	(51,890)	-
TOTAL NET POSITION - END OF YEAR	\$ 2,100,711	\$ 2,192,779

ACCOUNTING STANDARDS IMPACTING THE FUTURE

Grant PUD is currently evaluating the financial statement impact of adopting the following Statements:

In April 2024, GASB issued Statement No. 103, “*Financial Reporting Model Improvements*”. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

In September 2024, GASB issued Statement No. 104, “*Disclosure of Certain Capital Assets*”. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

In December 2025, GASB issued Statement No. 105, “*Subsequent Events*”. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. It defines subsequent events, requires disclosure of the dates through which the event is evaluated, and clarifies

NOTES TO THE FINANCIAL STATEMENTS

the distinction between recognized and unrecognized subsequent events, included related disclosure requirements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026.

2. CASH AND INVESTMENTS

Grant PUD's cash deposits at December 31, 2025 and 2024, 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 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. During 2025, \$15 million was transferred to the Electric System stabilization fund. There were no transfers to or from rate stabilization resources in 2024.

As of December 31, 2025 and 2024, 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)	2025	2024*
Unrestricted assets:		
Revenue and Service System funds	\$ 360,151	\$ 235,362
Total unrestricted assets	360,151	235,362
Restricted assets:		
Board designated funds:		
Electric System Reserve and Contingency fund	170,399	145,133
Renewal, Replacement and Contingency fund	12,542	13,106
Self-Insurance Reserve fund	1,411	1,357
Total board designated funds	184,352	159,596
Restricted funds:		
Construction funds	227	60,779
Electric System Climate Commitment Act Fund	288,463	92,068
Bond Sinking funds	242,046	227,711
Debt Service Reserve funds	30,668	33,132
Habitat funds	22,309	23,513
Total restricted funds	583,713	437,203
Total restricted assets	768,065	596,799
Total cash and investments	\$ 1,128,216	\$ 832,161

* Certain items were reclassified to conform with 2025 presentation.

Interest Rate Risk – Grant PUD's Investment Policy and Investment Oversight Committee (IOC) 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 the risk of selling investments early to meet unexpected cash flow needs, a minimum of 20 percent 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. Except for 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.

NOTES TO THE FINANCIAL STATEMENTS

Below are Grant PUD’s investment maturities as of December 31, 2025 and 2024:

(amounts in thousands) 2025	Investment Maturities in years				
	Total	Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 261,107	\$ 188,799	\$ 70,226	\$ 2,082	\$ -
Municipal Bonds	228,264	35,592	80,269	85,961	26,442
U.S. Agencies Bonds	187,382	150,359	27,790	6,750	2,483
Supranational Institutions	65,603	39,735	20,329	5,539	-
Corporate Notes	145,534	60,284	85,250	-	-
State Investment Pool	218,103	218,103	-	-	-
Total	\$ 1,105,993	\$ 692,872	\$ 283,864	\$ 100,332	\$ 28,925

2024	Investment Maturities in years				
	Total	Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 214,395	\$ 163,779	\$ 48,599	\$ 2,017	\$ -
Municipal Bonds	179,614	20,935	79,977	56,019	22,683
U.S. Agencies Bonds	140,050	93,390	39,542	7,118	-
Supranational Institutions	99,476	79,165	15,951	4,360	-
Corporate Notes	44,097	16,041	28,056	-	-
State Investment Pool	146,852	146,852	-	-	-
Total	\$ 824,484	\$ 520,162	\$ 212,125	\$ 69,514	\$ 22,683

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 from 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 (NRSRO’s) 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. Grant PUD did not hold any securities rated below Single “A” as December 31, 2025.

As of December 31, 2025 and 2024, investments in debt securities had credit quality ratings as follows:

(amounts in thousands) 2025	Total	Long-term				
	Fair Value	AAA	AA+	AA	AA-	A+
Municipal Bonds	\$ 228,264	\$ 79,629	\$ 59,131	\$ 86,635	\$ 2,487	\$ 382
U.S. Agencies Bonds	187,382	-	187,382	-	-	-
Supranational Institutions	65,603	65,603	-	-	-	-
Corporate Notes	145,534	29,275	10,033	68,778	37,448	-
Total	\$ 626,783	\$ 174,507	\$ 256,546	\$ 155,413	\$ 39,935	\$ 382

2024	Total	Long-term				
	Fair Value	AAA	AA+	AA	AA-	A+
Municipal Bonds	\$ 179,614	\$ 56,545	\$ 44,700	\$ 60,545	\$ 17,174	\$ 650
U.S. Agencies Bonds	140,050	140,050	-	-	-	-
Supranational Institutions	99,476	99,476	-	-	-	-
Corporate Notes	44,097	13,108	-	16,988	14,001	-
Total	\$ 463,237	\$ 309,179	\$ 44,700	\$ 77,533	\$ 31,175	\$ 650

NOTES TO THE FINANCIAL STATEMENTS

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 percent of the total portfolio par value will be invested in government sponsored agencies, supranational institutions, or municipal bonds, and no more than 25 percent 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 Grant PUD’s Investment Oversight Committee as required by Grant PUD’s Investment Policy.

Grant PUD’s Investment Oversight Committee actively monitors portfolio composition and seeks to ensure prudent diversification is maintained. The following are the concentrations of risk greater than 5 percent in either year.

The credit ratings listed are from a nationally recognized rating agency as of December 31, 2025 and 2024.

Investments by Issuer	Credit Rating	2025	2024
Federal Farm Credit Banks Funding Corp	AA+	11.2%	9.0%
Federal Home Loan Bank	AA+	4.8%	16.2%

Grant PUD’s investments as identified on the Statements of Net Position, are shown below. 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.

At December 31, 2025, Grant PUD recognized \$30.0 million of interest income and \$10.2 million of net gains or losses in the fair value of investments. At December 31, 2024, Grant PUD recognized \$26.0 million of interest income, and \$3.4 million of net gains or losses in the fair value of investments, as restated.

The table below represents cash and investment balances by type, as of December 31, 2025 and 2024, net of accrued interest of \$8.1 million and \$4.9 million, respectively.

(amounts in thousands)	2025		2024	
U.S. Treasuries	\$ 261,107	23.31%	\$ 214,395	25.92%
Municipal Bonds	228,264	20.38%	179,614	21.71%
U.S. Agencies Bonds	187,382	16.73%	140,050	16.93%
Supranational Institutions	65,603	5.86%	99,476	12.02%
Corporate Notes	145,534	12.99%	44,097	5.33%
State Investment Pool	218,103	19.47%	146,852	17.75%
Total investments	\$ 1,105,993	98.74%	\$ 824,484	99.66%
Cash	14,108	1.26%	2,793	0.34%
Total cash and investments	\$ 1,120,101	100.00%	\$ 827,277	100.00%

Investments in Local Government Investment Pool – 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 adopted 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 LGIP, a qualified external investment pool, are reported at amortized costs which approximate fair value. 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. 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.

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>.

NOTES TO THE FINANCIAL STATEMENTS

Fair Value Measurements – Grant PUD’s investments have been adjusted to reflect fair value measurements as of December 31, 2025, 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. 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, 2025 and 2024:

(amounts in thousands)	Fair Value Measurements				Not Levelled (amortized cost)
	Total 2025	Level 1	Level 2	Level 3	
Debt Securities					
U.S. Treasuries	\$ 261,107	\$ 237,952	\$ 23,155	\$ -	\$ -
Municipal Bonds	228,264	-	228,264	-	-
U.S. Agencies Bonds	187,382	-	187,382	-	-
Supranational Institutions	65,603	-	65,603	-	-
Corporate Notes	145,534	-	145,534	-	-
State Investment Pool	218,103	-	-	-	218,103
Total investments by fair value level	\$ 1,105,993	\$ 237,952	\$ 649,938	\$ -	\$ 218,103
	Total 2024	Level 1	Level 2	Level 3	Not Levelled (amortized cost)
Debt Securities					
U.S. Treasuries	\$ 214,395	\$ 190,984	\$ 23,411	\$ -	\$ -
Municipal Bonds	179,614	-	179,614	-	-
U.S. Agencies Bonds	140,050	-	140,050	-	-
Supranational Institutions	99,476	-	99,476	-	-
Corporate Notes	44,097	-	44,097	-	-
State Investment Pool	146,852	-	-	-	146,852
Total investments by fair value level	\$ 824,484	\$ 190,984	\$ 486,648	\$ -	\$ 146,852

NOTES TO THE FINANCIAL STATEMENTS

3. UTILITY PLANT

Utility plant, net as of December 31, 2025 and 2024, is summarized as follows:
(amounts in thousands)

	Balance 2024	Additions	Retirements/ Transfers	Balance 2025
Land and land rights	\$ 42,515	\$ -	\$ -	\$ 42,515
Construction in progress	243,098	192,758	(93,478)	342,378
Total non-depreciable assets	285,613	192,758	(93,478)	384,893
Distribution facilities	799,275	4,627	25,254	829,156
Transmission facilities	273,617	-	180	273,797
Hydro facilities				
Power plant structures	147,426	-	664	148,090
Reservoirs, dams, waterways	604,526	-	13	604,539
Power plant equipment	981,016	(15)	47,687	1,028,688
General facilities				
Quincy Chute (Note 7)	20,030	-	(20,030)	-
Potholes East Canal (Note 7)	16,535	-	(16,535)	-
Other generation	30	-	-	30
Right to Use Subscriptions	14,633	6,243	(1,540)	19,336
General plant	742,069	-	17,719	759,788
FERC License	141,863	-	-	141,863
Other intangible assets	60,967	-	-	60,967
Total depreciable assets	3,801,987	10,855	53,412	3,866,254
Accumulated Amortization Right to Use Subscriptions	(6,289)	(5,199)	1,511	(9,977)
Accumulated depreciation and amortization	(1,507,408)	(90,153)	35,108	(1,562,453)
Total depreciable assets, net	2,288,290	(84,497)	90,031	2,293,824
Total net utility plant	\$ 2,573,903	\$ 108,261	\$ (3,447)	\$ 2,678,717

	Balance 2023	Additions	Retirements/ Transfers	Balance 2024
Land and land rights	\$ 31,181	\$ -	\$ 11,334	\$ 42,515
Construction in progress	302,487	169,255	(228,644)	243,098
Total non-depreciable assets	333,668	169,255	(217,310)	285,613
Distribution facilities	723,909	5,061	70,305	799,275
Transmission facilities	273,090	-	527	273,617
Hydro facilities				
Power plant structures	147,433	-	(7)	147,426
Reservoirs, dams, waterways	517,927	-	86,599	604,526
Power plant equipment	979,073	-	1,943	981,016
General facilities				
Quincy Chute (Note 7)	19,799	(180)	411	20,030
Potholes East Canal (Note 7)	16,491	-	44	16,535
Other generation	30	-	-	30
Right to Use Subscriptions	13,227	4,476	(3,070)	14,633
General plant	686,469	-	55,600	742,069
FERC License	141,863	-	-	141,863
Other intangible assets	60,863	(5)	109	60,967
Total depreciable assets	3,580,174	9,352	212,461	3,801,987
Accumulated Amortization Right to Use Subscriptions	(5,648)	(3,711)	3,070	(6,289)
Accumulated depreciation and amortization	(1,422,245)	(86,787)	1,624	(1,507,408)
Total depreciable assets, net	2,152,281	(81,146)	217,155	2,288,290
Total net utility plant	\$ 2,485,949	\$ 88,109	\$ (155)	\$ 2,573,903

NOTES TO THE FINANCIAL STATEMENTS

SBITA

Grant PUD has several SBITAs related to software subscriptions, with contract terms ranging from 12 to 84 months. Grant PUD applied incremental borrowing rates ranging from 3.96 percent to 4.53 percent for arrangements initiated in 2025, and 3.97 percent to 4.97 percent for arrangements initiated in 2024. These rates were determined based on US Treasury rates for comparable terms, adjusted for a basis spread premium (BSP).

For the years ended December 31, 2025 and 2024, Grant PUD recognized principal payments of \$5.6 million and \$4.0 million, respectively, and interest expense of \$0.3 million in 2025 and 2024. Activity related to SBITA's is presented in the table above.

Scheduled principal and interest payments for SBITAs to maturity are as follows:

(amounts in thousands)	Principal	Interest	Total
2026	\$ 3,727	\$ 213	\$ 3,940
2027	1,938	97	2,035
2028	333	18	351
2029	55	8	63
2030	61	5	66
2031-2035	97	3	100
Total	\$ 6,211	\$ 344	\$ 6,555

4. LEASES

Grant PUD is both a lessor and a lessee. For insignificant or short-term leases, defined as leases that, at the commencement of the lease term have a maximum possible term of 12 months or less, the District recognizes lease revenue or expense based on the provisions of the individual contracts. For all other leases, the District recognizes a right-to-use asset and lease liability as a lessee, or a lease receivable and a deferred inflows of resources as a lessor, in accordance with GASB Statement No. 87.

Grant PUD as Lessee

Grant PUD, has entered into various agreements for land, buildings, equipment, vehicles, and access rights for land and infrastructure. As of December 31, 2025 and 2024, these agreements were determined to be insignificant, perpetual, or short-term and not recognized as right-to-use assets under GASB Statement No. 87.

Grant PUD as Lessor

Grant PUD leases land and land access rights, buildings and facilities, and infrastructure connection points under various agreements. A majority of these arrangements are insignificant, perpetual or short-term and are not recognized as lease receivable under GASB Statement No. 87. Lease contracts that are recognized are non-cancellable, provide for fixed rental payments, and expire between 2026 and 2052. As lessor, Grant PUD recognizes a lease receivable and deferred inflow of resources at the commencement of the term, subject to certain exceptions as discussed in Note 1.

Land Leases

Grant PUD leases land under various agreements with original term exceeding 30 years, expiring in 2052. The agreements allow for annual Consumer Price Index (CPI) increases and require appraisal every 10 years. CPI increases represent variable lease revenues and are not included in the measurement of the lease receivables.

Grant PUD used an interest rate of 2.75%, for these leases, based on US Treasury rates for comparable terms plus a BSP. For the years ending December 31, 2025 and 2024, Grant PUD recognized \$0.6 million in lease revenue in both years, and interest income of \$0.4 million and \$0.5 million, respectively.

General Plant Leases

Grant PUD leases pole attachments under a general plant lease with a term of five years, expiring in 2026. An interest rate of 2.02 percent, based on US Treasury rates for comparable terms plus a BSP. For the years ended December 31, 2025 and 2024, Grant PUD recognized \$95.6 thousand in lease revenue in both years and \$3.7 thousand and \$5.7 thousand in interest income, respectively.

NOTES TO THE FINANCIAL STATEMENTS

Remeasurement

For the fiscal years ended December 31, 2025 and 2024, no remeasurement of lease liabilities or lease receivables was required.

Grant PUD recognized the following activity related to the leases as lessor for the fiscal year ended December 31, 2025 and 2024, as presented in the accompanying table:

(amounts in thousands)	Balance at December 31, 2024	Additions	Receipts	Balance at December 31, 2025
Land & land rights	\$ 16,475	\$ -	\$ (412)	\$ 16,063
General plant	281	-	(96)	185
Total	\$ 16,756	\$ -	\$ (508)	\$ 16,248

(amounts in thousands)	Balance at December 31, 2023	Additions	Receipts	Balance at December 31, 2024
Land & land rights	\$ 16,876	\$ -	\$ (401)	\$ 16,475
General plant	375	-	(94)	281
Total	\$ 17,251	\$ -	\$ (495)	\$ 16,756

Future lease revenues related to recognized lease receivables are as follows:

(amounts in thousands)	Land & Land Rights		General Plant		Total
	Lease Revenue	Lease Interest	Lease Revenue	Lease Interest	
2026	\$ 423	\$ 436	\$ 185	\$ 5	\$ 1,049
2027	435	425	-	-	860
2028	447	413	-	-	860
2029	460	400	-	-	860
2030	473	387	-	-	860
2031-2035	2,568	1,731	-	-	4,299
2036-2040	2,946	1,353	-	-	4,299
2041-2045	3,379	920	-	-	4,299
2046-2050	3,877	422	-	-	4,299
2051-2053	1,055	20	-	-	1,075
Total	\$ 16,063	\$ 6,507	\$ 185	\$ 5	\$ 22,760

5. 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 \$36.7 million and \$34.9 million as of December 31, 2025 and 2024, 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 the obligations for December 31, 2025, was \$62.3 million, of which approximately \$3.0 million is expected to be paid within one year. The present value of these obligations totaled \$64.5 million as of December 31, 2024. 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 8.

Grant PUD's FERC License also contains requirements related to recreation sites, cultural resources, and various other requirements. Grant PUD has achieved compliance with many of these license terms and is actively implementing plans to comply with the remaining requirements in a cost-effective manner in consultation with various stakeholders.

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES

Long-term Debt

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

(amounts in thousands)				
Issue	Final Maturity	Interest Rate	2025	2024
Electric System Revenue Bonds				
2017-O Bonds	1/1/2047	5.00%	\$ 53,290	\$ 54,610
2020-Q Bonds	1/1/2041	1.83%-3.34%	65,820	69,120
2020-R Bonds	1/1/2044	2.00%-8.00%	-	47,190
2023-U Bonds ⁽¹⁾	1/1/2026	4.00%	-	49,265
2023-V Bonds ⁽¹⁾	1/1/2044	5.00%	42,230	43,545
Priest Rapids Project Revenue Bonds				
2010-M Bonds	1/1/2027	5.63%	90,000	90,000
2012-M Bonds	1/1/2032	3.91%	42,395	42,395
2015-M Bonds	1/1/2040	4.58%	90,000	90,000
2017-B Bonds	1/1/2031	2.65%	3,760	4,330
2020-Z Bonds	1/1/2043	1.79%-3.31%	80,320	86,415
2020-Z2 Bonds	1/1/2044	1.52%-3.05%	133,675	142,420
2023-A Bonds ⁽¹⁾	1/1/2043	5.00%	135,565	141,160
2024-B Bonds ⁽²⁾	1/1/2044	4.00%-5.00%	178,010	180,805
Direct Placement and Direct Borrowing				
PWB Broadband Loan	10/31/2036	0.44%	535	584
Total bonds, direct placement and direct borrowing outstanding			\$ 915,600	\$ 1,041,839

⁽¹⁾ PRP PR 2005-Z, PR 2006-Z, PRP 2010-Z and WAN 2006-Z were refunded with the issuance of PRP 2023-A. ES 2021-T was refunded with the issuance of ES 2023-U. ES 2020-S was refunded with the issuance of ES 2023-V.

The ES 2023-U bond was redeemed on December 31, 2025.

⁽²⁾ Portions of PRP 2020 Z and 2020 Z-2 were refunded with the issuance of PRP 2024-B. See *Refunded Debt* below for additional information.

Scheduled debt service requirements to maturity for debt are as follows:

(amounts in thousands)	Revenue Bonds		Direct Borrowing and Placement		Total
	Principal	Interest	Principal	Interest	
2026	\$ 29,630	\$ 38,470	\$ 49	\$ 2	\$ 68,151
2027	119,725	34,881	49	2	154,657
2028	36,925	31,123	49	2	68,099
2029	38,205	29,734	48	2	67,989
2030	39,130	28,271	49	2	67,452
2031-2035	402,125	96,295	243	4	498,667
2036-2040	161,615	44,034	48	1	205,698
2041-2045	80,185	8,795	-	-	88,980
2046-2050	7,525	381	-	-	7,906
Total	\$ 915,065	\$ 311,984	\$ 535	\$ 15	\$ 1,227,599

Interest on revenue bonds in the preceding tables includes interest requirements for fixed rate debt at their stated rates.

NOTES TO THE FINANCIAL STATEMENTS

During the years ended December 31, 2025, and 2024, the following changes occurred in Grant PUD’s long-term liabilities:

(amounts in thousands)	End Balance			End Balance	Due Within
	2024	Additions	Reductions	2025	One Year
Revenue bonds payable	\$ 1,041,255	\$ -	\$ (126,190)	\$ 915,065	\$ 29,630
Unamortized premiums and discounts, net	47,067	-	(6,791)	40,276	-
Compensated absences	16,651	13,432	(12,407)	17,676	13,151
Direct borrowing loans	584	-	(49)	535	49
Total	\$ 1,105,557	\$ 13,432	\$ (145,437)	\$ 973,552	\$ 42,830

	End Balance			End Balance	Due Within
	2023	Additions	Reductions	2024	One Year
Revenue bonds payable	\$ 1,103,910	\$ 180,805	\$ (243,460)	\$ 1,041,255	\$ 76,925
Unamortized premiums and discounts, net	28,601	23,720	(5,254)	47,067	-
Compensated absences	14,120	12,168	(9,637)	16,651	11,539
Direct borrowing loans	632	-	(48)	584	49
Total	\$ 1,147,263	\$ 216,693	\$ (258,399)	\$ 1,105,557	\$ 88,513

Refunded Debt

On November 28, 2025, the District redeemed the 2020-R series bond with an outstanding principal balance of \$47.2 million using existing resources, within days of the mandatory tender date of December 1, 2025. There was no call premium for the redemption or outstanding unamortized premium on the 2020-R.

On December 31, 2025, the District redeemed the 2023-U series bond with an outstanding principal balance of \$49.3 million using existing resources, within a day of the maturity date of January 1, 2026. There was no call premium for the redemption or outstanding unamortized premium on the 2023-U.

In September 2024, Grant PUD refunded the entirety of the PRP 2010-L (BABs), and portions of the 2020 Z and 2020 Z-2 into a new PRP senior revenue debt series, PRP 2024-B. The PRP 2024-B was issued with a par of \$180.8 million and \$23.7 million premium. The District originally issued the BABs in April 2010 under the American Recovery and Reinvestment Act of 2009. BABs are taxable bonds that are eligible for an interest rate subsidy payment paid from the U.S. Treasury equal to 35 percent of the interest due on each interest payment date. However, after the District issued the BABs, certain federal budget control legislation modified and amended the relevant sections of the Federal Tax Code in a manner pursuant to which the District’s cash subsidy payments from the U.S. Treasury could be reduced due to sequestration (reduction and permanent cancellation). As a result of the budget sequestration and reduction in subsidy, Grant PUD concluded (in Resolution 9060) that an “Extraordinary Event” had occurred which qualified the BABs to be redeemed at an “Extraordinary Optional Redemption Price.” A portion of the 2020Z and 2020 Z-2 were eligible for refunding from taxable debt to tax-exempt debt (interest rate savings). The District realized a refunding loss of \$0.6 million that was expensed in the current year. To increase savings, the District released \$10.8 million in excess reserves for a present value savings of \$13.3 million. The net present value savings, or economic gain, from the refunding is \$2.5 million.

Credit Agreement

During March of 2024, Grant PUD entered into a Credit Agreement with JPMorgan Chase Bank, National Association in the initial amount of \$20.0 million with the option to increase to \$50.0 million to contract indebtedness or borrow money for any corporate purpose on credit or on the revenues of the Electric System. The Commission established a line of credit to a) obtain the delivery of letters of credit to satisfy the District’s collateral obligations under power purchase contracts, energy hedge agreements, and other contracts of the District in connection with the purchase and sale of energy, and b) be available to provide loans to the District. As of December 31, 2024, this line of credit was unused. As of December 31, 2025, approximately \$4.2 million was utilized as a standby letter of credit to meet contractual collateral requirements.

Broadband Loan/Grant

This contract is a special, limited revenue-secured obligation payable from the State of Washington’s Public Works Board Broadband Program. Grant PUD pledged net revenue of the Electric System to the repayment of its obligations under the contract on a subordinate basis to all payments related to Grant PUD’s parity bonds and Junior Lien Bonds (JLB’s). The contract award amount received was \$680,743 congruent to the required loan amount of \$680,743. Terms of the loan are 15 years at a rate of 0.44 percent due with a final maturity of October 31, 2036.

Covenants

Grant PUD’s bond resolutions (senior lien parity bonds and subordinate lien bonds) contain various covenants that include requirements to maintain minimum annual debt service coverage ratios, stipulated minimum funding of revenue bond reserves for certain bonds, 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 and Electric Systems to provide adequate net revenues in each system sufficient for the payment of principal and interest and all payments which the District is obligated to set aside in the bond funds in addition to operating costs. Costs of the Priest Rapids Project, including debt service and operating costs, are an obligation of the Electric System.

For the years ended December 31, 2025, and 2024, Grant PUD met the minimum debt service coverage of 1.15x and 1.25x for the Priest Rapids Project and Electric System senior bonds, respectively. The Electric System’s direct placed bank 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.

7. POWER PURCHASER COMMITMENTS

Priest Rapids Project

Under the Priest Rapids Power Sales Contracts, the amount of net PRP 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 87.0 percent and 87.1 percent of PRP power costs with the long-term contract power purchasers funding the remaining 13.0 percent and 12.9 percent for 2025 and 2024, respectively. Each purchaser is obligated to pay its share of the cost (excluding depreciation and amortization) of producing and delivering power, plus 115 percent 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, defined as the continuous operation of one megawatt of capacity over a period of one year) 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 has signed an agreement to receive a block/slice from BPA beginning October 1, 2028. The details related to Grant PUD’s rights and obligations under this agreement are still undetermined. Grant PUD is also in the process of applying for transmission rights necessary to deliver the energy and capacity related to this new contract.

Grant PUD management estimates Grant PUD’s minimum commitments to BPA under the current contracts are as follows:

(amounts in thousands)		
2026	\$	3,890
2027		4,003
2028		3,332
2029		995
2030		1021

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 percent 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 percent through the expiration of the agreement in 2030. In exchange for the output, Grant PUD pays its 12.54 percent share of certain Project costs. 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.

NOTES TO THE FINANCIAL STATEMENTS

Complete financial statements for Energy Northwest, including the Nine Canyon Project, are available from 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 \$1.3 million and \$2.7 million during 2025 and 2024, 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.

(amounts in thousands)		
2026	\$	1,636
2027		2,382
2028		2,142
2029		2,021
2030		1,938

Goose Prairie Solar Power Purchase Agreement

In November 2024, Grant PUD entered into a five-year PPA with Goose Prairie Solar, LLC for the purchase of the full output of an 80-MW solar facility located in Yakima County, Washington. The generating facility is located within the Bonneville Power Administration (BPA) balancing authority and includes firm transmission delivery to Grant PUD's load.

The District began receiving energy under this agreement in February 2025. Payments under the PPA consist of a fixed price per megawatt-hour for delivered energy and a fixed price per megawatt for transmission. This agreement is considered a long-term purchased-power commitment and does not convey ownership rights in the generating facility.

As of December 31, 2025, the District's remaining contractual commitments under this agreement are as follows (in thousands) and may vary based on amount of energy produced:

(amounts in thousands)		
2026	\$	13,287
2027		13,287
2028		13,287
2029		13,287
2030		500

Quincy Solar Energy Purchase Agreement

In April 2025, Grant PUD executed a 20-year, non-cancellable Solar Renewable Energy Purchase Agreement with Quincy Solar Energy for purchase of the full output of a 120 MW solar facility, to be constructed in Grant County. The generating facility is expected to achieve commercial operation in late-2027 at which point the contractual term will begin. The facility will interconnect near a District substation and will deliver directly to Grant PUD's load. This agreement is considered a long-term purchased-power commitment and does not convey ownership rights in the generating facility. Costs under this agreement are variable based on delivered energy and cannot be reasonably estimated; therefore, no fixed future purchase commitments are presented.

Royal Slope Solar Power Purchase Agreement

In October 2025, Grant PUD executed a 20-year, non-cancellable Power Purchase Agreement with Royal Slope Solar for purchase of the full output of a 260-MW solar facility to be constructed in Grant County, northeast of Wanapum Dam. The facility is expected to achieve commercial operation in mid-2028, at which point the contractual term will begin, aligning with the Royal Slope Solar project schedule. The facility is located within the BPA balancing authority and includes firm transmission delivery to Grant PUD's load. This agreement is considered

NOTES TO THE FINANCIAL STATEMENTS

a long-term purchased-power commitment and does not convey ownership rights in the generating facility. Costs under this agreement are variable based on delivered energy and cannot be reasonably estimated; therefore, no fixed future purchase commitments are presented.

Royal Slope BESS Energy Storage Agreement

In October 2025, Grant PUD executed a 20-year, non-cancellable Energy Storage Services Agreement with Royal Slope BESS for the purchase of the full 260-MW capacity of a Battery Energy Storage System (BESS) to be constructed and co-located with Royal Slope Solar facility. The BESS is expected to achieve commercial operation in mid-2028, at which point the contractual term will begin. The facility is located within the BPA balancing authority and includes firm transmission delivery to Grant PUD's load. This agreement is considered a long-term purchased-power commitment and does not convey ownership rights in the generating facility. Costs under this agreement are variable based on delivered energy and cannot be reasonably estimated; therefore, no fixed future purchase commitments are presented.

Other Sources

Pursuant to longstanding agreements with three irrigation districts, Grant PUD constructed, operated, and maintained the Quincy Chute and Potholes East Canal hydroelectric generation facilities in exchange for the right to the full output of those projects. Although the irrigation districts retain title to the facilities, the construction costs for both projects were recorded in Net Utility Plant and were being amortized over the respective terms of the agreements, originally scheduled to expire on October 1, 2025 (Quincy Chute) and September 1, 2030 (Potholes East Canal).

In 2025, the irrigation districts and Grant PUD mutually agreed to cancel the Potholes East Canal agreement effective December 1, 2025, at a cost to the irrigation districts of \$2.0 million. With the cancelation of this agreement, Grant PUD has fully amortized the remaining portion of the associated construction costs. To support necessary transition and changeover activities associated with the Potholes East Canal termination, the Quincy Chute agreement was extended through December 1, 2025. The termination of the Potholes East Canal agreement and the aligned extension of the Quincy Chute agreement reflect a coordinated transition plan, with both agreements concluding on December 1, 2025.

8. NONPOWER COMMITMENTS

Capital Projects

Grant PUD has contractual commitments for several Electric System capital improvement projects, including the transmission and electrical system upgrades, transformer and power cable purchases, power distribution support facilities and substation and distribution line construction. As of December 31, 2025, the expenditures to date for open Electric System major capital contracts totaled \$207.0 million with remaining commitments of \$185.7 million.

Grant PUD also continues to advance improvement programs for the Priest Rapids Project. These programs include refurbishment or replacement of generators, turbine upgrades, modernization of unit controls, and replacement of station service and substation circuit breakers. In addition, Grant PUD is committed to reducing operational and structural risk through ongoing dam safety initiatives. These initiatives include assessment of Wanapum Dam left embankment, and Priest Rapids Spillway improvements. Grant PUD intends to, or is obligated by contract or regulatory requirement to, complete these programs, which are projected to be substantially finished by 2029. As of December 31, 2025, expenditures to date for open major capital contracts related to the Priest Rapids Project totaled \$328.1 million with remaining commitments of \$256.6 million.

Asset Retirement Obligations (ARO)

An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. AROs result from the normal operations of a tangible capital asset, whether acquired or constructed, and include legally enforceable obligations related to the retirement of an asset, disposal of a replaced component of a tangible capital asset, or environmental remediation related to the retirement of an asset resulting from the normal operation of the asset.

Grant PUD has identified certain tangible capital assets for which AROs have been incurred; however, the timing and extent of the associated liabilities are not currently determinable, as these assets are expected to operate in perpetuity. Accordingly, as of December 31, 2025 and 2024, no ARO liabilities have been recorded. Grant PUD will recognize an ARO in the future if events or circumstances make the timing or amount of the obligation determinable.

Distribution, Transmission and Fiber Optic Lines - Grant PUD maintains approximately 4,000 miles of overhead and underground distributions lines, 487 miles of transmission lines and 3,938 miles of fiber optic cable lines. Numerous licenses, permits, easements and leases allow Grant

NOTES TO THE FINANCIAL STATEMENTS

PUD to construct these assets on various parcels of land. Many of these agreements require removal of these assets and site restoration upon termination.

Grant PUD expects to maintain these distribution, transmission, and fiber optic lines for the foreseeable future and to renew related land use agreements on an ongoing basis due to the essential nature of this infrastructure. As a result, the timing and extent of any associated retirement obligations are considered indeterminate, and no ARO was recorded. An ARO will be recognized if future events warrant a change in this assessment.

Wanapum and Priest Rapids Barge Landings - Grant PUD has entered into aquatic lands leases with the Washington State Department of Natural Resources to operate and maintain public access and boat launch sites on the Columbia River. These leases have terms of 12 years. Under the lease agreements, Grant PUD constructed leasehold improvements, including the replacement of three boat launch ramps, commonly referred to as the Wanapum and Priest Rapids Barge Landings.

These facilities are maintained for public use and are also utilized periodically by Grant PUD to support dam inspection activities. If the lease agreements were to expire, and removal were required, the barge landings would involve significant environmental and cultural considerations. Grant PUD expects to continue operating and maintaining these facilities and to renew the related land use agreements for the foreseeable future. Accordingly, the timing and extent of any retirement obligation are considered indeterminate, and no ARO was recorded. An ARO will be recognized if future events warrant a change in this assessment.

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 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: a) 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 b) 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.

Per Part XV of the Priest Rapids Salmon and Steelhead Settlement Agreement, Grant PUD has achieved the condition of No-Net-Impact for spring Chinook, sockeye, and steelhead. On December 16, 2022, the Parties to the Agreement identified above approved a statement of agreement (SOA-2022-04), which reflects consensus on performance standards being achieved for yearling Chinook salmon, juvenile sockeye salmon, and juvenile steelhead, and that NNI Fund contributions for these species had been terminated in 2005, 2017 and 2011, respectively. Grant PUD is currently achieving the No-Net-Impact requirement for coho salmon by providing hatchery compensation for the Upper Columbia River at a rate equivalent to 14 percent (7% per development).

Currently, the no-net-impact requirements have not been achieved for sub-yearling summer Chinook, nor has consensus been acquired from Priest Rapids Coordinating Committee regarding other potential means to achieve the no-net-impact standard for this species.

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 previous parties identified, and the Confederated Tribes of the Umatilla Reservation have been identified in the 2008 BiOp as responsible for overseeing distribution of these funds.

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 BiOp for the protection and restoration of habitats along the mainstream and tributaries within the UCR watershed including the

NOTES TO THE FINANCIAL STATEMENTS

Okanogan, Methow, Entiat, and Wenatchee watersheds. Grant PUD anticipates funding these accounts up to and through the term of its FERC license (2052).

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.

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, for the term of the order, 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 the Habitat funds for the years ended December 31, 2025 and 2024 were \$2.9 million and \$2.8 million, respectively. The following table presents Grant PUD's estimate of the remaining fixed contributions to the Habitat funds as of December 31, 2025, representing required contributions through the end of the FERC License term in 2052.

(amounts in thousands)		
2026	\$	2,953
2027		3,076
2028		3,213
2029		3,355
2030		3,505
2031-2052		132,322
Total	\$	<u>148,424</u>

9. REGULATORY DEFERRALS

The Commission has taken various regulatory actions that result in differences between the recognition of revenues and expenses for ratemaking purposes and recognition under generally accepted accounting principles (GAAP) for non-regulated entities. These differences give rise to regulatory assets (deferred outflows of resources) and regulatory liabilities (deferred inflows of resources). These regulatory items are summarized below. Changes in these balances, and their inclusion in rates, occur only at the direction of the Commission.

CCA Funds - Grant PUD has established a regulatory liability in accordance with Commission Resolution No. 9104 for revenues generated from CCA auctions and related investment earnings. The regulatory liability increases as auction proceeds and investment earnings are recognized, and decreases as funds are expended for authorized and compliant uses. The regulatory liability related to CCA funds totaled \$288.5 million and \$92.1 million as of December 31, 2025 and 2024, respectively.

Pension related balances - Grant PUD has established a regulatory deferral for pension related balances. Pension expense is recognized based on the employer contributions rates established by the Washington State Pension Funding Council, and the difference between these contributions and the actuarially determined pension expense is recorded as a regulatory liability (See Note 10). The regulatory liability for pensions was \$67.9 million and \$58.1 million as of December 31, 2025, and 2024, respectively.

10. 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, 2025 and 2024:

(amounts in thousands)	2025	2024
Net Pension liabilities	\$ 5,827	\$ 8,738
Net Pension assets	24,356	21,012
Deferred outflows of resources	30,822	28,732
Deferred inflow of resources	6,628	8,162
Pension expense/expenditures	8,058	9,358

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 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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees’ Retirement System

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement plans.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the members’ 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA) 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.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of the member’s 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. 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 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3 percent annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

NOTES TO THE FINANCIAL STATEMENTS

PERS Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The PERS 1 employer and PERS 2/3 employer and employee contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and subject to change by the legislature. The **PERS Plan 2/3** employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5 percent and a maximum of 15 percent. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plans defined benefit required contribution rates (expressed as a percentage of covered payroll) for the fiscal year were as follows:

Employer Contribution Rates

2025	<u>Contribution Rate</u>	<u>PERS 1 UAL</u>	<u>Admin Fee</u>	<u>Total Employer</u>
January – June	6.36%	2.55%	0.20%	9.11%
July – December	5.38%	0.00%	0.20%	5.58%
2024				
January – June	6.36%	2.97%	0.20%	9.53%
July – August	6.36%	2.47%	0.20%	9.03%
September - December	6.36%	2.55%	0.20%	9.11%

Employee Contribution Rates

	<u>2025</u>	<u>2024</u>
PERS 1	6.00%	6.00%
PERS 2		
January – June	6.36%	6.36%
July – December	5.38%	6.36%
PERS3	Varies: 5% - 15%	Varies: 5% - 15%

Grant PUD’s actual PERS plan contributions were \$1.5 million and \$2.8 million to PERS Plan 1 and \$6.6 million and \$6.5 million to PERS Plan 2/3 for the years ended December 31, 2025 and 2024, respectively.

Actuarial Assumptions

The 2025 total pension liability/(asset) (TPL/A) for each of the DRS plans was determined by an actuarial valuation completed as of June 30, 2024 with the results rolled forward to June 30, 2025. The 2024 total pension liability/(asset) (TPL/A) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study* and the *2023 Economic Experience Study*.

For 2025, additional assumptions for subsequent events and law changes are current as of the 2024 actuarial valuation report. For 2024, additional assumptions for subsequent events and law changes are current as of the 2023 actuarial valuation report. The TPL/A was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities/(assets) were rolled forward from June 30, 2023, to June 30, 2024, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Inflation: 2.75% total economic inflation; 3.25% salary inflation

Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.

Investment rate of return: 7.00%

Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project

NOTES TO THE FINANCIAL STATEMENTS

mortality rates for every year after the 2010 base table. 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.

Change in Assumptions and Methods for 2025, OSA improved their modeling of benefits paid to retirees and beneficiaries in their month of death to better match current administrations. For 2024, Assumptions did not change from the prior contribution rate setting June 30, 2022, Actuarial Valuation Report (AVR). OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modelling future COLAs for current annuitants in all plans except PERS 1.

Long-Term Expected Rate of Return

OSA selected a 7 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025, and June 30, 2024. The inflation component used to create the table is 2.5 percent for 2025 and 2024 and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	2025		2024	
	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	19%	2.10%	19%	2.10%
Tangible Assets	8%	4.50%	8%	4.50%
Real Estate	18%	4.80%	18%	4.80%
Global Equity	30%	5.60%	30%	5.60%
Private Equity	25%	8.60%	25%	8.60%
	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.0 percent was used to determine the total liability/(asset).

Sensitivity of Net Pension Liability NPL/(Asset)

The tables below present Grant PUD's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0 percent, as well as what Grant PUD's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

(amounts in thousands)	1% Decrease (6.0%)		Current Discount Rate (7.0%)		1% Increase (8.0%)	
2025						
PERS 1	\$	9,832	\$	5,827	\$	2,314
PERS 2/3		39,524		(24,356)		(76,820)
2024						
PERS 1	\$	12,854	\$	8,738	\$	5,129
PER 2/3		37,878		(21,012)		(69,378)

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Grant PUD's proportionate share of the net pension liabilities and assets are as follows:

	<u>2025</u>	<u>2024</u>
PERS 1	\$ 5,827	\$ 8,738
PERS 2/3	(24,356)	(21,012)
Total	\$ (18,529)	\$ (12,274)

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

	<u>Proportionate Share 06/30/25</u>	<u>Proportionate Share 06/30/24</u>	<u>Change In Proportion</u>
PERS 1	0.494195%	0.491786%	0.002409%
PERS 2/3	0.638235%	0.637393%	0.000842%

	<u>Proportionate Share 06/30/24</u>	<u>Proportionate Share 06/30/23</u>	<u>Change In Proportion</u>
PERS 1	0.491786%	0.497376%	-0.005590%
PER 2/3	0.637393%	0.636570%	0.000823%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2024, 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 Non-employer Allocations.

Pension Expense

For the year ended December 31, 2025 and 2024, Grant PUD recognized pension expense as follows:

(amounts in thousands)	<u>2025</u>	<u>2024</u>
PERS 1	\$ 1,462	\$ 2,835
PERS 2/3	6,596	6,523
Total	\$ 8,058	\$ 9,358

The District utilizes regulatory accounting to recognize the non-cash portion of pension expense in conjunction with the actual required employer contributions (See Note 9).

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2025 and 2024, respectively, Grant PUD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

(amount in thousands)	<u>2025</u>		<u>2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PERS Plan1				
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 400	\$ -	\$ 699
Contributions subsequent to measurement date	79	-	1,342	-
Total	\$ 79	\$ 400	\$ 1,342	\$ 699
PERS Plan 2/3				
Differences between expected and actual experience	\$ 17,808	\$ -	\$ 11,939	\$ 49
Net difference between projected and actual investment earnings on pension plan investments	-	5,485	-	6,022
Changes of assumptions	9,413	673	11,603	1,331
Changes in proportion and differences between contributions and proportionate share of contributions	359	70	507	61
Contributions subsequent to measurement date	3,163	-	3,341	-
Total	\$ 30,743	\$ 6,228	\$ 27,390	\$ 7,463

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows of resources related to pensions resulting from Grant PUD’s contributions after the measurement date will be recognized as a reduction of the net pension liability or an addition to the net pension asset in next fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions are recognized as an addition/reduction of the regulatory liability as follows:

(amounts in thousands)	PERS 1	PERS 2/3
2026	\$ 382	\$ 8,681
2027	(278)	3,435
2028	(289)	3,342
2029	(215)	1,298
2030	-	3,117
Thereafter	-	1,479
Total	\$ (400)	\$ 21,352

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 are enrolled in the 401(a) defined contribution plan upon becoming eligible to receive the employer contribution. Employees may also elect to contribute to the plan, and the election must be made at the time the employee becomes eligible to participate. Employee elections 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 contributed into employees’ 401(a) 3 percent of straight-time wages for the pay period and contributions by the employee were not required. Grant PUD made contributions of approximately \$3.1 million and \$2.6 million as of December 31, 2025, and 2024, respectively.

11. 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 provides retirees with two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidy results from premium payments made for certain retirees. 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 paid is 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 monthly cap for 2024 was \$669.89 for employee coverage and \$1,540.68 for employee and spouse coverage. The monthly cap for 2025 is \$754.30 for employee coverage and \$1,734.81 for employee and spouse coverage. The monthly cap for 2026 is \$847.08 for employee coverage and \$1,948.19 for employee and spouse coverage.

The implicit subsidy is the difference between the total cost of medical benefits and the premiums. Retirees may seek 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. However, in some cases the premium itself does not represent the full cost of covering these retirees since they are older than the active population and can be expected to generate higher medical claims and therefore higher premiums than the active population.

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms as of December 31:

	2025	2024
Inactive employees or beneficiaries currently receiving benefit payments	34	31
Active employees	887	850
Total number of participants	921	881

NOTES TO THE FINANCIAL STATEMENTS

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 \$0.5 million and \$0.4 million in retiree subsidies for years ended December 31, 2025 and 2024, respectively.

Total OPEB Liability

The OPEB liability as of December 31, 2025 was determined by an actuarial valuation dated December 31, 2025, while the 2024 OPEB liability was determined by an actuarial valuation dated December 31, 2023 and rolled forward to the December 31, 2024 measurement date.

The table below represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 as of December 31:

(amounts in thousands)	2025	2024
OPEB liabilities	\$ 11,051	\$ 9,499
Deferred outflows of resources	3,874	2,115
Deferred inflows of resources	3,445	2,645
OPEB expense	1,102	926

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) *2013-2018 Demographic Experience Study*.

Actuarial Cost Method:

Entry Age Normal, level percent of salary

Under this cost method, each participant’s normal cost is determined as a level percentage of salary by amortizing the present value of future benefits at entry age (i.e., hire age) over expected future service to retirement. The normal cost for the Plan is the sum of each participant’s individual normal cost.

The accrued liability is equal to the accumulated value of the prior normal costs (i.e., the excess of the present value of future benefits over the present value of future normal costs).

Interest Rate for Discounting Future Liabilities Rate:

4.75 and 4.0% for 2025 and 2024, respectively (based on Bond Buyer 20-Bond General Obligation Index as of December 31, 2025 and 2024, respectively)

General Inflation:

2.5% and 2.00% per year for 2025 and 2024, respectively

Wage Growth:

3.4% and 2.75 % per year for 2025 and 2024, respectively

Salary Merit Scale:

Total payroll increase is overall payroll growth plus the merit table below. Merit rates are as developed for the valuation of benefits under Plan 2 of PERS:

Service	Rate	Service	Rate
1	6.00%	11	0.50%
2	4.50%	12	0.50%
3	3.70%	13	0.50%
4	3.00%	14	0.30%
5	2.20%	15	0.30%
6	1.70%	16	0.30%
7	1.50%	17	0.30%
8	1.00%	18	0.10%
9	1.00%	19	0.10%
10	0.70%	20	0.10%
		21+	0.00%

NOTES TO THE FINANCIAL STATEMENTS

This assumption reflects the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study*.

Annual Premium Increase Rate:

The assumed increases for medical plans and annual caps are:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2026	8.50%	2033	5.30%
2027	7.80%	2034	5.10%
2028	7.20%	2035	4.90%
2029	6.70%	2036	4.80%
2030	6.30%	2037	4.70%
2031	5.90%	2038	4.60%
2032	5.60%	2039+	4.50%

The initial rates in the table above are based in part on the 2026 Segal Health Plan Cost Trend Survey, tempered by our expectation of the impact of ORS 243.866, as amended in 2017. 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 November 2024.

Mortality Rates:

General Service active employees: PUB 2010 Employee Tables for General Employees, sex distinct, projected generationally.

General Service healthy retirees: PUB 2010 Retiree Tables for General Employees, sex distinct, projected generationally.

Beneficiaries:

For beneficiaries less than 70 years old, PUB 2010 Retiree Tables for General Employees. For beneficiaries 80 years or older, PUB 2010 Retiree Tables for Contingent Annuitants. For beneficiaries 70 – 79 years old, linear interpolation between the two above published tables. Rates for all ages are sex distinct and projected generationally.

Improvement scale:

Long-term MP-2017 rate of improvement.

Turnover Rates

Sample rates, as developed for the valuation of benefits under Plan 2 of PERS:

<u>Service</u>	<u>Rate</u>
0	26.00%
5	6.00%
10	4.00%
15	3.00%
20	2.00%
25	1.50%
30+	1.00%

This assumption reflects the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study*.

Disability Rates

Sample rates, as developed for the valuation of benefits under PERS:

<u>Age</u>	<u>Rate</u>
20 - 24	0.00%
40 - 44	0.02%
60 - 64	0.60%
80+	0.00%

This assumption reflects the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study*.

NOTES TO THE FINANCIAL STATEMENTS

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. Rates are as developed for the valuation of benefits under Plan 2 of PERS:

Age	Years of Service			
	Hired Before May 1, 2013		Hired After April 30, 2013	
	<30	30+	<30	30+
<55	0.00%	0.00%	0.00%	0.00%
55	1.00%	8.00%	1.00%	1.00%
56	1.00%	8.00%	1.00%	2.00%
57	2.00%	8.00%	2.00%	3.00%
58	2.00%	8.00%	2.00%	3.00%
59	4.00%	10.00%	4.00%	6.00%
60	5.00%	15.00%	5.00%	10.00%
61	8.00%	20.00%	8.00%	12.00%
62	15.00%	40.00%	15.00%	20.00%
63	20.00%	30.00%	20.00%	25.00%
64	40.00%	35.00%	40.00%	35.00%
65	35.00%	45.00%	35.00%	45.00%
66	30.00%	40.00%	30.00%	40.00%
67	27.00%	30.00%	27.00%	30.00%
68 - 79	25.00%	30.00%	25.00%	30.00%
80	100.00%	100.00%	100.00%	100.00%

This assumption reflects the Office of the State Actuary’s (OSA) 2013-2018 Demographic Experience Study.

Participation

100% of actives eligible for District-paid medical benefits are assumed to be enrolled in a medical plan at retirement.

75% of retirement-eligible activities are assumed to remain on UIP medical insurance through COBRA coverage.

This assumption reflects the actuary’s best estimate of future plan experience.

Plan Enrollment

Current and future retirees are assumed to remain enrolled in the plans in which they are currently enrolled, if any.

This assumption reflects the actuary’s best estimate of future plan experience.

Lapse

Of the current and future retirees assumed to enroll in coverage, none are assumed to drop coverage each year.

This assumption reflects the actuary’s best estimate of future plan experience.

Marital Status

50 % of future retirees electing coverage are assumed to cover a spouse as well in the current valuation, where 65% were assumed in the previous valuation. 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, if available.

This assumption reflects the actuary’s best estimate of future plan experience.

Coverage of Eligible Children

We have assumed no impact of dependent children on the implicit rate subsidy.

NOTES TO THE FINANCIAL STATEMENTS

Health Care Claims Costs

In 2026, claim costs for an age 64 retiree or spouse are assumed to be \$22,710 (Males) and \$21,993 (Females) for PPO and \$17,616 (Males) and \$17,060 (Females) for CDHP. Prior valuation claim costs for an age 64 retiree or spouse were assumed to be \$17,061 for PPO and \$12,712 for CDHP.

Aging Factors

Sex-distinct morbidity factors are used to adjust the age 64 per capita claims cost. Percentages below show the claim costs reduction per year of age:

<u>Attained Age</u>	<u>Male</u>	<u>Female</u>
21-39	3.23%	3.88%
40-44	4.39%	1.15%
45-49	5.48%	3.10%
50-54	5.58%	3.10%
55-59	5.20%	3.13%
60-64	5.12%	4.02%

This assumption reflects the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study.

Change Since Prior Valuation

In 2025 and 2024, the interest rate for discounting future liabilities was changed to reflect current municipal bond rates, as outlined in GASB Statement 75.

Premium increase rates were modified to better reflect anticipated experience.

Health care claims costs were revised to reflect current demographics and total premiums.

2025 also included the following changes:

The general inflation rate and payroll growth rate were changed to better reflect current expectations for future inflation and payroll growth experience.

Aging Factors were revised to better align with prevalent actuarial practice.

The percentage of future retirees covering a spouse on the plan decreased to reflect anticipated experience.

Changes in Total OPEB Liability

(amounts in thousands)	2025	2024
Total OPEB Liability at January 1	\$ 9,499	\$ 9,628
Service Cost	560	541
Interest	367	324
Differences between expected and actual experience	2,405	-
Changes of assumptions	(1,272)	(595)
Benefit payments	(508)	(399)
Net change in total OPEB liability	1,552	(129)
Total OPEB Liability at December 31	\$ 11,051	\$ 9,499

NOTES TO THE FINANCIAL STATEMENTS

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 4.75 percent and 4.00 percent as of December 31, 2025 and 2024, respectively, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

(amounts in thousands)	1% Decrease	Current Discount Rate	1% Increase
2025	3.75%	4.75%	5.75%
Total OPEB Liability	\$ 11,975	\$ 11,051	\$ 10,194
2024	3.00%	4.00%	5.00%
Total OPEB Liability	\$ 10,312	\$ 9,499	\$ 8,737

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 8.5 percent and 7.0 percent as of December 31, 2025 and 2024, respectively, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

(amounts in thousands)	1% Decrease	Current Discount Rate	1% Increase
2025	7.50% Graded Down to 3.50%	8.50% Graded Down to 4.50%	9.50% Graded Down to 5.50%
Total OPEB Liability	\$ 9,896	\$ 11,051	\$ 12,409
2024	6.00% Graded Down to 3.50%	7.00% Graded Down to 4.50%	8.00% Graded Down to 5.50%
Total OPEB Liability	\$ 8,345	\$ 9,499	\$ 10,867

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

As of December 31, 2025 and 2024, Grant PUD reported a liability of \$11.1 million and \$9.5 million, respectively. The total OPEB liability is based on the present value of the portion of future expected benefit payments that are 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.

Deferred Outflows of Resources and Deferred Inflows of Resources

As of December 31, 2025 and 2024, Grant PUD recognized deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan				
Differences between expected and actual experience	\$ 2,702	\$ 736	\$ 629	\$ 859
Change in assumptions	1,172	2,709	1,486	1,786
Total	\$ 3,874	\$ 3,445	\$ 2,115	\$ 2,645

NOTES TO THE FINANCIAL STATEMENTS

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

(amounts in thousands)	
2026	\$ 174
2027	174
2028	174
2029	(80)
2030	(117)
Thereafter	104
Total	\$ 429

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, 2025 and 2024, Grant PUD recognized OPEB expense of \$1.1 million and \$0.9 million, respectively.

12. 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.

13. WHOLESALE FIBER OPTIC NETWORK

Grant PUD continues to experience new home growth and installs wholesale fiber optic network within 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, 2025 and 2024:

(amounts in thousands)	2025	2024
Operating revenues		
Wholesale fiber services	\$ 16,336	\$ 14,799
Dark fiber revenue	485	507
Wireless fiber revenue	2	11
Total Wholesale fiber optic network sales	\$ 16,823	\$ 15,317
Operating expenses		
Administrative and general	\$ 1,760	\$ 1,934
Repairs and maintenance	1,587	1,726
Depreciation	12,789	12,513
Total operating expenses	\$ 16,136	\$ 16,173
Nonoperating revenues		
Contributions in aid of construction	\$ 289	\$ 336
Utility plant		
Additions to utility plant	5,808	20,188
Utility plant, net of accumulated depreciation	\$ 172,422	\$ 179,235

NOTES TO THE FINANCIAL STATEMENTS

14. SEGMENTS

Grant PUD has outstanding revenue bonds used to finance the Electric System and the Priest Rapids Project. As described in Note 6, 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, 2025

(amounts in thousands)

	Electric System	Priest Rapids Project	Other	Total
ASSETS				
Other current assets	\$ 593,276	\$ 128,820	\$ 18,120	\$ 740,216
Intersystem receivables	12,167	214	(12,381)	-
Intersystem loan receivable	42,904	-	(42,904)	-
Utility plant, net	960,003	1,718,714	-	2,678,717
Noncurrent intersystem loan receivable	627,835	-	(627,835)	-
Other noncurrent assets	338,927	214,499	575	554,001
TOTAL ASSETS	2,575,112	2,062,247	(664,425)	3,972,934
DEFERRED OUTFLOWS OF RESOURCES	48,973	42,601	(28,591)	62,983
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,624,085	\$ 2,104,848	\$ (693,016)	\$ 4,035,917
LIABILITIES				
Other current liabilities	\$ 100,934	\$ 96,702	\$ 13,139	\$ 210,775
Intersystem payables	7,326	4,343	(11,669)	-
Accrued interest intersystem loan payable	-	11,788	(11,788)	-
Intersystem loan payable	-	16,220	(16,220)	-
Noncurrent intersystem loan payable	-	642,731	(642,731)	-
Other noncurrent liabilities	189,387	833,006	4,524	1,026,917
TOTAL LIABILITIES	297,647	1,604,790	(664,745)	1,237,692
DEFERRED INFLOWS OF RESOURCES	323,766	86,510	(28,591)	381,685
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 621,413	\$ 1,691,300	\$ (693,336)	\$ 1,619,377
NET POSITION				
Net investment in capital assets	778,802	240,062	654,918	1,673,782
Restricted	188,526	223,376	13,607	425,509
Unrestricted	1,035,344	(49,890)	(668,205)	317,249
Total net position	2,002,672	413,548	320	2,416,540
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,624,085	\$ 2,104,848	\$ (693,016)	\$ 4,035,917

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

NOTES TO THE FINANCIAL STATEMENTS

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2025

(amounts in thousands)

	Electric System	Priest Rapids Project	Other	Total
OPERATING REVENUES				
Retail energy sales	\$ 290,182	\$ -	\$ -	\$ 290,182
Wholesale revenues, net	284,999	-	-	284,999
Sales to power purchasers at cost	-	208,287	(180,363)	27,924
Other	19,919	-	-	19,919
Total operating revenues	595,100	208,287	(180,363)	623,024
OPERATING EXPENSES				
Depreciation and amortization	52,252	43,014	-	95,266
Other operating expenses	304,081	118,609	(180,363)	242,327
Total operating expenses	356,333	161,623	(180,363)	337,593
NET OPERATING INCOME	238,767	46,664	-	285,431
OTHER REVENUES (EXPENSES)				
Interest and other income (expense)	44,586	17,574	(22,448)	39,712
Interest on revenue bonds and other, net	(9,679)	(55,960)	23,576	(42,063)
Federal rebates on revenue bonds	-	7,405	-	7,405
Amortization of debt related costs	1,274	2,769	(1,092)	2,951
Cost of debt issuance	-	(60)	-	(60)
Total other revenue (expenses)	36,181	(28,272)	36	7,945
CONTRIBUTIONS IN AID OF CONSTRUCTION	22,453	-	-	22,453
CHANGE IN NET POSITION	297,401	18,392	36	315,829
NET POSITION				
Beginning of year	1,705,271	395,156	284	2,100,711
TOTAL NET POSITION – END OF YEAR	\$ 2,002,672	\$ 413,548	\$ 320	\$ 2,416,540

STATEMENT OF CASH FLOWS

Year Ended December 31, 2025

(amounts in thousands)

	Electric System	Priest Rapids Project	Other	Total
Net cash provided by (used in) operating activities	\$ 469,569	\$ 106,932	\$ (3,999)	\$ 572,180
Net cash provided by (used in) capital and related financing activities	(172,284)	(157,701)	5,741	(323,923)
Net cash provided by (used in) investing activities	(294,341)	60,015	(2,617)	(236,942)
NET INCREASE (DECREASE) IN CASH	\$ 2,944	\$ 9,246	\$ (875)	\$ 11,315
CASH AT END OF YEAR	\$ 5,141	\$ 6,525	\$ 2,442	\$ 14,108
CASH AT BEGINNING OF YEAR	2,197	(2,721)	3,317	2,793
NET INCREASE (DECREASE) IN CASH	\$ 2,944	\$ 9,246	\$ (875)	\$ 11,315

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

NOTES TO THE FINANCIAL STATEMENTS

CONDENSED STATEMENT OF NET POSITION

December 31, 2024

(amounts in thousands)

	Electric System*	Priest Rapids Project	Other	Total*
ASSETS				
Other current assets	\$ 407,286	\$ 116,836	\$ 13,503	\$ 537,625
Intersystem receivables	735	1	(736)	-
Intersystem loan receivable	43,289	-	(43,289)	-
Utility plant, net	883,564	1,690,339	-	2,573,903
Noncurrent intersystem loan receivable	644,055	-	(644,055)	-
Other noncurrent assets	168,025	264,809	(0)	432,834
TOTAL ASSETS	2,146,954	2,071,985	(674,577)	3,544,362
DEFERRED OUTFLOWS OF RESOURCES	45,994	44,008	(26,969)	63,033
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,192,948	\$ 2,115,993	\$ (701,546)	\$ 3,607,395
LIABILITIES				
Other current liabilities	\$ 124,307	\$ 85,502	\$ 17,726	\$ 227,535
Intersystem payables	7,938	2,418	(10,356)	-
Accrued interest intersystem loan payable	-	11,995	(11,995)	-
Intersystem loan payable	-	15,305	(15,305)	-
Noncurrent intersystem loan payable	-	660,044	(660,044)	-
Other noncurrent liabilities	232,357	864,863	5,112	1,102,332
TOTAL LIABILITIES	364,602	1,640,127	(674,862)	1,329,867
DEFERRED INFLOWS OF RESOURCES	123,077	80,709	(26,969)	176,817
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 487,679	\$ 1,720,836	\$ (701,831)	\$ 1,506,684
NET POSITION				
Net investment in capital assets	596,455	231,339	677,058	1,504,852
Restricted	163,015	210,940	13,468	387,423
Unrestricted	945,799	(47,122)	(690,241)	208,436
Total net position	1,705,269	395,157	285	2,100,711
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,192,948	\$ 2,115,993	\$ (701,546)	\$ 3,607,395

* The District's 2024 Financial Statements were restated for the impacts of a change in accounting principle for CCA fund regulatory deferral.

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

NOTES TO THE FINANCIAL STATEMENTS

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2024

(amounts in thousands)

	Electric System*	Priest Rapids Project	Other	Total*
OPERATING REVENUES				
Retail energy sales	\$ 283,442	\$ -	\$ -	\$ 283,442
Wholesale revenues, net	247,934	-	-	247,934
Sales to power purchasers at cost	-	196,329	(169,629)	26,700
Other	18,548	-	-	18,548
Total operating revenues	549,924	196,329	(169,629)	576,624
OPERATING EXPENSES				
Depreciation and amortization	48,304	42,107	-	90,411
Other operating expenses	279,134	109,691	(169,588)	219,237
Total operating expenses	327,438	151,798	(169,588)	309,648
NET OPERATING INCOME	222,486	44,531	(41)	266,976
OTHER REVENUES (EXPENSES)				
Interest and other income (expense)	42,273	18,095	(21,929)	38,439
Interest on revenue bonds and other, net	(9,954)	(57,246)	23,195	(44,005)
Federal rebates on revenue bonds	-	9,507	-	9,507
Amortization of debt related costs	1,687	314	(1,142)	859
Cost of debt issuance	-	(1,837)	-	(1,837)
Total other revenue (expenses)	34,006	(31,167)	124	2,963
CONTRIBUTIONS IN AID OF CONSTRUCTION	24,312	-	-	24,312
CHANGE IN NET POSITION	280,804	13,364	83	294,251
NET POSITION				
Beginning of year	1,476,355	381,793	202	1,858,350
Cumulative effect of change in accounting principle	(51,890)	-	-	(51,890)
TOTAL NET POSITION - END OF YEAR	\$ 1,705,269	\$ 395,157	\$ 285	\$ 2,100,711

STATEMENT OF CASH FLOWS

Year Ended December 31, 2024

(amounts in thousands)

	Electric System	Priest Rapids Project	Other	Total
Net cash provided by (used in) operating activities	\$ 292,429	\$ 96,908	\$ 7,405	\$ 396,742
Net cash provided by (used in) capital and related financing activities	(181,089)	(55,998)	(6,223)	(243,310)
Net cash provided by (used in) investing activities	(110,473)	(44,310)	1,620	(153,163)
NET INCREASE (DECREASE) IN CASH	\$ 867	\$ (3,400)	\$ 2,802	\$ 269
CASH AT END OF YEAR	\$ 2,197	\$ (2,721)	\$ 3,317	\$ 2,793
CASH AT BEGINNING OF YEAR	1,330	679	515	2,524
NET INCREASE (DECREASE) IN CASH	\$ 867	\$ (3,400)	\$ 2,802	\$ 269

* The District's 2024 Financial Statements were restated for the impacts of a change in accounting principle for CCA fund regulatory deferral.

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

15. SUBSEQUENT EVENTS

Non-recognized Subsequent Event – Membership Interest in The Energy Authority (TEA)

On February 18, 2026, Grant PUD entered into a Membership Agreement with TEA. The agreement authorized Grant PUD to purchase a 15.8% equity interest in the organization effective April 1, 2026. This event occurred after the financial statement date and therefore represents a non-recognized subsequent event.

Grant PUD's investment was \$40.3 million. TEA's revenues and costs are allocated to members pursuant to Settlement Procedures under the Operating Agreement. TEA acts as Principal to trade Grant PUD's portfolio of resources. Grant PUD accounts for its investment in TEA under the equity method of accounting.

As a member of TEA, Grant PUD made payment to TEA for a membership fee and certain capital contributions and provides guarantees supporting TEA's electric trading activities. These guarantees have been authorized as Credit Obligations and are subordinate to Grant PUD's obligation to pay debt service on its Revenue Bonds. Grant PUD's guaranty obligations would arise if TEA did not make contractually required payments for energy, capacity, or transmission that was delivered or made available, or if TEA failed to deliver or provide such services as required under a contract. The conditions resulting in this event did not exist at the financial statement date, therefore no adjustments have been made to the accompanying financial statements.

Financial statements for TEA may be obtained at The Energy Authority, 1301 Riverplace Blvd., Suite 2700, Jacksonville, Florida, 32207.

Grant PUD evaluated subsequent events through [Date Financial Statements Were Issued or Available to Be Issued], which is the date the financial statements were issued (or available to be issued).

Required Supplementary Information (Unaudited)

Schedule of the District's Proportionate Share of the Net Pension Liability

Measurement Date Ended June 30

(amounts in thousands)	PERS 1									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.494195%	0.491786%	0.497376%	0.498965%	0.515673%	0.497050%	0.489144%	0.493735%	0.509107%	0.524928%
Proportionate share of the net pension liability	\$ 5,827	\$ 8,738	\$ 11,354	\$ 13,893	\$ 6,298	\$ 17,549	\$ 18,809	\$ 22,050	\$ 24,158	\$ 28,191
Covered-employee payroll	106,657	98,811	88,207	81,590	78,618	72,226	68,079	65,002	63,510	61,646
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	5.46%	8.84%	12.87%	17.03%	8.01%	24.30%	27.63%	33.92%	38.04%	45.73%
Plan fiduciary net position as a percentage of the total pension liability	89.07%	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%

	PERS 2/3									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.638235%	0.637393%	0.636570%	0.646521%	0.654458%	0.639436%	0.620593%	0.622917%	0.639308%	0.650080%
Proportionate share of the net pension liability(asset)	\$ (24,356)	\$ (21,012)	\$ (26,091)	\$ (23,978)	\$ (65,195)	\$ 8,178	\$ 6,028	\$ 10,636	\$ 22,213	\$ 32,731
Covered-employee payroll	106,503	98,644	87,972	81,345	78,278	71,878	67,595	64,541	62,862	60,733
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	-22.87%	-21.30%	-29.66%	-29.48%	-83.29%	11.38%	8.92%	16.48%	35.34%	53.89%
Plan fiduciary net position as a percentage of the total pension liability	105.53%	105.17%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%

Schedule of the District's Contributions

(amounts in thousands)

	PERS 1									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 1,462	\$ 2,835	\$ 3,214	\$ 3,136	\$ 3,497	\$ 3,645	\$ 3,510	\$ 3,385	\$ 3,222	\$ 2,985
	(1,462)	(2,835)	(3,214)	(3,136)	(3,497)	(3,645)	(3,510)	(3,385)	(3,222)	(2,985)
Contributions in Relation to the Contractually Required Contribution Subtotal										
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$112,395	\$102,718	\$ 94,284	\$ 83,158	\$ 80,806	\$ 75,385	\$ 70,371	\$ 66,174	\$ 64,999	\$ 61,575
Contributions as a Percentage of Covered Employee Payroll	1.30%	2.76%	3.41%	3.77%	4.33%	4.84%	4.99%	5.12%	4.96%	4.85%

	PERS 2/3									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 6,596	\$ 6,523	\$ 5,985	\$ 5,277	\$ 5,756	\$ 5,942	\$ 5,403	\$ 4,927	\$ 4,418	\$ 3,788
	(6,596)	(6,523)	(5,985)	(5,277)	(5,756)	(5,942)	(5,403)	(4,927)	(4,418)	(3,788)
Contributions in Relation to the Contractually Required Contribution										
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$112,235	\$102,564	\$ 94,072	\$ 82,964	\$ 80,480	\$ 75,031	\$ 69,956	\$ 65,702	\$ 64,444	\$ 60,809
Contributions as a Percentage of Covered Employee Payroll	5.88%	6.36%	6.36%	6.36%	7.15%	7.92%	7.72%	7.50%	6.86%	6.23%

Notes to Schedule

DRS allocates a certain portion of contributions from PERS Plan 2/3 to PERS Plan 1 in order to fund its unfunded actuarially accrued liability (UAAL).

Required Supplementary Information (Unaudited)

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability at January 1	\$ 9,499	\$ 9,628	\$ 8,101	\$ 8,956	\$ 10,364	\$ 9,705	\$ 6,977	\$ 6,806	\$ 6,525
Service Cost	560	541	407	550	620	550	372	362	351
Interest	367	324	313	187	243	274	249	237	229
Differences between expected and actual experience	2,405	-	658	-	(1,350)	-	255	-	-
Changes of assumptions	(1,272)	(595)	482	(1,252)	(534)	368	2,291	-	-
Benefit payments	(508)	(399)	(333)	(340)	(387)	(533)	(439)	(428)	(299)
Net Change in Total OPEB Liability	1,552	(129)	1,527	(855)	(1,408)	659	2,728	171	281
Total OPEB Liability - Ending	<u>\$ 11,051</u>	<u>\$ 9,499</u>	<u>\$ 9,628</u>	<u>\$ 8,101</u>	<u>\$ 8,956</u>	<u>\$ 10,364</u>	<u>\$ 9,705</u>	<u>\$ 6,977</u>	<u>\$ 6,806</u>
Estimated Covered-Employee Payroll	\$ 112,395	\$ 102,718	\$ 94,284	\$ 83,158	\$ 80,806	\$ 69,978	\$ 67,940	\$ 68,629	\$ 66,630
Total OPEB Liability as a Percentage of Covered-Employee Payroll	9.83%	9.25%	10.21%	9.74%	11.08%	14.81%	14.28%	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 qualified trust to provide benefits under the plan.



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