



May 12, 2026

2nd/3rd Tuesday - Workshop

8:30 a.m.	Executive Session
9:00 a.m.	Presentation Period
12:00 p.m.	Lunch
1:00 p.m.	Internal Recognition
1:30 p.m.	Presentation Period
3:30 p.m.	Business Review a. Review of Agenda items



Materials

Grantpud.org/commission-meetings

4th Tuesday – Business Meeting

8:30 a.m.	Executive Session
9:00 a.m.	Administration Voucher Calendar
9:30 a.m.	Reporting
11:00 a.m.	Business Review
12:00 p.m.	Lunch
1:00 p.m.	Business Meeting: SAFETY BRIEF a. Pledge of Allegiance, Attendance b. Round Table-Trade Association, Correspondence, Public Comment Period c. Consent Agenda d. Approval of Vouchers e. Meeting minutes f. Agenda Items
2:30 p.m.	Commission Period
3:30 p.m.	Commission Planning Period

Workshop – Business Review

Resolution XXXX – Authorizing the Acquisition by Condemnation of an Easement on Certain Real Property.

Motion xxxx - Authorizing the General Manager/CEO, on behalf of Grant PUD, to approve agreement in Grant PUDs Participation in the Mid-C Geothermal Interlocal Cooperative Agreement authorizing up to \$7.3 million for Phases 1-3.

Business Meeting – Agenda Items

Adjournment

CONSENT AGENDA

DRAFT

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

April 28, 2026

The Commission of Public Utility District No. 2 of Grant County, Washington, convened at 8:30 a.m. at Grant PUD's Main Headquarters Building, 30 C Street SW, Ephrata, Washington and via Microsoft Teams Meeting / +1 509-703-5291 Conference ID: 971096181# with the following Commissioners present: Larry Schaapman, President; Judy Wilson, Vice-President; Nelson Cox, Secretary; Tom Flint, Commissioner and Terry Pyle, Commissioner.

An executive session was announced at 8:30 a.m. to last until 8:55 a.m. to review performance of a public employee pursuant to RCW 42.30.110(1)(g), to discuss pending litigation pursuant to RCW 42.30.110(1)(i) and to discuss lease or purchase of real estate if disclosure would increase price pursuant to RCW 42.30.110(1)(b). The executive session concluded at 8:55 a.m. and the regular session resumed.

The Commission convened to review vouchers and correspondence.

The Commission calendar was reviewed.

Bryndon Ecklund, Manager of Forecasting and Planning, and Amy Thompson, Manager of Treasury Operations, presented the Financial/Treasury Report.

The Commission recessed at 10:10 a.m.

The Commission resumed at 10:22 a.m.

The Commission engaged in a Business Review period.

Julie Pyper, Vice President of Business Advancement and Strategy, presented the Balanced Scorecard/Organization Performance Report.

Kieth Simovic, Engagement Reviewer Principal, Baker Tilly and Daniel Roberts, Audit Senior Manager Baker Tilly provided the Baker Tilly Audit Results presentation.

Ryan Holterhoff, Manager of Government Affairs, and Matthew Harris, Senior Policy Analyst, provided the Government Affairs Update.

An executive session was announced at 12:08 p.m. to last until 12:55 p.m. to discuss pending litigation with legal counsel present pursuant to RCW 42.30.110(1)(i), to review performance of a public employee pursuant to RCW 42.30.110(1)(g), and to discuss lease or purchase of real estate if disclosure would increase price pursuant to RCW 42.30.110(1)(b). The executive session concluded at 12:58 p.m. and the regular session resumed.

The Commission resumed at 1:06 p.m.

Correspondence was reviewed to include:

- Painted Hills Update

The Commission announced the public comment period. No members of the public chose to speak.

A round table discussion was held regarding the following topics:

- WPUDA Annual Meeting; this upcoming week
- Mid C Energy Expo; last week

Consent agenda motion was made by Commissioner Flint and seconded by Commissioner Cox to approve the following consent agenda items:

Payment Number	164870	through	166118	\$100,099,868.85
Payroll Direct Deposit	33023	through	34888	\$6,235,624.31
Payroll Tax and Garnishments	20260401A	through	20260416A	\$2,779,945.31

Business Minutes from:

- March 24, 2026 Commission Meeting
- April 14, 2026 Commission Workshop
- April 21, 2026 Commission Workshop

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

Resolution No. 9118 relative to establishing an Open Access Transmission Tariff was presented to the Commission. Motion was made by Commissioner Flint and seconded by Commissioner Wilson to approve Resolution No. 9118. After consideration, the motion passed by unanimous vote of the Commission.

RESOLUTION NO. 9118

A RESOLUTION ESTABLISHING AN OPEN ACCESS TRANSMISSION TARIFF

Recitals

1. Pursuant to RCW 54.16.040, Grant PUD is authorized to regulate and control the use, distribution, rates, service, charges, and price of electric energy;
2. Section 211A of the Federal Power Act (16 U.S.C. § 824j–1) authorizes the Federal Energy Regulatory Commission (FERC) to require non-public utilities to provide transmission service on terms and conditions comparable to those they provide themselves and that are not unduly discriminatory, and consistent with the open-access principles established in FERC Order No. 888 that guide both jurisdictional and non-jurisdictional transmission providers nationwide;
3. Grant PUD desires to adopt an OATT to support compliance with federal open-access standards, reduce regulatory risk, and ensure transparent, standardized, and fair treatment of all transmission customers;

4. An Open Access Transmission Tariff (OATT) provides a clear and consistent framework for how Grant PUD offers transmission service. Although Grant PUD is not fully subject to federal transmission regulation, adopting an OATT demonstrates a commitment to equitable service and aligns Grant PUD with widely accepted industry practices; and
5. Grant PUD's executive leadership and Transmission Strategy and Development staff have reviewed the Open Access Transmission Tariff attached hereto and recommend that it be adopted.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington, that attached Open Access Transmission Tariff is hereby approved and adopted and shall be effective upon confirmation of Grant PUD's Transmission Service Provider (TSP) registration with NERC, which is anticipated to be June 22, 2026.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 28th day of April, 2026.

Resolution No. 9119 relative to amending rate schedules was presented to the Commission. Motion was made by Commissioner Cox and seconded by Commissioner Flint to approve Resolution No. 9119. After consideration, the motion passed by unanimous vote of the Commission.

RESOLUTION NO. 9119

A RESOLUTION AMENDING RATE SCHEDULE NO. 32, WHOLESALE POINT-TO-POINT TRANSMISSION SERVICE, AND RATE SCHEDULE NO. 33, WHOLESALE ANCILLARY SERVICES

Recitals

6. Pursuant to RCW 54.16.040, Grant PUD is authorized to regulate and control the use, distribution, rates, service, charges, and price of electric energy;
7. Rate Schedule Nos. 32 and 33 were adopted on January 25, 2022, pursuant to Resolution 8983;
8. Effective April 21, 2026, Rate Schedule No. 32 will be amended to reflect Open Access Transmission Tariff (OATT) language and terms, distinguish between firm and non-firm service, further break out rates into additional service intervals, and establish a new Unreserved Use Charge;
9. Effective April 21, 2026, Rate Schedule No. 33 will be amended to revise the title from Ancillary Services to Wholesale Ancillary Services, incorporate language and terms consistent with the OATT, add definitions, replaced Operating Reserves with separate Spinning and Supplemental categories, and include placeholders for future integration rates for additional technologies; and
10. Grant PUD's executive leadership and Transmission Strategy and Development staff have reviewed the amended Rate Schedule Nos. 32 and 33 attached hereto and recommend that they be adopted.

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

Section 1: The attached amended Rate Schedule Nos. 32 and 33 are hereby approved and adopted and shall be effective April 21, 2026.

Section 2: Resolution 8983 is hereby superseded as it relates to Rate Schedule Nos. 32 and 33.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 28th day of April, 2026.

Resolution No. 9120 relative to accepting a bid and awarding a contract was presented to the Commission. Motion was made by Commissioner Flint and seconded by Commissioner Wilson to approve Resolution No. 9120. After consideration, the motion passed by unanimous vote of the Commission.

RESOLUTION NO. 9120

A RESOLUTION ACCEPTING A BID AND AWARDING CONTRACT 130-12856HR, FOR CONSTRUCTION OF QUINCY TRANSMISSION EXPANSION PLAN (QTEP) MOUNTAIN VIEW EXPANSION - REBID

Recitals

11. Bids were publicly opened on March 19, 2026 for Contract 130-12856HR, for Construction of Quincy Transmission Expansion Plan (QTEP) Mountain View Expansion - Rebid;
12. Bid proposals were received from the following suppliers/contractors and evaluated by Grant PUD's staff;
 - Michel's Pacific Energy: \$16,564,213.34
 - Ward Electric: \$18,186,417.23
 - Palouse Power: \$20,471,000.00
 - Potelco, Inc.: \$22,537,156.00
13. The low bid, submitted by Michel's Pacific Energy, Inc. is both commercially and technically compliant with Grant PUD's contract requirements;
14. The bid is less than the Engineer's Estimate of \$36,525,600.00; and
15. Grant PUD's Senior Manager of EPMO and Vice President of Business Advancement and Strategy concur with staff and recommend award to Michel's Pacific Energy as the lowest responsible and best bid based on Grant PUD's plan and specifications.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington, that the General Manager is authorized to enter into a contract, Contract 130-12856HR, for Construction of Quincy Transmission Expansion Plan (QTEP) Mountain View Expansion - Rebid with Michel's Pacific Energy, Inc. of Tumwater, Washington in the amount of \$16,564,213.34 plus applicable sales tax, upon receipt of the required payment and performance bond in a manner satisfactory to Grant PUD's Counsel.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 28th day of April, 2026.

Resolution No. 9121 relative to the execution of a Collective Bargaining Agreement was presented to the Commission. Motion was made by Commissioner Cox and seconded by Commissioner Flint to approve Resolution No. 9121. After consideration, the motion passed by unanimous vote of the Commission.

RESOLUTION NO. 9121

A RESOLUTION AUTHORIZING THE EXECUTION OF A COLLECTIVE BARGAINING
AGREEMENT BETWEEN GRANT PUD AND LOCAL UNION 77 OF THE INTERNATIONAL
BROTHERHOOD OF ELECTRICAL WORKERS

Recitals

16. RCW 54.04.170 and 54.04.180 authorize Grant PUD and its employees to enter into collective bargaining;
17. Central Washington Public Utilities (CWPU) is an association organized for the purpose of collective bargaining on behalf of several public utilities including Grant PUD;
18. Local Union 77 of the International Brotherhood of Electrical Workers (IBEW Local 77) is the sole and exclusive bargaining agency with respect to rates of pay, hours of work and other conditions of employment for those employees covered by the classifications set forth in Article 9 of the existing collective bargaining agreement;
19. Representatives of Grant PUD and IBEW Local 77 have been negotiating over wages, hours and working conditions for bargaining unit personnel and during the course of negotiations, Grant PUD's Vice President of Human Resources & Chief Human Resources Officer and Labor Relations Manager entered into the following tentative agreements with the IBEW Local 77 Business Manager in order to facilitate settlement: Grant PUD Tentative Agreement dated March 2, 2026;
20. On April 4th, 2026 a majority of the bargaining unit employees ratified a new collective bargaining agreement proposal consisting of the changes outlined in the tentative agreement referred to above, which will become effective upon ratification of both parties with wage components being retroactive to April 1, 2026 in compliance with the agreement and Collective Bargaining Agreement;
21. Notice has been given of the excess compensation provisions of this Contract pursuant to RCW 41.50.152; and
22. Grant PUD's Vice President of Human Resources & Chief Human Resources Officer, Labor Relations Manager, and the negotiating team are of the opinion that the proposal should be approved in consideration of future services to be provided by the bargaining unit after the date of ratification, and that the contract proposal ratified by the bargaining unit employees is reasonable and in the best interests of Grant PUD.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington, that the President and Secretary of the Commission are authorized to sign on behalf of Grant PUD a three (3) year collective bargaining agreement with IBEW Local 77 consistent with the attached tentative agreement effective upon commission approval through March, 31, 2029

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 28th day of April, 2026.

Resolution No. 9122 relative to amending Grant PUD's Cross-Connection Control Program was presented to the Commission. Motion was made by Commissioner Flint and seconded by Commissioner Cox to approve Resolution No. 9122. After consideration, the motion passed by unanimous vote of the Commission.

RESOLUTION NO. 9122

A RESOLUTION AMENDING GRANT PUD'S CROSS-CONNECTION CONTROL PROGRAM

Recitals

1. Grant PUD owns and operates several small public water systems including Wanapum and Priest Rapids Dams and related facilities, Getty's Cove, and Moses Lake Service Center, and also owns the facilities and plumbing systems that deliver the water to the consumers; and
2. Grant PUD is responsible for providing water that meets Washington State water quality standards to all consumers occupying or visting Grant PUD's premises; and
3. Grant PUD is responsible under WAC 246-290-490 for protecting the water distribution system from contamination by the adoption and implementation of a cross-connection control program ("Program"); and
4. On January 11, 2010, the Commission adopted a Program via Resolution 8450; and
5. Grant PUD desires to update the Program for alignment with the most recent edition of the Pacific Northwest Section-American Water Works Association Cross-Connection Manual; and
6. Grant PUD leadership has reviewed the updated Program attached hereto and recommends that it be adopted.

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

Section 1. The attached Cross-Connection Control Program is hereby adopted and approved and shall be effective May 1, 2026.

Section 2. As of May 1, 2026, Resolution 8450 is hereby superseded.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 28th day of April, 2026.

The Commission recessed at 1:20 p.m.

The Commission resumed at 1:30 p.m.

Jeff Grizzel, Senior Vice President of Power and Market Operations, presented the Columbia River Treaty presentation.

An executive session was announced at 1:55 p.m. to last until 2:30 p.m. to review performance of a public employee pursuant to RCW 42.30.110(1)(g), to discuss pending litigation pursuant to RCW 42.30.110(1)(i) and to discuss lease or purchase of real estate if disclosure would increase price pursuant to RCW 42.30.110(1)(b).

There being no further business to discuss, the Commission adjourned at 2:31 p.m. on April 28 and reconvened on Monday, May 11 at Big Bend Community College, Moses Lake, for the purpose of attending the Central Washington Energy Summit and any other business that may come before the Commission with the following Commissioners present: **Tom Flint, Terry Pyle, Larry Schaapman, Judy Wilson, and Nelson Cox.**

There being no further business to discuss, the Commission recessed at [redacted] on May 11 and reconvened on Tuesday, May 12 at 8:30 a.m. at Grant PUD’s Main Headquarters Building, 30 C Street SW, Ephrata, for the purpose of holding a Commission Workshop and any other business that may come before the Commission with the following Commissioners present: Tom Flint, Terry Pyle, Larry Schaapman, Judy Wilson, and Nelson Cox.

There being no further business to discuss, the Commission recessed at [redacted] on May 12 and reconvened on Tuesday, May 19 at 8:30 a.m. at Grant PUD’s Main Headquarters Building, 30 C Street SW, Ephrata, for the purpose of holding a Commission Workshop/Meeting and any other business that may come before the Commission with the following Commissioners present: Tom Flint, Terry Pyle, Larry Schaapman, Judy Wilson, and Nelson Cox.

A copy of the notice of adjournment was posted to the Grant PUD website.

There being no further business to discuss, the April 28 meeting officially adjourned at [redacted] on May 19, 2026.

Larry Schaapman, President

ATTEST:

Nelson Cox, Secretary

Judy Wilson, Vice President

Tom Flint, Commissioner

Terry Pyle, Commissioner

Commission Review – 4/14/2026

RESOLUTION NO. XXXX

A RESOLUTION AUTHORIZING THE ACQUISITION BY CONDEMNATION OF AN EASEMENT ON CERTAIN REAL PROPERTY

Recitals

1. Public Utility District No. 2 of Grant County, Washington, a duly established municipal corporation of the State of Washington, hereinafter called the “Grant PUD”, is authorized under RCW 54.16.020 and RCW 54.16.040 as amended, to condemn and acquire land and other property rights and privileges within and without its limits necessary for the purpose of furnishing itself, and its inhabitants, and any other persons with electric current for all uses and to construct facilities for the distribution thereof;
2. Grant PUD is constructing a 230 kV transmission line from Wanapum Dam to the Mountain View Substation to serve customer load in Grant County;
3. Grant PUD’s Board of Commissioners has determined that it is necessary and advisable and in the best interests of Grant PUD and its electrical users that Grant PUD acquire an easement through purchase or condemnation on the real property described in Exhibits A and B, hereinafter referred to as “Real Property”;
4. Grant PUD has obtained an appraisal of the property sought to be acquired; however, the property has not had identified ownership since 1950 and is not on the Grant County Assessor’s tax roll; and
5. Grant PUD has been unable to locate an owner to purchase said easement through negotiation.

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

Section 1. The public interest, welfare, convenience, and necessity require the acquisition of an easement by Grant PUD on the Real Property described in Exhibits A and B.

Section 2. That the object and use for which the easement on the Real Property is sought is a public object and a public use, to-wit: The operating of works, plants, and facilities for generating electric current and furnishing Grant PUD and the inhabitants of Grant PUD, and any persons including public and private corporations within or without the limit of Grant PUD, with electric current and energy and to construct facilities for the transmission and distribution thereof.

Section 3. That the names of the owners and occupants of the Real Property and of all persons having any interest therein are unknown to Grant PUD. Prior to final action, constructive notice will be published and addressed to the following:

- The heirs and devisees of Rose Anna George, deceased, and all persons claiming an interest.

Section 4. Grant PUD’s attorneys are hereby authorized and directed to institute forthwith and prosecute to a conclusion in the Superior Court of the State of Washington for Grant County, or such other court or

courts as may be appropriate, an action or actions in the name of Grant PUD, for the acquisition by condemnation of an easement on the Real Property.

Section 5. That just compensation for the acquisition of the easement or damaging of said property shall be made from funds of Grant PUD's Electric System.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County this 28th day of April, 2026.

President

ATTEST:

Secretary

Vice President

Assistant Secretary

Commissioner

EXHIBIT A
LEGAL DESCRIPTION OF PROPERTY

A PARCEL OF LAND LOCATED IN THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 19, TOWNSHIP 20 NORTH, RANGE 24 EAST OF THE WILLAMETTE MERIDIAN, GRANT COUNTY, WASHINGTON, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A 2.5-INCH BRASS CAP MONUMENT FOUND MARKING THE SOUTHEAST CORNER OF THE SOUTHEAST QUARTER OF SECTION 13 OF TOWNSHIP 20 NORTH, RANGE 23 EAST, W.M., THENCE RUNNING A WASHINGTON STATE PLANE SOUTH ZONE GRID BEARING OF N00° 25'20"W ALONG THE EAST LINE OF SAID SOUTHEAST QUARTER OF SECTION 13 A DISTANCE OF 80.37 FEET TO THE NORTHWEST CORNER OF FARM UNIT 151 OF IRRIGATION BLOCK 72, COLUMBIA BASIN PROJECT, AND BEING THE POINT OF BEGINNING FOR THIS DESCRIPTION;

THENCE CONTINUING ALONG SAID EAST LINE N00° 25'20"W A DISTANCE OF 270.92 FEET TO A 2.5-INCH BRASS CAP MONUMENT FOUND MARKING THE NORTHWEST CORNER OF THE NORTHWEST QUARTER OF SAID SECTION 19 OF TOWNSHIP 20 NORTH, RANGE 24 EAST; THENCE ALONG THE NORTH LINE OF SAID NORTHWEST QUARTER OF SECTION 19 N89°24'48"E A DISTANCE OF 474.76 FEET TO THE INTERSECTION WITH THE NORTHWESTERLY SIDELINE OF FARM UNIT 151 OF IRRIGATION BLOCK 72, COLUMBIA BASIN PROJECT; THENCE S59°44'34"W ALONG SAID NORTHWESTERLY SIDELINE OF FARM UNIT 151 A DISTANCE OF 547.30 FEET TO THE POINT OF BEGINNING.

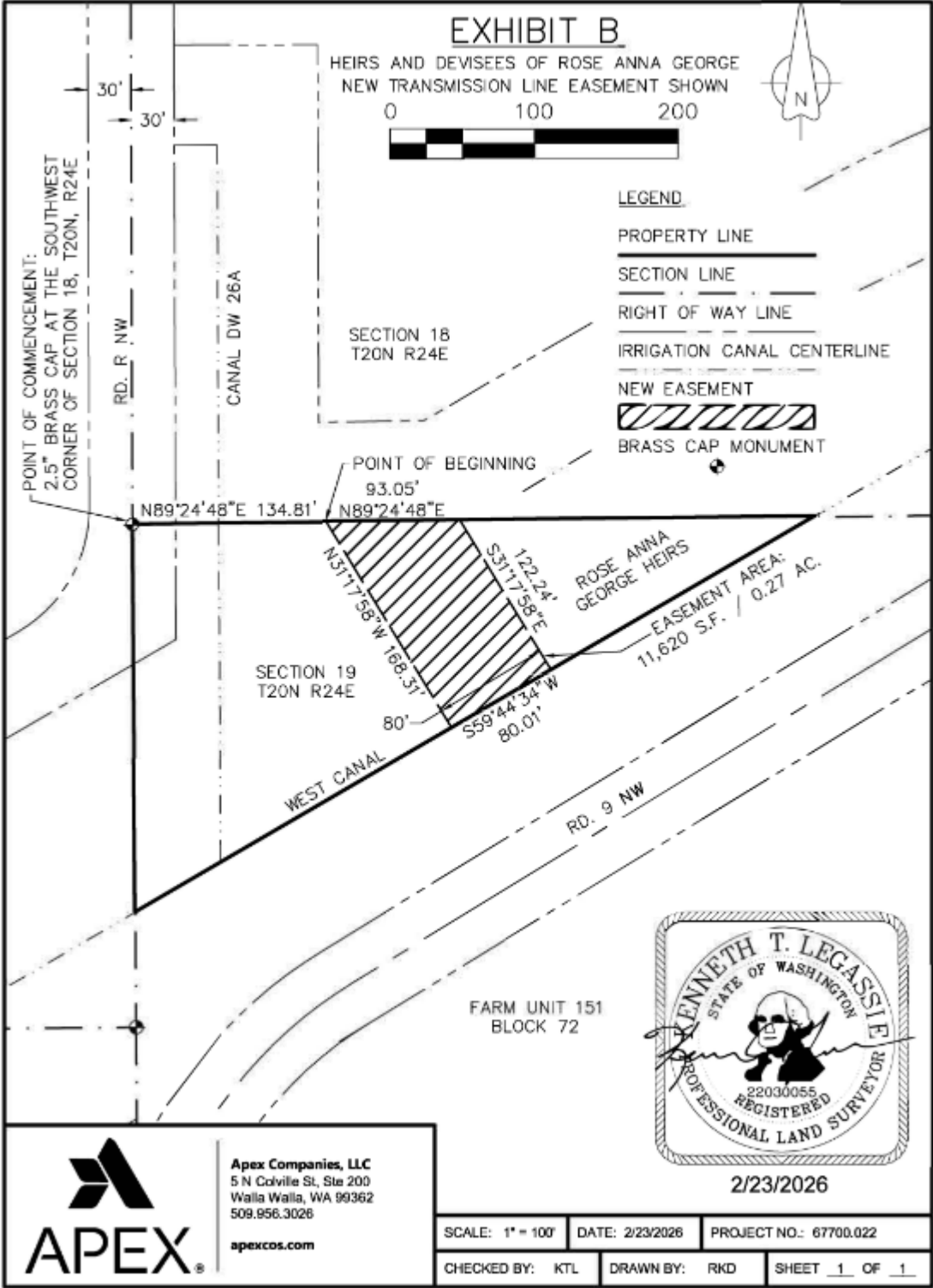
EXHIBIT B
EASEMENT AREA LEGAL DESCRIPTION AND MAP

A PARCEL OF LAND LOCATED IN THE NORTHWEST QUARTER OF SECTION 19, TOWNSHIP 20 NORTH, RANGE 24 EAST OF THE WILLAMETTE MERIDIAN, GRANT COUNTY, WASHINGTON, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A 2.5 INCH BRASS CAP MONUMENT AT THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER OF SECTION 18 OF SAID TOWNSHIP AND RANGE, THENCE RUNNING A WASHINGTON STATE PLANE SOUTH ZONE GRID BEARING OF N89°24'48"E ALONG THE SOUTH LINE OF SAID SOUTHWEST QUARTER OF SECTION 18 A DISTANCE OF 134.81 FEET TO THE POINT OF BEGINNING FOR THIS DESCRIPTION;

THENCE CONTINUING ALONG SAID SOUTH LINE N89°24'48"E A DISTANCE OF 93.05 FEET; THENCE DEPARTING SAID SOUTH LINE S31°17'58"E A DISTANCE OF 122.24 FEET TO THE NORTHWESTERLY SIDELINE OF FARM UNIT 151 OF IRRIGATION BLOCK 72, COLUMBIA BASIN PROJECT; THENCE S59°44'34"W ALONG SAID NORTHWESTERLY SIDELINE A DISTANCE IF 80.01 FEET; THENCE N31°17'58"W A DISTANCE OF 168.31 FEET TO SAID SOUTH LINE OF THE SOUTHWEST QUARTER OF SECTION 18 AND THE POINT OF BEGINNING.

HAVING AN AREA OF 11,620 SQUARE FEET, OR 0.27 ACRES.



MEMORANDUM

April 3, 2026

TO: John Mertlich, General Manager/Chief Executive Officer

FROM: Mitch Delabarre, General Counsel/Chief Legal Officer



SUBJECT: Acquisition by condemnation of certain easement rights

Purpose: To request Commission approval for the acquisition by condemnation of certain easement rights necessary for Grant PUD to construct the Wanapum to Mountain View 230kV transmission line.

Discussion: An easement on the property specified in Exhibits A and B of the resolution has been identified as necessary to complete the Wanapum to Mountain View 230kV transmission line, which is a component of Grant PUD's Quincy Transmission Expansion Plan (QTEP). The easement is required to locate poles or other facilities for transmission, distribution, and fiber to support Grant PUD's bulk electric system.

This property has lacked identified ownership and/or tax assessments on the Grant County Assessor's tax rolls for several decades. The last record of vested ownership is Rose Anna George in 1950. As Grant PUD has been unable to locate an owner of the property to negotiate acceptable terms to acquire an easement, staff feels condemning these property rights for public use is necessary to complete the Wanapum to Mountain View 230kV transmission line and support electrical load growth in Quincy.

In lieu of direct notice, constructive notice will be provided to the heirs and devisees of Rose Anna George, deceased, and all persons claiming an interest via legal notice. The legal notice will be published in the Columbia Basin Herald and the Wenatchee World once a week for two successive weeks before the final action.

Recommendation: Commission approval for the acquisition by condemnation of certain easement rights on real property is necessary for Grant PUD to construct the Wanapum to Mountain View 230kV transmission line.

Motion authorizing the General Manager/CEO, on behalf of Grant PUD, to approve agreement in Grant PUD Participation in the Mid-C Geothermal Interlocal Cooperative Agreement authorizing up to \$7.3 million for Phases 1-3.

xxxx

jeff

Program / Project	Mid-C Geothermal Interlocal Cooperative Agreement
Contract (if applicable)	ILA
Vendor / Partner (if applicable)	Chelan PUD, Douglas PUD
Contract Value / Investment	Projected NTE of \$7.3 million (Grant PUD share of \$22 million feasibility budget)
Decision Requested	Approve the Mid-C Geothermal Interlocal Cooperative Agreement and Cost Sharing Framework
Key Dates (as of this document)	<ul style="list-style-type: none"> • Decision needed by: April 2026 (Desired decision timing for all three PUDs) • Start/NTP: Date the ILA and NDA are signed by all three PUDs • Target completion: <ul style="list-style-type: none"> ○ Feasibility Study Completion: Within three years of ILA execution. ○ Agreement Duration: Five years after study completion for development-rights administration

Executive Summary

The primary purpose of the **Mid-C Geothermal Interlocal Cooperative Agreement (ILA)** is to determine the economic and technical feasibility of developing a geothermal power plant in Central Washington. Grant PUD, Chelan PUD, and Douglas PUD will jointly conduct geothermal surveys and exploratory drilling to assess whether geothermal resources can provide low-cost, reliable, 24/7 carbon-free baseload energy that complements the region’s hydropower portfolio and supports long-term reliability and decarbonization goals.

The ILA establishes coordinated study areas, a shared cost structure, and a framework for future development rights. Grant PUD’s maximum financial exposure is **\$7.3 million**, representing its one-third share of the \$22 million feasibility budget. Joint participation significantly reduces cost and risk compared to independent exploration.

If Grant PUD delays or declines participation, it risks losing development rights for enhanced geothermal systems (EGS) in Central Washington, forfeiting cost-sharing benefits, and falling behind regional partners in planning for firm clean-energy resources. The effort is time-sensitive due to seasonal drilling windows, permitting timelines, and the need to complete geophysical work before drilling. The ILA also strengthens operational alignment with Chelan and Douglas PUDs, positioning the Mid-C region for future collaboration on transmission, grid infrastructure, and long-term clean-energy planning.

Scope Clarification: The ILA outlines a five-phase study structure; however, this approval covers only Phases 1–3 of the feasibility effort. Any advancement to Phases 4–5, including confirmation wells and business-case development, would require future Commission authorization. **Contract Needs:** Major procurements required under the ILA (Chelan PUD as lead) include:

- **Geophysical Surveys (Gravity & Magnetotelluric)** – Professional services for field data collection and analysis.
- **Drilling Services** – Temperature gradient (TG) well drilling, rig mobilization, and on-site preparation.
- **Geological Consulting** – Subsurface modeling, data interpretation, and on-site drilling support.
- **Environmental & Permitting Support** – DNR and Ecology permitting, tribal coordination, and landowner access.
- **Data Modeling & Business Case Development** – Phase 5 feasibility analysis and 10% design support.

TO: John Mertlich, General Manager/CEO

FROM: Andrew Munro, Senior Manager of ESM Research & Engineering

CONSULT: Jeff Grizzel, Senior VP of Power & Market Operations
Rich Flanigan, VP of Energy Supply Markets
Dave Dempsey, Engineer V
Brett Lenz, Manager of Cultural Resources
Kevin Marshal, Project Specialist X

SUBJECT: Approval to Enter into the Mid-C Geothermal Interlocal Cooperative Agreement

SUMMARY:

The primary purpose of the **Mid-C Geothermal Interlocal Cooperative Agreement (ILA)** is to determine the economic and technical feasibility of developing a geothermal power plant in Central Washington. Grant PUD, Chelan PUD, and Douglas PUD will jointly conduct geothermal surveys and exploratory drilling to assess whether geothermal resources can provide low-cost, reliable, 24/7 carbon-free baseload energy that complements the region's hydropower portfolio and supports long-term reliability and decarbonization goals.

The ILA establishes coordinated study areas, a shared cost structure, and a framework for future development rights. Grant PUD's maximum financial exposure is **\$7.3 million**, representing its one-third share of the \$22 million feasibility budget. Joint participation significantly reduces cost and risk compared to independent exploration.

If Grant PUD delays or declines participation, it risks losing development rights for enhanced geothermal systems (EGS) in Central Washington, forfeiting cost-sharing benefits, and falling behind regional partners in planning for firm clean-energy resources. The effort is time-sensitive due to seasonal drilling windows, permitting timelines, and the need to complete geophysical work before drilling. The ILA also strengthens operational alignment with Chelan and Douglas PUDs, positioning the Mid-C region for future collaboration on transmission, grid infrastructure, and long-term clean-energy planning.

Purpose / Ask:

Approve Grant PUD's participation in the **Mid-C Geothermal Interlocal Cooperative Agreement**, authorizing up to **\$7.3 million** for feasibility studies across Phases 1–3, with future phases requiring additional Commission approval.

- **Budget Request:** Up to \$7.3 million [O&M] for Grant PUD's share of the three-year geothermal feasibility effort under the ILA.
- **Cost Type:** Operating expense (O&M) – exploratory work that does not create a capital asset.

Note on Phases 4–5:

While the ILA defines the full geothermal study structure (Phases 1–5), the current request covers only Phases 1–3. Phases 4–5, including confirmation wells and the business case, are not funded or authorized under this action and will require separate Commission approval if the feasibility results support continued development.

Core Issue:

Grant PUD requires new firm, carbon-free resource options to support long-term reliability, meet decarbonization expectations, and diversify its portfolio. Geothermal is a promising but high-cost resource requiring coordinated regional exploration.

Recommendation:

Approve participation in the ILA to jointly conduct geothermal feasibility studies with Chelan and Douglas PUDs.

Consequence of Deferral:

Grant PUD would lose cost-sharing benefits, fall behind regional partners, risk forfeiting development rights in Central Washington, and weaken operational alignment with Mid-C neighbors. Solo exploration would cost roughly three times more and carry significantly higher risk.

Options Considered & Rationale:

- Participate in ILA (recommended)
- Solo exploration in Grant County
- Status quo (no exploration)

High-Level Impact:

- Reduces Grant PUD's exploration cost by ~67%
- Preserves development rights
- Supports long-term clean energy planning
- Provides shared access to high-value geophysical and drilling data

Urgency & Timing:

- Seasonal drilling windows, permitting timelines, and partner schedules require approval by April 23, 2026.

Business Owner & Stakeholders (internal & external):

- **Executive Sponsor:** Rich Flanigan
- **Business Owner:** Andrew Munro
- **PM:** Dave Dempsey
- **SMEs:** Munro, Dempsey, Marshall, Lenz
- **Internal Stakeholders:** Power Supply, Engineering, Finance, Environmental, Legal
- **External Stakeholders:** Chelan PUD, Douglas PUD, DNR, Ecology, Tribes, landowners
- **Chelan PUD Project Manager:** Abra O'Leary (Chelan PUD) serves as the full-time Project Manager for the Mid-C ILA and is responsible for tracking overall scope, budget, and schedule across all participating PUDs.

BACKGROUND (Context & Facts):

Grant PUD's resource portfolio is currently reliant on hydropower, which is low-cost and carbon-free. In anticipation of significant regional load growth, the utility will require new sources of firm, clean energy and capacity. To maintain long-term reliability and meet future clean energy expectations, Grant PUD must evaluate additional firm, carbon-free resources that can operate independently of river flows. Geothermal is one of the few resources capable of providing 24/7 baseload output, but its viability depends on subsurface conditions that cannot be confirmed without extensive

exploration. This feasibility effort specifically evaluates **enhanced geothermal systems (EGS)** potential in Central Washington, targeting hot, low-permeability rock formations rather than conventional hydrothermal reservoirs.

How we arrived here:

From 2024–2025, Chelan and Douglas PUDs completed preliminary geothermal assessments and early regulatory engagement. These efforts showed potential across Central Washington but also revealed that no single PUD has enough data to determine feasibility on its own. Because deep geothermal exploration is expensive and technically complex, the three utilities developed the Mid-C Geothermal Interlocal Cooperative Agreement (ILA) to coordinate study areas, share costs, and jointly collect geophysical and drilling data.

Issue with the current business operating model:

Grant PUD lacks the subsurface data, technical certainty, and financial structure needed to evaluate geothermal resources independently. Pursuing exploration alone would cost significantly more, increase risk, and limit access to regional data essential for accurate modeling. The current model also lacks a mechanism for coordinated planning with neighboring PUDs, increasing the likelihood of duplicative work and inconsistent development decisions. The ILA addresses these gaps by creating a shared exploration framework that reduces cost, improves data quality, and preserves development rights.

Core Issue & Focus:

Grant PUD has a strategic interest in evaluating firm, carbon-free resources to complement its hydropower resources and meet long-term reliability and decarbonization needs. Geothermal potential exists in Eastern Washington, but exploration is capital-intensive and requires coordinated regional data. Because the outcome is uncertain and no asset will be placed in service, Phase 1–3 activities are treated as O&M exploratory work.

Resource / Process / System:

The resource under evaluation is **geothermal energy**, which provides 24/7 baseload output. Unlike wind or solar, geothermal can operate continuously and is not dependent on hydrologic conditions. However, geothermal viability depends entirely on subsurface geology, which cannot be confirmed without extensive geophysical surveys and exploratory drilling.

Condition / Problem:

Grant PUD currently lacks the subsurface data needed to determine whether geothermal resources in Grant and Adams Counties are economically viable. Exploration is technically complex and extremely expensive—particularly drilling, which can cost several million dollars per well. Conducting this work independently would expose Grant PUD to high financial risk and limit access to regional data needed for accurate modeling.

Meanwhile, Chelan and Douglas PUDs are pursuing similar investigations in adjacent counties. Without a coordinated approach, each utility would spend more, learn less, and risk making inconsistent development decisions. The absence of shared data also increases the likelihood of redundant drilling and inefficient site selection.

The Interlocal Cooperative Agreement directly addresses this problem by creating a shared, region-wide exploration framework that reduces cost and risk for all three PUDs while ensuring Grant PUD retains development rights in its own service territory.

Direct Impacts:

- **Internal:** Power Supply, Engineering, Finance, Environmental, Legal, Lands
- **External:** Chelan PUD, Douglas PUD, DNR, Ecology, Tribes, landowners, regional clean energy stakeholders

History & Macro-scope:

- Preliminary geothermal assessments conducted 2024–2025
- Increasing regional and national interest in geothermal as firm clean energy
- State policy and decarbonization goals emphasize non-emitting baseload resources
- The ILA formalizes collaboration and cost-sharing across three PUDs

Timeline & Trends:

- The ILA requires the feasibility study (Phases 1–3) to be completed within three years, with an additional five-year period after study completion during which development rights and data-sharing obligations remain in effect.
- Drilling windows are constrained by weather and permitting.
- Geophysical surveys must precede drilling site selection.

Program or Sub-project Status:

- Preliminary data collection completed
- Site screening underway
- No recent drilling has occurred in Chelan or Douglas Counties
- Limited drilling unrelated to the ILA has occurred in Grant County, suggesting viable geothermal temperatures exist at depth; however, specific details are unknown.

Internal Stakeholders:

- **Energy Supply & Marketing** – Uses feasibility results for long-term resource planning, portfolio diversification, and firm clean-energy strategy.
- **Engineering** (ESM Research, Power Production, Power Delivery, Transmission) – Reviews geophysical data, drilling plans, and site feasibility.
- **Environmental & Permitting** – Leads SEPA/NEPA, land access, and environmental compliance.
- **Finance & Accounting** – Manages cost-share invoicing, budget tracking, capital planning, and CCA transfers.
- **Legal & Contracts** – Oversees ILA compliance, PRA requirements, landowner agreements, and risk management.
- **Communications & Public Affairs** – Coordinates messaging with landowners, Tribes, and community stakeholders.
- **Executive Leadership** – Provides strategic oversight and ensures alignment with Grant PUD’s long-term resource strategy.

External Stakeholders:

- **Chelan PUD & Douglas PUD** – Joint partners responsible for study leadership and for cost-sharing.
- **Washington State Department of Natural Resources (DNR)** – Issues drilling and land-use permits.
- **Washington State Department of Ecology** – Oversees water-related permits and environmental compliance.
- **Tribal Stakeholders** – Wanapum, Yakama Nation and Colville Tribes.
- **Local Landowners** – Provide access for surveys, drilling sites, and field work.
- **County Governments** – Support land-use approvals and road access.

- **Geophysical and Drilling Contractors** – HERO, Power Planet, Quaise (if feasible) and drilling service providers.
- **Regional Clean Energy Stakeholders** – State agencies, planners, and utilities.

Customer & Community Impact:

- **Grant PUD Customers** – Benefit from long-term reliability, resource diversification, and potential access to firm, carbon-free energy.
- **Local Communities** – May experience temporary field activity but stand to benefit from future clean-energy development and associated economic activity.

Assumptions & Constraints:

The geothermal feasibility effort relies on several key assumptions and is subject to constraints that influence cost, schedule, and technical outcomes. These assumptions are explicit and rationalized to ensure transparency in decision-making.

Assumptions

- **CCA funding may offset costs.**
Grant PUD anticipates that a portion of its \$7.3M (O&M) cost share may be eligible for Climate Commitment Act (CCA), reducing net ratepayer impact.
- **Geophysical data will materially improve drilling decisions.**
The project assumes that gravity and MT surveys will meaningfully refine subsurface models, enabling more accurate site selection and reducing the risk of drilling non-productive wells.
- **Shared data improves regional outcomes.**
The ILA assumes that pooling geophysical and drilling data across three counties will produce a more accurate regional geothermal model than any PUD could develop independently.
- **Study data is jointly owned and accessible.**
All study data will be shared among the PUDs, enabling coordinated planning and future development discussions.

Constraints

- **Land access and permitting timelines may vary.**
Access to private property, DNR lands, and tribal areas may require extended negotiation and could delay survey or drilling activities.
- **Drilling depth uncertainty in Grant County.**
Basalt thickness and subsurface conditions in Grant County are not yet well-defined. Actual drilling depth may be shallower or deeper than modeled, affecting cost and schedule.
- **PRA requirements limit confidentiality.**
Although the ILA includes confidentiality provisions, all parties remain subject to the Washington Public Records Act. Some proprietary data provided by private contractors or landowners may be exempt from disclosure, but such determinations depend on the specific PRA exemption and must be evaluated individually.
- **Seasonal and weather constraints.**
Drilling and some survey activities must occur during specific seasonal windows, limiting schedule flexibility.
- **Multi-PUD coordination.**
Progress in one study area may depend on the timing and resource availability of partner PUDs, creating interdependencies that must be managed.

Prior Action(s):

Several foundational activities have already been completed or initiated, establishing a strong basis for the proposed ILA and feasibility study.

Completed or In-Progress Actions**• Preliminary geothermal assessments (2024–2025).**

HERO and Power Planet completed initial data collection, subsurface modeling, and early site screening across Central Washington.

• Development of a regional 3D geophysical model.

Chelan and Douglas PUDs, with consultant support, developed preliminary models to identify promising geothermal zones.

• Initial permitting and regulatory engagement.

Early discussions with DNR and Ecology have clarified permitting pathways for gravity/MT surveys and drilling activities.

• Tribal outreach initiated.

Chelan PUD has met with the Colville Tribes.

• Landowner identification and early access coordination.

Preliminary mapping of landowners and mineral rights holders has begun in all three study areas.

• Drafting and negotiation of the Interlocal Cooperative Agreement.

Legal teams from all three PUDs have collaborated to produce the ILA, including cost-sharing, development rights, and dispute resolution provisions.

• Feasibility budget development.

A detailed Phase 1–5 cost model has been jointly developed, including drilling estimates, survey costs, and contingency.

• Internal review and alignment.

Grant PUD's ESM Research & Engineering, Cultural and Legal teams have reviewed the ILA and budget plan.

Dependencies: [Regulatory approvals, compliance documentation, system integration, partner agreements.]

- DNR and Ecology permitting
- Tribal consultation
- Landowner access
- Multi-PUD coordination
- PRA compliance

Compliance & Risk Context: [Regulatory standards, accessibility requirements, data privacy obligations, environmental compliance. Have Compliance and ERM been consulted?]

- RCW 39.34 (Interlocal Agreements)
- RCW 54.44.020 (Joint Development)
- PRA (RCW 42.56)
- SEPA/NEPA requirements
- Title 27 RCW (Cultural Resources) and the National Historic Preservation Act

- Confidentiality and data-sharing restrictions

Competitive / Macro-context: [Market pricing trends, interest rate shifts, talent availability, supply chain stability.]

- Growing need for firm clean energy in the Northwest
- Federal geothermal incentives
- Regional planning alignment across Mid-C utilities

If Available: Data Snapshot: [Key metrics: service-level performance, on-time delivery, cycle efficiency, cost variance(s).] Although the geothermal feasibility study is in early phases and does not yet produce operational performance metrics, several quantitative indicators are available to characterize program status, cost alignment, and schedule expectations.

Key Metrics

- **Total Feasibility Budget:** \$22 million (all PUDs)
- **Grant PUD Cost Share:** \$7.3 million (33%)
- **Phases Covered:** 1–3 (Preliminary Studies, Surface Exploration, Test Drilling)
- **Number of TG Wells Planned:** 4 total
 - 1 in Chelan County
 - 2 in Douglas County
 - 1 in Grant County (subject to geophysical results)
- **Gravity Survey Stations:** 468
- **MT Survey Stations:** 346
- **Survey Area:** ~80 miles × 40 miles across Chelan, Douglas, and Grant Counties
- **Project Completion Target:** December 31, 2027

Schedule Performance

- **Phase 1:** Preliminary work largely complete (2024–2025)
- **Phase 2:** Gravity/MT surveys scheduled for 2026–2027
- **Phase 3:** Drilling scheduled for 2026–2027, aligned with seasonal windows

Cost Performance

- **Cost Variance:** None to date (major expenditures begin in Phase 2)
- **Contingency:** \$1.1 million included in Phase 3 drilling budget
- **Cost Drivers:** Drilling depth, rig mobilization, land access, permitting timelines, drilling technologies

Cycle Efficiency

- **Data Collection Cycle:**
 - **Gravity stations:** <1 hour per station
 - **MT stations:** ~24 hours per station
- **Drilling Cycle:**
 - **Chelan/Douglas wells:** ~1,200 meters
 - **Grant County well:** up to ~3,000 meters (depth uncertainty)

ANALYSIS: *Your analysis or evaluation of the situation based on background information. This section is where you present your observations or the results of your analysis of the problem.*

- **Decision Criteria:** [Define what "good" looks like: cost certainty, financial return, schedule adherence, minimal disruption, safety, scalability, compliance.]
The recommended option must satisfy several key criteria to ensure that Grant PUD's investment in geothermal feasibility work is prudent, strategically aligned, and operationally feasible.
- **Cost Certainty and Risk Reduction**
A successful approach minimizes Grant PUD's financial exposure while providing a clear and predictable cost structure. Because geothermal exploration is inherently high-risk and capital-intensive, the preferred option must reduce uncertainty through shared investment, coordinated planning, and access to regional data.
- **Preservation of Development Rights**
Grant PUD must maintain first-right-of-refusal to lead geothermal development within Grant and Adams Counties. While Grant PUD would serve as the Lead Party for any project in its study area, the other two PUDs retain the right to participate in up to one-third of the project's output under the ILA. Any option that jeopardizes these rights or delays the ability to act on them is less favorable.
- **Access to High-Quality Geophysical and Drilling Data**
Accurate subsurface data is essential for determining whether geothermal resources are viable. The preferred option must provide Grant PUD with comprehensive, high-resolution geophysical and drilling data that would be cost-prohibitive to obtain independently.
- **Alignment with Clean Energy Strategy**
The option should support Grant PUD's long-term strategy to evaluate firm, carbon-free resources that complement hydropower and enhance system reliability. Participation must advance—not delay—Grant PUD's ability to plan for future clean-energy needs.
- **Schedule Feasibility**
The approach must be executable within the required timeline, considering seasonal drilling windows, permitting constraints, and partner coordination. Delays could increase cost, reduce data quality, or push drilling into less favorable conditions.
- **Regulatory Compliance**
The option must comply with RCW 39.34 (Interlocal Agreements), RCW 54.44.020 (Joint Development), SEPA/NEPA requirements, and the Washington Public Records Act. Compliance must be manageable and not introduce an undue administrative burden.
- **Scalability for Future Development**
The feasibility work should position Grant PUD to participate in – or lead – future geothermal development if results are favorable. The preferred option must support a scalable path from exploration to potential project development, including clear ownership and cost-sharing frameworks.

Options Considered: *Minimum is 3 options: (1) Recommended, (2) Next Best Alternative, (3) Status Quo, maybe more.*

Option	Description	Fin Measures	Pros	Cons
Status Quo	No geothermal exploration	NPV (\$) = N/A PVROI (%) = N/A Op Margin Impact (%) (\$) = Neutral	No cost	No data, no development rights, no progress on firm clean energy; Loss of regional partnership leverage
Recommended	Participate in ILA	NPV (\$) = TBD PVROI (%) = TBD Op Margin Impact (%) (\$) = Positive (avoided cost)	Lowest cost; shared risk; preserves rights; coordinated regional planning; Fosters Mid-C inter-utility alignment	Requires multi-PUD coordination
Next Best Alternative	Solo exploration in Grant County	NPV (\$) = Lower PVROI (%) = Lower Op Margin Impact (%) (\$) = Negative	Full control of study	3× cost; higher risk; no shared data; no regional alignment

• **Financial Analysis:**

Phases 1–3 are exploratory and will be recorded as O&M. No capital asset will be created during this phase. Costs include mobilizing a drill rig and drilling four temperature gradient test wells across the study areas.

• **Operations (O&M) Expenditures:**

The feasibility work spans **Phases 1–3**, with a total program budget of **\$22 million**, shared equally among the three PUDs. Grant PUD’s maximum exposure is **\$7.3 million**.

Phase 1 – Preliminary Studies (~\$300,000 total)

- Data compilation and modeling (HERO)
- Early permitting discussions (DNR, Ecology)
- Landowner identification and access coordination
- Predictive modeling for temperature gradient (TG) wells
- **Grant PUD share:** Included in overall cost-share

Phase 2 – Surface Exploration (~\$1.65 million total)

- Gravity survey (468 stations)
- Magnetotelluric (MT) survey (346 stations)
- Data interpretation and 3D model refinement
- Environmental and land-use approvals
- **Grant PUD share:** Included in overall cost-share

Phase 3 – Test Drilling (~\$21.9 million total)

- Four TG wells across Chelan, Douglas, and Grant Counties
- Rig mobilization, site prep, road improvements
- On-site geologist support
- Permitting (DNR, Ecology)
- **Grant PUD share:** Included in overall cost-share
- **Note:** Drilling in Grant County may be reduced or eliminated depending on Phase 2 results, lowering total cost.

Total O&M for Grant PUD:

\$7.3 million (33% of \$22 million)

• Benefits

Participation in the ILA provides several financial and strategic benefits:

- **Avoided cost of solo exploration**
Independent drilling and geophysical work in Grant County alone would cost 2–3× more than the shared approach.
- **Access to high-value regional data**
Shared gravity, MT, and drilling data across three counties significantly improves modeling accuracy and reduces the risk of drilling non-productive wells.
- **Preservation of development rights**
Grant PUD retains first-right-of-refusal to develop geothermal resources in Grant and Adams Counties.
- **Portfolio diversification**
Geothermal offers firm, carbon-free baseload that complements hydropower and reduces exposure to hydrologic variability.
- **Regulatory and policy alignment**
Supports long-term decarbonization planning and potential CCA funding eligibility.

• Sensitivity Analysis

The financial outcome of the feasibility study is sensitive to several key variables:

- **Drilling Depth Uncertainty (Primary Driver)**
 - Grant County basalt thickness is not fully known.
 - Deeper drilling increases cost; shallower drilling reduces cost.
 - Phase 2 geophysical results may eliminate the need for a Grant County well entirely.
- **Land Access and Permitting**
 - Delays in securing landowner permissions or DNR/Ecology permits could shift drilling into less favorable seasonal windows, increasing cost.
- **Partner Participation**
 - The ILA includes withdrawal provisions; if a partner exits, remaining PUDs may face increased cost or reduced data coverage.
- **CCA Funding Availability**
 - If CCA funding is secured, net cost to Grant PUD decreases; if not, full cost share applies.
- **Contractor Market Conditions**

- Drilling and geophysical service pricing may fluctuate based on regional demand and rig availability.

- **Resource Requirements**

- Internal Resources**

- ESM Research & Engineering (site review, technical oversight)
 - Environmental & Permitting (SEPA/NEPA, land access)
 - Finance (budget tracking, cost-share invoicing, CCA transfers)
 - Legal (ILA compliance, PRA review)
 - Energy Supply & Markets (integration into long-term planning)

- External Resources**

- HERO (geophysical modeling, data interpretation)
 - Power Planet (permitting support, predictive modeling)
 - Drilling contractors (exploratory TG wells, temporary rig mobilization)
 - Geophysical survey vendors (gravity, MT)

- Business Case**

- The primary purpose of the ILA is to determine the economic and technical feasibility of a geothermal power plant in Central Washington. The feasibility work will clarify whether Grant PUD could ultimately develop a low-cost, reliable, base-load geothermal resource that supports future load growth and helps maintain long-term rate stability.

- The feasibility study is a risk-reduction investment, not a revenue-generating project. The business case is driven by:

- Avoided cost of independent exploration
 - Improved decision quality for future geothermal development
 - Preservation of development rights
 - Strategic alignment with firm clean-energy needs and long-term resource planning

- A full business case model will be developed in Phase 5, contingent on drilling results and Commission approval to proceed.

- **Risk Assessment:**

- **Schedule Risk:** [Mitigations: proactive planning, early vendor engagement, milestone tracking, contractual penalties.]
 - Weather-dependent drilling windows
 - Permitting delays
 - Multi-PUD coordination**Mitigation:** Early permitting, quarterly coordination, milestone tracking
 - **Cost Risk:** [Controls: price adjustment clauses, shared savings incentives, fixed-rate agreements, contingency governance.]
 - Drilling depth uncertainty
 - Rig mobilization cost variability
 - Feasible drilling technologies

Mitigation: Fixed-rate contracts where possible, contingency governance

- **Compliance & Regulation:** [Local/regional, state, federal issues. Are the issues new or existing?]
 - PRA exposure
 - SEPA/NEPA
 - Tribal consultation

Mitigation: Early engagement, legal review, confidentiality protocols

- **External Partner Risk:** [Credit risk, third-party capacity and competency.]
 - Partner withdrawal under Section 3.3

Mitigation: Clear ILA terms, shared governance

- **Safety**

- Drilling and field survey hazards

Mitigation: Contractor safety plans, PUD safety oversight

- **Integration & Implementation:** [IT/OT testing, acceptance protocols, implementation plan.]

- Data sharing and joint project management

Mitigation: Quarterly status meetings, shared data protocols

- **Contingencies:** [Operational – Alternative suppliers, resources, scope reduction. Financial – Is there a quantified dollar contingency? Is this part of the financial analysis?]

- **Operational:** Shift drilling to other counties if a Grant County site is deemed not feasible in the near future
- **Financial:** Budget cap of \$7.3M; Commission approval required for Phase 4–5

RECOMMENDATION:

- **Decision Request:**

Approve Grant PUD’s participation in the Mid-C Geothermal Interlocal Cooperative Agreement, authorizing up to \$7.3 million in O&M funding for Phases 1–3 of the geothermal feasibility study.

This approval enables Grant PUD to:

- Share costs and reduce financial risk
- Preserve lead development rights in Grant and Adams Counties (with potential participation from Chelan and Douglas PUDs)
- Access high-quality regional geophysical and drilling data
- Advance long-term clean-energy planning
- Maintain alignment with Chelan and Douglas PUDs on firm, carbon-free resource development

The ILA provides a structured, low-risk pathway to evaluate geothermal potential while maintaining flexibility through clear exit conditions and future Commission approval gates.

- **Key Commercial Terms (Term Sheet):**

The Interlocal Cooperative Agreement (ILA) establishes the commercial, financial, and operational framework for the joint geothermal feasibility study. Key terms include:

Agreement Structure

- **Type:** Interlocal Cooperative Agreement under RCW 39.34
- **Parties:** Chelan PUD, Douglas PUD, Grant PUD
- **Purpose:** Joint geothermal feasibility studies across Central Washington (Phases 1–5)

Scope of Work

- **Phases 1–3:** Preliminary studies, geophysical surveys, and temperature-gradient drilling
- **Phases 4–5:** Confirmation well development and business case (require future Commission approval)
- **Study Areas:**
 - **Chelan PUD** – Southwest Geothermal Area (SGA)
 - **Douglas PUD** – Northeast Geothermal Area (NGA)
 - **Grant PUD** – East Geothermal Area (EGA)

Cost-Sharing

- **Total Feasibility Budget:** \$22 million
- **Grant PUD Share:** 33% (maximum \$7.3 million)
- **Cost Classification:** All Phase 1–3 feasibility activities (geophysical surveys, modeling, and temperature-gradient drilling) are treated as O&M exploratory costs and do not result in a capital asset.
- **Allocation between each PUD:**
 - **SGA:** Equal one-third share (33.33%)
 - **NGA:** Equal one-third share (33.33%)
 - **EGA:** Equal one-third share (33.33%)
- **Invoicing:** 60-day payment terms

Term & Termination

- **Term:** The feasibility study must be completed within three years of execution. The ILA remains in effect for five years after the Study Completion Date to preserve development rights, data-sharing obligations, and governance provisions.
- **Withdrawal:** Any Party may withdraw with six months' notice; obligations end at withdrawal date.
- **Rights Retained:** Withdrawing Party retains access to data collected through its withdrawal date and remains bound by confidentiality and development rights provisions.

Development Rights

- **Lead Party Rights:** Each PUD has first right to develop geothermal resources in its study area for three years after Study Completion
- **Secondary Rights:** Other PUDs may step in if the Lead Party declines
- **Independent Development:** Permitted after five years if no Party elects to proceed
- **Lost Opportunity Payment:** 200% reimbursement if a Party uses study data to develop independently without following ILA procedures
- **Hydrothermal (Low-Temperature Geothermal) Exception:** Each PUD may independently pursue shallow, low-temperature geothermal (hydrothermal) projects for heating, small-scale generation (<25 MW), or similar

uses outside the scope of this ILA. Parties may use data generated under this ILA to support such smaller projects without triggering development-rights provisions.

Confidentiality & PRA

- Study data is confidential unless required to be disclosed under the Public Records Act
- Parties must notify each other of PRA requests and allow time for protective orders

Dispute Resolution

- Senior management negotiation → mediation → arbitration
- Injunctive relief may be sought in Superior Court (Chelan, Douglas, or Grant County)

Force Majeure:

- Standard protections for events outside a Party's control; delays do not constitute breach; Parties must mitigate and coordinate schedule adjustments.

- **Governance & Controls:**

- **If this is a project:** *This should go through the Portfolio project intake process and comply with the Project Management Framework. In some cases (maybe most for the decision memo) this will be pre-project initiation. If this is still pre-initiation, there are 2 artifacts needed:*

High-level Project Schedule:

- Initiation: May–June 2026
- Planning: Q2–Q3 2026
- Execution: Q3 2026 – Q4 2027
- Close-out: Q4 2027 – Q1 2028

High-level Project Governance:

- **Executive Sponsor:** Rich Flanigan
- **Business Owner:** Andrew Munro
- **Project Manager:** Dave Dempsey; Grant PUD retains final approval over the East Geothermal Area invoices and scope changes
- **SMEs:** Munro, Dempsey, Marshall, Lenz
- **Chelan PUD Project Manager:** Abra O'Leary (Chelan PUD) serves as the full-time Project Manager for the Mid-C ILA and is responsible for tracking overall scope, budget, and schedule across all participating PUDs.

If this is not a project: [Note the governance and controls used to monitor compliance for budget, schedule, quality assurance, contract management, safety.]

- **Exit Condition(s):**

Grant PUD may pause or exit participation in the geothermal feasibility effort if any of the following conditions occur:

Technical Exit Conditions

- Geophysical or drilling results indicate insufficient geothermal potential
- Subsurface conditions require drilling depths that exceed economic thresholds

- Environmental or cultural resource constraints prevent site development

Financial Exit Conditions

- Total project cost exceeds the \$22 million feasibility budget without Commission approval
- Drilling cost escalation exceeds contingency or materially changes the cost-benefit profile
- CCA funding becomes unavailable and materially impacts affordability

Regulatory & Permitting Exit Conditions

- Inability to secure required DNR or Ecology permits within reasonable timelines
- Landowner access cannot be obtained for key survey or drilling locations
- Tribal consultation identifies unresolvable impacts

Partner-Related Exit Conditions

- A partner PUD withdraws under Section 3.3, materially affecting cost or scope
- Multi-PUD coordination issues prevent timely progress

Governance Exit Conditions

- Commission declines to authorize Phase 4 or Phase 5
- Business case (Phase 5) does not support economic development of geothermal resources

These exit conditions ensure Grant PUD maintains control over financial exposure, technical risk, and long-term strategic alignment.

APPENDICES: *Supporting documentation that are supplemental materials reinforcing or clarifying the main content of the document. Include attachments or references that offer detailed data, technical specifications, or additional context necessary for informed decision-making. These materials serve as evidence or supporting information for the analysis and recommendations presented above.*

- **Supporting Documentation:** [Detailed cost model, sensitivity analysis, draft contract terms and exhibits, plans, logistics diagram and preliminary schedule, risk register and mitigation plan, acceptance criteria, if needed: **legal approval(s).**]
 - Interlocal Cooperative Agreement
 - Phase 1–5 Feasibility Budget Spreadsheet (Subject to change based on mutually agreeable conditions)

[Exhibit A - MIDC ILA Cost summary Apr9 2026.xlsx](#)

Chelan, Douglas, Grant Co. PUD's Geothermal Feasibility Interlocal Agreement Phase 1 to 5 (Geothermal ILA)

Central WA Feasibility Budget Compilation

A joint Development Agreement would be required after Phase 4

Final 4/09/2026

PHASE	DESCRIPTION	Resource / Contractor	SCHEDULE	COST	COMMENTS
1	Preliminary studies - Identify possible EGS resource locations				
1A	Collect and evaluate existing data in Central WA	Hero	Complete (2024, 2025)	\$ 250,000	These are costs already incurred and not included in the
1B	Review of data to select sites for temperature gradient wells in Chelan and Douglas counties				
	Historic oil and gas data aquisition	HERO	Q1 2026	\$ 20,000	
	Identification of additional field studies such as water samples, gravity and magnetotelluric (MT) data.	HERO	Q1 2026	\$ 20,000	
	TG well specification and drilling cost estimates	HERO	Q1 2026	\$ 20,000	
	Seismic assessment	LCI	Q2/Q3 2026	\$ 100,000	The \$100k includes \$2500 for HERO
	Identification of land owners for field study approvals	CPUD, DPUD	Q1 2026		
	Initial conversations with DNR and Ecology for permitting/approvals for gravity and MT data collection and drilling permits.	CPUD	Q1 2026		Complete. On2/24/2026 held a call with Kelsay Stanton o
	AOI review. Include in Favorability Matrix	Power Planet	Q1 2026	\$ 45,000	
	Preliminary discussion with Tribes	CPUD	2025, 2026		Met with CTCR several times in 2025 and Q1 2026
	Discussions with DNR and Ecology on drilling and land use permits	CPUD, DPUD	Q2 2026		1st meeting scheduled for April 13, 2026
1C	Review of data to select sites for temperature gradient wells in Yakima and Kittitas counties.				
	Historic oil and gas data aquisition	HERO	Q1 2026	Incl. in line 8 above	
	Review of existing data and development of a favorability matrix for project development. Includes cost estimates for all phases to to explore, develop and construct a power generating facility.	Power Planet	Q1 2026	\$ 120,000	
	Development of a temperature gradient predictive spreadsheet	Power Planet	Q1 2026	\$ 75,000	
	Initial conversations with DNR and Ecology for permitting/approvals for gravity and MT data collection and drilling permits.	Power Planet	Q1 2026	\$ 25,000	
	Identification of land owners, minieral rights for field study approvals	Power Planet	Q1 2026	\$ 25,000	
	Initial conversations with DNR and Ecology for permitting/approvals for gravity and MT data collection and drilling permits.	Power Planet	Q1 2026	\$ 25,000	
	Preliminary discussion with Tribes	CPUD	2025, 2026		Met with Yakama Utility once. Had a follow up phone cal
2	Surface Exploration				
2A	Visit potential sites. Collect water samples. Assess transmission interconnection and environmental impacts	PUD staff	Q4 2025, Q1&Q2 2026	\$ 15,000	Cost is for water sample testing
2B	Gravity and MT Data Collection and analysis in Douglas, Chelan and Grant Counties	TBD	Q3 2026 to Q3 2027	\$ 1,500,000	Included in column E total
	Land owner approvals	CPUD and DPUD staff		\$ 15,000	Contract services
	DNR Land Use permits	CPUD and DPUD staff	Q2 to Q4 2026	\$ 100,000	
	Support for data collection and Interpretation	HERO		\$ 35,000	
3	Test Drilling				
3A	Temperature Gradient (TG) Well Drilling in Chelan County	1 well			
	Develop service agreement for Drill rig and drill rig management.	CPUD staff	Q2 2026	\$ 5,000	
	DNR Permits	CPUD staff (Joint Mid-C)	Q2-Q3 2026	\$ 25,000	
	Ecology Permit	CPUD staff (Joint Mid-C)	Q2 2026	\$ 25,000	
	Road Improvements, Site Prep	CPUD - Unit Price contract	Q3 2026	\$ 200,000	

	Drill rig mobilization to Wa State	Service Agreement Power Planet	Q3 2026	\$	2,500,000		
	Drill in Chelan County, Jump-off Ridge, Well C1	Service Agreement Power Planet	Q3 2026	\$	3,000,000	Est. 2000 meters	
	Consulting Geologist onsite during drilling	Service Agreement Power Planet	Q3 2026	\$	50,000		
	HERO consulting support	HERO TA	Q3, Q4 2026	\$	10,000		
3B	Temperature Gradient (TG) Well Drilling Douglas County	2 wells					
	DNR Permit	DPUD staff (Joint Mid-C)	Q2 to Q4 2026	\$	50,000		
	Ecology Permit	DPUD staff (Joint Mid-C)	Q2 2026	Incl. above			
	Road Improvements, Site Prep, 2 sites	DPUD	Q3 2026	\$	250,000		
	Move to Douglas County, for well D1	Service Agreement Power Planet	Q4 2026	\$	300,000		
	Drill in Douglas County, South, Well D1	Service Agreement Power Planet	Q4 2026	\$	2,500,000	Est. 2000 meters	
	Consulting Geologist onsite during drilling	Service Agreement Power Planet	Q4 2026	\$	50,000		
	Move to Douglas County North, for well D2	Service Agreement Power Planet	Q1/2 2027	\$	200,000		
	Drill in Douglas County, North, Well D2	Service Agreement Power Planet	Q1/2 2027	\$	2,000,000	Est. 1500 meters	
	Consulting Geologist onsite during drilling	Service Agreement Power Planet	Q1/2 2027	\$	50,000		
	HERO consulting support	HERO TA	Q1/2 2027	\$	25,000		
3C	Temperature Gradient (TG) Well Drilling Grant County	1 Well					
	DNR Permit	GPUD staff (Joint Mid-C staff)	Q1-Q3 2027	\$	25,000		
	Ecology Permit	GPUD staff (Joint Mid-C staff)	Q1-Q3 2027	Incl. above			
	Land Owner Approvals	GPUD Staff	Q1 2027	\$	50,000		
	Road Improvements, Site Prep	GPUD	Q2 2027	\$	50,000		
	Move to Grant County, for well G1	Service Agreement Power Planet	Q3 2027	\$	2,000,000	Use Quaise?	
	Drill in Grant County, Well G1	Service Agreement Power Planet	Q3/4 2027	\$	5,000,000	Est. 3000 meters	Assuming in location basalt is less than 2500 meters
	Consulting Geologist onsite during drilling	Service Agreement Power Planet	Q3/4 2027	\$	75,000		
	HERO consulting support	HERO TA	Q3/4 2027	\$	20,000		
	Evaluation of data collected in Chelan, Douglas, and Grant Counties. Decide to advance to pre-production well in 1 or more counties or move to Yakima/Kittitas	Service Agreement Power Planet	Q3/4 2027	\$	250,000		
3D	HERO consulting Support		Q3/4 2027	\$	50,000		
	Subtotal			\$	20,850,000		
	Contingency			\$	1,150,000		
	First Budget approval from Commissioners	All 3 PUDs	4/31/2026.	\$	22,000,000	\$7,333,333	\$7.3 Million per PUD

COMMISSISON APPROVAL NEEDED TO PROCEED BEYOND PHASE 3

4	Confirmation Well Development	Drill to evaluate how the well field could be developed: size and number of wells					
	Consuting support to develop confirmation well drilling specs and test rprogram	TBD - Service Agreement	Q4 2027	\$	250,000		
	Mobilize rig to site 1	Different rig that TG holes		\$	4,000,000		
	Site Prep			\$	300,000		
	Drill Well			\$	10,000,000		
	Evaluate Results	Geologist support - SA	2028	\$	250,000		
				\$	14,800,000		

BUSINESS CASE, PROJECT REVIEW AND PLANNING (10%

5	Design)
	Location selection
	Well field layout
	Energy generation facilities
	Transmission interconnection and facilities
	Power sales
	Feasibility "Buisness Case" report

INTERLOCAL COOPERATIVE AGREEMENT

GEOHERMAL FEASIBILITY STUDY COST SHARING AGREEMENT

This **Interlocal Cooperative Agreement** (“Geothermal ILA” or simply “Agreement”) is made and entered into by and between **Public Utility District No. 1 of Chelan County (Chelan PUD), Public Utility District No. 1 of Douglas County (Douglas PUD), and Public Utility District No. 2 of Grant County (Grant PUD)**, together referred to as “Parties” or individually as “Party.” This Agreement shall be effective upon the date it is signed by all Parties.

RECITALS

WHEREAS the Parties are authorized under Chapter 39.34 RCW to enter into Cooperative Agreements. Joint utilization of agreements, services, and resources as described herein, in accordance with the terms of the Interlocal Cooperative Act, RCW 39.34, will work to benefit the Parties and the public;

WHEREAS the Parties are currently conducting geothermal feasibility studies (a “Study” or “Studies”) to better define the scope, costs, benefits, and risks associated with the development of one or more geothermal power plants in Eastern Washington;

WHEREAS the Parties desire to share costs associated with the Studies at the contribution rates set forth below;

WHEREAS the Parties intend that if geothermal resources are deemed economically feasible to construct, then the Parties will negotiate future Joint Development Agreement(s), with the proportional ownership rights and share of the costs to design and build geothermal power plant(s) remaining consistent with the cost-sharing principles associated with each geothermal resource area unless the Parties agree to terminate, modify, or jointly amend the terms of this Geothermal ILA.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1. FEASIBILITY STUDIES

The Studies include Phase I (Preliminary Studies), Phase 2 (Surface Exploration), Phase 3 (Test Drilling), Phase 4 (Confirmation Well Development), and Phase 5 (Business Case, Project Review, and Planning). Each phase is more fully described in the attached Exhibit A, with budgeted costs for each phase of the Studies.

1.1 Geothermal Resource Areas

Chelan PUD will take the lead role in Studies in Chelan, Kittitas and Yakima Counties (Southwest Geothermal Area – “SGA”).

Douglas PUD will take the lead role in Studies in Douglas, Okanogan, and Lincoln Counties (Northeast Geothermal Area – “NGA”).

Grant PUD will take the lead role in Studies in Grant and Adams Counties (East Geothermal Area – “EGA”).

Collectively, the SGA, NGA, and EGA are referred to collectively as the “Geothermal Areas” or “GAs”. Each Party shall have the right to lead the Studies in their respective GA.

1.2 Financial Contributions/Agreed Development Rights Percentages

The Parties agree to share costs associated with Studies conducted by the Parties within the SGA, NGA, and EGA equally, in accordance with the budget management, and payment and reimbursement process as provided in Sections 1.3 and 1.4, below. The Parties agree that for purposes of future development rights, the Parties agree that their respective percentages shall be equal 1/3 interests (33.333%), each.

1.3 Budget

Notwithstanding the percentages allocation for each GA as provided in Section 1.2, above, the cost of Studies shall be divided equally between the Parties regardless of the total cost incurred in any specific GA, as the Parties recognize that cost accounting for third-party services by GA may prove difficult. The initial cost shall not exceed Twenty-two Million Dollars (\$22,000,000.00), or \$7.34 Million Dollars to any Party (the “Budget”). The preliminary Budget for phases 1-3 is set forth in the attached Exhibit A. If the Parties expect that the work will exceed the Budget before completion of Phase 3, and the Parties jointly desire to spend additional funds to complete the Studies, then the Parties shall meet, confer, and provide affirmative written notice to one another indicating their desire to increase the authorized amount covered by this Agreement. To the extent that the feasibility Studies require additional investment, then each Party will need to seek additional approval from their respective Boards to get approval for the additional budget to continue funding the Feasibility Studies detailed in Phases 4 and 5, and will work in good faith to amend this Agreement.

The Parties recognize that managing and paying for costs related to the Studies is primarily for third-party costs incurred, and does not account for internal staff time of the Parties or equipment owned by any Party, unless otherwise pre-approved. The Budget in Exhibit A is for estimated third-party costs.

Initially, the Parties agree that Chelan PUD will manage the Budget reporting and prepare quarterly Budget reports identifying the total funds expended for the Studies to date by phase, and will summarize the totals paid by each Party, along with any amounts that may be due. Each Party will summarize the total dollars it has incurred for the Studies by phase and send such records to Chelan for the Budget Reporting within 30 days of incurring and paying such expense.

1.4 Costs, Payments, and Reimbursement

The Parties recognize that it may be difficult to fully allocate costs between each GA for third-party services. The Parties recognize it may be most efficient for one Party to take the lead in engaging third-party services providers related to the Studies as such services providers will likely provide similar services within each GA. Accordingly, while each Party may take the lead with respect to Study efforts within its GA, the Parties agree that any expenses paid in each GA may be by one Party. As provided below, the Parties, agree to reimburse the other Parties for costs incurred as generally set forth in the Budget regardless of which Party incurs the cost.

For any costs incurred and paid by one Party, such Party shall document the cost and submit an invoice for the other Parties to pay their respective 1/3 share of such costs. All invoices issued pursuant shall be paid within **60 days** of receipt of invoice, and sent to the lead Party managing the Budget and ongoing payments and reimbursements.

1.5 Study Data

All Study data shall be the exclusive property of the Parties. At any time during the feasibility Study phases, a Party can ask to view, receive, or inspect the raw study data, draft, and final reports being prepared by the other Party. At no time shall study or development data be shared with non-parties except as required by Freedom of Information Act or State Public Records Act disclosure requirements. The Studies shall be deemed complete when the Phase 5 Study work is complete, and the final payments have been made in accordance with Section 1.4, above (the “Study Completion Date”).

1.6 Joint Status Meetings

During the feasibility Study phases, the Parties agree to meet on a (quarterly or semi-annual) basis to discuss information relating, but not limited, to status and results of the ongoing feasibility Studies, budget review, potential future development options, and the potential business ownership structure for any geothermal generating resources that the Parties may select for development.

In between Joint Status Meetings, the designated representative for each Party will be in regular communication and the Parties will determine a communication plan to ensure that all Parties are regularly informed at each Phase of the work.

2. POTENTIAL DEVELOPMENT AND OWNERSHIP RIGHTS

2.1 Rights to Lead Development

Each Party shall have the first right of refusal to lead the development of geothermal resources within its lead geothermal resource area (a “Lead Party”)¹ for up to three years following Study Completion Date for that area. To exercise this right, the lead Party must serve a notice of intent to develop geothermal resources (a “Lead Party Notice”) on all other Parties.

If at the end of the three-year period from the Study Completion Date, the lead Party has not issued a Lead Party Notice, then the other remaining Parties shall have the right to step in and lead development of geothermal resources within the other Party’s lead development area (a “Secondary Notice”). The other Parties shall have up to two years to issue a Secondary Notice within the other Party’s lead resource area, with the lead development rights going to the remaining Party that first issues the Secondary Notice to the other Parties.

If at the end of the five-year period no Party has issued a Lead Party Notice or Secondary Notice, any Party may pursue independent development within any of the geothermal resource areas with use of the Study results without further notice or cost to any other Party or Parties.

Notwithstanding the notice time periods above, if any Lead Party does not intend to issue a Lead Party Notice, it may issue a “Waiver Notice,” which will eliminate the three-year time periods for the other Parties to issue a Secondary Notice, and start the next two-year window for the other Parties to issue a Secondary Notice.

In addition, after expiration of the development period, which is five (5) years from the Study Completion Date, with no Party pursuing development, within a specific resource area, the Parties shall have the right, but not the obligation, to sell the information collected during the Studies within their resource area and may attempt to recover any feasibility or pre-development costs. For example, Douglas can sell the NGA Study data, Grant PUD can sell the EGA Study data, and Chelan PUD can sell the SGA Study data.

No Party can sell the rights to develop geothermal resources without the written permission of the other Parties. All proceeds from the sale of Studies or development rights will be divided equally between the Parties.

2.2 Potential Ownership and Resource Rights

Upon any Lead Party Notice, all Parties shall have the right to negotiate the terms of a Joint Development Agreement. The Parties, through this Geothermal ILA, intend that the

¹ E.g., Grant PUD is the “Lead Party” for the EGA.

potential proportional share of ownership rights, development costs, and rights to resource output will be consistent with the percentage allocations set forth in Section 1.2.

If the Lead Party does not issue a Lead Party Notice, the Parties intend that upon issuance of another Party's Secondary Notice, that Party shall have the right to lead such development, with such percentages ultimately negotiated by the Parties. If the Parties are unable to negotiate a separate Joint Development Agreement, the Parties agree to attempt to resolve any disputes in accordance with Section 3.13, below.

Notwithstanding the foregoing, any future joint development venture between the Parties shall meet the requirements of RCW 54.44.020.

2.3 Independent Pursuit of Development/Cost Recovery and Lost Opportunity Payment.

In the event that any Party uses any Study results and pursues independent development of geothermal resources without following the terms and conditions of Sections 2.1 or 2.2, above, such Party shall be obligated to reimburse the other Parties 200% of the total amounts paid for all Studies, which will be split equally between the other Parties.

For example, if after completion of the Studies, which cost \$22,000,000.00, Douglas PUD determines that it would like to develop geothermal resources in the NGA independently of Chelan PUD or Grant PUD, and Douglas PUD has not followed the terms and conditions of Sections 2.1 or 2.2, Douglas PUD must pay Chelan PUD \$22,000,000.00, and Douglas PUD must pay Grant PUD \$22,000,000.00, respectively.

The intention of this provision is not intended as a penalty, but rather as a lost opportunity payment that each Party would otherwise have to pursue joint development from the Studies, which will be lost if any one Party seeks to independently pursue development of a geothermal resource within the study area.

Notwithstanding the foregoing language in this Section 2.3, the Parties can independently pursue shallow low temperature geothermal (hydrothermal) for heating and/or small generation projects (<25 MW), or similar uses, outside of this Agreement, and shall be allowed to use the data from these Studies to support these smaller projects.

3. MISCELLANEOUS

3.1 Amendments and Modifications

This Agreement may only be amended or modified by written agreement of all Parties.

3.2 Notices

Unless amended in writing, all notices pertaining to the content of this Agreement shall be delivered electronically to the email addresses specified below.

Brett Bickford
Brett.Bickford@chelanpud.org
Public Utility District No. 1 of Chelan County

Shane Bickford
Shane.Bickford@dcpud.org
Public Utility District No. 1 of Douglas County

Rich Flanigan
rflanig@gcpud.org
Public Utility District No. 2 of Grant County

Or to such other party as may be designated from time to time in writing, specifically referring to this Agreement and Notice provision. Any notice issued shall identify the type of notice in the written notice communication, as applicable, and cite to the ILA provision. (e.g., a Lead Party Notice shall identify it as such and refer to Section 2.1 of this Agreement).

3.3 Term and Termination

This Agreement will become effective upon execution by all Parties and will remain in effect for five (5) years from the Study Completion Date unless terminated by one or more Parties as set forth below. A Party may unilaterally elect to withdraw (a “Withdrawing Party”) from the Agreement, provided it provides written notice of termination (a “Termination Notice”) to all remaining Parties with at least six (6) months’ notice. The effect of termination will mean that the Withdrawing Party will have no further obligations to contribute to funding the Studies beginning six (6) months following the Termination Notice. In addition, the Withdrawing Party will have only the rights to the Study data or any rights hereunder through the date of termination. Such Withdrawing Party shall remain obligated by the confidentiality provisions, and will remain subject to Sections 2.1, 2.2, and 2.3, related to potential development and resource rights.

3.4 Governing Law; Venue

This Agreement is governed by the laws of the state of Washington, without regard to its conflict of law provisions. The jurisdiction of any action hereunder shall be in the Superior Court of Chelan County, Washington.

3.5 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to financial contributions to the geothermal feasibility study effort.

3.6 Records

The Parties shall keep and maintain accurate and complete cost records pertaining to their

respective portions of the Agreement. Each Party shall have full access and the right to examine any such records during the term of this Agreement. All records, books, documents and other materials maintained, prepared, or issued by the Parties in the implementation of this Agreement shall be the property of the Parties, including the responsibility of the retention and release of those materials.

3.7 Mutual Indemnity

The Parties shall indemnify, defend and hold harmless one another, its officers, agents and employees, from and against any and all claims, losses or liability, or any portion thereof, arising from injury or death to persons or damage to property occasioned by any negligent act, omission or failure of the Parties, its officers, agents, and employees, in connection with the Parties' activities described in this Agreement, or arising out of the Parties', its officer's, agent's and/or employee's non-observance or non-performance of any law, ordinance, or regulation applicable to the Parties' activities.

The indemnification obligation of the Parties shall not be limited in any way by the application of any workmen's compensation acts, disability benefit acts or other employee benefit acts and the Parties expressly waives the protection afforded by such laws. The foregoing waiver and indemnification obligations have been mutually negotiated.

3.8 Severability

In the event that any provision of this Agreement shall be determined to be unenforceable or otherwise invalid for any reason, such provision shall be enforced and validated to the extent permitted by law. All other provisions of this Agreement are severable, and the unenforceability or invalidity of any single provision hereof shall not affect the remaining provisions.

3.9 Construction

This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements or understandings among the Parties with respect thereto. This Agreement may be amended only by an agreement in writing signed by the Parties.

3.10 Mutual Negotiation and Construction

This Agreement and each of the terms and provisions hereof are deemed to have been explicitly negotiated between, and mutually drafted by, the Parties, and the language in all parts of this Agreement shall, in all cases, be construed according to its fair meaning and not strictly for or against either Party.

3.11 Relationship of Parties

The Parties intend that an independent contractor relationship will be created by this Agreement. No Party, its officers, employees, agents, contractors, or subcontractors shall be considered an agent or employee of any other Party for any purpose and no Party is

entitled to any of the benefits that any other Party provides for its respective employees. Pursuant to RCW 39.34.030(4)(d), no separate legal entity is created. This Agreement shall be administered jointly by the General Managers of Chelan PUD, Douglas PUD, and Grant PUD or their designees.

3.12 Dispute Resolution

The Parties agree that the following provisions shall govern disputes related to this Agreement:

a. Referral to Senior Management.

In the event of any controversy, claim, or dispute between the Parties arising out of or related to this Agreement (a “Dispute”), any Party may notify the other of the existence of the Dispute. Upon receipt of a written notice of Dispute (a “Dispute Notice”), (i) each Party shall appoint as its representative a senior officer, and (ii) such senior officers shall meet, negotiate and attempt to resolve the Dispute quickly, informally and inexpensively within thirty (30) days following receipt of a Dispute Notice; provided, if negotiations require additional time, any Party can provide an extension notice, upon which the negotiation period shall extend an additional sixty (60) days from the extension notice date. If the Parties are unable to resolve a Dispute pursuant to this Section 3.13(a), then the applicable provisions of Section 3.13(b) and (c) shall govern the Dispute resolution process.

b. Mediation/Arbitration of Disputes.

All Disputes between the Parties that are unable to be resolved pursuant to Section 3.12(a) above, that are not claims for specific performance or injunctive relief, shall be referred to mediation, and the Parties agree to mediate in good faith to resolve any Disputes. If mediation is unsuccessful, the Parties agree to use the same mediator to arbitrate the Dispute in accordance with the Washington Uniform Arbitration Act (RCW 7.04A et seq.) The decision of the arbitrator shall be final and binding, and judgment may be entered thereon. The arbitrator is authorized to restrict and/or limit discovery in the arbitrator’s discretion, to that discovery reasonable under the circumstances considering the complexity of the matter and the amount in controversy, in accordance with RCW 7.04A.170.

Selection of Mediator/Arbitrator. As noted above, the Parties agree that the selected mediator shall also serve as arbitrator, should mediation be unsuccessful. Within ten (10) business days following expiration of the timelines for resolution under Section 3.12(a), each Party shall put forward two names of a potential mediator/arbitrator. If, within ten (10) business days thereafter, the Parties cannot agree on a mediator/arbitrator from the collective list, the Parties agree to accept as mediator/arbitrator a retired judge that is a member of the Judicial Dispute Resolution, LLC, located at 1425 Fourth Ave., Suite 300, Seattle, WA (“JdR”), based on availability and as selected by JdR administration.

c. Legal Action for Claims for Specific Performance or Injunctive Relief.

Notwithstanding anything to the contrary contained in this Agreement, either party may seek injunctive or other equitable relief (including, without limitation, specific performance) exclusively in Superior Court in Grant, Douglas, or Chelan County. For the avoidance of doubt, such actions shall not be deemed incompatible with or a waiver of the agreement to arbitrate Disputes. EACH PARTY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

d. Attorneys' Fees.

The substantially prevailing Party in any action brought under this Section 3.13 shall be entitled to collect all reasonable costs of the action, including, but not limited to, reasonable attorneys' fees, expert witness fees, court reporting fees, copy expenses, and all reasonable travel, meals, and lodging expenses, which amount shall be included in any award given.

4. CONFIDENTIALITY

The Parties agree to share all "Information" in connection with this Agreement only on the condition that, upon receipt, each Party complies with the provisions for treatment of Information as set forth herein.

For the purpose of this Section, "Information" is defined as any and all materials, data, reports, and documents collected by the Parties or their contractors and consultants that are related to the joint activities associated with the implementation of this Agreement; conspicuously marked as confidential or proprietary; and not publicly available. "Information" also includes information and data supplied to the Parties by third parties who assert confidentiality, provided that such third-party "Information" meets the other requirements of this Section. Information shall be disseminated within the Party's organizations but only with staff that have a need to know, and such dissemination shall include advising personnel of the requirements of this Agreement. The Parties shall remain responsible for complying with this Section including ensuring compliance of any and all of their respective employees and contractors.

5. WASHINGTON STATE PUBLIC RECORDS ACT

Notwithstanding the confidentiality provisions of Section 4 (Confidentiality), the Parties are subject to the Washington State Public Records Act ("PRA"), Revised Code of Washington ("RCW") 42.56, et seq. The Parties understand that information relating to price, terms, and conditions cannot be regarded as proprietary under the PRA. Any record submitted to any Party may be subject to the disclosure requirements of the PRA. In the event one Party receives a PRA request (the "Receiving Party"), that requests information, data, or other material that may be considered proprietary or confidential, but otherwise believes that it is subject to disclosure (i.e., is not exempt from the PRA), then such receiving Party shall provide the other Parties with timely written notice of the PRA request and that it intends to release the requested records in response to the PRA request. After such notice, if any Party objects to disclosure asserting an exemption to the PRA, such objecting Party (the "Objecting Party") must provide written notice of its

objection (the “Objection”) to the receiving Party within ten (10) days of such notice, and may at its sole cost and expense, seek a protective order preventing the disclosure of such records or information in accordance with RCW 42.56.540. Following the Objection, the Objecting Party must use reasonable efforts to pursue the protective order by filing suit in the jurisdiction of the Objecting Party. Upon filing suit, the Receiving Party shall not release the requested records requested in the PRA request until the court issues a ruling on the Objection.

In the absence of such Objection within ten (10) days, or upon the receipt of an Objection, failure to use reasonable efforts to pursue a protective order within Fifteen (15) business days of the Objection, the Receiving Party may release the records in response to the PRA request.

Each Party shall hold harmless and indemnify the other from any liability associated with any action arising out of or in connection with the disclosure of either Party’s non-exempt records. No Party shall be liable for any inadvertent public disclosure of information despite the exercise of reasonable care.

Signature Pages to Follow

Chelan PUD Signature Page

**Public Utility District No. 1 of Chelan
County**

Accepted By: _____

Name: _____

Title: _____

Date: _____

Grant PUD Signature Page

**Public Utility District No. 2 of Grant
County**

Accepted By: _____

Name: _____

Title: _____

Date: _____

Douglas PUD Signature Page

**Public Utility District No. 1 of Douglas
County**

Accepted By: _____

Name: _____

Title: _____

Date: _____