Grant County Public Utility District

$127,400,000 Priest Rapids Hydroelectric Project Revenue Refunding Bonds, 2020 Series Z (Taxable)
$75,045,000 Electric System Revenue Refunding Bonds, Series 2020-Q (Taxable)

January 2020

Grant PUD

Powering our way of life.

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Grant County
PUBLIC UTILITY DISTRICT

Transaction Overview:
Priest Rapids Hydroelectric Project Revenue Refunding Bonds, 2020 Series Z (Taxable)

Issuer	Public Utility District No. 2 of Grant County, Washington (the “District”)
Credit	Priest Rapids Hydroelectric Project Revenue Bonds
Par Amount	$127,400,000
Use of Proceeds	Proceeds of the Bonds will be used, together with other available funds of the District, to defease and refund a portion of the District’s Outstanding Parity Bonds and to pay costs of issuance of the Bonds
Tax Status	Federally taxable
Bond Structure	Serial bonds maturing January 1, 2021 to January 1, 2035 Term bonds due on January 1, 2040 and January 1, 2043
Optional Redemption	The District reserves the right to redeem the Bonds maturing on or after January 1, 2030, prior to their stated maturity dates at any time on or after January 1, 2030, as a whole or in part at par plus accrued interest to the date fixed for redemption Prior to January 1, 2030, when the bonds are callable at par, the Bonds are subject to redemption prior to their respective maturities at the Make-Whole Redemption Price
Debt Service Reserve Account	Maximum annual bond interest on all parity bonds
Ratings (Moody’s/S&P/Fitch)	Aa3 / AA / AA
Pricing Date	Tuesday, January 7, 2020
Closing Date	Wednesday, January 29, 2020

Transaction Overview:

Electric System Revenue Refunding Bonds, Series 2020-Q (Taxable)

Issuer	Public Utility District No. 2 of Grant County, Washington (the "District")
Credit	Electric System Revenue Bonds
Par Amount	$75,045,000
Use of Proceeds	Proceeds of the Bonds will be used, together with other available funds of the District, to defease and refund a portion of the District's Outstanding Parity Bonds and to pay costs of issuance of the Bonds
Tax Status	Federally taxable
Bond Structure	Serial bonds maturing January 1, 2021 to January 1, 2035 Term bonds due on January 1, 2038 and January 1, 2041
Optional Redemption	The District reserves the right to redeem the Bonds maturing on or after January 1, 2030, prior to their stated maturity dates at any time on or after January 1, 2030, as a whole or in part at par plus accrued interest to the date fixed for redemption Prior to January 1, 2030, when the bonds are callable at par, the Bonds are subject to redemption prior to their respective maturities at the Make-Whole Redemption Price
Debt Service Reserve Account	Funded to the three-pronged test on a series basis
Ratings (Moody's/S&P/Fitch)	Aa3 / AA+ / AA
Pricing Date	Wednesday, January 8, 2020
Closing Date	Wednesday, January 29, 2020

Who is Grant PUD?

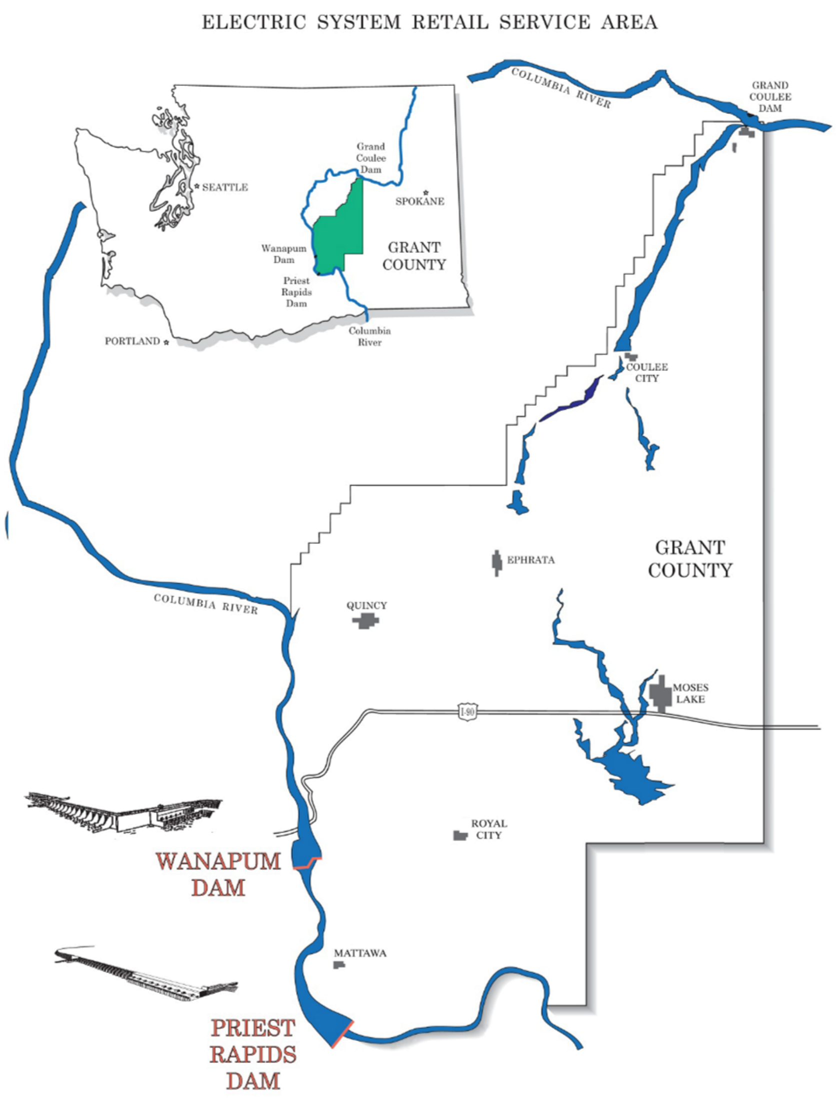
- Founded in 1938, municipal corporation by state statute (Title 54 of the revised Code of Washington)
- Vertically integrated utility with generation **Priest Rapids Hydroelectric Project** aka "PRP" and distribution **Electric System**
- Owns and operates hydroelectric generation of over 2,100 MW of clean, carbon free energy
  - PRP's two dam system – Priest Rapids Development and Wanapum Development
  - In county additional small hydro generation and long-term resource contracts
- County provider of retail electricity and wholesale fiber for over a 2,777 mile service area
- Management of balancing area and transmission system
- Local control and retail rate setting authority by state statute, governed by five-person elected commission
- The District's electrical rates are among the lowest in the nation
- Diversified retail load with strong experienced growth

Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements. 2018 Annual Report.

Overview of Grant County Public Utility District

- The District's electric utility consists of two operating systems, each of which is accounted for and financed separately
  - **Priest Rapids Hydroelectric Project.** PRP provides energy for the District's Electric System, long term contract purchasers, and numerous entities across the western United States
  - **Electric System.** The District's Electric System, consisting of substations, transmission and distribution lines, wholesale fiber facilities, and generation plant serves all of Grant County
    - Electric System also includes contract interests in small hydro (Quincy Chute, Potholes East Canal), Wind (Nine Canyon), and Small BPA Priority Firm Contract

Electric System	
51,269 Retail Active Meters and Numerous Wholesale Counterparties	
Priest Rapids Hydroelectric Project	
Priest Rapids Development	Wanapum Development
Nameplate: 953 MW	Nameplate: 1,203.6 MW



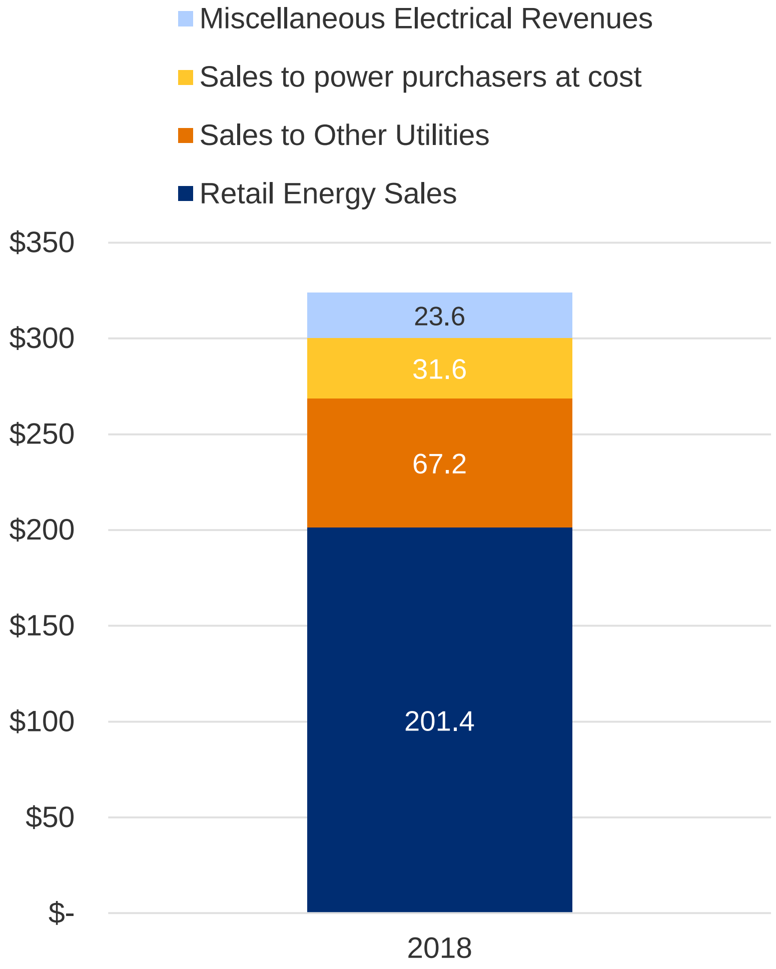
Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements. 2018 Annual Report.

Electric System

Electric System meets the load of retail customers and manages power supply

Consolidated District Revenue

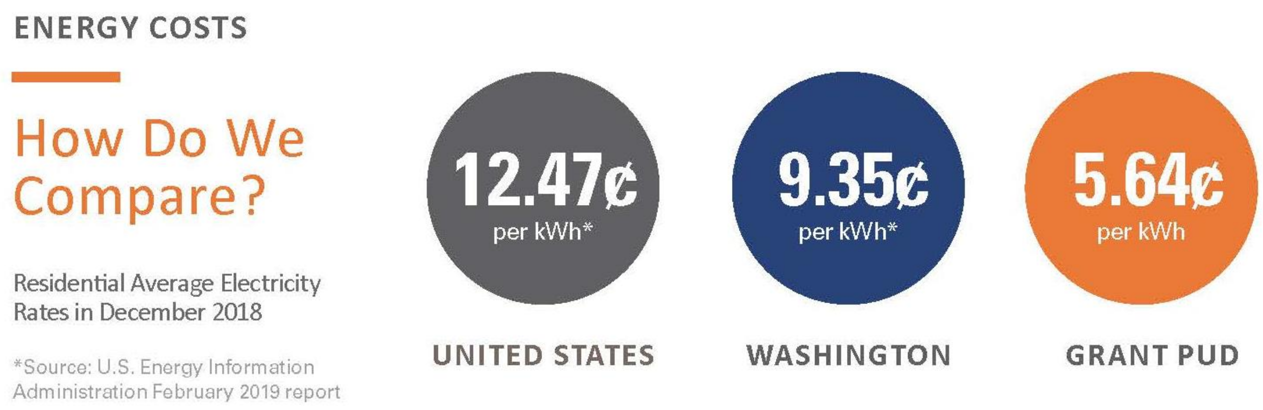
(in $ millions)

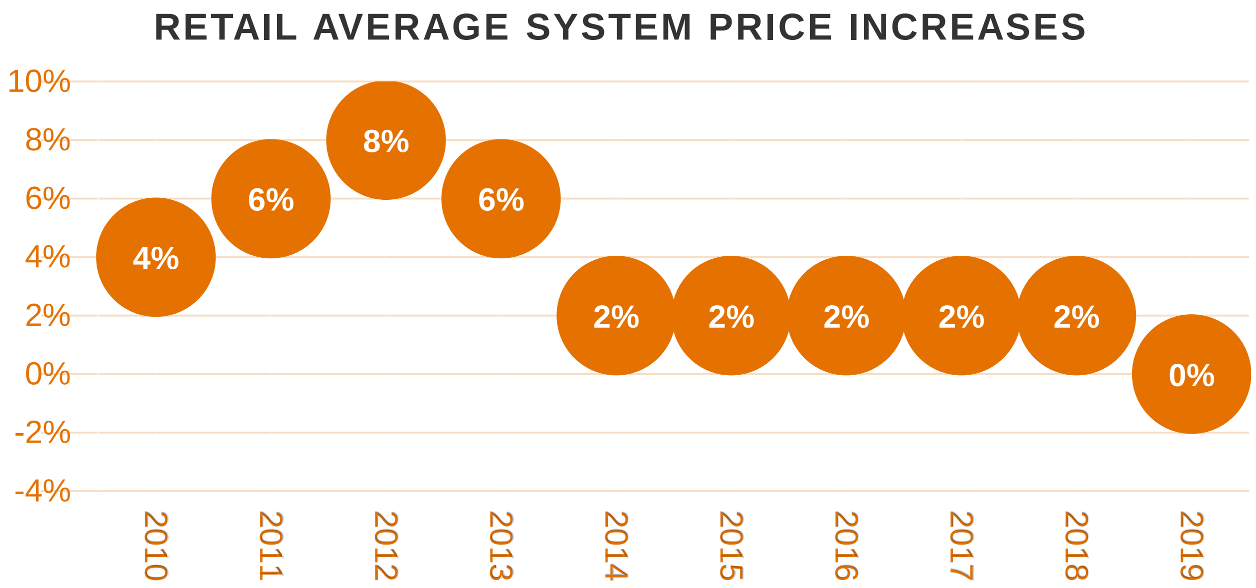


- Electric System comprised of sophisticated single- and three-phase electric service
- District maintains a large service area with ~4,351 miles of distribution lines and transmission lines
- Retail Electric Revenues is the largest revenue category
- Wholesale fiber operations is included in Electric System with an increasing "take rate" of ~54%

Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements. 2018 Annual Report.

Electric System - Retail

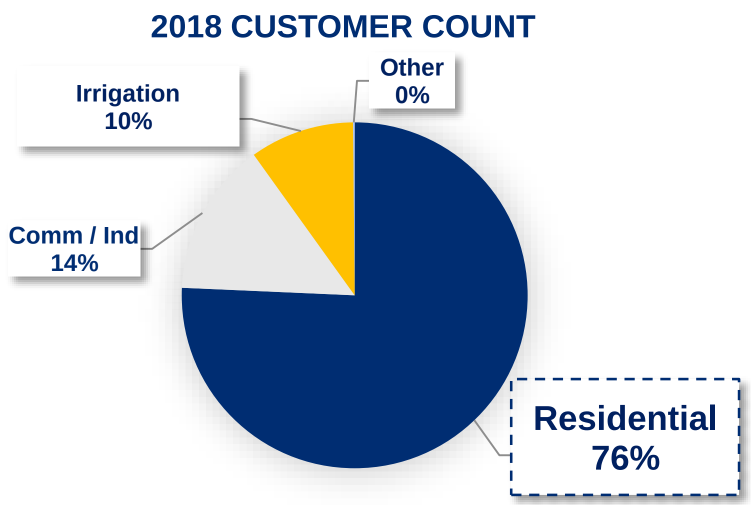


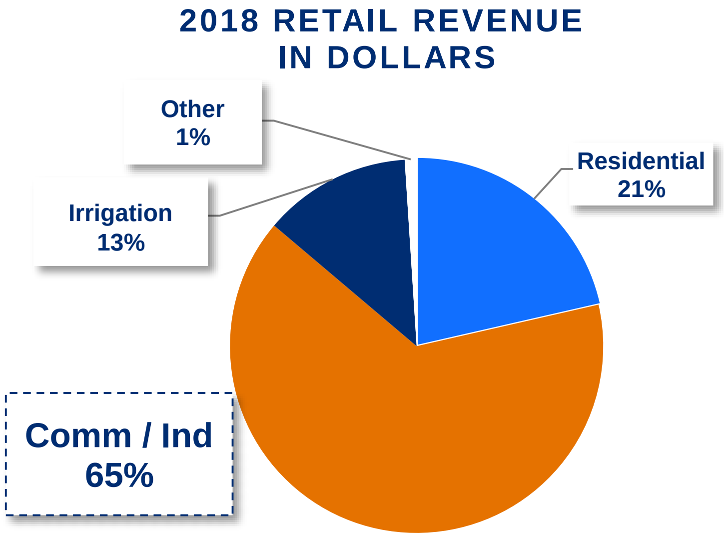


- Low and stable retail rates, resulting from lost cost PRP generation combined with wholesale management/strategy
- 2018 Average Retail of 4.1 cents / KWH delivered
- Rate policies provide protection to core retail customer classes and allocate marginal costs associated with growth/risks to non-core customers
- Commission-adopted price strategy of annual small/predictable increases, targeted at 2% or less since 2014

Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements. 2018 Annual Report.

Electric System - Retail





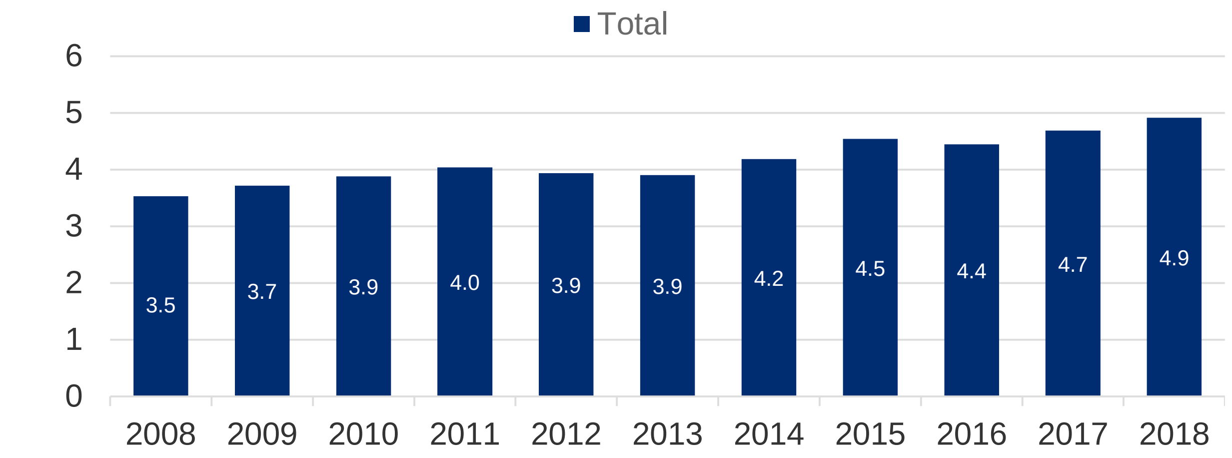
- Electric System retail meters = 51,269
- Customer count = 50,688
- Advanced Metering Infrastructure (AMI) smart meter installation was 90% completed at the end of 2018, planned completion Sept. 2019
- Service territory is 85-90% electric heating
- Grant is the only electric service provider in the county
- The Electric System's 10 largest customers used approximately 39% of total retail energy sold and provided approximately 35% of retail revenues in 2018

Electric System Largest Customers	
Customer	**Location**
Chemi-Con Materials Corp.	Moses Lake
Intergate Quincy, LLC	Quincy
Lamb-Weston, Inc.	Quincy/Warden
Microsoft Corp.	Quincy
Moses Lake Industries	Moses Lake
Norco, Inc.	Moses Lake
Nouryon Pulp & Performance (formerly. Akzo Nobel)	Moses Lake
REC Solar Grade Silicon LLC	Moses Lake
SGL Automotive Carbon Fibers LLC	Moses Lake
Verizon Wireless (formerly Yahoo!)	Quincy

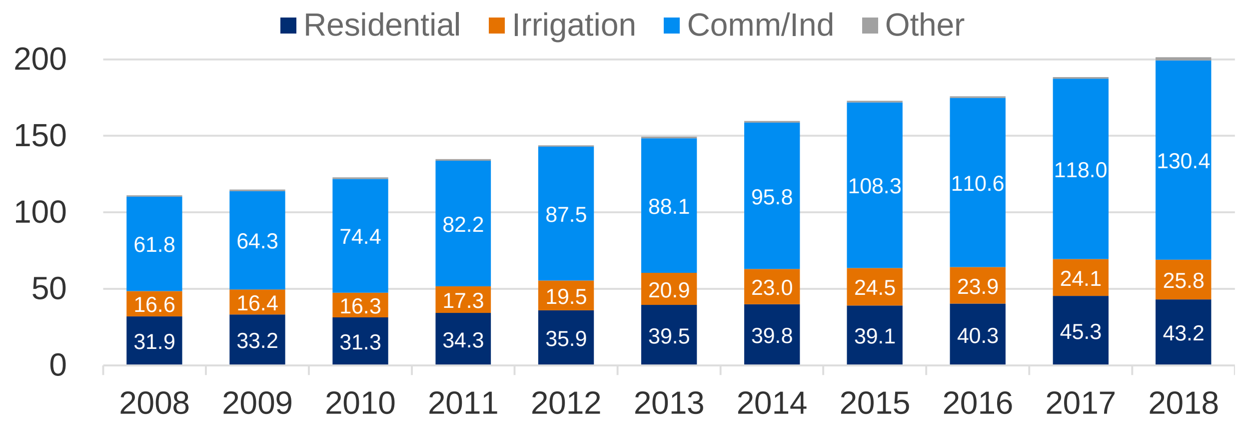
Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements. 2018 Annual Report.

Electric System - Retail

Energy Sales (millions of MWh)



Retail Revenue ($ in millions)



- Strong five-year retail growth of 26% (2013-2018)
- The prior five-year growth (2008-2013) was also strong at a total system increase of 11%
- The industrial sector accounts for a significant portion of the system growth with a 74% increase over the past ten years
- Stable residential base experiencing incremental growth
- System is dual peaking with winter and summer peaks
- District’s rate structure for industrial customers includes marginal cost of additional power sources
- System capital investment in distribution and transmission infrastructure enabling additional future growth
- The District expects an increase in Electric System load of 27% to 35% over the next five to seven years
- The District believes that this growth is manageable based on the availability of resources and the structure of the District’s Power Sales Contracts

Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements. EMMA.

Electric System

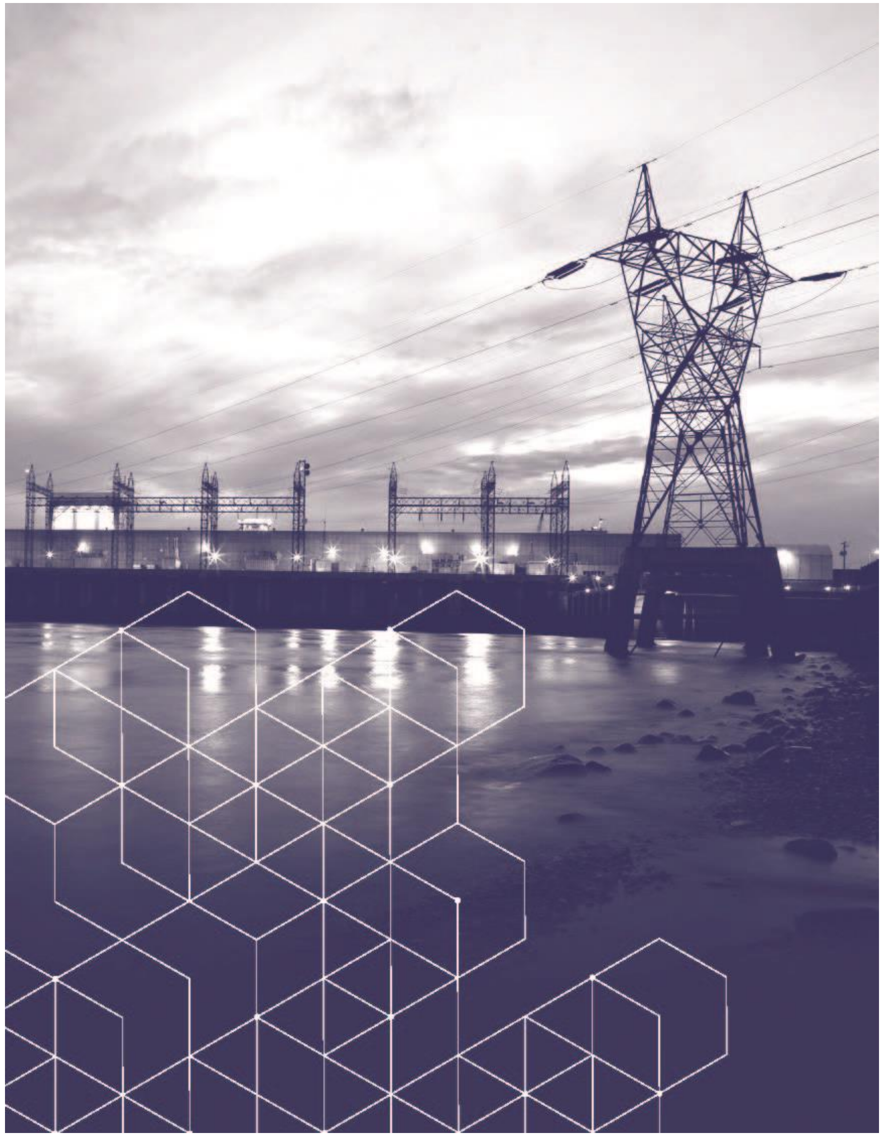
Power Supply and Wholesale Market

- District has implemented a hedging strategy over time that mitigates inherent fuel (water supply) and market risks

- Electric System sells "slice" output contracts from 63.3% physical offtake from PRP
  - Avangrid Renewables LLC – 10% PRP capacity output 1/1/19 - 12/31/21
  - Shell Energy North America Pooling Agreement – 53.3% capacity output 10/1/15 – 9/29/2020 – netted exchange of PRP output for firm power to meet Electric System's net load forecast
  - District is targeting to have replacement contracts in place in early 2020, executing a similar strategy

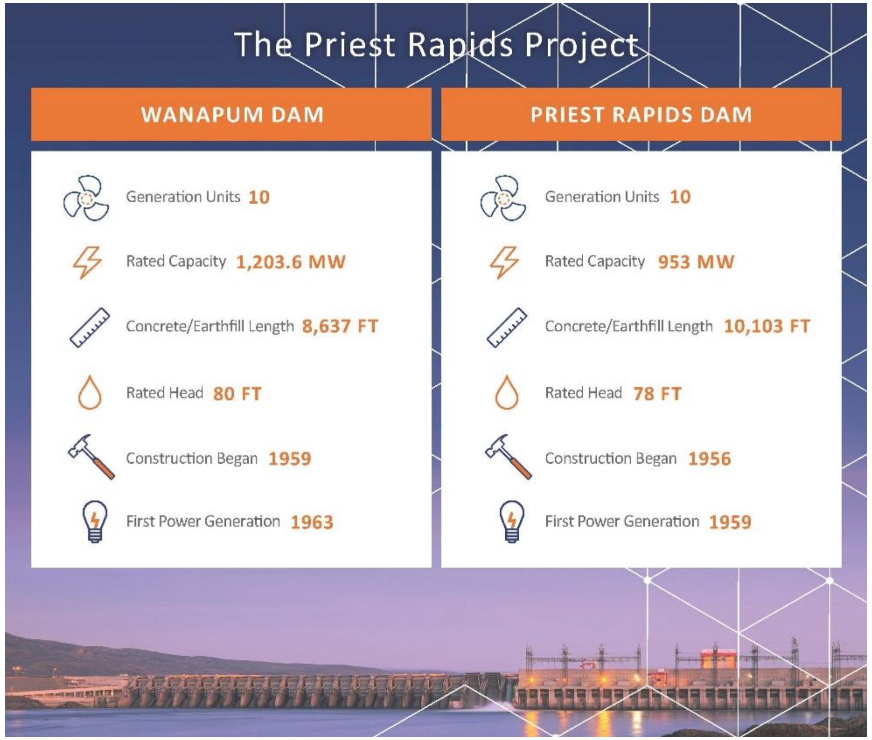
- District receives firm revenue stream and is able to purchase load positions in netted contracts

- Market purchases and sales are utilized as needed to manage smaller positions



Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements.

Generation – PRP



Historical cost of production

Year	$/MWH	% Avg Water	MHW Gen
2018	$18.13	111%	9,258,927
2017	$18.60	126%	9,041,481
2016	$16.14	96%	9,193,102

***2019 average cost of production is expected to be $24.58/MWH due to Columbia River run-off expected to be ~85% annual calendar year average; For reference, current Bonneville Power Administration rate = $37/MWH**

Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements.

- 1955-FERC license issued to construct PRP
- Both dams operational by 1963 – at the time the final unit was installed, PRP was the largest non-fed project; PRP is currently the third largest non-fed project
  - Priest Rapids Development operational in 1961, Wanapum operational in 1963
  - Long-term power sales contracts for separate developments with 8 northwest utilities thru 2005/2009
- 2005 & 2009 – new offtake contracts went into effect – combined output of Priest Rapids and Wanapum developments with 26 purchasers
- 2008 – FERC awarded new 44-year license to operate PRP (2052 license expiry)
- 2013 – All 10 units of Wanapum advanced turbine project completed. Generator upgrades began concurrently in 2010. Nine generators have been completed to date, with the final planned to be completed in 2020.
  - 17.7% nameplate generation uprating of each unit
- 2016 – Priest Rapids Development turbine life extension and generator rehab work began
  - Estimated completion of all 10 units is 2028. No uprating in capacity

Generation - PRP

2020 PRP Project Cost Allocation

Power Purchaser	% Share	Priest Rapids Project Nameplate Rating[1] (MW)
PacifiCorp Electric Operations	4.16%	90
Portland General Electric	4.16	90
Puget Sound Energy, Inc.	2.40	52
Tacoma Department of Public Utilities (Tacoma Power)	1.00	22
Seattle City Light	0.98	21
Avista Corporation	1.83	40
Public Utility District No. 1 of Cowlitz County	0.58	13
Eugene Water and Electric Board	0.50	11
Other Power Purchasers(2)	2.51	54
The District's Electric System	81.88	1,766
Total	100.00%	2,157

[1] Totals may not add due to rounding

- The long-term contracts define output rights and percentage share of production costs on an annual basis
- Grant's output rights are to claim physical power to meet load on a critical water planning basis up to 63.3% of output
  - Grant's retail load met this level in 2014
- 6.69% of output contractually goes to long term purchasers (exchangers and conversion contracts)
  - Historically purchasers received a larger share of output as Grant's load was growing
- 30% of output via a contractual financial mechanism allows Grant to meet load on a critical water planning basis
- The District has the right to take or benefit from up to 93.3% of the generating capacity of the Priest Rapids Project and pay its proportional share of the cost of production
- The District utilizes the wholesale market for meeting load combined with other resources

Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements.

Generation – Other Power Sources

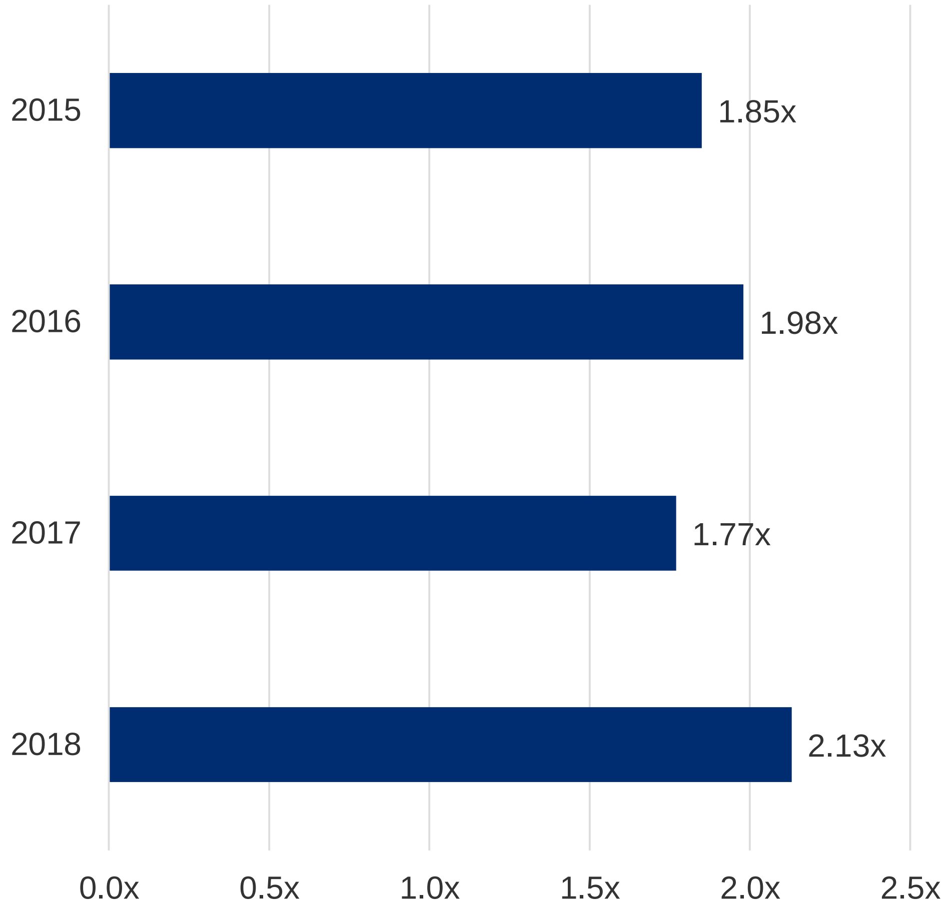
- Two in-county small hydro generation projects operated by the District with rights to output, contracts with the Columbia Hydro Power Authority (owner), expiry in 2025 and 2030
- Nine-Canyon Wind Farm output contract managed by Energy Northwest, expiry in 2030
- Bonneville PF contract for small Grand Coulee area load (~5 aMW), expiry in 2028
- District manages wholesale program through long-term and short-term market contracts to meet retail load and to manage wholesale position

Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements. 2018 Annual Report.

Financial Results

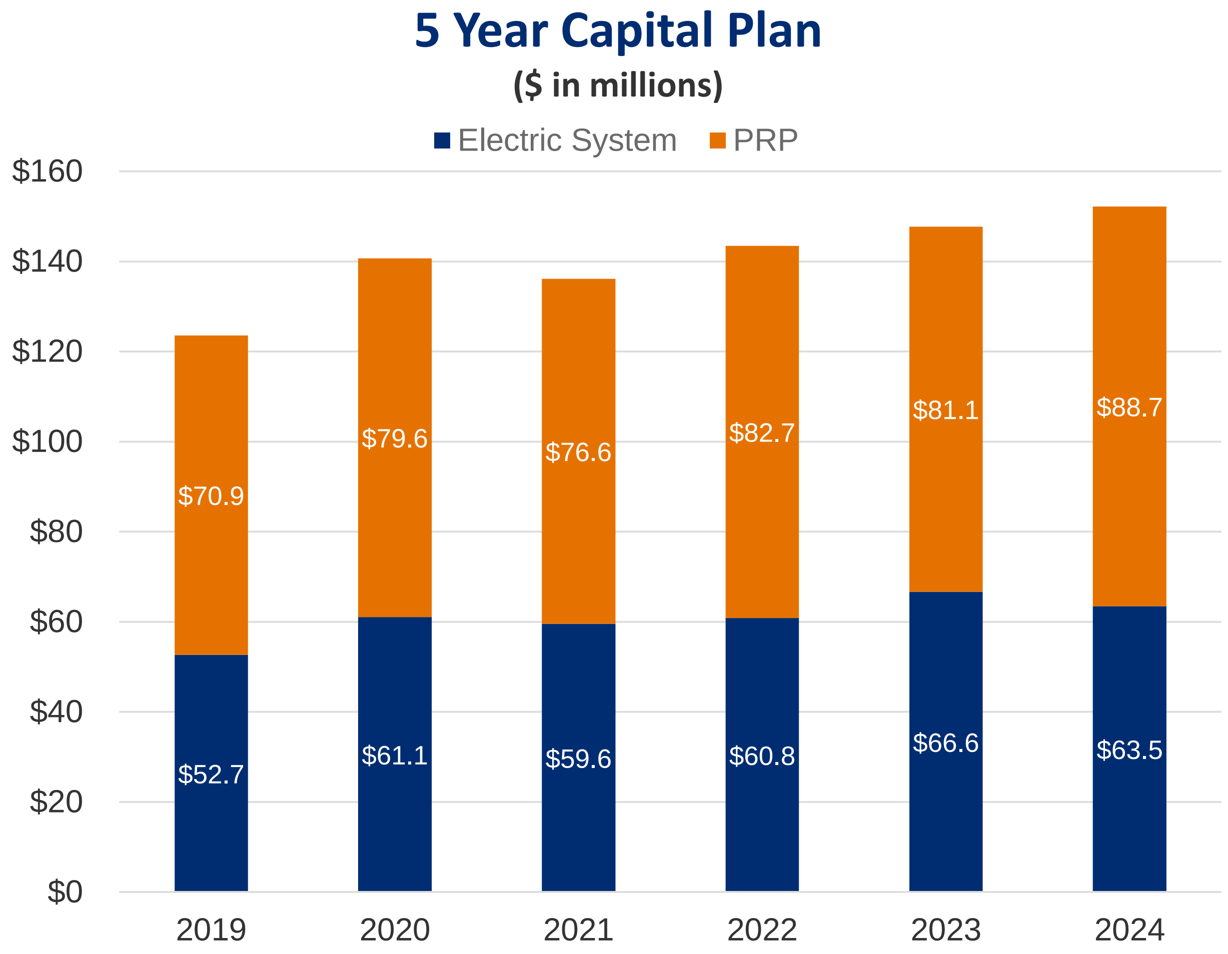
- District has demonstrated strong financial results with robust planning parameters
- Debt Service Coverage target ≥ 1.8x
  - Bond Covenants are 1.25x Electric Sr Lien, 1.15x PRP Sr Lien and 1.10x Electric Jr Lien
- 2018 Net Income = $89.9 million
- 2018 Total Unrestricted and Board Designated Funds = $281 million
- 2018 Total Assets (book value) $2.7 billion
- District maintains strong credit ratings
  - **ES:** Aa3/AA+/AA (Moody’s/S&P/Fitch)
  - **PRP:** Aa3/AA/AA (Moody’s/S&P/Fitch)

Debt Service Coverage Results (consolidated)



Source: Public Utility District of Grant County No. 2 Series 2020 Official Statements. 2018 Annual Report.

Financing Objectives



- The District targets a strong Debt Service Coverage Ratio > 1.8x and a leverage ratio of <60% debt compared to Net Plant
- Capital is financed through a mix of available revenues and debt
- The District issues taxable and tax-exempt debt and utilizes both fixed rate debt and variable rate instruments
- Five year capital plan:
  - PRP = $412 million
  - Electric = $312 million
- The capital projects are expected to be paid using a combination of available revenues and proceeds from future debt issuances

Source: Public Utility District of Grant County No. 2 2019 Q3 Forecast.

Plan of Finance

- The PRP 2020 Series Z and ES Series 2020-Q bonds will be issued as taxable bonds with a 10-year call option at par
- The proceeds of the issuances will be applied towards refunding the following outstanding bonds
    - PRP: 2013 Series A, 2013 Series Z, 2012 Series A
    - ES: Series 2013-J
- Additional outstanding PRP bonds will be defeased with other available funds of the District

Maturity Year	PRP 2020 Series Z Principal Amortization*
1/1/2021	2,265,000
1/1/2022	1,945,000
1/1/2023	5,440,000
1/1/2024	5,875,000
1/1/2025	6,000,000
1/1/2026	6,145,000
1/1/2027	6,290,000
1/1/2028	6,455,000
1/1/2029	6,625,000
1/1/2030	3,895,000
1/1/2031	4,005,000
1/1/2032	4,115,000
1/1/2033	4,270,000
1/1/2034	4,395,000
1/1/2035	4,540,000
1/1/2040	29,290,000
1/1/2043	28,850,000

Maturity	ES Series 2020-Q Principal Amortization*
1/1/2021	935,000
1/1/2022	750,000
1/1/2023	760,000
1/1/2024	3,185,000
1/1/2025	3,250,000
1/1/2026	3,325,000
1/1/2027	3,405,000
1/1/2028	3,490,000
1/1/2029	3,585,000
1/1/2030	3,680,000
1/1/2031	3,785,000
1/1/2032	3,885,000
1/1/2033	4,005,000
1/1/2034	4,125,000
1/1/2035	4,250,000
1/1/2038	13,605,000
1/1/2041	15,025,000

* Preliminary and subject to change

Transaction Timeline and Key Contacts

January 2020						
S	M	T	W	T	F	S
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Date	Event
December 31	Post Preliminary Official Statement
January 7	Priest Rapids Project, Indications of Interest and Launch
January 8	Electric System, Indications of Interest and Launch
January 29	Bond Closing

Key Contacts for Transactions

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