

2021 BUDGET PRESENTATION

OUR PLAN FOR DELIVERING VALUE TO OUR CUSTOMERS



Powering our way of life.

Topics Covered



Budget Initiatives &
Process



Strategic Initiatives



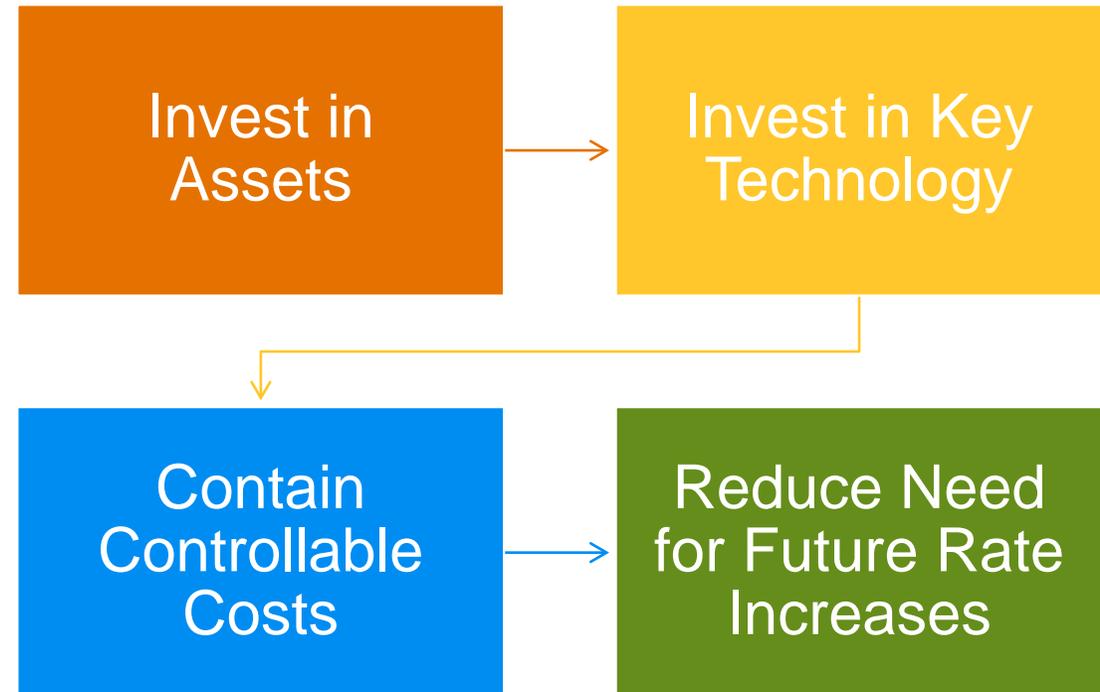
Summary of Results



Appendix – Scenarios

Keys for the Budget & Planning Process

1. Provide value for current and future Grant PUD customers
2. Maintain the utility's financial health



01

Major Budget Initiatives & Budget Process



Major Budget Initiatives & Process

2021 Budget aligned with customers' top priorities:

- Provide reliable electric power with few outages.
- Good customer service.
- Provide real-time information and communication on energy, use and outages.
- Keeping electricity prices as low as possible.

Source: 2019 Customer Satisfaction Survey

Major Budget Initiatives & Process

Major 2021 Budget Initiatives:

1. Grant PUD's financial position
2. Implementation of data optimization – continuation of process
3. Labor / headcount needs to be balanced with strategic initiatives
4. Refinement of Enterprise Project Portfolio Management (EPPM) for Capital

Major Budget Initiatives & Process

2021 Budget Process:

1. Bottom up input from all cost centers for O&M and labor
2. Chief executive officer (CXO) review and request for revisions
3. Refinement of O&M and labor with cost centers
4. Capital spending expectation refinement with EPPM and Project Management Office (PMO)
5. Second round CXO review
6. Budget for Public Presentation

02

Strategic Initiatives Overview



Strategic Initiatives Overview:

Operational Excellence

Organization: Human Performance Improvement, Corrective Action Program, Continuous Improvement, and Organizational Change Management, that coordinate with Organizational Leadership and Development.

Defined: Operational Excellence is a mindset from which the organization can continuously improve, provide value to our customers, and increase our competitive advantage and reliability.

Vision:

Every employee can see the flow of value to the customer and improve, maintain or fix that flow before it breaks down.

When something goes wrong, employees have the principles and tools to fix the problem without being dependent on management to provide the solution. Employees focus on improving, maintaining and repairing the flow while management focuses on growing and improving the business of the organization.

Results:

Increased organizational reliability and resiliency.

Increased visibility for meeting customer needs and providing valued services.

Strategic Initiatives Overview:

Organizational Leadership & Development

Strategic Plan Objective #2: Design and sustain an engaging & fulfilling Grant PUD culture.

Mission: We exist to support organizational health by creating clarity around how we lead, train and treat people at Grant PUD.

Vision: To reinforce a people-centric culture where employees acknowledge problems, focus on possibilities and share responsibility for their growth.

Key Actions (examples, not complete list):

Education and Training – Leadership Training, Building Resiliency Series

Onboarding Orientation – Minimize anxiety and early unknowns, ensures early alignment & awareness of organizational culture, values & norms, increases speed to productivity

Employee Engagement – Surveys on organizational health, rewards & recognition, effective management skills

Workforce Development – Job shadows, education reimbursement, long range resource planning, succession planning

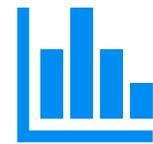
Strategic Initiatives Overview:

Tech Roadmap

- Technology Roadmap is under refresh to incorporate lessons learned since rollout in late 2018, and to incorporate changes in direction from new business leadership.
- Budget reflects a slowing in the pace of change for technology to allow business and IT to stabilize and normalize operations for technology deployed in 2020 (CCS and HCMS).
- GEN2/ESRI will consume significant resources from IT and T&D in 2021 to enable successful roll-out in early 2022.
- Key opportunities in 2021 include Enterprise-wide Asset Management and Core Financial System refresh.

03

Summary of Results



Total expenses for 2021 (before offsets)

All figures in Millions		2018 Actual	2019 Actual	2020 YEP	2020 Budget	2021 Budget
Operations & Maintenance – Total:		\$112.7	\$126.4	\$137.7	\$126.6	\$143.6
	Electric System O&M – Total:	\$37.6	\$52.2	\$59.2	\$55.7	\$59.4
	Electric System O&M – Direct:	*	*	\$20.9	\$23.9	\$22.4
	Electric System O&M – Labor:	*	*	\$38.4	\$31.7	\$37.0
Priest Rapids Project O&M – Total:		\$75.1	\$74.2	\$78.5	\$70.9	\$84.1
	PRP O&M – Direct:	*	*	\$32.5	\$32.7	\$39.5
	PRP O&M – Labor:	*	*	\$45.9	\$38.2	\$44.6
Taxes:		\$16.8	\$17.9	\$17.7	\$18.3	\$18.1

*Historical breakout not available

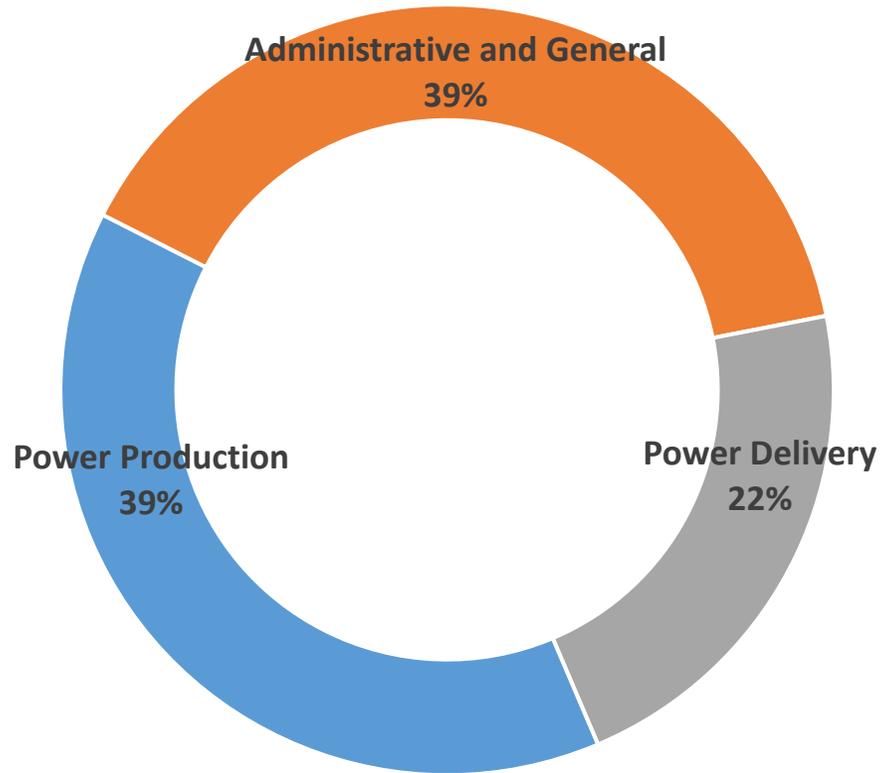
Total expenses for 2021 (before offsets) – Cont.

All figures in Millions		2018 Actual	2019 Actual	2020 YEP	2020 Budget	2021 Budget
Capital – Total:		\$125.1	\$123.7	\$131.3	\$140.7	\$143.3
	Electric System Capital – Total:	\$44.0	\$57.2	\$69.6	\$61.1	\$73.7
	Electric System Capital – Direct:	*	*	\$60.4	\$42.7	\$60.7
	Electric System Capital – Labor:	*	*	\$9.3	\$18.4	\$13.0
	Priest Rapids Project Capital – Total:	\$81.2	\$66.5	\$61.7	\$79.6	\$69.7
	PRP Capital – Direct:	*	*	\$49.6	\$62.6	\$52.4
	PRP Capital – Labor:	*	*	\$12.1	\$17.0	\$17.2
Debt Service (net of rebates):		\$86.5	\$87.8	\$73.0	\$85.2	\$75.6
TOTAL:		\$341.1	\$356.9	\$359.7	\$370.9	\$380.6

*Historical breakout not available

Operations and Maintenance Expense

2020 O&M by Functional Org

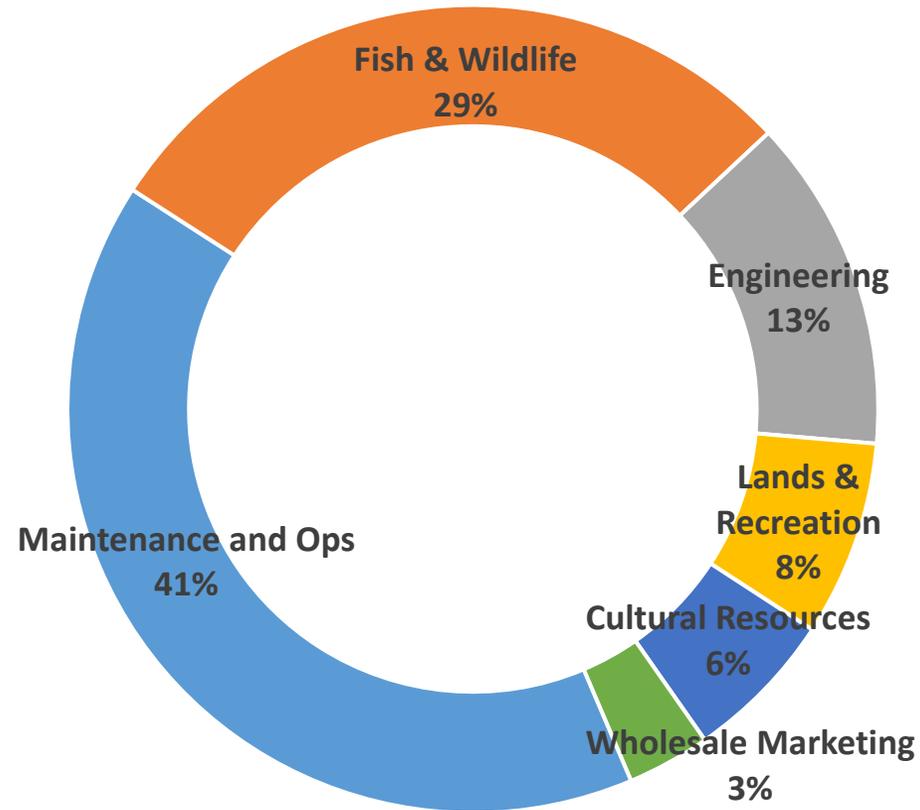


Cost Type	2021
Labor	\$81.6
Purchased Services	\$32.8
General & Administration	\$11.4
Operating Materials and Equipment	\$7.6
Information Technology	\$6.2
Risk	\$2.6
Transportation	\$1.4
Total	\$143.6

*All figures in millions; non-operational adjustment allocations estimated
Purchased Services includes utilities*

- Operations and maintenance (O&M) expense includes both labor and operating expenses, net of labor to capital.
- Total 2021 O&M of \$143.6M can be reviewed programmatically in three categories.
- Split by functional organization remains both largely constant over the five-year period and unchanged from past budgets.

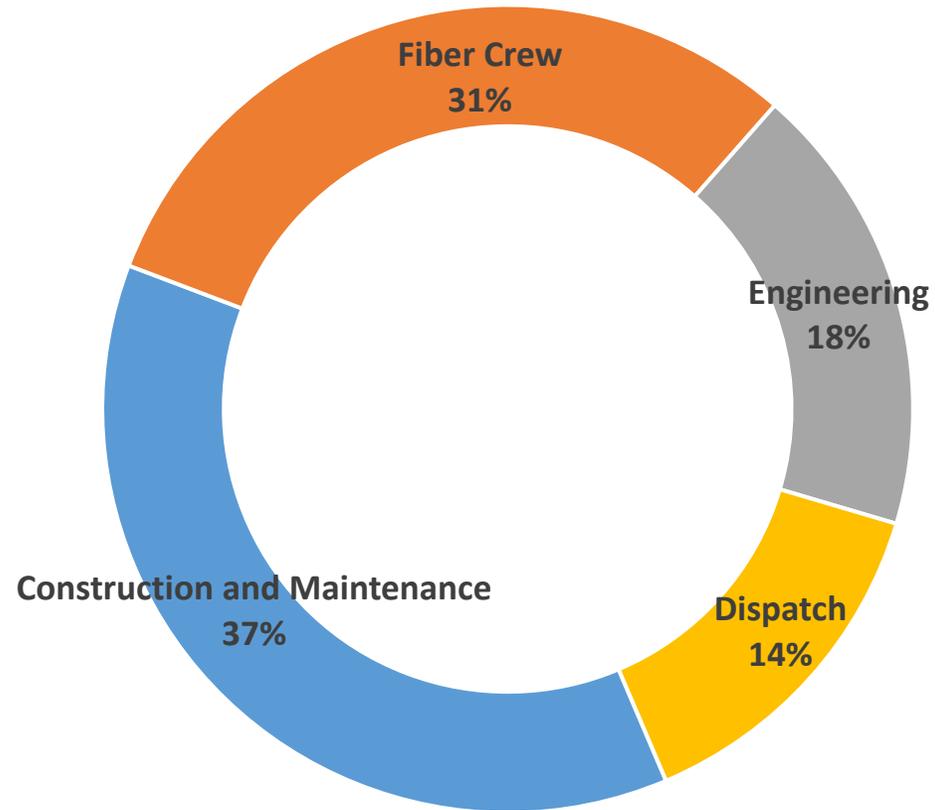
2021 Power Production O&M



Cost Type	2021
Labor	\$30.6
Purchased Services	\$16.4
General & Administration	\$5.8
Operating Materials and Equipment	\$2.9
Information Technology	\$0.1
Risk	\$0.0
Transportation	\$0.0
Total	\$55.8

*All figures in millions; non-operational adjustment allocations estimated
Purchased Services includes utilities*

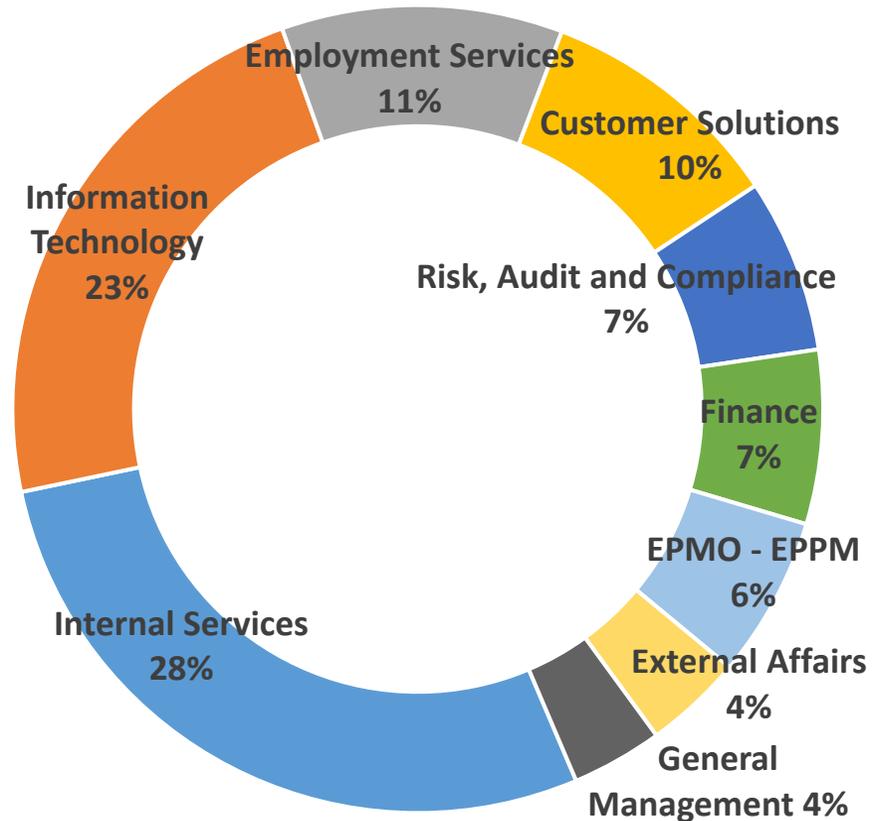
2021 Power Delivery O&M



Cost Type	2021
Labor	\$24.2
Purchased Services	\$2.6
General & Administration	\$0.9
Operating Materials and Equipment	\$3.3
Information Technology	\$0.1
Risk	\$0.0
Transportation	\$0.0
Total	\$31.1

*All figures in millions; non-operational adjustment allocations estimated
Purchased Services includes utilities*

2021 Administrative & General O&M

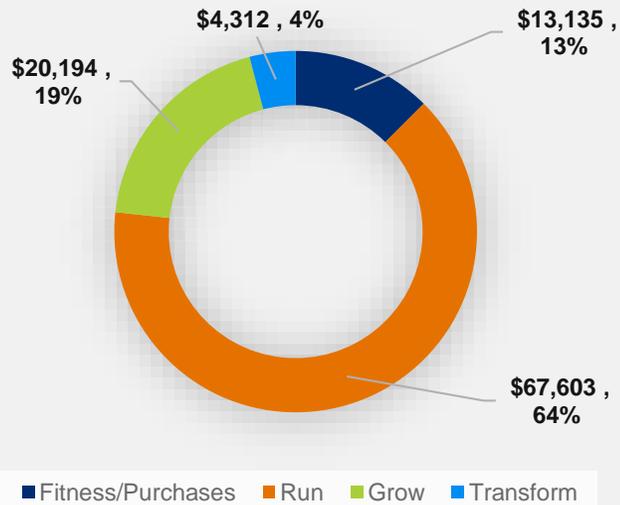


Cost Type	2021
Labor	\$26.8
Purchased Services	\$13.8
General & Administration	\$4.7
Operating Materials and Equipment	\$1.4
IT	\$6.0
Risk	\$2.6
Transportation	\$1.4
Total	\$56.7

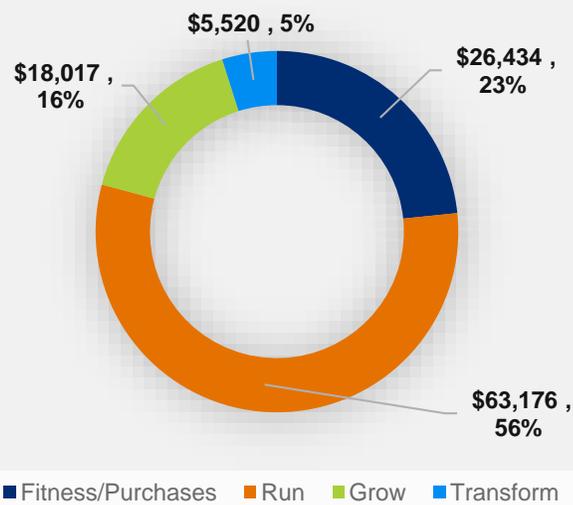
*All figures in millions; non-operational adjustment allocations estimated
Purchased Services includes utilities*

2021 Consolidated Capital Plan

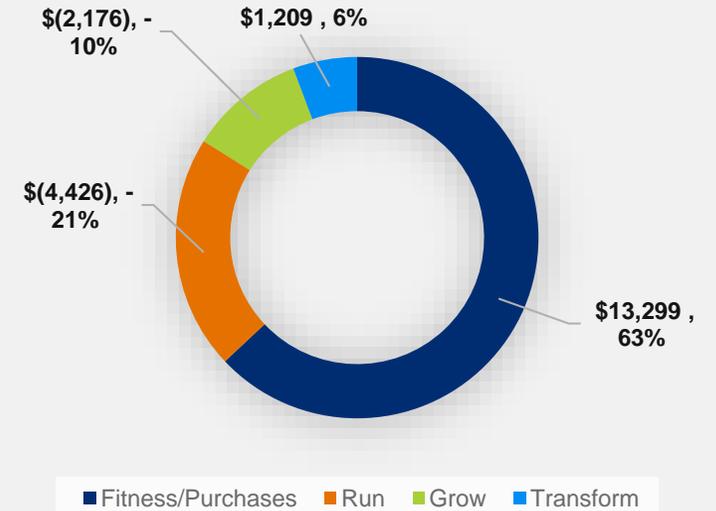
Budget 2020 = \$105.2M



Budget 2021 = \$113.1M



Current vs Budget = \$7.9M



Note: Costs exclude Internal Labor

\$113 Million in 2021

- RUN: Operational requirement to maintain current or core business/capabilities. - Something that is typical for a like situated firm to undertake on a regular basis. **Operate & Maintain**
- GROW: Specifically done for expanding current business/capabilities. - Something that significantly improves efficiencies of scale or expansion of a core business/capability. **Enhance & Expand**
- TRANSFORM: Introduction of a new business/capability. - Something that introduces a new strategic capability. **Innovate & Drive**

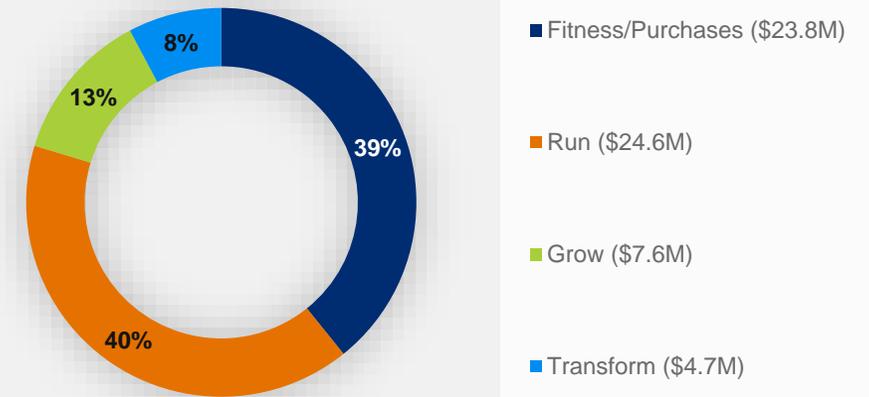
2021 Electric System Capital Plan

Expected ELEC Capital (2021 Dollars, \$M)



Note: Costs exclude Internal Labor

ELEC System, Budget 2021 = \$60.7M



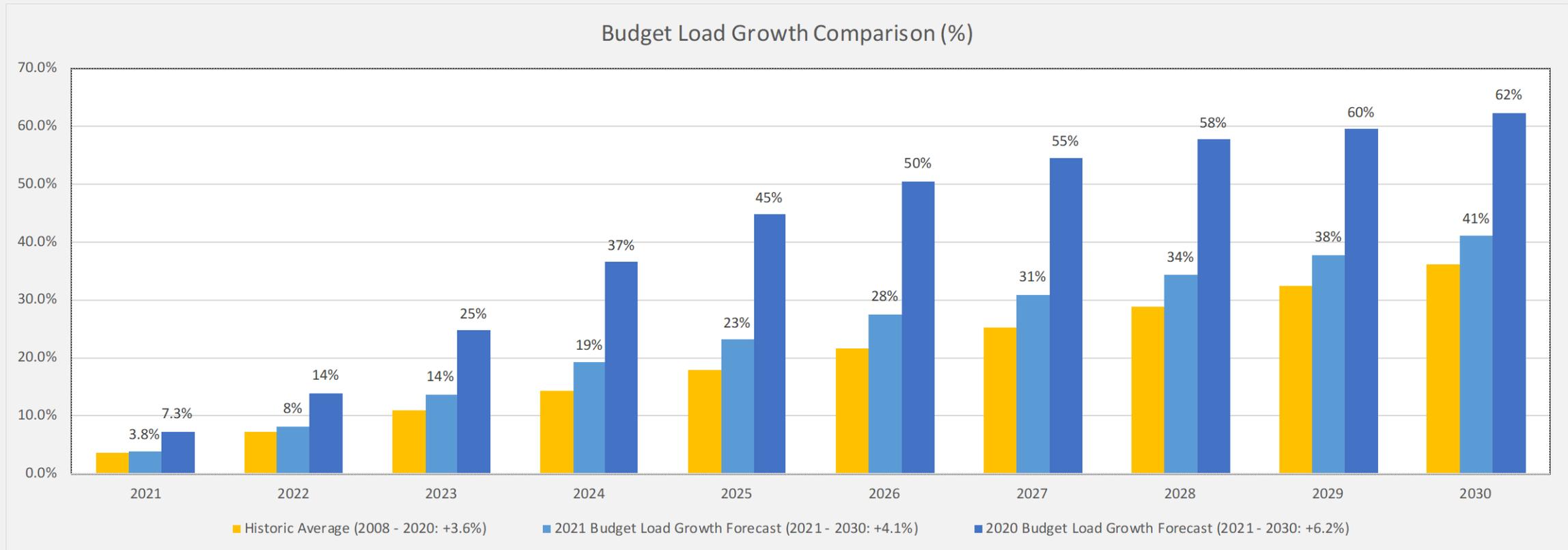
Major 2021 ELEC System Capital:

- Fiber Expansion
 - Expected to spend more than \$11M of direct capital project dollars for 2021
- Design Build Phase 2
 - Expected to spend more than \$26M of direct capital project dollars for 2021
 - 76% of the project dollars are associated with 4 projects
- Significant Facilities Work
 - Expected to spend more than \$6M of direct capital project dollars for 2021
 - Major work for both the Ephrata and Moses Lake Service Centers

Major Transmission/Distribution Capital:

- Substations
 - Design Build Phase 2 - Royal City Substation, Baird Substation, Burke Substation
 - Mobile Substations (41MVA)
 - South Ephrata Substation
- Transmission
 - Design Build Phase 2 - Mtn View Capacitor Bank, Red Rock Transmission Line
 - Rapids-Columbia (with BPA)

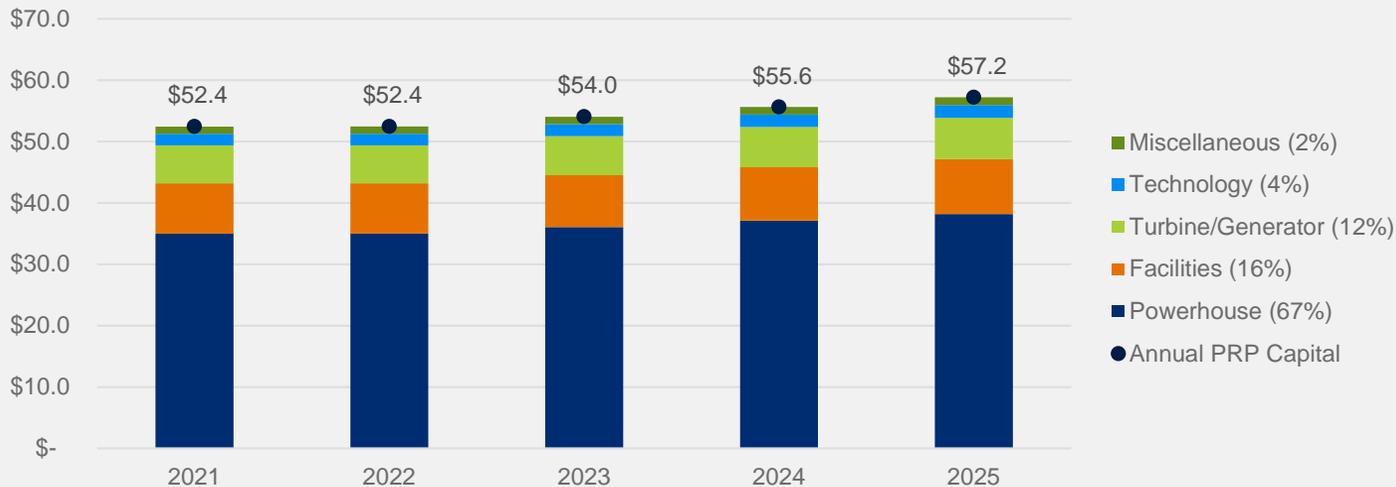
2021 Electric System Capital Plan – Load Growth



- Forecast over Forecast, load growth rates decrease by 2.1% for 2020-2029
- Expected load growth continues to outpace the historical rate of 3.6%
 - The increasing growth rate is associated with new large customers

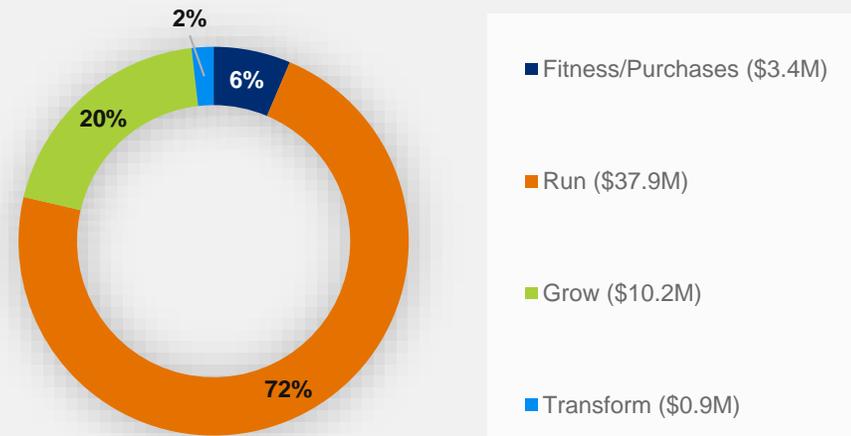
2021 Priest Rapids System Capital Plan

Expected PRP Capital (2021 Dollars, \$M)



Note: Costs exclude Internal Labor

PRP System, Budget 2021 = \$52.4M



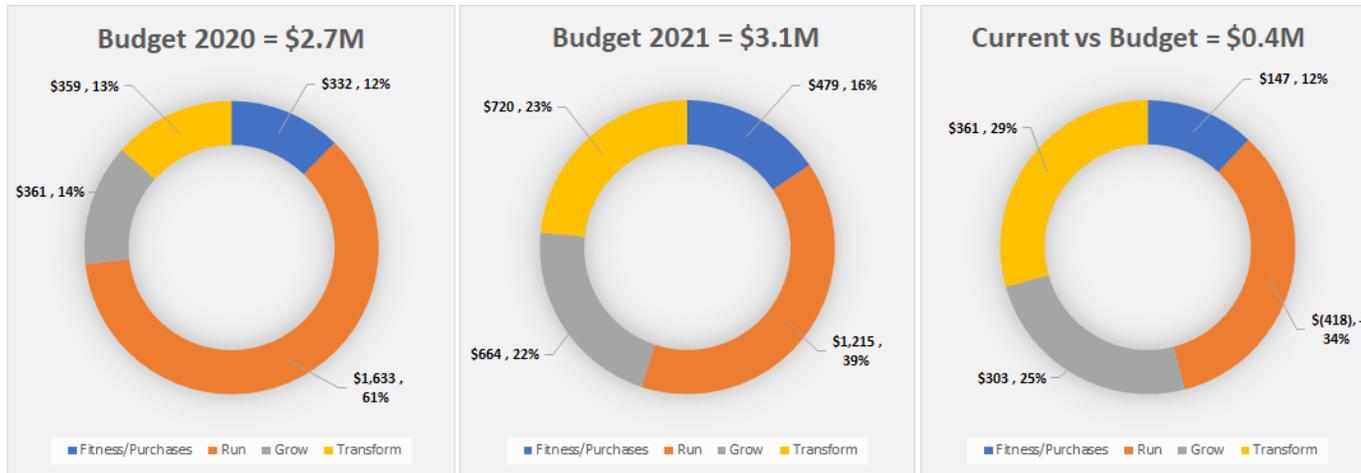
Major 2021 Priest Rapids Project System Capital:

- Powerhouse
 - Priest Rapids Embankment Improvements - Expected to spend more than \$16M
 - Priest Rapids Project Station/Substation Refurbishment/Replacement
 - Priest Rapids Dam Unit Controls

- Priest Rapids Turbine Upgrade - Expected to spend more than \$13M, PR Generator Rewind - Expected to spend more than \$5.5M

- Other
 - Fish & Wildlife - Expected to spend ~\$1M
 - Wanapum Left Embankment - Expected to spend ~\$1M

2021 Capital Plan – Technology



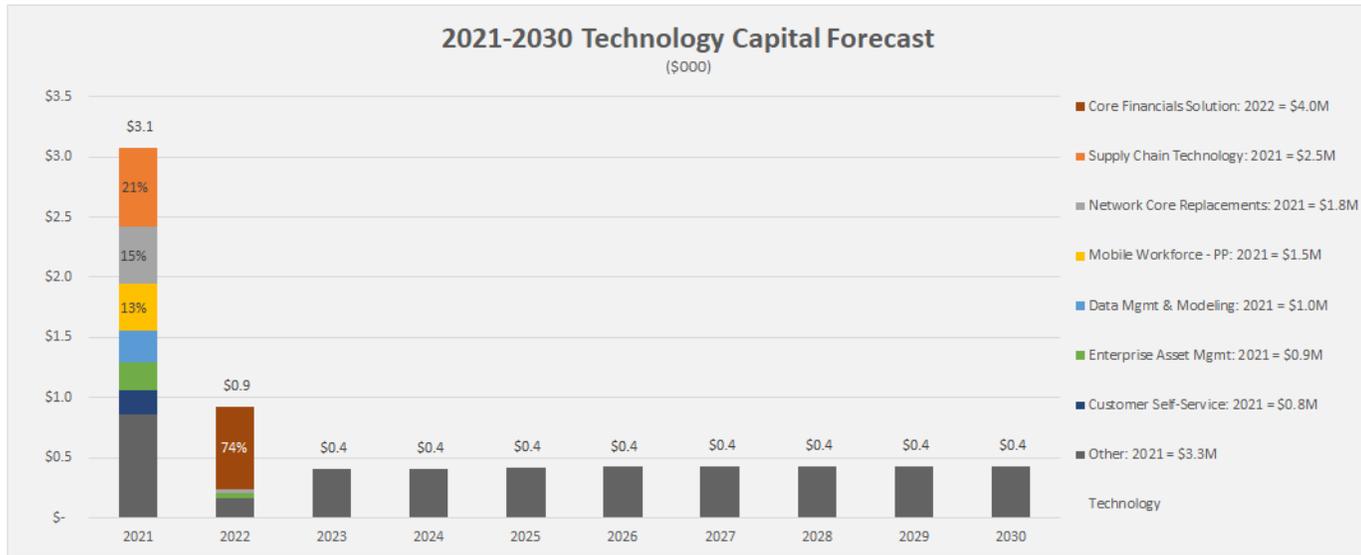
Technology Capital Plan Characteristics

23%
of 2021 projects are classified as "Transform," providing innovation to the enterprise

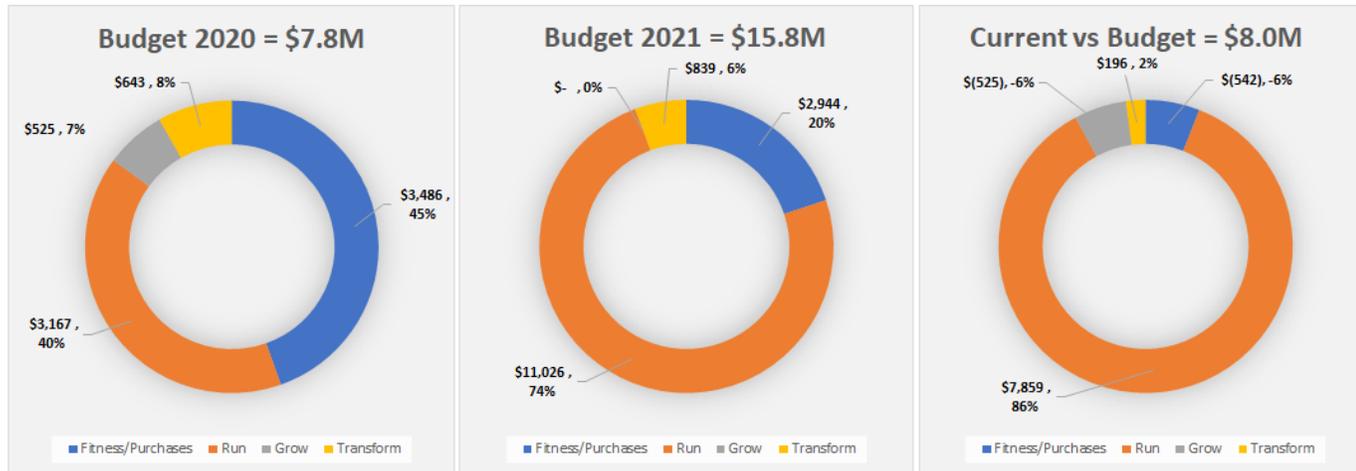
72%
of 2021 dollars represented by Top 6 projects

Notable Forecasted Projects

- Core Financials Solution \$4M in 2022



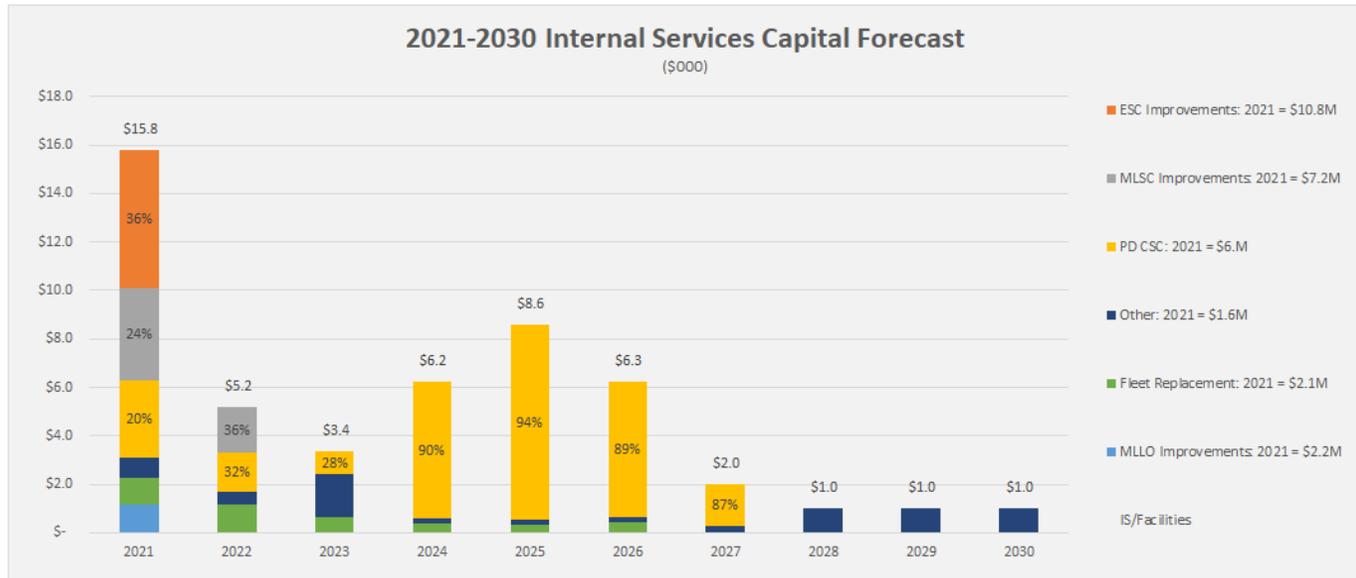
2021 Capital Plan – Internal Services /Facilities



IS/Facilities Capital Plan Characteristics

74%
of 2021 projects are classified as "Run"

95%
of 2021 dollars represented by Top 5 projects



Notable Forecasted Projects

- QLO Facility Improvements
\$2.1M in 2023
- Power Delivery SC
\$120.1M 2023-27

Expense Offsets for 2021 Budget

1. Contributions in Aid of Construction.....(\$6.5M)
(Money paid by customers to build infrastructure)
2. Sales to Power Purchasers at Cost.....(\$17.8M)
(As required by our Federal License)
3. Net Power (expenses minus revenue).....(\$77.8M)
(Net of market power purchases and sells)
4. Conservation Loans.....(\$0.1M)
(Money paid back from low-interest
conservation loans to customers)
5. Total Offsets(\$102.1M)
6. **Total Expenses after Offsets.....\$278.4M**

Preliminary Budget Summary – Total Expenditures

<i>Exhibit A - Summary of Budget Items</i>	Actuals	Budget	Forecast	→					
<i>\$'s in millions</i>	2019	2020	2020	2021	2022	2023	2024	2025	
TOTAL O&M	127,562	126,580	137,669	143,552	147,102	148,938	154,744	161,201	
TAXES	17,886	18,341	17,697	18,098	18,253	18,960	19,747	20,364	
ELECTRIC CAPITAL	57,158	61,071	69,602	73,676	72,750	73,390	73,950	74,844	
PRP CAPITAL	66,512	79,639	61,707	69,657	71,449	74,791	78,619	82,411	
DEBT SERVICE (net of rebates)	87,756	85,236	73,045	75,574	80,035	77,938	81,055	86,112	
TOTAL EXPENDITURES	356,874	370,867	359,720	380,556	389,589	394,017	408,114	424,934	
Expenditure offsets for deduction									
Contributions in Aid of Construction	(8,511)	(2,300)	(2,300)	(6,478)	(11,736)	(14,337)	(14,343)	(12,152)	
Sales to Power Purchasers at Cost	(29,443)	(21,136)	(27,448)	(17,777)	(14,261)	(13,911)	(14,237)	(14,520)	
Net Power (+ Expense, - Revenue)	(69,381)	(55,658)	(83,349)	(77,757)	(86,187)	(82,259)	(73,407)	(63,941)	
Conservation Loans	(13)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	
TOTAL EXPENDITURE OFFSETS	(107,348)	(79,219)	(113,222)	(102,137)	(112,309)	(110,632)	(102,111)	(90,738)	
TOTAL BUDGETED EXPENDITURES	249,526	291,648	246,497	278,419	277,280	283,386	306,002	334,196	

Preliminary Budget Summary – Net Position

<i>Exhibit B - \$'s in millions</i>		Actuals	Budget	Forecast					
CONSOLIDATED OPERATIONAL PERFORMANCE		2019	2020	2020	2021	2022	2023	2024	2025
Sales to Power Purchasers at Cost		29,443	21,136	27,448	17,777	14,261	13,911	14,237	14,520
Retail Energy Sales **		209,896	222,945	203,907	211,798	220,160	230,989	242,952	252,476
Net Power (Net Wholesale+Other Power Revenue)		69,381	55,658	83,349	77,757	86,187	82,259	73,407	63,941
Fiber Optic Network Sales		9,431	9,762	10,200	10,400	10,600	10,800	11,000	11,200
Other Revenues		2,532	1,714	1,314	1,453	1,453	1,453	1,453	1,453
Operating Expenses		(127,562)	(126,580)	(137,669)	(143,552)	(147,102)	(148,938)	(154,744)	(161,201)
Taxes		(17,886)	(18,341)	(17,697)	(18,098)	(18,253)	(18,960)	(19,747)	(20,364)
Net Operating Income(Loss) Before Depreciation		175,235	166,295	170,852	157,535	167,305	171,514	168,559	162,024
Depreciation and amortization		(76,588)	(75,866)	(75,762)	(76,092)	(75,409)	(77,717)	(80,136)	(82,912)
Net Operating Income (Loss)		98,647	90,429	95,090	81,443	91,896	93,797	88,422	79,112
Other Revenues (Expenses)									
Interest, debt and other income		(23,279)	(27,146)	(30,705)	(40,239)	(38,601)	(39,284)	(42,396)	(45,082)
CIAC		8,511	2,300	2,300	6,478	11,736	14,337	14,343	12,152
Change in Net Position		83,880	65,583	66,685	47,682	65,032	68,850	60,369	46,182

**Annual Rate
Adjustments
set at 0.1%
beginning 2021

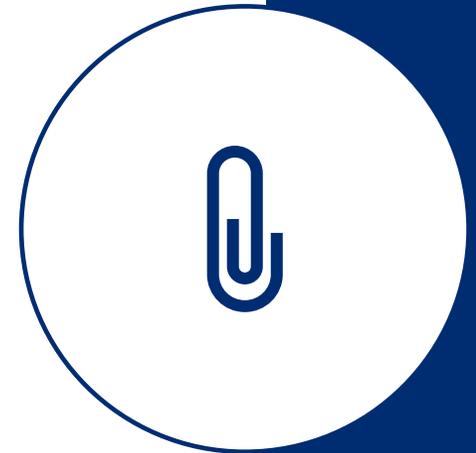
Preliminary Budget Summary – Key Metrics

	Target	Actuals 2019	Budget 2020	Forecast 2020	2021	2022	2023	2024	2025
NET INCOME		83,880	65,583	66,685	47,682	65,032	68,850	60,369	46,182
LIQUIDITY (measured at year end)									
Elect System Liquidity (Rev + R&C)	\$105 MM	134,841	113,411	109,073	109,858	111,181	112,363	113,317	114,233
Excess Liquidity		67,562	14,063	76,013	102,660	67,610	47,894	61,274	62,094
Days Cash On Hand	> 250	624	410	504	412	443	404	419	406
LEVERAGE									
Consolidated DSC	>1.8x	2.13	2.04	2.16	2.10	2.25	2.22	2.22	2.03
Consolidated Debt/Plant Ratio	≤ 60%	57.4%	57%	51.7%	52.0%	50.3%	49.0%	49.8%	50.2%
PROFITABILITY									
Consolidated Return on Net Assets	>4%	3.8%	3.0%	2.9%	2.0%	2.7%	2.8%	2.4%	1.8%
Retail Operating Ratio	≤ 100%	106%	106%	111%	116%	117%	113%	112%	112%

04

Appendix - Scenarios

Events that could have a significant impact on budget

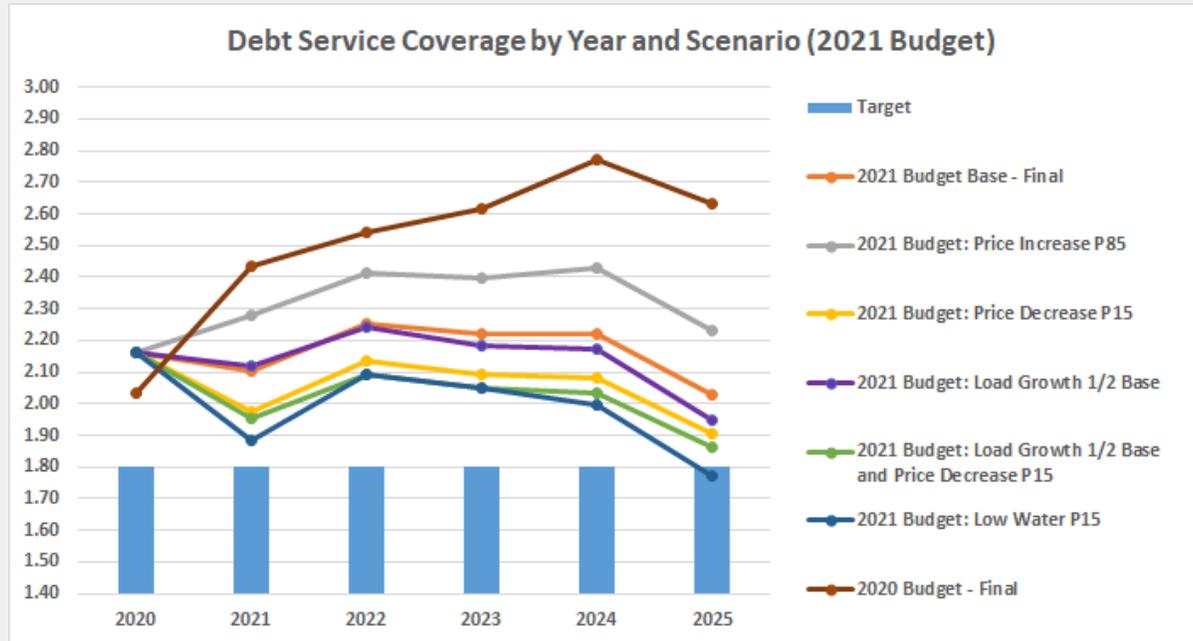


Operational Scenario Descriptions

6 Scenarios – provide metrics impact for movement in volatile parts of Grant PUD operations

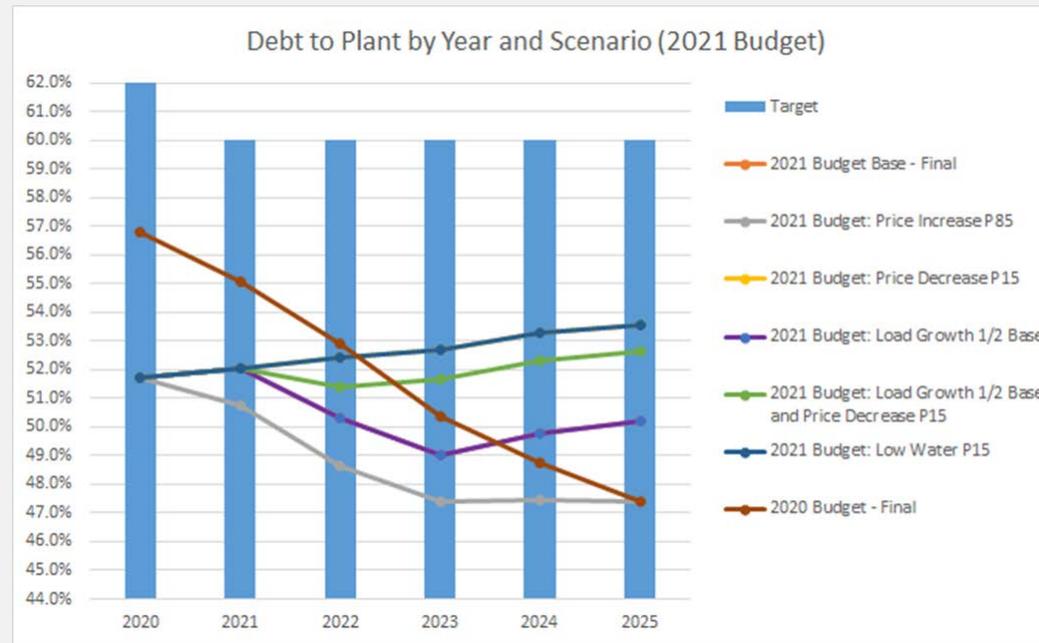
- Scenarios that provide insight on Grant PUD's exposure to wholesale prices, that is selling and buying from the market when Grant's resources don't match load needs.
 - High wholesale prices (P85, prices only higher 15% of time)
 - Low wholesales prices (P15, prices only lower 15% of time)
- Scenarios that show how Grant PUD's financial metrics respond when load growth (electricity sales to retail customers) slows down from expected growth.
 - Low load growth at $\frac{1}{2}$ growth rate of base forecast
 - Low load growth ($\frac{1}{2}$ Base) combined with low wholesale prices (P15)
- Scenario that provides the impact of changing water conditions on the Columbia River
 - Low water (P15, water flow at dams only lower 15% of the time)
- Looked at scenario where wholesale slice deals, beyond Morgan Stanley are also netted. The only impact was to improve Days Cash on Hand for 2021.

Operational Scenarios – Comparison to Base Budget



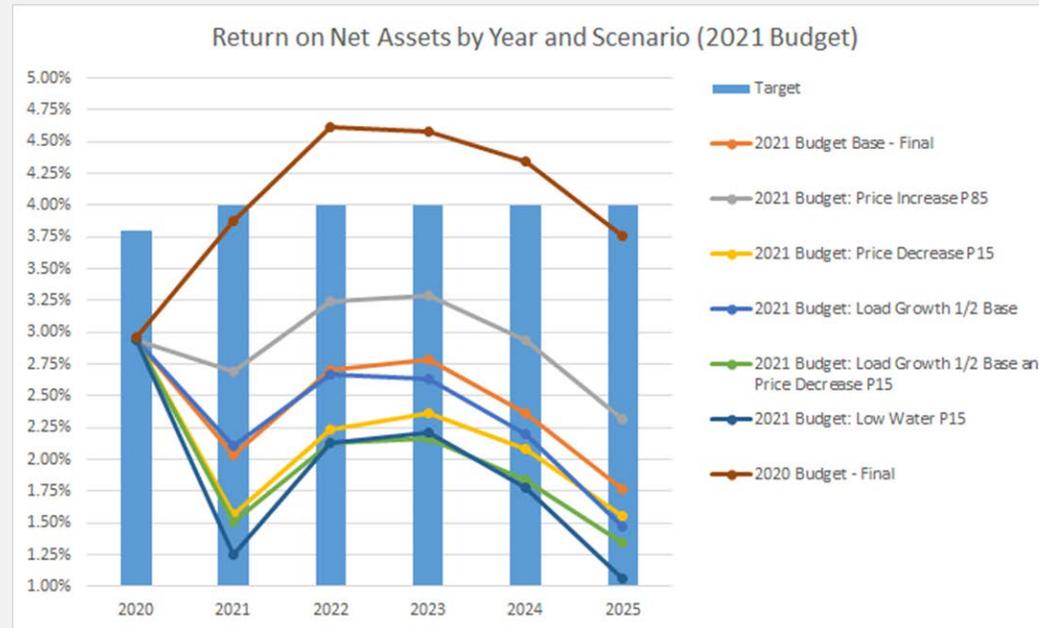
Debt Service Coverage (DSC)	2020	2021	2022	2023	2024	2025
Target	1.80	1.80	1.80	1.80	1.80	1.80
2021 Budget Base - Final	2.16	2.10	2.25	2.22	2.22	2.03
2021 Budget: Price Increase P85	2.16	2.28	2.41	2.40	2.43	2.23
2021 Budget: Price Decrease P15	2.16	1.97	2.13	2.09	2.08	1.90
2021 Budget: Load Growth 1/2 Base	2.16	2.12	2.24	2.18	2.17	1.95
2021 Budget: Load Growth 1/2 Base and Price Decrease P15	2.16	1.95	2.09	2.05	2.03	1.86
2021 Budget: Low Water P15	2.16	1.89	2.09	2.05	2.00	1.77
2020 Budget - Final	2.04	2.44	2.54	2.61	2.77	2.63

Operational Scenarios – Comparison to Base Budget



Debt to Net Plant	2020	2021	2022	2023	2024	2025
Target	62.0%	60.0%	60.0%	60.0%	60.0%	60.0%
2021 Budget Base - Final	51.7%	52.0%	50.3%	49.0%	49.8%	50.2%
2021 Budget: Price Increase P85	51.7%	50.7%	48.7%	47.4%	47.5%	47.4%
2021 Budget: Price Decrease P15	51.7%	52.0%	52.4%	52.7%	53.3%	53.6%
2021 Budget: Load Growth 1/2 Base	51.7%	52.0%	50.3%	49.0%	49.8%	50.2%
2021 Budget: Load Growth 1/2 Base and Price Decrease	51.7%	52.0%	51.4%	51.7%	52.3%	52.6%
2021 Budget: Low Water P15	51.7%	52.0%	52.4%	52.7%	53.3%	53.6%
2020 Budget - Final	56.8%	55.1%	52.9%	50.4%	48.7%	47.4%

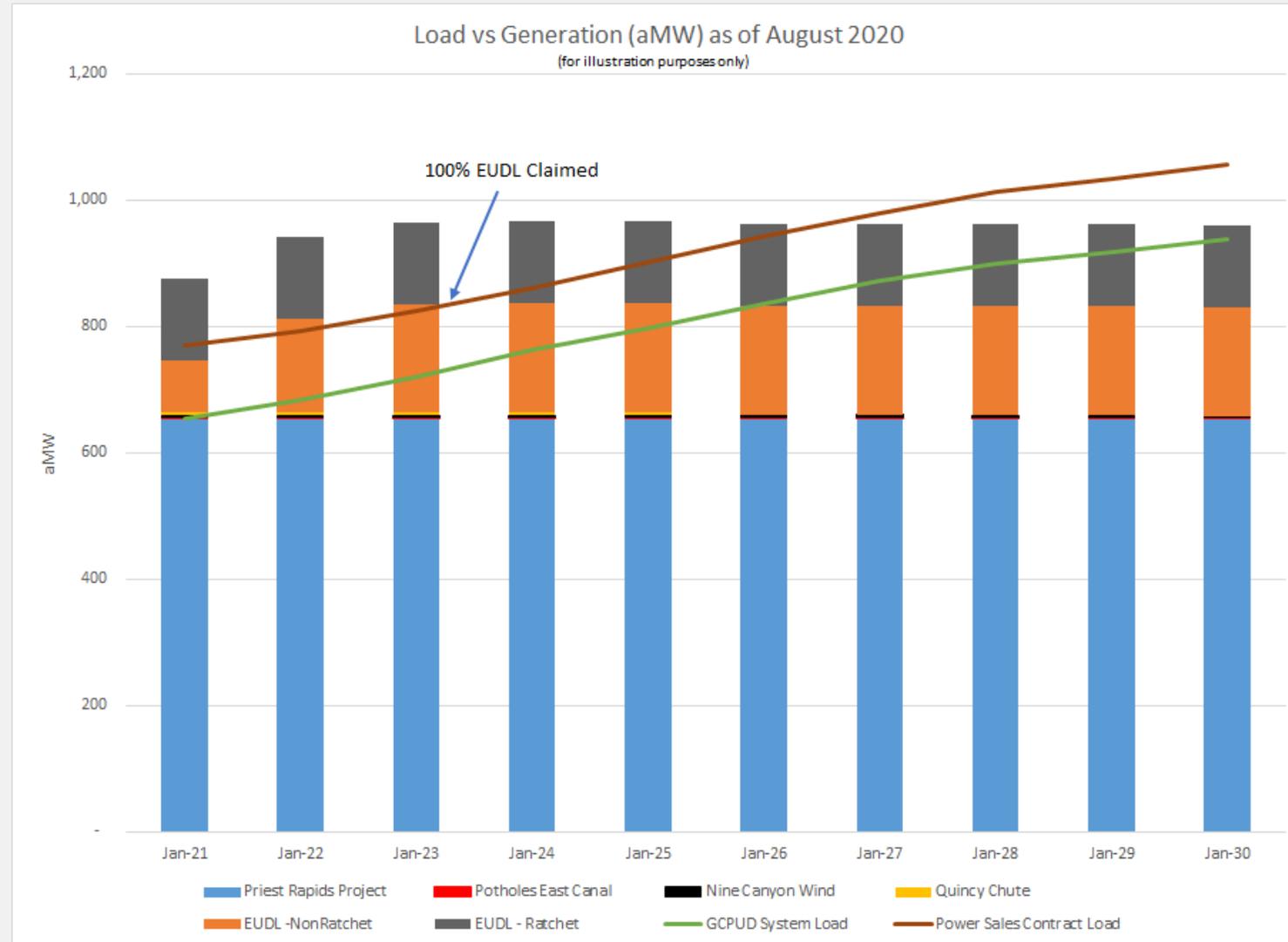
Operational Scenarios – Comparison to Base Budget



Return on Net Assets (RONA)	2020	2021	2022	2023	2024	2025
Target	3.80%	4.00%	4.00%	4.00%	4.00%	4.00%
2021 Budget Base - Final	2.94%	2.04%	2.70%	2.78%	2.37%	1.76%
2021 Budget: Price Increase P85	2.94%	2.69%	3.24%	3.29%	2.94%	2.32%
2021 Budget: Price Decrease P15	2.94%	1.57%	2.23%	2.36%	2.08%	1.55%
2021 Budget: Load Growth 1/2 Base	2.94%	2.11%	2.67%	2.64%	2.19%	1.47%
2021 Budget: Load Growth 1/2 Base and Price Decrease P15	2.94%	1.50%	2.14%	2.16%	1.84%	1.34%
2021 Budget: Low Water P15	2.94%	1.26%	2.13%	2.21%	1.78%	1.07%
2020 Budget - Final	2.96%	3.87%	4.62%	4.58%	4.35%	3.76%

Operational Scenarios – Priest Rapids Remaining Availability Load Growth

- Grant's total rights (physical and financial) to the project are exhausted in 2023
- Grant County retail customers' loads won't surpass expected project capabilities until after 2030

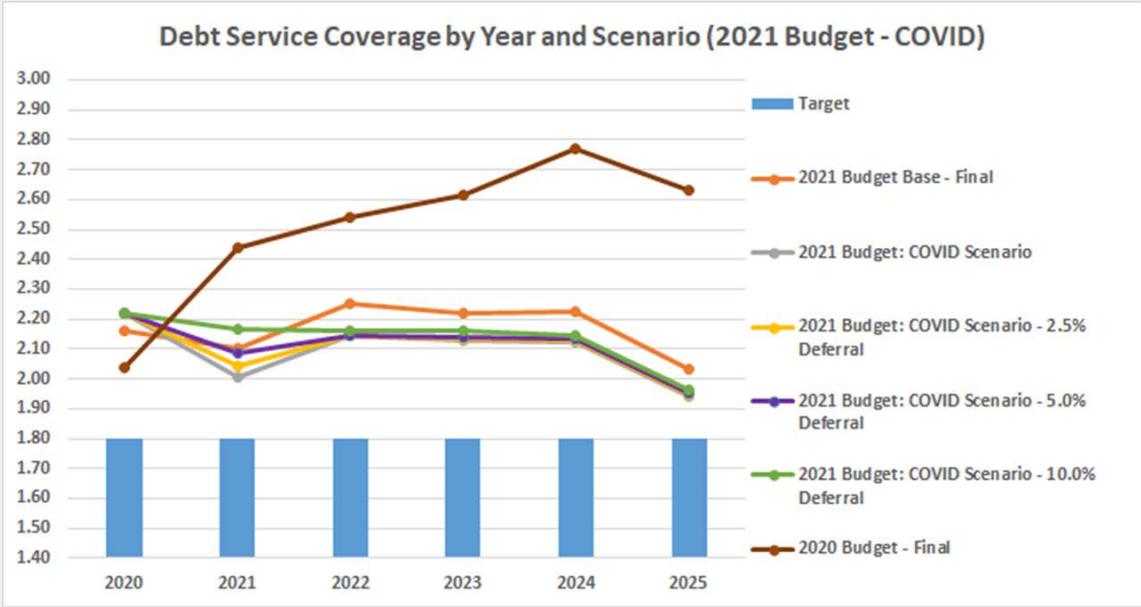


COVID Scenario - Assumptions

Major Assumptions:

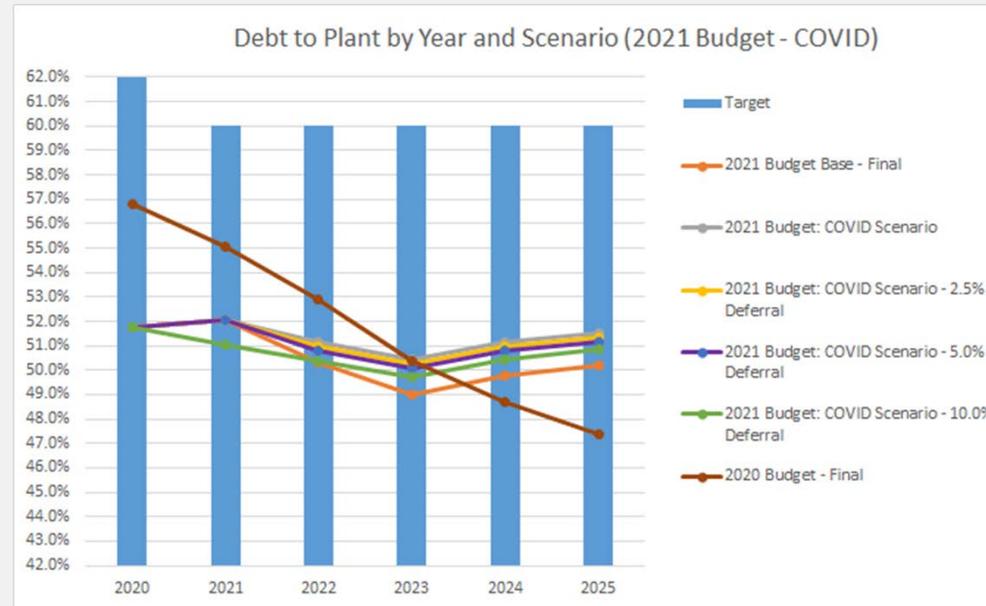
- Sales/Loads
 - Sales Forecast: Sales Reduction based on research from EIA, NRECA, CAISO, NY ISO, ISO NE, Southwest Power Pool, and Midwest ISO
 - Average of 5.3% expected retail sales reduction due to COVID recession
 - Duration: 50% return to “Normal” post 2021 Q3, 20% post 2021 Q1, and 30% post 2022 Q1
- Wholesale Assumptions
 - Supply for wholesale increased due to less retail sales
 - Price decrease to match P15 scenario from base financial forecast scenarios
- O&M and Labor reductions in 2021 for COVID Scenarios
 - -2.5%
 - -5.0%
 - -10.0%

COVID Scenarios – Comparison to Base Budget



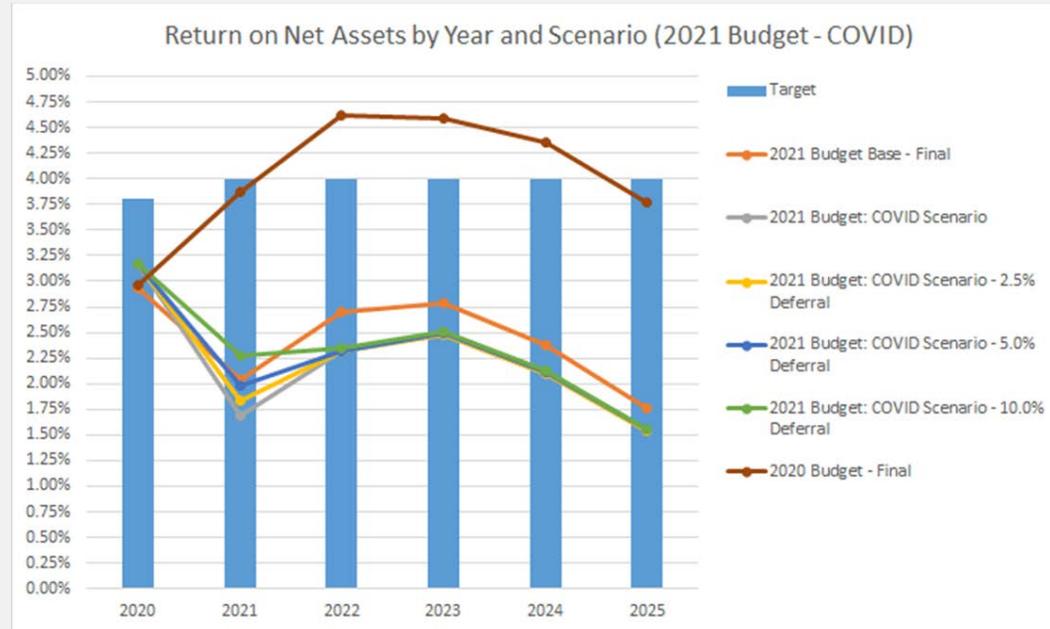
Debt Service Coverage (DSC)	2020	2021	2022	2023	2024	2025
Target	1.80	1.80	1.80	1.80	1.80	1.80
2021 Budget Base - Final	2.16	2.10	2.25	2.22	2.22	2.03
2021 Budget: COVID Scenario	2.22	2.00	2.15	2.13	2.12	1.94
2021 Budget: COVID Scenario - 2.5% Deferral	2.22	2.04	2.15	2.13	2.13	1.95
2021 Budget: COVID Scenario - 5.0% Deferral	2.22	2.08	2.14	2.14	2.13	1.95
2021 Budget: COVID Scenario - 10.0% Deferral	2.22	2.16	2.16	2.16	2.15	1.96
2020 Budget - Final	2.04	2.44	2.54	2.61	2.77	2.63

COVID Scenarios – Comparison to Base Budget



Debt to Net Plant	2020	2021	2022	2023	2024	2025
Target	62.0%	60.0%	60.0%	60.0%	60.0%	60.0%
2021 Budget Base - Final	51.7%	52.0%	50.3%	49.0%	49.8%	50.2%
2021 Budget: COVID Scenario	51.7%	52.0%	51.2%	50.4%	51.1%	51.5%
2021 Budget: COVID Scenario - 2.5% Deferral	51.7%	52.0%	51.0%	50.3%	51.0%	51.3%
2021 Budget: COVID Scenario - 5.0% Deferral	51.7%	52.1%	50.8%	50.1%	50.8%	51.2%
2021 Budget: COVID Scenario - 10.0% Deferral	51.7%	51.0%	50.4%	49.7%	50.5%	50.8%
2020 Budget - Final	56.8%	55.1%	52.9%	50.4%	48.7%	47.4%

COVID Scenarios – Comparison to Base Budget



Return on Net Assets (RONA)	2020	2021	2022	2023	2024	2025
Target	3.80%	4.00%	4.00%	4.00%	4.00%	4.00%
2021 Budget Base - Final	2.94%	2.04%	2.70%	2.78%	2.37%	1.76%
2021 Budget: COVID Scenario	3.17%	1.69%	2.32%	2.47%	2.10%	1.54%
2021 Budget: COVID Scenario - 2.5% Deferral	3.17%	1.83%	2.32%	2.48%	2.10%	1.54%
2021 Budget: COVID Scenario - 5.0% Deferral	3.17%	1.98%	2.32%	2.49%	2.11%	1.55%
2021 Budget: COVID Scenario - 10.0% Deferral	3.17%	2.27%	2.35%	2.50%	2.12%	1.56%
2020 Budget - Final	2.96%	3.87%	4.62%	4.58%	4.35%	3.76%



Powering our way of life.