

# Grant Public Utility District

J.P. MORGAN PUBLIC FINANCE TRANSPORTATION & UTILITY INVESTOR FORUM

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April 2023



Powering our way of life.

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# Who is Grant PUD?



## Our Mission

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



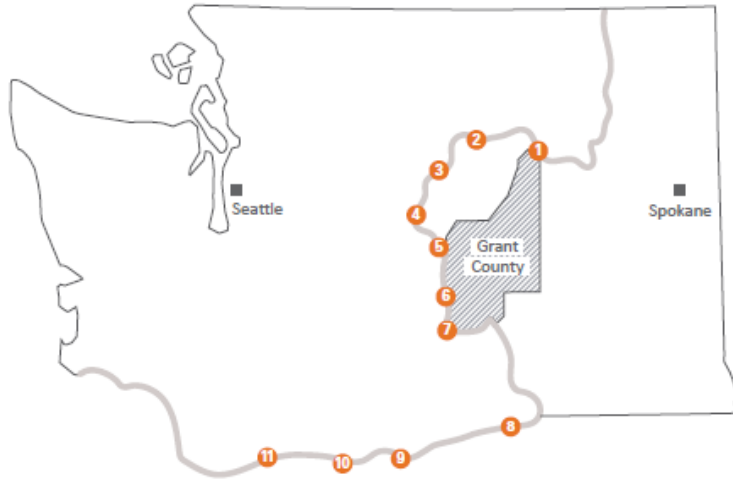
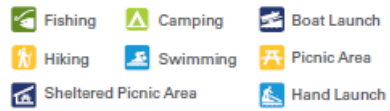
- Founded in 1938, municipal corporation by state statute (Title 54 RCW - public utility districts)
- Vertically integrated utility with generation Priest Rapids Project System aka “PRP” and distribution Electric System
- Operates generation of over 2,100 MW of clean, carbon free energy
  - Owner/operator of PRP (two dam system- Priest Rapids Development and Wanapum Development)
  - In-county additional small hydro generation and long-term resource contracts
  - Other sources of energy via wholesale market (Mid-C)
- County provider of retail electricity and wholesale fiber for over a 2,777 square mile service area
- Net seller into wholesale market, management of balancing area and transmission system
- Local control by state statute, 5 person elected commission
- PRP is one of the lowest cost generation systems in the country resulting in very low delivered retail rates
- Diversified retail load with strong experienced growth

# Generation

## Historical cost of production

Year	\$/MWh	% Avg Water	MWh Gen
2022	\$20.74	111%	9,258,486
2021	\$20.00	87%	9,056,940
2020	\$18.02	104%	9,463,889
2019	\$20.68	84%	8,277,762

- 1955-FERC license issued to construct PRP
- Both dams were generating power by 1963 (Priest Rapids Development first power generation in 1959, Wanapum first power generation in 1963).
  - At the time the final unit was installed, PRP was the largest non-federal project
  - 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- Grant PUD celebrates the completion of its Advanced Turbine Replacement Project at Wanapum Dam . The project included the replacement of all 10 of the dam’s original turbines.
- 2016- Priest Rapids Dam turbine and generator rewind work begins
- 2020 - In October, the final rehabbed generating unit at Wanapum Dam went online. This marked the completion of a 20-year project to modernize all of the dam’s 10 turbines and generators.
- 2022- Priest Rapids Dam - 4th unit completed in September 2022, final unit expected to be completed 2/25/2030 (each unit approximately is 14 months)



- |  |   |  |
|--|---|--|
| 1 <b>Grand Coulee Dam</b><br>(River Mile 596.6)<br>Bureau of Reclamation | 5 <b>Rock Island Dam</b><br>(River Mile 453.4)<br>Chelan PUD    | 9 <b>John Day Dam</b><br>(River Mile 215.8)<br>Corps of Engineers    |
| 2 <b>Chief Joseph Dam</b><br>(River Mile 541.1)<br>Corps of Engineers    | 6 <b>Wanapum Dam</b><br>(River Mile 415.8)<br>Grant PUD         | 10 <b>The Dalles Dam</b><br>(River Mile 191.5)<br>Corps of Engineers |
| 3 <b>Wells Dam</b><br>(River Mile 515.1)<br>Douglas PUD                  | 7 <b>Priest Rapids Dam</b><br>(River Mile 397.1)<br>Grant PUD   | 11 <b>Bonneville Dam</b><br>(River Mile 145.5)<br>Corps of Engineers |
| 4 <b>Rocky Reach Dam</b><br>(River Mile 473.0)<br>Chelan PUD             | 8 <b>McNary Dam</b><br>(River Mile 292.0)<br>Corps of Engineers |  |

# Generation - PRP

Recreation and natural resource requirements accompany the stewardship of PRP

- One of the region's greatest contributors to the enhancement and protection of native fish/habitat



## JUVENILE SALMON & STEELHEAD SURVIVAL RATES\*

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

Adult survival is nearly 100%.

**86.6%**

**Spring Chinook Salmon**

**91.7%**

**Sockeye Salmon**

**87.0%**

**Steelhead Trout**

*\*Per 2022 Annual Report*

*\*For both Priest Rapids and Wanapum Dams.*

# Generation - PRP

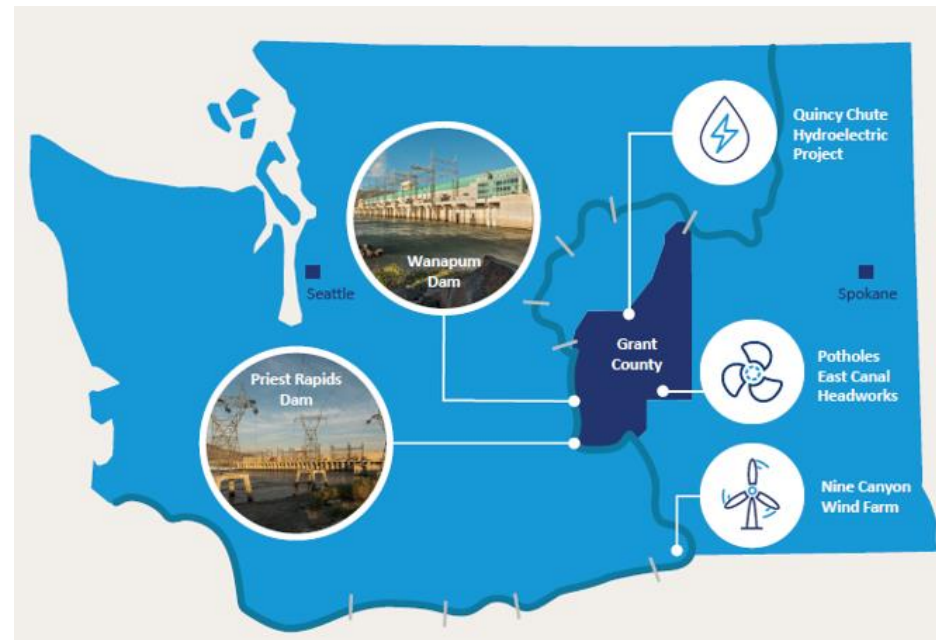
## 2022 PRP Project Cost Allocation

Grant PUD	84.97%
PacifiCorp	3.36%
Portland General	3.36%
Puget Sound Energy	1.94%
Avista	1.48%
Tacoma Power	0.76%
Seattle City Light	0.75%
Cowlitz PUD	0.44%
EWEB	0.38%
Exchangers (9 small shares)	2.56%
	100%

- 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
  - 2.48% Exchangers, 4.21% 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.
- Total physical and financial rights to PRP project are expected to be exhausted in 2024. Retail customers' loads won't surpass expected project capabilities until after 2030.
- The District utilizes the wholesale market for meeting load combined with other resources

# 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



## WANAPUM DAM

Generation Units .....	10
Rated Capacity .....	1,221.7 MW
Concrete/Earthfill Length .....	8,637 FT
Rated Head .....	80 FT
Construction Started .....	1959
First Power Generation .....	1963

## PRIEST RAPIDS DAM

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

## QUINCY CHUTE HYDROELECTRIC PROJECT

Rated Capacity .....	9.4 MW
First Power Generation .....	1985

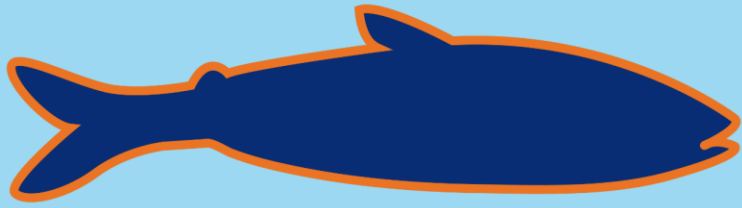
## POTHOLES EAST CANAL HEADWORKS PROJECT

Rated Capacity .....	6.5 MW
First Power Generation .....	1990

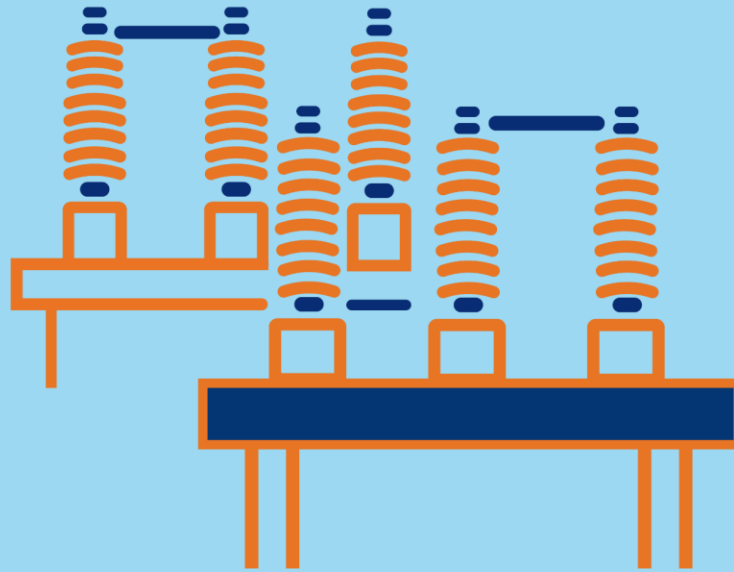
## NINE CANYON WIND PROJECT

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





More than **820,000**  
Chinook, sockeye, steelhead and  
other migratory fish passed  
through Priest Rapids Dam in 2022.



We completed two **new substations** to meet the growing demand from homes, businesses and industry in the Royal City and Quincy areas, with many more upgrades to come.



Visitors spent **10,222** nights in  
Grant PUD campgrounds and even  
more days hiking, boating, picnicking,  
wildlife-viewing and enjoying our other  
amenities along the Columbia River  
shoreline.

In 2022 we completed the  
rehabilitation of the fourth of **10**  
generating units at Priest Rapids  
Dam. We're nearly halfway through  
a rehab project that will provide  
carbon-free electricity for decades  
to come.





✓ 2019  
✓ 2020  
✓ 2021  
✓ 2022

Grant PUD customers enjoyed a fourth, consecutive year with no electric rate increase.



## RIVER RECREATION and

safety was the message we shared with thousands of visitors who stopped by our booth at the Grant County Fair.



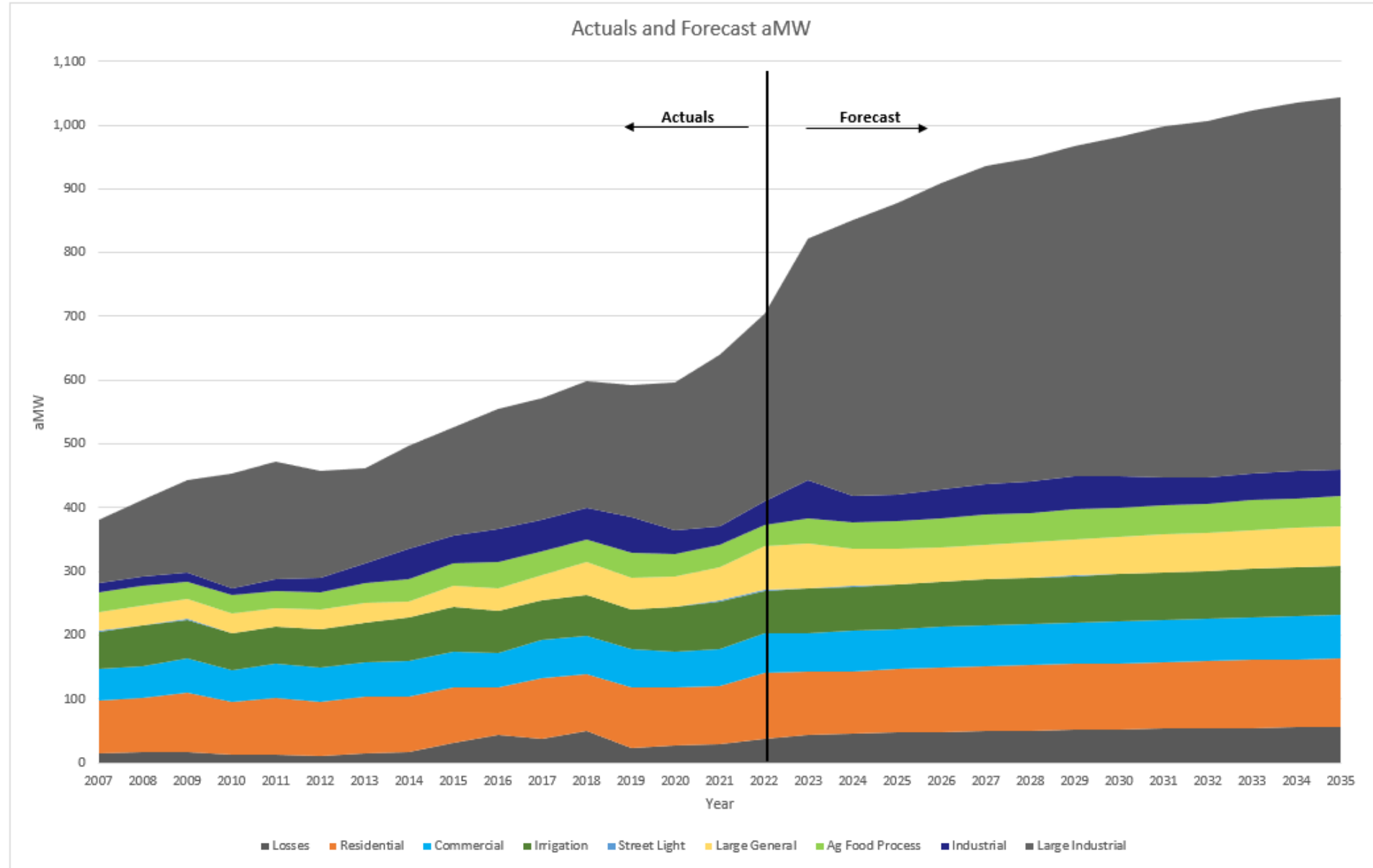
We counted 308 bald eagles along the shorelines of our two dams, a **39%** increase over the 221 counted just four years ago.



We signed up **878** new power customers and **1,884** fiber subscribers.

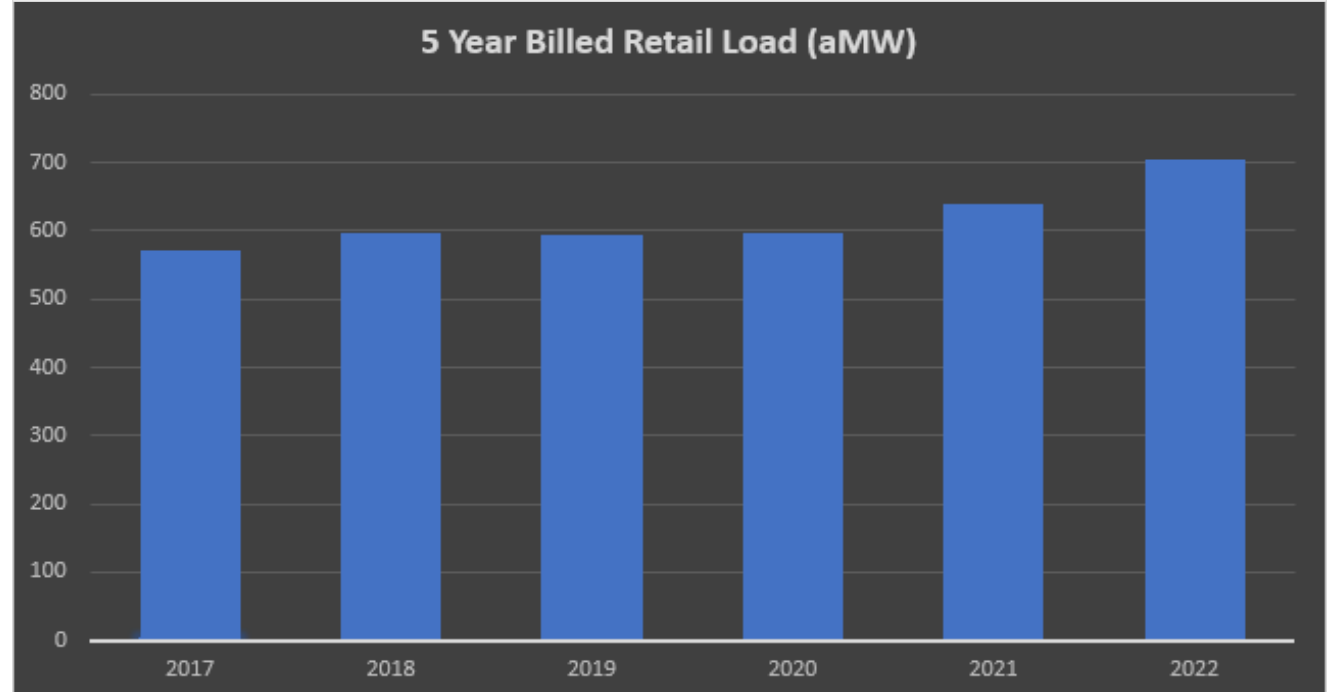
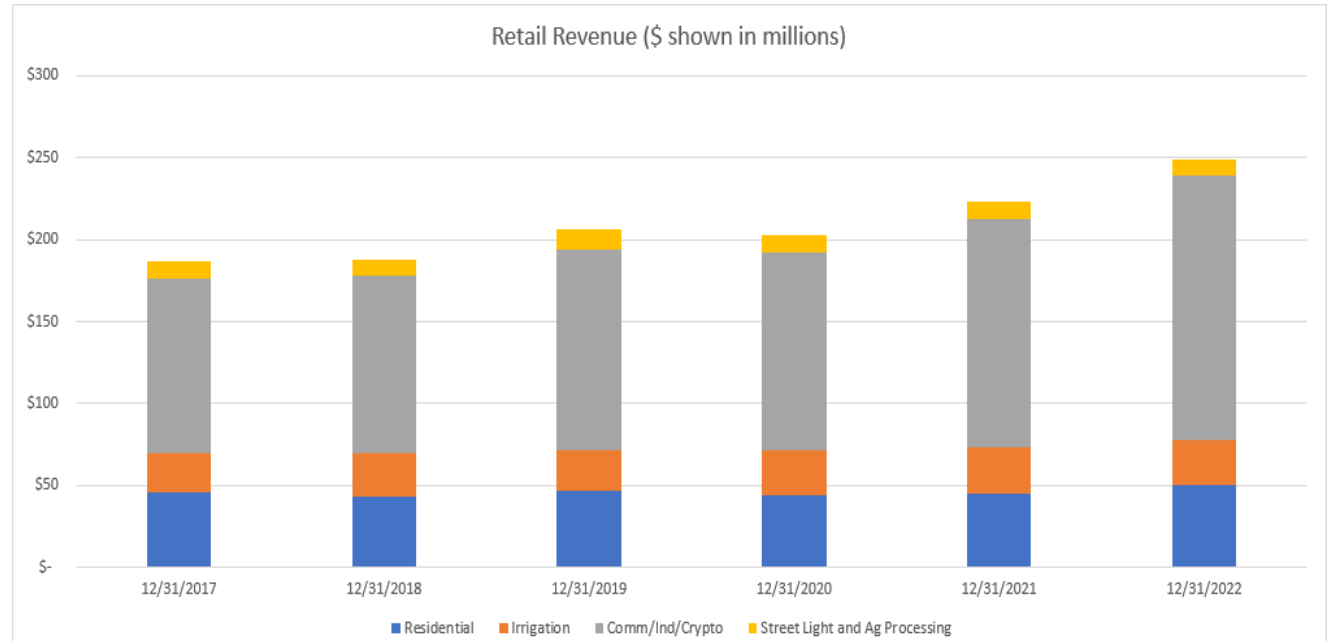
# Electric System – Retail (cont.)

- Residential, Irrigation, Small and Large Commercial are forecasted using econometric modeling
  - Residential, Irrigation, and Small Commercial: 10-year normal for weather assumptions
- Other rate schedules are subject to qualitative measures based on management discussions with District forecasters



# Electric System Retail

- Growing overall system retail load, net 52% increase in past 10 years and 18% in the past 5 years
- System is dual peaking
  - July 2022 peak 953MW
  - December 2022 peak 971MW
- Residential and irrigation rate base has been stable with a large demonstrated growth experienced in the commercial/industrial sector
- Customer driven growth includes upfront payments from customers for a connection fee
- System capital investment in distribution and transmission infrastructure enabling additional future growth

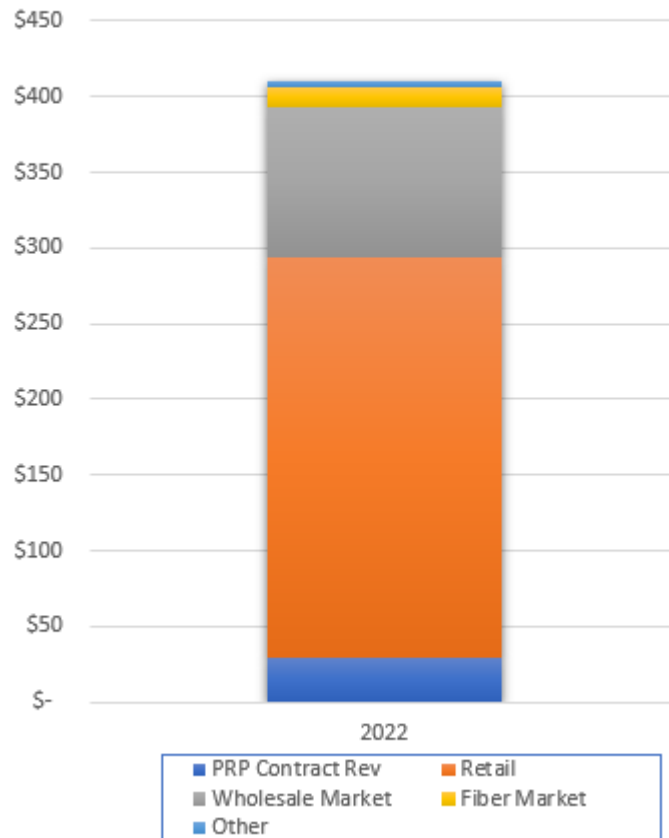


# Electric System

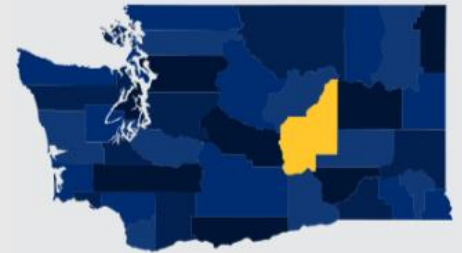
Electric System meets the load of retail customers and manages power supply

## Consolidated Revenue 2022

(shown in \$ millions)



- Electric System comprised of sophisticated single- and three-phase electric service
- District maintains a large service area with ~3,900 miles of distribution lines and ~500 miles of transmission lines
- Retail Electric Revenues is the largest revenue category
- Wholesale fiber operations is included in Electric System with an increasing “take rate” of ~67%





# Electric System - Retail

## ENERGY COSTS

### How Do We Compare?

Residential Electricity Rates  
2022 Average

\*Source U.S. Energy Information  
Administration 2022 Average

15.12¢  
per kWh\*

UNITED STATES

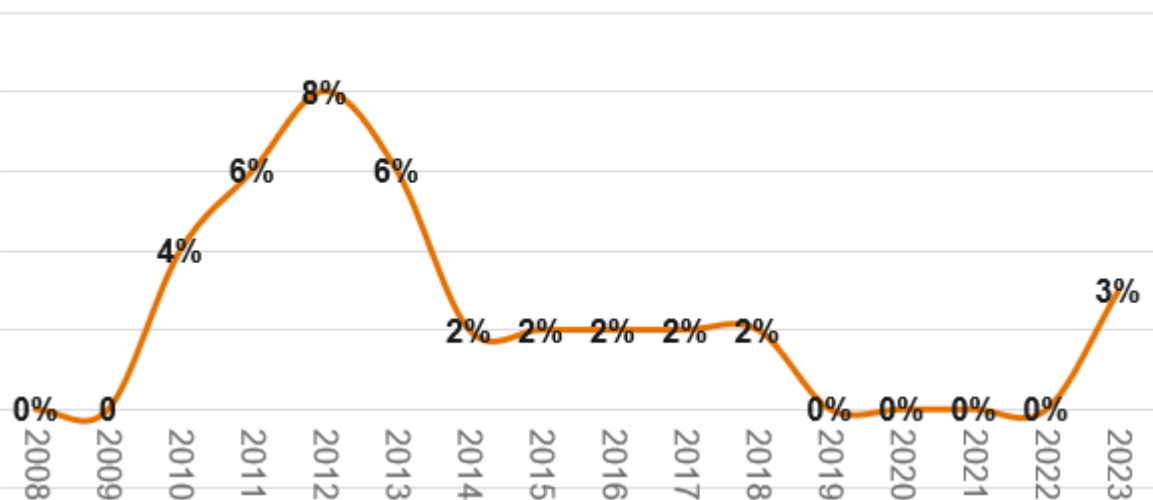
10.23¢  
per kWh\*

WASHINGTON

5.8¢  
per kWh

GRANT PUD

## Retail Average System Price Increases



Low retail delivered rates,  
resulting from PRP  
favorable generation  
economics combined with  
wholesale  
management/strategy

2022 System Average Rate  
of 4.3 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

Commission has statutory  
rate making authority;  
managed based on  
financial metrics

To address inflation  
pressure, Commission  
approved a price increase  
of 3% averaged over all  
rate classes effective April  
2, 2023.

Rates are set based upon  
meeting or exceeding  
financial targets in future  
years.

# Electric System - Retail

Electric System retail meters = 54,041

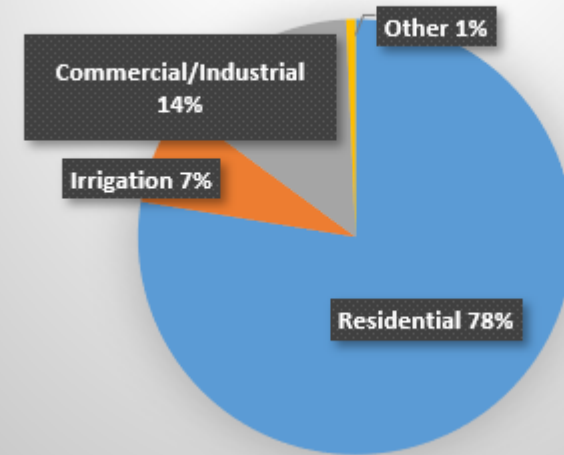
Customer count = 52,812

AMI smart meter installation was completed at the end of 2019

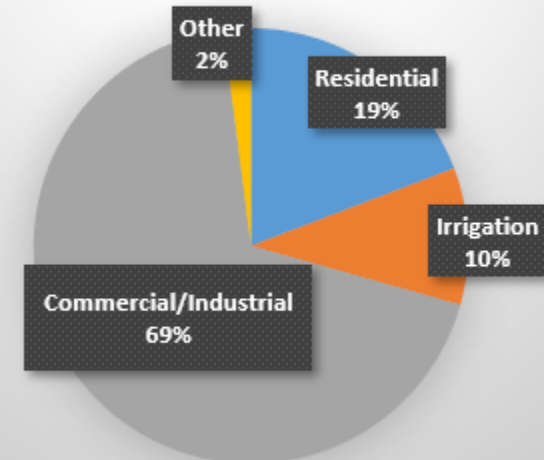
Service territory is over ~90% electric heating

Grant PUD is the only electric service provider in the county

2022 Customer Count



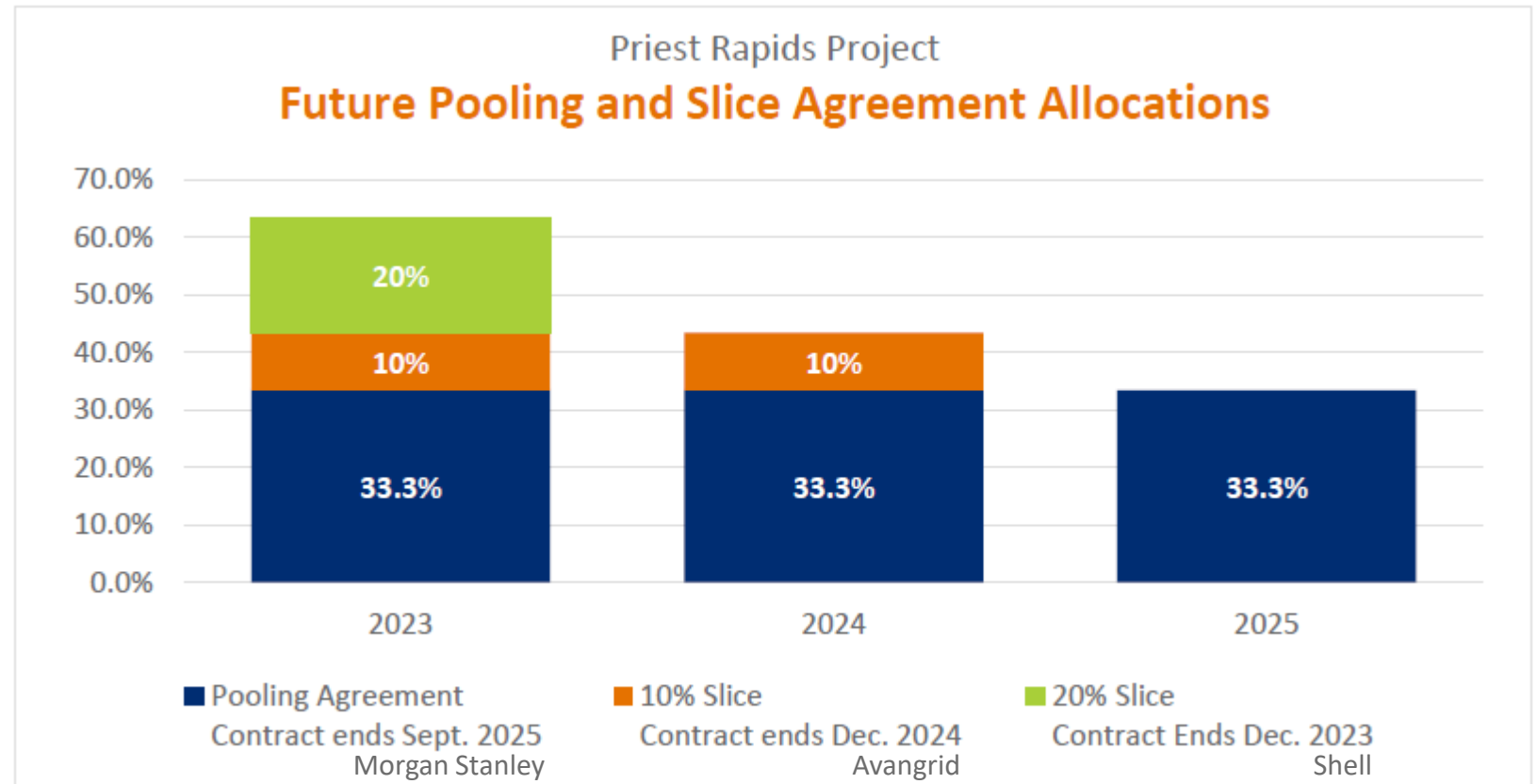
2022 Retail Revenue (in dollars)



# Electric System

## Power Supply and Wholesale Market

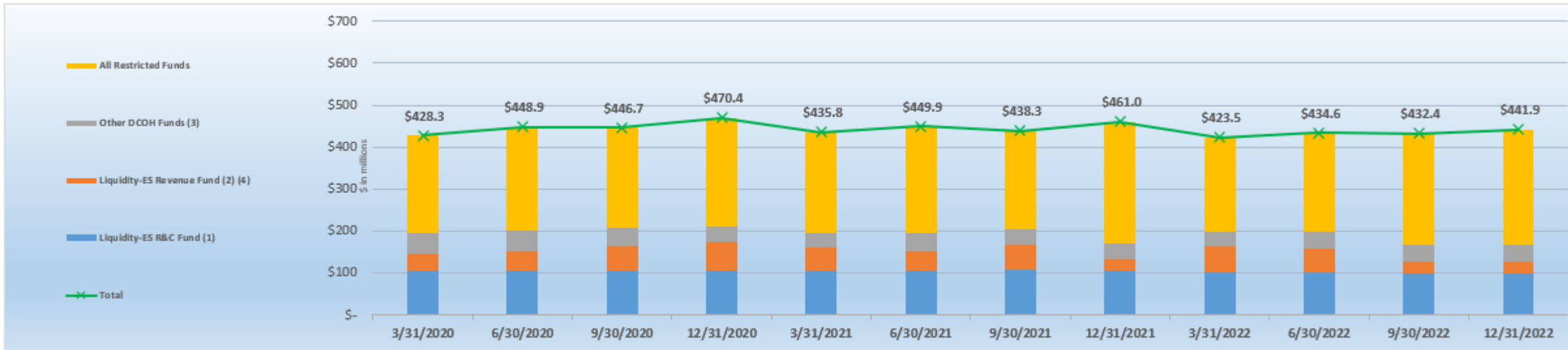
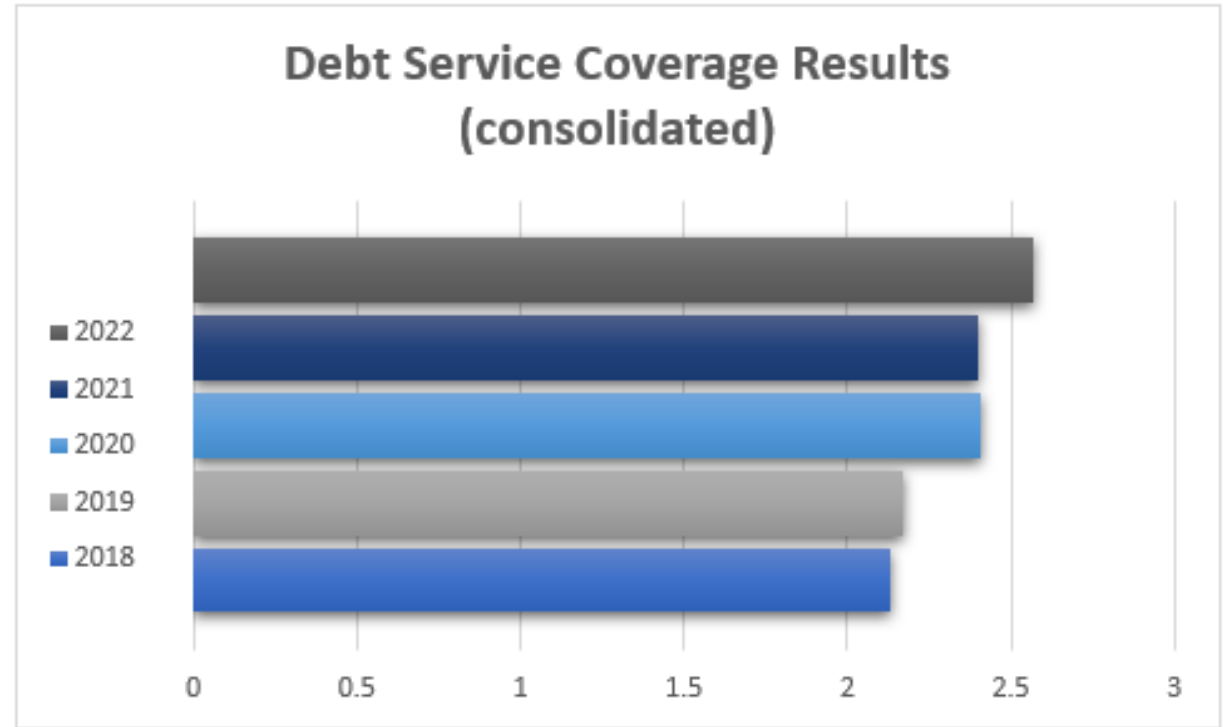
- District has implemented a hedging strategy over time that mitigates inherent fuel (water supply) risks and market costs
- “Slice” contracts have been a historical operational component of PRP with long term and shorter-term purchasers
- Electric System sells “slice” output contracts from 63.3% physical offtake of PRP
- District receives firm revenue stream from 30% of the physically sold reasonable portion of the Priest Rapids Project and can purchase load positions in netted contracts
- Market purchases and sales are utilized as needed to manage smaller positions



# Financial Results

- District has demonstrated strong financial results with robust planning parameters
- Debt Service Coverage target  $\geq 1.8x$ 
  - Bond Covenants are 1.25x Electric Sr Lien, 1.15x PRP Sr Lien and 1.10x Electric Jr Lien
- 2022 Net Income = \$90.4 million
- 2022 Days Cash On Hand = 305 days consolidated (\$441 million)
- Targeted Debt to Net Plant Ratio of  $\leq 60\%$
- 2022 Total Utility Plant (book value) \$2.4 billion
- District maintains strong credit ratings
  - Moody's Aa3 both systems
  - Fitch AA both systems
  - S&P AA PRP / AA+ Electric System

\*PRELIMINARY 2022 data





# Financing Plan (cont.)

\*The five year CIP is projected at \$811 million (including capital labor estimate)

\* Approximately \$150-\$160 million per year

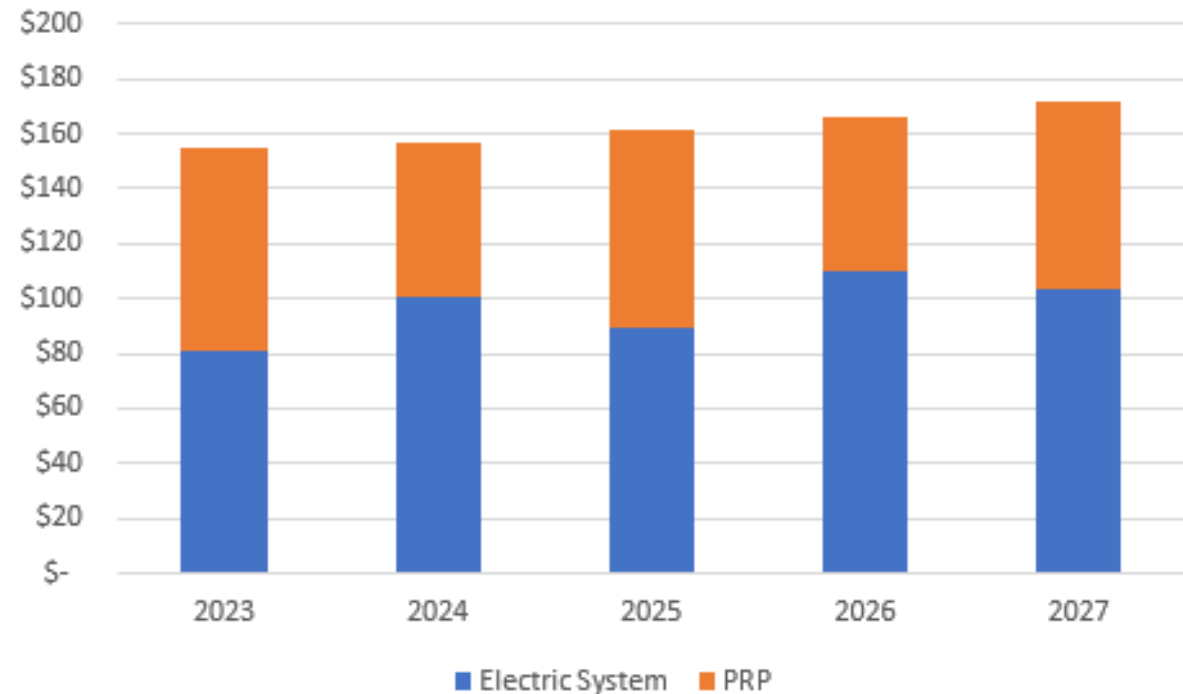
## Electric System Capital Improvement Program Projected 2023-2027

	\$000,000's
Transmission/Distribution	\$224
Fiber/Broadband	\$44
Technology	\$5
Facilities, Transportation and General	\$151
Labor	\$60
<b>Total</b>	<b>\$484</b>

## PRP Capital Improvement Program Projected 2023-2027

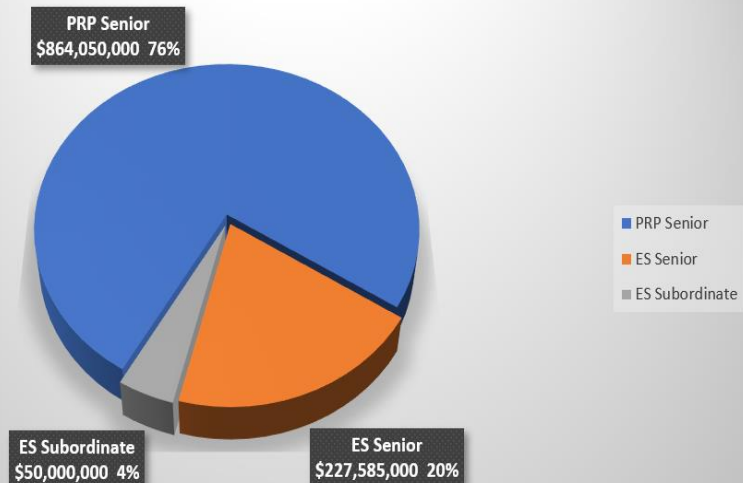
	\$000,000's
Turbine/Generator	\$168
Embankment, Powerhouse, Spillway and General	\$93
Technology	\$6
Labor	\$60
<b>Total</b>	<b>\$327</b>

2023-2027 Five Year Capital Plan  
(in \$ millions)



# Financing -Existing Debt

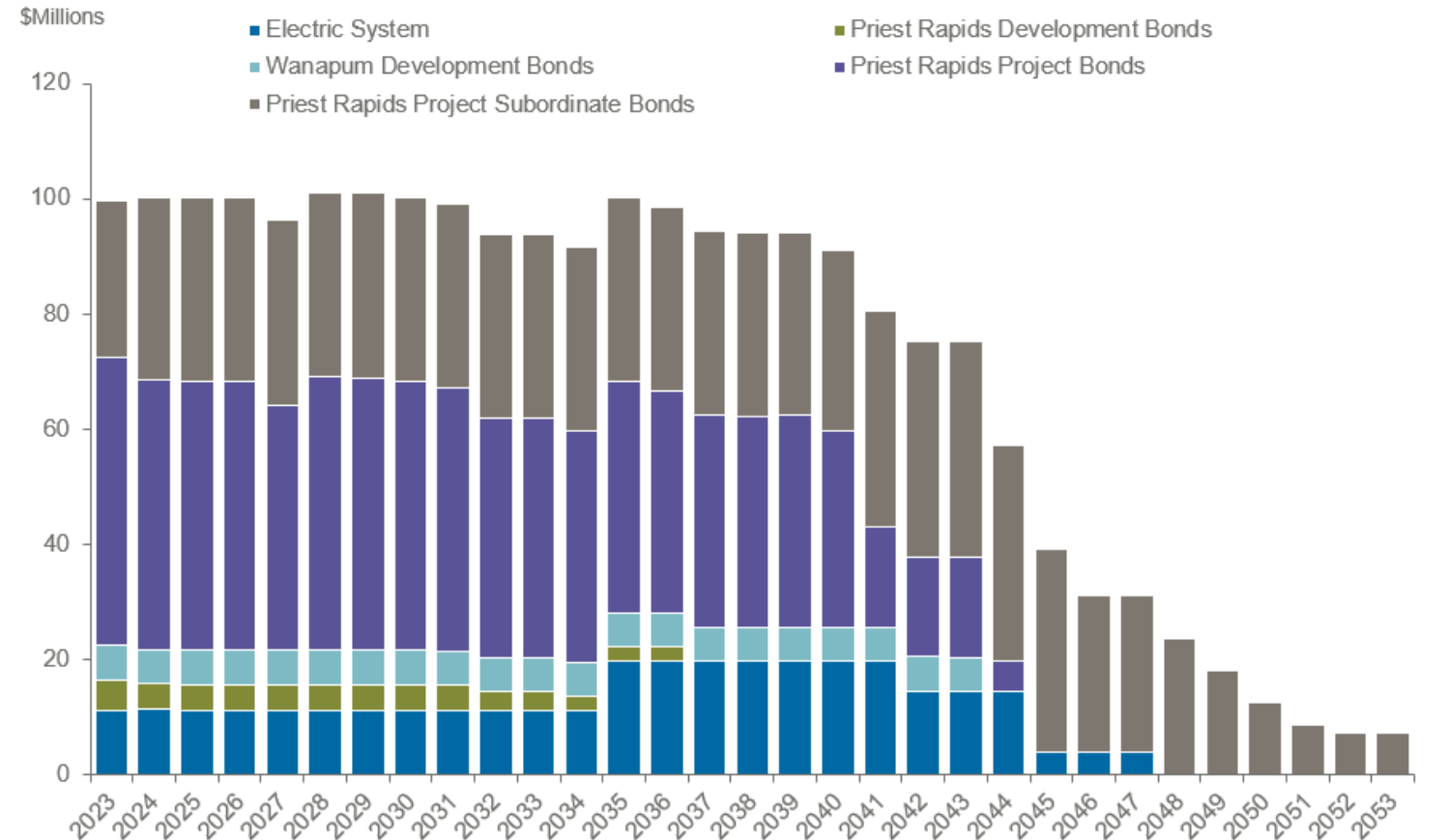
External Debt Obligations



- Weighted average **coupon rate** of fixed debt: **3.99%**
- **Weighted average life** of debt portfolio (as of 12/31/22) **9 years**
- **Effective cost of debt** for the entire portfolio (net of interest rebates): **3.24%**

\*Calculated as 2022 yield on interest due, does not factor in benefit of sinking funds on CREBs

Total Annual Debt Service with Projected Sinking Fund Deposits



Priest Rapids Project Subordinate Bonds were purchased by the District's Electric System as an investment  
 Electric System debt service excludes Series 2021-T \$50 million maturity in 2024 which is expected to be refinanced  
 CREBs debt service assumes annual sinking fund payment schedules the District has covenanted to deposit in an amount sufficient to pay bonds at maturity

- The District issues taxable and tax-exempt debt and utilizes both fixed-rate debt and variable rate instruments

# 2023 Planned Debt Transactions

- PRP External Debt-
  - The District is able to refund a portion of its outstanding taxable debt on a tax-exempt basis given the increase in the public use portion of the Priest Rapids Project
  - Approximately \$121 million of the outstanding 2005Z, 2006Z, and 2010Z Bonds can be refunded tax-exempt
    - ***This is subject to further review and signoff from tax counsel***
  - Allows the District to capture benefit of tax-exemption for amounts associated with increase in public use of Priest Rapids Project
    - Low tax-exempt ratios relative to treasury rates provide an accommodative backdrop to obtain savings through a make-whole redemption and refunding
    - Newly issued bonds will have a 10-year par call redemption feature, providing the District another future opportunity to capture additional savings
    - Cash defeasance portion estimate complete May/June 2023
    - Refunding portion complete estimate June/July 2023
- Electric System External Debt-June 2023 timeframe
  - The District issued its Electric System Series 2021-T Bonds in the amount of \$50,000,000 in June 2021
    - The interest rate on the Series 2021-T Bonds is tied to the SIFMA rate, which has been volatile and elevated over the course of the year
    - Estimate complete June/July 2023
  - 2020-S Series remarketing estimate complete December 2023

# Thank You!

- Additional investor information available on District “Bond Holders and Potential Investors” page:
  - <https://www.grantpud.org/investors>
  - Provides easy access to Official Statements for all outstanding bonds
  - Annual reports
  - Rating agency reports
  - Notice of Sale Documents (when applicable)
  - Investor presentations (when applicable)
- This presentation can be accessed at the above website
- Munte Information Hub  
<https://go.munte.com/#/retail/gcpud/obligor/26059/0>
- For future investor relations questions please contact:
  - Bonnie Overfield, Chief Financial Officer
  - 509-754-5088





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