

**SNOHOMISH COUNTY PUBLIC UTILITY DISTRICT
BOARD OF COMMISSIONERS REGULAR MEETING
Everett Headquarters Building, 2320 California Street
Zoom Online Platform Option Available**

July 5, 2022

CONVENE REGULAR MEETING – 1:30 p.m. – Commission Meeting Room

Virtual Meeting Participation Information

Join Zoom Meeting:

- Use link
- <https://us06web.zoom.us/j/89609457468?pwd=Ymt2VFIPbEFIZmRBU2NGY21hLzQwdz09>
- Dial in: (253) 215-8782
- Meeting ID: 896 0945 7468
- Passcode: 315015

1. COMMENTS FROM THE PUBLIC

Virtual Participation Information:

If you are attending the meeting virtually (using the link or number provided above) please indicate that you would like to speak by clicking “raise hand” and the Board President will call on attendees to speak at the appropriate time. If you are joining by phone, dial *9 to “raise hand.”

2. CONSENT AGENDA

- A. [Approval of Minutes for the Regular Meeting of June 21, 2022](#)
- B. [Bid Awards, Professional Services Contracts and Amendments](#)
- C. [Consideration of Certification/Ratification and Approval of District Checks and Vouchers](#)

3. PUBLIC HEARING AND ACTION

- A. [Disposal of Surplus Property – 3rd Quarter 2022](#)

4. ITEMS FOR INDIVIDUAL CONSIDERATION

- A. [Consideration of a Motion Accepting the Asset Protection Monitoring Report](#)
- B. [Consideration of a Resolution Creating a Plan of Financing for the Acquisition and Construction of and Certain Additions, Betterments and Improvements to and Renewals, Replacements and Extensions of the District’s Electric System; Authorizing the Issuance and Sale of Not to Exceed \\$75,000,000 Aggregate Principal Amount of Electric System Revenue Bonds, Series 2022 in One or More Series; Providing For the Terms of the 2022 Bonds; Approving the Execution and Delivery of Certain Documents and Agreements; and Providing for Certain Other Matters Related Thereto](#)

Continued →

- C. [Consideration of a Resolution Authorizing the Discharge of the Current Trustee, Registrar and Paying Agent for the Currently Outstanding Generation System Revenue Bonds of the District and the Appointment of a Successor Trustee, Registrar and Paying Agent for Such Bonds; Approving the Execution and Delivery of Certain Documents and Agreements; and Providing for Certain Other Matters Related Thereto](#)

5. [CEO/GENERAL MANAGER REPORT](#)

6. COMMISSION BUSINESS

- A. [Commission Reports](#)
- B. [Commissioner Event Calendar](#)
- C. [2022 Budget, Forecast, and Major Project Status Report - May](#)

7. GOVERNANCE PLANNING

- A. [Governance Planning Calendar](#)

ADJOURNMENT

July 13, 2022

Economic Alliance Snohomish County (EASC) - Port Report 4:00 p.m. - 6:00 p.m. (Everett, Wa)

The next scheduled regular meeting is July 19, 2022

Agendas can be found in their entirety on the Snohomish County Public Utility District No. 1 web page at www.snopud.com. The public is invited to attend. Parking and meeting rooms are accessible for persons with disabilities. Contact the Commission Office at 425.783.8611 for special accommodations or additional information.

COMMENTS FROM THE PUBLIC



BUSINESS OF THE COMMISSION

Meeting Date: July 5, 2022

Agenda Item: 2A

TITLE

Approval of the Minutes for the Regular Meeting of June 21, 2022

SUBMITTED FOR: Consent Agenda

Commission	Allison Morrison	8037
Department	Contact	Extension
Date of Previous Briefing:		
Estimated Expenditure:		Presentation Planned <input type="checkbox"/>

ACTION REQUIRED:

- | | | |
|---|-------------------------------------|--|
| <input type="checkbox"/> Decision Preparation | <input type="checkbox"/> Incidental | <input type="checkbox"/> Monitoring Report |
| <input type="checkbox"/> Policy Discussion | (Information) | |
| <input type="checkbox"/> Policy Decision | | |
| <input checked="" type="checkbox"/> Statutory | | |

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Governance Process, Board Job Description: GP-3(4) ... a non-delegable, statutorily assigned Board duty as defined under RCW 54.12.090 - minutes.

List Attachments:

Preliminary Minutes

**PRELIMINARY
SNOHOMISH COUNTY PUBLIC UTILITY DISTRICT**

Regular Meeting

June 21, 2022

The Regular Meeting was convened by President Tanya Olson at 9:00 a.m. Those attending were Rebecca Wolfe, Vice-President (telephonically); Sidney Logan, Secretary (telephonically); CEO/General Manager John Haarlow; Acting General Counsel Joe Fina; Assistant General Managers Guy Payne, and Jason Zyskowski; Chief Financial Officer Scott Jones; Chief Information Officer Kristi Sterling; other District staff; Commission & Executive Services Director Melissa Collins; and Deputy Clerks of the Board Jenny Rich and Morgan Stoltzner.

*** Items Taken Out of Order**

****Non-Agenda Items**

1. CEO/GENERAL MANAGER BRIEFING AND STUDY SESSION

A. Updates

1. Legislative. Director, Government/External Affairs and Strategy Kim Johnston and Local Government and External Affairs Associate Brenda White responded to the Board's questions.
2. Other. There were no other topics.

B. 2022 Electric System Bond Issuance Update

Banking & Fiscal Coordinator Lauren Way provided an update on the 2022 Electric System Bond Issuance.

Next Steps would be to return with a supplemental resolution during the July 5, 2022, Commission meeting for approval for the Treasurer/Chief Financial Officer (CFO) to execute various bond documents including the Bond Purchase Agreement.

C. Connect Up Program - Commission Quarterly Update

Distribution & Engineering Services Program Manager Kevin Lavering provided a quarterly update on the Connect Up Program. The presentation included the schedule and budget review, implementation phase progress report and current state of supply chain issues and mitigation.

The next steps would be an update on customer service regulations (opt-out provisions) at the July 19, 2022, Commission meeting. Monitoring and update Meter Deployment Plans, preparing communications network via Base Station Buildout and testing, and continuing to prepare supporting systems via Integration Build and testing.

The next Commission quarterly update is scheduled for September 2022.

EXECUTIVE SESSION

The Regular Meeting recessed at 9:55 a.m. and reconvened at 10:09 a.m. into Executive Session to discuss current or potential litigation, under the terms set forth in the Open Public Meetings Act. It was anticipated the Executive Session would last approximately 30 minutes, with no public announcements. Those in attendance were Commissioner Tanya Olson; Commissioner Sidney Logan (telephonically); and Commissioner Rebecca Wolfe (telephonically); CEO/General Manager John Haarlow; General Counsel Anne Spangler (telephonically); other District staff; and Commission & Executive Services Director Melissa Collins. The Regular Meeting recessed immediately upon conclusion of the Executive Session at 10:30 a.m.

RECONVENE REGULAR MEETING

The Regular Meeting was reconvened by President Tanya Olson at 1:30 p.m. Those attending were Rebecca Wolfe, Vice-President (telephonically); Sidney Logan, Secretary (telephonically); CEO/General Manager John Haarlow; Acting General Counsel Joe Fina; Assistant General Managers Guy Payne, and Jason Zyskowski; Chief Financial Officer Scott Jones; Chief Information Officer Kristi Sterling; other District staff; Commission & Executive Services Director Melissa Collins; and Deputy Clerks of the Board Jenny Rich and Morgan Stoltzner.

*** Items Taken Out of Order******Non-Agenda Items****2. COMMENTS FROM THE PUBLIC**

There were no public comments.

3. CONSENT AGENDA

A. Approval of Minutes for the Regular Meeting of June 7, 2022

B. Consideration of Certification/Ratification and Approval of District Checks and Vouchers

A motion unanimously passed approving Agenda items 3A - Approval of the Minutes for the Regular Meeting of June 7, 2022; and 3B - Consideration of Certification/Ratification and Approval of District Checks and Vouchers.

4. ITEMS FOR INDIVIDUAL CONSIDERATION

A. Consideration of a Resolution Authorizing the CEO/General Manager or His Designee to Execute an Amended and Restated North Mountain Substation Operation and Maintenance Agreement Between the District and the City of Seattle, City Light Department

A motion unanimously passed approving Resolution No. 6064 authorizing the CEO/General Manager or his designee to execute an amended and restated North Mountain Substation operation and maintenance agreement between the District and the City of Seattle, City Light Department.

- B. Consideration of a Resolution Ratifying a Communication Site Lease with Pinnacle Towers, LLC., and a 2021 Amendment of Said Lease, and Authorizing the Assistant General Manager, Distribution and Engineering Services, of Public Utility District No. 1 of Snohomish County to Execute a Second Amendment of Said Lease

A motion unanimously passed approving Resolution No. 6065 ratifying a communication site lease with Pinnacle Towers, LLC., and a 2021 amendment of said lease, and authorizing the Assistant General Manager, Distribution and Engineering Services, of Public Utility District No. 1 of Snohomish County to execute a second amendment of said lease.

- C. Consideration of a Resolution Authorizing the CEO/General Manager or Designee to Execute an Interagency Agreement for a Clean Energy Fund (CEF) 4 Grant with the Washington State Department of Commerce for Tulalip Tribes – Critical Facility Microgrid Administrative Building and Tribal Gathering Hall

A motion unanimously passed approving Resolution No. 6066 authorizing the CEO/General Manager or designee to execute an interagency agreement for a Clean Energy Fund (CEF) 4 Grant with the Washington State Department of Commerce for Tulalip Tribes – Critical Facility Microgrid Administrative Building and Tribal Gathering Hall.

5. CEO/GENERAL MANAGER REPORT

CEO/General Manager John Haarlow reported on District related topics and accomplishments.

6. COMMISSION BUSINESS

- A. Commission Reports

There were no reports.

- B. Commissioner Event Calendar

There were no changes to the Commissioner Event Calendar.

7. GOVERNANCE PLANNING

- A. Governance Planning Calendar

There were no changes to the Governance Planning Calendar.

ADJOURNMENT

There being no further business or discussion to come before the Board, the Regular Meeting of June 21, 2022, adjourned at 1:48 p.m. An audio file of the meeting is on file in the Commission Office and available for review.

Approved this 5th day of July, 2022.

Secretary

President

Vice President



BUSINESS OF THE COMMISSION

Meeting Date: July 5, 2022

Agenda Item: 2B

TITLE

CEO/General Manager's Report of Public Works Contract Award Recommendations; Formal Bid Award Recommendations; Professional Services Contract Award Recommendations; Miscellaneous Contract Award Recommendations; Cooperative Purchase Recommendations; Sole Source Purchase Recommendations; Emergency Declarations, Purchases and Public Works Contracts; Purchases Involving Special Facilities or Market Condition Recommendations; Formal Bid and Contract Amendments; and Contract Acceptance Recommendations

SUBMITTED FOR: Consent Agenda

Contracts/Purchasing Clark Langstraat 5539
Department Contact Extension
Date of Previous Briefing: _____
Estimated Expenditure: _____ Presentation Planned ☐

ACTION REQUIRED:

- | | | |
|---|-------------------------------------|--|
| <input type="checkbox"/> Decision Preparation | <input type="checkbox"/> Incidental | <input type="checkbox"/> Monitoring Report |
| <input type="checkbox"/> Policy Discussion | (Information) | |
| <input type="checkbox"/> Policy Decision | | |
| <input checked="" type="checkbox"/> Statutory | | |

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Governance Process, Board Job Description, GP-3(4) ... non-delegable, statutorily assigned Board duty – Contracts and Purchasing.

The CEO/General Manager's Report of Public Works Contract Award Recommendations Over \$25,000; Formal Bid Award Recommendations \$120,000 and Over; Professional Services Contract Award Recommendations \$200,000 and Over; Miscellaneous Contract Award Recommendations \$200,000 and Over; Cooperative Purchase Recommendations; Sole Source Purchase Recommendations; Emergency Declarations, Purchases and Public Works Contracts; Purchases Involving Special Facilities or Market Condition Recommendations; Formal Bid and Contract Amendments; and Contract Acceptance Recommendations contains the following sections:

Public Works Contract Award Recommendations Over \$25,000;
None

Formal Bid Award Recommendations \$120,000 and Over;
None

Professional Services Contract Award Recommendations \$200,000 and Over;
None

Miscellaneous Contract Award Recommendations \$200,000 and Over;
None

Interlocal Agreements and Cooperative Purchase Recommendations (Pages 1 - 3);
Contracts:
Amendment of Interlocal Agreement with Port of Everett
Purchase Order No. 4500077627 with Global Rental Company
Amendments:
None

Sole Source Purchase Recommendations;
None

Emergency Declarations, Purchases and Public Works Contracts;
None

Purchases Involving Special Facilities or Market Condition Recommendations;
None

Formal Bid and Contract Amendments;
None

Contract Acceptance Recommendations;
None

List Attachments:
July 5, 2022 Report

Amendment of Interlocal Agreement July 5, 2022

Interlocal Agreement with Port of Everett

Contractor/Consultant/Supplier:	Port of Everett
Project Leader & Phone No.:	Clark Langstraat Ext. 5539
Amendment No.:	1
Amendment:	\$700,000.00

Original Contract Amount: \$1,000,000.00
Present Contract Amount: \$1,000,000.00
Amendment Amount: \$700,000.00
New Contract Amount: \$1,700,000.00

Original Start/End: 7/23/21 – 4/16/24
Present Start/End: 7/23/21 – 4/16/24
New End Date: No Change

Summary Statement: Job Order Contracting (JOC) is an alternative public works contracting method where one or more General Contractors are selected using a competitive RFP process to perform numerous small public works projects using pricing determined by a unit price book and an overhead factor bid by the contractor(s). RCW 39.10.420 authorizes certain Washington agencies, including PUD's, to use this process as an alternative to bidding and contracting for these projects on an individual basis. This allows for faster project delivery and stable pricing throughout the contract term.

On July 20, 2021, the Commission authorized the use of Job Order Contracting by the District and the execution of an interlocal Agreement with the Port of Everett to share their JOC contracts with Forma Construction and Burton Construction. While the interlocal with the Port is valid until April 16, 2024, staff intended to use these contracts for one year to determine how the District might contract for these services on an ongoing basis. After this initial term Staff has made the determination that it would be advantageous to establish JOC contracts to better use this alternative process to meet the District's unique construction contracting requirements.

Because this process may take as long as six months and because there are numerous JOC projects currently in process or identified for use in 2022, staff is recommending that the interlocal agreement with the Port be amended to add \$700,000 to avoid the interruption or delay of these projects.

State law permits a public agency to purchase from a contract entered into by another public agency as long as the contract is determined to have been awarded in compliance with the bidding requirements of the agency seeking to make the purchase, provided that the requirement for advertising or providing notice for bids is deemed satisfied if the awarding entity advertises according to its own bidding requirements, and either (i) posts the advertisement on any website sponsored by a public agency, purchasing cooperative or similar service provider, or (ii) provides an access link on the state's web portal to the notice. District staff have verified through documentation and/or individual questions to the Port that the bid process used for the awards recommended below meets the District's procurement requirements.

Summary Statement
(continued):

In addition to the contracts with Forma and Burton, the District will also extend the agreement with Gordian which provides District staff access to Gordian's unit price book and their proprietary software used to manage the JOC contracting process. Gordian will also provide professional services related to the management of JOC. Gordian will be paid fees equal to five percent of the cost of each completed project. The Port has a similar contract with Gordian, and the use of their software and services is required for participation in this interlocal agreement.

Cooperative Purchase Recommendations

July 5, 2022

State law permits a public agency to purchase from a contract entered into by another public agency as long as the contract is determined to have been awarded in compliance with the bidding requirements of the agency seeking to make the purchase, provided that the requirement for advertising or providing notice for bids is deemed satisfied if the awarding entity advertises according to its own bidding requirements, and either (i) posts the advertisement on any website sponsored by a public agency, purchasing cooperative or similar service provider, or (ii) provides an access link on the state's web portal to the notice. District staff have verified through documentation and/or individual questions to the applicable awarding entity that the bid process used for each purchase recommended below meets the District's procurement requirements.

Accordingly, staff recommends approval of the following contracts/amendments:

A. CONTRACTS

Awarded Vendor Name: Global Rental Company \$456,700.00

Purchase Order Number: 4500077627

Sourcewell Contract #062320-ALT.

Description of Purchase:

Purchase of one Altec Mobile Crane that will be used by Distribution and Engineering Services Division.

This truck will be a fleet addition.

Project Lead: Christina Brueckner, ext. 5053



BUSINESS OF THE COMMISSION

Meeting Date: July 5, 2022

Agenda Item: 2C

TITLE:

Consideration of Certification/Ratification and Approval of District Checks and Vouchers

SUBMITTED FOR: Consent Agenda

General Accounting & Financial Systems
Department

Julia Anderson
Contact

8027
Extension

Date of Previous Briefing: _____

Estimated Expenditure: _____

Presentation Planned ☐

ACTION REQUIRED:

- ☐ Decision Preparation
- ☐ Policy Discussion
- ☐ Policy Decision
- ☒ Statutory

☐ Incidental
(Information)

☐ Monitoring Report

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Governance Process, Board Job Description: GP-3(4)(B)(2)a non-delegable, statutorily assigned Board duty to approve vouchers for all warrants issued.

The attached District checks and vouchers are submitted for the Board's certification, ratification, and approval.

List Attachments:
Voucher Listing



CERTIFICATION/RATIFICATION AND APPROVAL

We, the undersigned of the Public Utility District No. 1 of Snohomish County, Everett, Washington, do hereby certify that the merchandise or services hereinafter specified have been received, and the Checks or Warrants listed below are ratified/approved for payment this 5th day of July 2022.

CERTIFICATION:

Certified as correct:

CEO/General Manager

Julia A Anderson

Auditor

[Signature]

Chief Financial Officer/Treasurer

RATIFIED AND APPROVED:

Board of Commissioners:

President

Vice-President

Secretary

TYPE OF DISBURSEMENT	PAYMENT REF NO.	DOLLAR AMOUNT	PAGE NO.
REVOLVING FUND			
Customer Refunds, Incentives and Other	1117514 - 1117703	\$31,248.39	2 - 7
Electronic Customer Refunds		\$7,756.02	8 - 10
WARRANT SUMMARY			
Warrants	8069145 - 8069353	\$3,790,226.40	11 - 17
ACH	6030859 - 6031098	\$7,741,506.85	18 - 25
Wires	7002557 - 7002575	\$30,479,744.22	26
Payroll - Direct Deposit	5300000643 - 5300000643	\$4,054,845.04	27
Payroll - Warrants	844666 - 844688	\$44,882.28	27
Automatic Debit Payments	5300000638 - 5300000645	\$5,324,676.16	28
	GRAND TOTAL	\$51,474,885.36	

Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
6/13/22	1117514	GRIGORIY RADION	\$69.90
6/13/22	1117515	SALLY GREENE	\$62.00
6/13/22	1117516	NOVENTIS	\$841.69
6/13/22	1117517	JARL GUNDERSON	\$68.27
6/13/22	1117518	LAKESIDE APARTMENT ASSOCIATES LLC	\$30.31
6/13/22	1117519	BRAMBLEMIRE INC	\$3,941.57
6/13/22	1117520	DANA JORDEN	\$1,000.00
6/13/22	1117521	RICARDO FUENTES	\$161.62
6/13/22	1117522	MAINVUE WA LLC	\$58.23
6/13/22	1117523	CORNERSTONE HOMES	\$392.63
6/13/22	1117524	LGI HOMES - WASHINGTON, LLC	\$146.64
6/13/22	1117525	PILCHUCK PROPERTIES & INVESTMENTS LLC	\$44.73
6/13/22	1117526	JAMES BROOKS	\$21.00
6/13/22	1117527	BACK OFFICE WALK IN PAYMENTS	\$664.66
6/13/22	1117528	SNEZHANA STEFANOVA	\$21.45
6/14/22	1117529	MCCLELLAN RING CO	\$25.57
6/14/22	1117530	MAJESTIC VIEW HOMES LLC	\$43.52
6/14/22	1117531	LETICIA LIMA CARVALHO LLC	\$48.93
6/14/22	1117532	JAMES STONE	\$81.28
6/14/22	1117533	KERI SPIEGEL	\$33.93
6/14/22	1117534	STEPHEN GOODNOUGH	\$471.79
6/14/22	1117535	SHAWN GAMBLE	\$235.72
6/14/22	1117536	BRIAN JOHNSON	\$22.63
6/14/22	1117537	JACQUELINE BUMPUS	\$16.77
6/14/22	1117538	LISA MERXBAUER	\$160.35
6/14/22	1117539	BARBARA GJERNESS	\$30.39
6/14/22	1117540	BRIAN LOKKER	\$22.14
6/14/22	1117541	VENKATA MALLA	\$33.29
6/14/22	1117542	ALLEN OGLETREE	\$18.20
6/14/22	1117543	MARIANA SANDVIG	\$454.97
6/14/22	1117544	ANDRE BARNES	\$70.57
6/14/22	1117545	JEANNE GILLETTE	\$151.69

Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
6/14/22	1117546	EMMANUEL LIAM	\$357.15
6/14/22	1117547	MARK ALVES	\$426.00
6/14/22	1117548	STUART WRIGHT	\$57.19
6/14/22	1117549	MONICA HAMILTON	\$78.00
6/14/22	1117550	BARINDER DHILLON	\$137.38
6/15/22	1117551	CHRISTINE TAYLOR	\$53.96
6/15/22	1117552	JACKIE GILBERT	\$189.81
6/15/22	1117553	HEARTLAND DENTAL LLC	\$554.77
6/15/22	1117554	WILLIAM BOYER	\$191.85
6/15/22	1117555	PRISCILLA FONTANEZ	\$126.44
6/15/22	1117556	ERIN CASTLE	\$110.81
6/15/22	1117557	RYAN BARKER	\$10.13
6/15/22	1117558	ELLEN TORRENCE	\$220.50
6/15/22	1117559	VOID	\$0.00
6/15/22	1117560	EMILY CARLSON	\$159.12
6/15/22	1117561	ELECTRONIC BILL PAYMENT SERVICES/FIS	\$466.41
6/15/22	1117562	GUCCI AMERICA INC	\$485.11
6/16/22	1117563	T EPPS	\$92.00
6/16/22	1117564	T EPPS	\$125.00
6/16/22	1117565	ELIZABETH HERRIN	\$35.87
6/16/22	1117566	VOID	\$0.00
6/16/22	1117567	DUANE LARSON	\$275.15
6/16/22	1117568	DUANE LARSON	\$121.41
6/16/22	1117569	JESSICA FRITCH	\$80.59
6/16/22	1117570	DISH WIRELESS HOLDING LLC	\$111.88
6/16/22	1117571	LENNAR NORTHWEST INC	\$210.42
6/16/22	1117572	JASON ALMONTE	\$96.61
6/16/22	1117573	WENDY PALMER	\$40.97
6/16/22	1117574	GRETCHEN FRANCA	\$126.04
6/16/22	1117575	5018 130TH PL NE MARYSVILLE LLC	\$229.32
6/16/22	1117576	JESSICA FRITCH	\$97.98
6/17/22	1117577	ROSE MCCOY	\$110.34

Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
6/17/22	1117578	LAURIE DELK	\$44.21
6/17/22	1117579	BEX PORTFOLIO LLC	\$41.86
6/17/22	1117580	ALLEGRO ASSOCIATES DE LLC	\$8.27
6/17/22	1117581	NICHOLETTE POTTER	\$5.73
6/17/22	1117582	TOM BERKLEY	\$10.11
6/17/22	1117583	VOID	\$0.00
6/17/22	1117584	IULIA GEORGIU	\$258.26
6/17/22	1117585	DON RICHARDS	\$159.17
6/17/22	1117586	ROIC WASHINGTON CORP	\$12.03
6/17/22	1117587	VOID	\$0.00
6/17/22	1117588	MARK FALLON	\$13.04
6/17/22	1117589	RISE PROPERTIES (STATION NINE)	\$76.36
6/17/22	1117590	KATHY WEBER	\$8.17
6/17/22	1117591	HEATHER SICOTTE	\$54.94
6/20/22	1117592	DANIEL ROMERO	\$10.00
6/20/22	1117593	MICHELLE STILLER	\$20.70
6/20/22	1117594	DAVID PALMER	\$51.53
6/20/22	1117595	TINA FLAHERTY	\$165.52
6/20/22	1117596	LAKESIDE APARTMENT ASSOCIATES LLC	\$139.85
6/20/22	1117597	JOSEPH OLSON	\$88.82
6/20/22	1117598	PACIFIC RIDGE - DRH, LLC	\$165.32
6/20/22	1117599	GREGORY GEER	\$67.87
6/20/22	1117600	MAINVUE WA LLC	\$71.84
6/20/22	1117601	CENTENNIAL PARK 5J LLC	\$11.67
6/20/22	1117602	CENTENNIAL PARK 5J LLC	\$11.86
6/20/22	1117603	ANGELINA FU	\$19.81
6/20/22	1117604	DAFF LEE	\$804.70
6/20/22	1117605	KATOO SHERRARD	\$1,502.12
6/20/22	1117606	CONNIE WEIBLE	\$110.95
6/20/22	1117607	LAKE POINTE AT LAKE STEVENS	\$1,679.74
6/21/22	1117608	SHAKE N GO	\$371.92
6/21/22	1117609	KAREN ROBINSON	\$217.64

Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
6/21/22	1117610	BAUMAN PROPERTIES LLC	\$30.02
6/21/22	1117611	PACIFIC RIDGE - DRH, LLC	\$65.24
6/21/22	1117612	PATRICK HAZELWOOD	\$164.74
6/21/22	1117613	TRACY WELLS	\$34.37
6/21/22	1117614	GERI BRIGGS	\$68.67
6/21/22	1117615	VINH DOAN	\$45.05
6/21/22	1117616	PEPPER BROWN	\$27.67
6/22/22	1117617	EDWARD HANNON	\$80.69
6/22/22	1117618	ROSELIA ZAVALA-RODRIGUEZ	\$60.08
6/22/22	1117619	KAREN SPEAR	\$85.87
6/22/22	1117620	ALICE ANDERSON	\$37.89
6/22/22	1117621	MARY WINFREY	\$48.54
6/22/22	1117622	KEELERS CORNER APTS	\$26.40
6/22/22	1117623	BRIAN MCINTYRE	\$10.47
6/22/22	1117624	BARBARA STRYKER	\$82.07
6/22/22	1117625	DENNIS MEADOR	\$1,015.93
6/22/22	1117626	HILLCREST VILLA APTS	\$6.19
6/22/22	1117627	TONY BELDIN	\$73.48
6/22/22	1117628	JACOB KUHNMUENCH	\$40.45
6/22/22	1117629	DREW THOMPSON	\$33.08
6/22/22	1117630	MARY GRANATH	\$189.00
6/22/22	1117631	SUZANNE WILEN	\$134.44
6/22/22	1117632	ANNAY AYERS	\$42.28
6/22/22	1117633	DANNY HESS	\$68.90
6/22/22	1117634	SANDRA KOKER	\$56.30
6/22/22	1117635	EDGEWOOD NORTH, LLC	\$36.62
6/22/22	1117636	WOODRIDGE - EDMONDS LLC	\$16.64
6/22/22	1117637	AARON HARDEN	\$109.70
6/22/22	1117638	ELLEN OLSON	\$34.86
6/22/22	1117639	KRISTEN DAVIS	\$5.51
6/22/22	1117640	ESTATE OF BARBARA G LELAND	\$228.64
6/22/22	1117641	IH6 PROPERTY WASHINGTON LP	\$21.12

Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
6/22/22	1117642	SIARHEI KALMYKOU	\$316.21
6/22/22	1117643	KI YOUNG KIM	\$224.27
6/22/22	1117644	ANGELA WILSON	\$304.42
6/22/22	1117645	VOID	\$0.00
6/22/22	1117646	SNOHOMISH AFFORDABLE	\$18.54
6/23/22	1117647	ERP OPERATING LP	\$12.32
6/23/22	1117648	CLEARWIRE WIRELESS	\$22.01
6/23/22	1117649	ASHLEY LOGAN	\$60.01
6/23/22	1117650	MADISON BALCOM	\$61.21
6/23/22	1117651	PORTSMITH APARTMENTS LLC	\$79.04
6/23/22	1117652	SRIKANTH VORUGANTI	\$64.61
6/23/22	1117653	PETER KOO	\$23.70
6/23/22	1117654	ROBIN REYMORE	\$26.47
6/23/22	1117655	LING WONG	\$135.93
6/23/22	1117656	ABBAY LINTON	\$122.05
6/23/22	1117657	LIYI LIANG	\$528.39
6/23/22	1117658	LEONARDO APALE LOPEZ	\$65.03
6/23/22	1117659	ESTATE OF AVARD LYNN WILSON	\$111.78
6/23/22	1117660	ROBERT MARTIN	\$97.53
6/23/22	1117661	STANDARD DE LA ROSA VENTURE, L.P.	\$42.64
6/23/22	1117662	PO LLC	\$89.60
6/23/22	1117663	PO LLC	\$112.31
6/23/22	1117664	JACQUELINE RAMIREZ	\$93.37
6/23/22	1117665	ARTEM TETERIN	\$12.61
6/24/22	1117666	YILAM CHEUNG	\$69.11
6/24/22	1117667	FRANK JEFFRIES	\$104.00
6/24/22	1117668	STANDARD DE LA ROSA VENTURE, L.P.	\$583.60
6/24/22	1117669	ACME HOMES LLC	\$47.20
6/24/22	1117670	CARL HOVERMALE	\$126.12
6/24/22	1117671	SFR JAVELIN BORROWER LP	\$40.89
6/24/22	1117672	REDFINNOW BORROWER LLC	\$27.38
6/24/22	1117673	CORNERSTONE HOMES	\$285.63

Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
6/24/22	1117674	AMANDA BENSON	\$141.65
6/24/22	1117675	CORNERSTONE HOMES	\$111.65
6/24/22	1117676	PACIFIC RIDGE - DRH, LLC	\$12.40
6/24/22	1117677	ACME HOMES LLC	\$203.47
6/24/22	1117678	STEFAN LUSVARDI	\$7.87
6/24/22	1117679	APA HOLDINGS LLC	\$36.84
6/24/22	1117680	PATTY KIRKELIE	\$116.35
6/24/22	1117681	CASSIDY THORNE	\$195.16
6/24/22	1117682	HOUSING AUTHORITY OF SNO CO	\$47.99
6/24/22	1117683	PHYLLIS ULRICH	\$59.80
6/24/22	1117684	LORA HARPER	\$94.94
6/24/22	1117685	MANOR WAY APARTMENTS LLC	\$29.06
6/24/22	1117686	JANET WEBB	\$64.12
6/24/22	1117687	FRANK HEARON	\$8.01
6/24/22	1117688	JASON RAMERMAN	\$270.84
6/24/22	1117689	RYAN LINDHOLM	\$293.80
6/24/22	1117690	LINCOLN DONALDSON	\$52.07
6/24/22	1117691	DAN SIMON	\$93.49
6/24/22	1117692	RISE PROPERTIES (STATION NINE)	\$59.67
6/24/22	1117693	YAROSLAV HOLODKOV	\$24.60
6/24/22	1117694	STANDARD DE LA ROSA VENTURE, L.P.	\$57.92
6/24/22	1117695	STANDARD DE LA ROSA VENTURE, L.P.	\$36.96
6/24/22	1117696	STANDARD DE LA ROSA VENTURE, L.P.	\$20.75
6/24/22	1117697	STANDARD DE LA ROSA VENTURE, L.P.	\$105.06
6/24/22	1117698	STANDARD DE LA ROSA VENTURE, L.P.	\$16.35
6/24/22	1117699	STANDARD DE LA ROSA VENTURE, L.P.	\$78.31
6/24/22	1117700	STANDARD DE LA ROSA VENTURE, L.P.	\$21.09
6/24/22	1117701	STANDARD DE LA ROSA VENTURE, L.P.	\$130.00
6/24/22	1117702	STANDARD DE LA ROSA VENTURE, L.P.	\$54.88
6/24/22	1117703	TOM PRETLOW	\$885.74

Total: \$31,248.39

Detailed Disbursement Report

Revolving Fund - Electronic Customer Refunds			
Payment Date	Payment Ref Nbr	Payee	Amount
6/13/22	000204568395	DENA MAREAN	\$118.13
6/13/22	000204568396	MARIA DIAZ-ROJAS	\$157.99
6/13/22	000204568397	RICHARD MILLERICK	\$23.70
6/13/22	000204568398	JON WHITE	\$14.79
6/13/22	000204568399	RICHARD CASE	\$270.07
6/13/22	000204568400	DAVID POTTER	\$46.80
6/13/22	000204568401	AZEB G GIRMAYE	\$139.27
6/13/22	000204568402	CAMILLE WIEGERT	\$165.59
6/14/22	000204577564	PATRICK WARD	\$90.55
6/14/22	000204577565	CHRISTIANE MCCABE	\$13.48
6/14/22	000204577566	GENNADY GOLDFEDER	\$91.78
6/14/22	000204577567	QUREISH HAKIM	\$60.12
6/14/22	000204577568	MICHAEL KHAEMBA	\$300.00
6/14/22	000204577569	ANITA SAVINI	\$138.92
6/14/22	000204577570	ELAINE CAO	\$68.82
6/15/22	000204586432	RABAB ELZEIN	\$35.64
6/15/22	000204586433	LUIS TARQUINO SANTILLAN MALDONADO	\$9.15
6/15/22	000204586434	SARAH LINA BAWDON	\$79.08
6/15/22	000204586435	KELSEY PERKINS	\$6.63
6/15/22	000204586436	CHESTER RABGEY	\$72.57
6/15/22	000204586437	SUNDANCE SHERMAN	\$1,107.88
6/15/22	000204586438	FERNANDO ORTIZ LOPEZ	\$51.97
6/15/22	000204586439	ERIC SALMASSY	\$250.65
6/16/22	000204596222	HALEY HERRICK	\$75.45
6/16/22	000204596223	SHAWN MORGAN	\$54.41
6/16/22	000204596224	EMILY POINTER	\$97.00
6/16/22	000204596225	JONATHAN BRITTON	\$22.90
6/17/22	000204604616	NICHOLAS TRUDEN	\$146.65
6/17/22	000204604617	JASON HAMMER	\$148.14
6/17/22	000204604618	DYLAN SCHUETT	\$24.57
6/17/22	000204604619	JENNIFER SAFFORD	\$138.23
6/17/22	000204604620	JENNIFER SAFFORD	\$165.00

Detailed Disbursement Report

Revolving Fund - Electronic Customer Refunds			
Payment Date	Payment Ref Nbr	Payee	Amount
6/17/22	000204604621	MINDY LEWIS	\$8.71
6/17/22	000204604622	WALTER PEARCE	\$21.63
6/17/22	000204604623	BENG LIM	\$23.85
6/17/22	000204604624	JASWINDER SINGH	\$14.31
6/17/22	000204604625	ERIK BRAUNER	\$83.19
6/17/22	000204604626	BRIAN LABRASH	\$121.67
6/17/22	000204604627	TIM SEAWELL	\$33.68
6/22/22	000204628747	SHERI JO LEOSO	\$106.15
6/22/22	000204628748	JESSICA BLACK	\$104.28
6/22/22	000204628749	SESEN BERHANE	\$130.21
6/22/22	000204628750	JADON SCHRECK	\$107.91
6/22/22	000204628751	KETAN NOLD	\$29.93
6/22/22	000204628752	LAWRANNE JOLLEY	\$76.44
6/22/22	000204628753	PAUL NORDLUND	\$50.83
6/22/22	000204628754	MARICEL HALMO	\$29.04
6/22/22	000204628755	RACHEL DAUGHERTY	\$35.98
6/22/22	000204628756	STAR WHITEFLOWER	\$93.56
6/22/22	000204628757	NICHOLAS VENTIMIGLIA	\$284.16
6/22/22	000204628758	KAREN SORENSEN	\$253.08
6/23/22	000204636160	SARAH HILDERBRAND	\$138.91
6/23/22	000204636161	SAMANTHA COY	\$99.53
6/23/22	000204636162	EMMA MCGEE	\$59.62
6/23/22	000204636163	ROWENA FABRO	\$81.30
6/23/22	000204636164	MARIAH PRATER	\$85.43
6/23/22	000204636165	KIMBERLY RUSH	\$34.65
6/23/22	000204636166	JANIS WILLIAMS	\$100.00
6/23/22	000204636167	MICHAEL HOLM	\$145.48
6/23/22	000204636168	SHERRY BISSELL	\$144.00
6/23/22	000204636169	XIANGNING ZHANG	\$71.16
6/24/22	000204645283	ALICE BALDAZO	\$127.81
6/24/22	000204645284	BONNIE STITES	\$116.40
6/24/22	000204645285	KIMBERLY SANTOS	\$85.47

Detailed Disbursement Report

Revolving Fund - Electronic Customer Refunds			
Payment Date	Payment Ref Nbr	Payee	Amount
6/24/22	000204645286	TAYLOR HENDRICKSON	\$94.41
6/24/22	000204645287	HAYLEY MCCracken	\$100.44
6/24/22	000204645288	JIAN HUANG	\$106.39
6/24/22	000204645289	AISHWARIYA CHITTOOR PAIDIYAN	\$16.59
6/24/22	000204645290	MONROE GATEWAY ASSOC LLC	\$122.08
6/24/22	000204645291	KAMALJIT DEOL	\$45.45
6/24/22	000204645292	ALICE BALDAZO	\$17.38
6/24/22	000204645293	MOLLY VOLK	\$29.39
6/24/22	000204645294	MD ABU SAYEED MONDOL	\$139.59
Total:			\$7,756.02

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/14/22	8069145	ROBINETT BROTHERS CONSTRUCTION LLC	\$1,079.93
6/14/22	8069146	EQUIFAX INFORMATION SERVICES LLC	\$99.50
6/14/22	8069147	GLOBAL RENTAL COMPANY INC	\$10,165.75
6/14/22	8069148	DNV GL ENERGY INSIGHTS USA INC	\$3,000.00
6/14/22	8069149	GENUINE PARTS COMPANY	\$359.13
6/14/22	8069150	PHOENIX ELECTRIC CORPORATION	\$20,115.00
6/14/22	8069151	PUGET SOUND ENERGY INC	\$2,357.93
6/14/22	8069152	CITY OF ARLINGTON	\$185.63
6/14/22	8069153	REPUBLIC SERVICES INC	\$1,233.75
6/14/22	8069154	ROBERT HALF INTERNATIONAL INC	\$3,050.00
6/14/22	8069155	CITY OF SEATTLE	\$39,206.00
6/14/22	8069156	SNOHOMISH COUNTY	\$10.00
6/14/22	8069157	SNOHOMISH COUNTY	\$10.00
6/14/22	8069158	SNOHOMISH COUNTY	\$10.00
6/14/22	8069159	SNOHOMISH COUNTY	\$220.00
6/14/22	8069160	UNUM LIFE INSURANCE CO OF AMERICA	\$38,278.44
6/14/22	8069161	US BANK NA	\$4,000.00
6/14/22	8069162	STATE OF WASHINGTON	\$2,873.37
6/14/22	8069163	WILBUR-ELLIS HOLDINGS II INC	\$1,162.52
6/14/22	8069164	BICKFORD MOTORS INC	\$267.61
6/14/22	8069165	ENGINUIITY ADVANTAGE LLC	\$2,516.04
6/14/22	8069166	JEFFREY HATHAWAY	\$71.38
6/14/22	8069167	RYAN SCOTT FELTON	\$209.85
6/14/22	8069168	SNOHOMISH COUNTY	\$2,576.29
6/14/22	8069169	T-MOBILE USA INC	\$1,635.76
6/14/22	8069170	DIEBOLD INC	\$256.76
6/14/22	8069171	LAMAR TEXAS LTD PARTNERSHIP	\$6,165.00
6/14/22	8069172	ELECTROLAB LIMITED	\$4,763.38
6/14/22	8069173	NORTH SOUND AUTO GROUP LLC	\$20.62
6/14/22	8069174	BITSIGHT TECHNOLOGIES INC	\$23,322.51
6/14/22	8069175	WARD INDUSTRIAL PROCESS AUTOMATION	\$500.00
6/14/22	8069176	MCAD DESIGN LLC	\$11,680.17

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/14/22	8069177	TENNANT SALES & SERVICE COMPANY	\$261.61
6/14/22	8069178	CADMAN MATERIALS INC	\$2,517.86
6/14/22	8069179	T BAILEY INC	\$50,480.77
6/14/22	8069180	GRANT TECH INC	\$14,775.00
6/14/22	8069181	KENDALL DEALERSHIP HOLDINGS LLC	\$76.31
6/14/22	8069182	THE GORDIAN GROUP	\$14,659.30
6/14/22	8069183	DC TRANSPORT & MATERIALS INC	\$335.95
6/14/22	8069184	HUSSMANN CORP	\$46,891.00
6/14/22	8069185	WESTERN TELEMATIC INC	\$15,195.88
6/14/22	8069186	JASON TUTCHTONE	\$360.00
6/14/22	8069187	KIMCO REALTY CORP	\$17,000.00
6/14/22	8069188	KIMCO REALTY CORP	\$25,000.00
6/14/22	8069189	KIMCO REALTY CORP	\$2,100.00
6/17/22	8069190	DR HORTON-SSHI	\$2,149.85
6/17/22	8069191	SEATTLE PACIFIC HOMES INC	\$2,930.88
6/17/22	8069192	RUFANG LI	\$5,383.67
6/17/22	8069193	ARGUS PACIFIC INC	\$3,185.00
6/17/22	8069194	AT&T CORP	\$564.20
6/17/22	8069195	CITY OF EVERETT	\$179,766.17
6/17/22	8069196	ISLAND COUNTY	\$203.50
6/17/22	8069197	BEACON PUBLISHING INC	\$660.00
6/17/22	8069198	GENUINE PARTS COMPANY	\$693.63
6/17/22	8069199	PACIFIC AIR SWITCH CORPORATION	\$5,322.20
6/17/22	8069200	US BANK/POWEREX	\$187,989.99
6/17/22	8069201	PUGET SOUND ENERGY INC	\$16.39
6/17/22	8069202	ROBERT HALF INTERNATIONAL INC	\$4,984.00
6/17/22	8069203	SOUND PUBLISHING INC	\$67.62
6/17/22	8069204	TURLOCK IRRIGATION DIST	\$2,200.00
6/17/22	8069205	UNITED SITE SERVICES OF NEVADA INC	\$2,814.39
6/17/22	8069206	DOBBS HEAVY DUTY HOLDINGS LLC	\$163.00
6/17/22	8069207	AAA OF EVERETT FIRE	\$136.27
6/17/22	8069208	BICKFORD MOTORS INC	\$929.94

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/17/22	8069209	CAR WASH ENTERPRISES INC	\$72.00
6/17/22	8069210	EBEY HILL HYDROELECTRIC INC	\$1,753.64
6/17/22	8069211	CITY OF EDMONDS	\$1,550.00
6/17/22	8069212	LAKE STEVENS SEWER DIST	\$1,221.00
6/17/22	8069213	CITY OF MONROE	\$1,944.05
6/17/22	8069214	CITY OF MONROE	\$14,647.52
6/17/22	8069215	ZIPPER GEO ASSOCIATES LLC	\$2,896.53
6/17/22	8069216	COMCAST CORPORATION	\$514.06
6/17/22	8069217	WAVE BUSINESS SOLUTIONS	\$1,275.00
6/17/22	8069218	GSR RENTALS INC	\$331.48
6/17/22	8069219	BLACK & DECKER US INC	\$15,734.82
6/17/22	8069220	JENSEN HUGHES INC	\$2,665.00
6/17/22	8069221	LANDIS GYR TECHNOLOGY INC	\$874.41
6/17/22	8069222	WASHINGTON STATE DOT	\$188.85
6/17/22	8069223	ARTHUR J GALLAGHER RISK	\$15,000.00
6/17/22	8069224	SKAGIT COUNTY	\$205.50
6/17/22	8069225	BRAND INDUSTRIAL SERVICES INC	\$1,095.00
6/17/22	8069226	MCKINSTRY ESSENTION LLC	\$239.50
6/17/22	8069227	US BANK/BROOKFIELD RENEWABLE	\$332,680.28
6/17/22	8069228	UNIVERSAL PROTECTION SERVICE LP	\$1,035.60
6/17/22	8069229	DC TRANSPORT & MATERIALS INC	\$24.23
6/17/22	8069230	PACHECOS LANDSCAPING LLC	\$13,332.46
6/17/22	8069231	B ANTHONY JOSEPH	\$375.00
6/17/22	8069232	SNOHOMISH RUNNING COMPANY LLC	\$3,500.00
6/17/22	8069233	MODEM EXPRESS INC	\$2,561.00
6/17/22	8069234	PEARL A ATKINSON	\$375.00
6/17/22	8069235	MUKILTEO SCHOOL DISTRICT NO 6	\$13,056.85
6/21/22	8069236	ALLDATA LLC	\$1,320.00
6/21/22	8069237	EVERETT ENGINEERING INC	\$24,394.41
6/21/22	8069238	CITY OF EVERETT	\$14,406.68
6/21/22	8069239	GLOBAL RENTAL COMPANY INC	\$2,967.30
6/21/22	8069240	HARGIS ENGINEERS INC	\$339.90

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/21/22	8069241	HAT ISLAND COMMUNITY ASSN	\$10.00
6/21/22	8069242	KAMAN FLUID POWER LLC	\$418.43
6/21/22	8069243	IVANTI INC	\$12,400.57
6/21/22	8069244	LANGUAGE LINE SERVICES INC	\$3,821.78
6/21/22	8069245	LEXISNEXIS RISK DATA MANAGEMENT INC	\$32.97
6/21/22	8069246	CITY OF MARYSVILLE	\$598.26
6/21/22	8069247	CITY OF MONROE	\$1,037.46
6/21/22	8069248	GENUINE PARTS COMPANY	\$163.48
6/21/22	8069249	VERIZON CONNECT NWF INC	\$14,675.75
6/21/22	8069250	CITY OF ARLINGTON	\$645.76
6/21/22	8069251	ROBERT HALF INTERNATIONAL INC	\$6,499.22
6/21/22	8069252	SNOHOMISH COUNTY	\$850.00
6/21/22	8069253	SOUND PUBLISHING INC	\$4,865.75
6/21/22	8069254	SOUND SECURITY INC	\$568.84
6/21/22	8069255	SOUTHWIRE COMPANY LLC	\$69,910.72
6/21/22	8069256	REFINITIV US LLC	\$5,323.56
6/21/22	8069257	UNITED SITE SERVICES OF NEVADA INC	\$225.40
6/21/22	8069258	HITACHI ENERGY USA INC	\$15,117.99
6/21/22	8069259	WEST PUBLISHING CORPORATION	\$8,265.79
6/21/22	8069260	AAA OF EVERETT FIRE	\$536.81
6/21/22	8069261	ALDERWOOD WATER & WASTEWATER DISTRI	\$142.94
6/21/22	8069262	BICKFORD MOTORS INC	\$439.22
6/21/22	8069263	GREATER EDMONDS CHAMBER OF COMMERCE	\$3.91
6/21/22	8069264	ENGINUIITY ADVANTAGE LLC	\$2,666.00
6/21/22	8069265	PACIFIC PUBLISHING CO INC	\$730.80
6/21/22	8069266	PROLAND SERVICES INC	\$3,094.00
6/21/22	8069267	RUBATINO REFUSE REMOVAL INC	\$6,109.36
6/21/22	8069268	TRUE SURVEY SUPPLY INC	\$2,373.84
6/21/22	8069269	WELLSPRING FAMILY SERVICES	\$2,837.52
6/21/22	8069270	SNOHOMISH SCHOOL DISTRICT #201	\$1,000.00
6/21/22	8069271	CROWN CASTLE INTERNATIONAL CORP	\$6,245.30
6/21/22	8069272	CRITICAL INSIGHT INC	\$4,900.00

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/21/22	8069273	THE PAPE GROUP INC	\$90,039.31
6/21/22	8069274	S-R BROADCASTING INC	\$495.00
6/21/22	8069275	GEO TEST SERVICES INC	\$1,249.00
6/21/22	8069276	ARAMARK UNIFORM & CAREER APPAREL GR	\$4,937.08
6/21/22	8069277	OCCUPATIONAL HEALTH CENTERS OF WA P	\$165.00
6/21/22	8069278	SNOHOMISH COUNTY 911	\$5,924.95
6/21/22	8069279	BRINKS INC	\$1,803.85
6/21/22	8069280	SUSE LLC	\$28,800.00
6/21/22	8069281	PSC CUSTOM LLC	\$1,266.59
6/21/22	8069282	CADMAN MATERIALS INC	\$500.43
6/21/22	8069283	SUPERIOR SEPTIC SERVICE LLC	\$469.37
6/21/22	8069284	MARTIN ENERGY GROUP SERVICES LLC	\$98,716.30
6/21/22	8069285	BIO CLEAN INC	\$604.45
6/21/22	8069286	CONCENTRIC LLC	\$553.90
6/21/22	8069287	MADSKILLS INC	\$6,000.00
6/21/22	8069288	ACCESS INFO INTERMEDIATE HLDNG I LL	\$1,061.44
6/21/22	8069289	ACCESS INFO INTERMEDIATE HLDNG I LL	\$3,192.62
6/21/22	8069290	THE BARTELL DRUG COMPANY	\$41.63
6/21/22	8069291	CITY OF MARYSVILLE	\$1,500.00
6/21/22	8069292	LESLIE VANDERWEL	\$6,753.67
6/24/22	8069293	SEQUIM LAND LLC	\$243.00
6/24/22	8069294	MAINVUE WA LLC	\$5,011.60
6/24/22	8069295	KERI FOREMAN	\$808.17
6/24/22	8069296	DAVID BENTON	\$191.00
6/24/22	8069297	CLEAN HARBORS ENVIRONMENTAL	\$1,348.33
6/24/22	8069298	CITY OF DARRINGTON	\$7,557.90
6/24/22	8069299	DAVEY TREE SURGERY COMPANY	\$248,310.05
6/24/22	8069300	DISH NETWORK	\$82.77
6/24/22	8069301	EQUIFAX INFORMATION SERVICES LLC	\$9,823.14
6/24/22	8069302	GLOBAL RENTAL COMPANY INC	\$17,254.30
6/24/22	8069303	CITY OF GOLD BAR	\$8,019.99
6/24/22	8069304	KENT D BRUCE	\$5,459.83

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/24/22	8069305	CITY OF MARYSVILLE	\$153,950.28
6/24/22	8069306	CITY OF MOUNTLAKE TERRACE	\$59,585.05
6/24/22	8069307	GENUINE PARTS COMPANY	\$533.86
6/24/22	8069308	PUGET SOUND ENERGY INC	\$28,925.57
6/24/22	8069309	SNOHOMISH COUNTY	\$10.00
6/24/22	8069310	SHI INTERNATIONAL CORP	\$3,912.08
6/24/22	8069311	SOUND PUBLISHING INC	\$73.50
6/24/22	8069312	CITY OF SULTAN	\$27,290.83
6/24/22	8069313	TALLEY INC	\$5,295.57
6/24/22	8069314	US BANK NA	\$4,353.65
6/24/22	8069315	WEST PUBLISHING CORPORATION	\$2,467.29
6/24/22	8069316	AAA OF EVERETT FIRE	\$205.51
6/24/22	8069317	AABCO BARRICADE CO INC	\$250.02
6/24/22	8069318	CITY OF ARLINGTON	\$100,724.64
6/24/22	8069319	BICKFORD MOTORS INC	\$1,306.79
6/24/22	8069320	CITY OF BOTHELL	\$93,132.27
6/24/22	8069321	CITY OF BRIER	\$18,434.06
6/24/22	8069322	COMCAST HOLDINGS CORPORATION	\$32,124.50
6/24/22	8069323	CITY OF EDMONDS	\$134,907.79
6/24/22	8069324	THE HO SEIFFERT COMPANY	\$3,130.00
6/24/22	8069325	EDS MCDUGALL LLC	\$330.00
6/24/22	8069326	CITY OF INDEX	\$743.71
6/24/22	8069327	CITY OF LAKE STEVENS	\$126,710.57
6/24/22	8069328	MERIDIAN ENVIRONMENTAL INC	\$3,055.59
6/24/22	8069329	CITY OF MONROE	\$69,104.95
6/24/22	8069330	NORTHWEST TOWER ENGINEERING PLLC	\$5,375.00
6/24/22	8069331	PROVEN COMPLIANCE SOLUTIONS INC	\$1,590.00
6/24/22	8069332	CITY OF STANWOOD	\$31,790.55
6/24/22	8069333	TOWN OF WOODWAY	\$4,590.38
6/24/22	8069334	CITY OF GRANITE FALLS	\$15,996.90
6/24/22	8069335	HDR ENGINEERING INC	\$15,837.53
6/24/22	8069336	THE BANK OF NEW YORK MELLON TRUST	\$348.00

Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
6/24/22	8069337	KAISER FOUNDATION HEALTH PLAN OF WA	\$1,176.00
6/24/22	8069338	ENERGY CAPITAL SOLUTIONS LLC	\$8,401.13
6/24/22	8069339	CITY OF EVERETT	\$561,982.64
6/24/22	8069340	GEO TEST SERVICES INC	\$621.80
6/24/22	8069341	OCCUPATIONAL HEALTH CENTERS OF WA P	\$94.00
6/24/22	8069342	EXELE INFORMATION SYSTEMS INC	\$1,086.50
6/24/22	8069343	CADMAN MATERIALS INC	\$538.26
6/24/22	8069344	SALINAS SAWING & SEALING INC	\$442.29
6/24/22	8069345	UNIVERSAL PROTECTION SERVICE LP	\$828.48
6/24/22	8069346	PACHECOS LANDSCAPING LLC	\$315.10
6/24/22	8069347	CHRISTOPHER C RENSCH	\$450.00
6/24/22	8069348	MEGAN E EDMONDS	\$2,280.00
6/24/22	8069349	CITY OF LYNNWOOD	\$166,982.88
6/24/22	8069350	CITY OF MUKILTEO	\$74,276.18
6/24/22	8069351	MUKILTEO SCHOOL DISTRICT NO 6	\$3,000.00
6/24/22	8069352	CITY OF SNOHOMISH	\$39,876.76
6/24/22	8069353	RESOUND ENERGY LLC	\$3,298.07

Total: \$3,790,226.40

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/13/22	6030859	ALS GROUP USA CORP	\$85.00
6/13/22	6030860	CENTRAL WELDING SUPPLY CO INC	\$213.03
6/13/22	6030861	HOWARD INDUSTRIES INC	\$194,552.68
6/13/22	6030862	MOBILE MINI INC	\$662.09
6/13/22	6030863	MR TRUCK WASH INC	\$802.27
6/13/22	6030864	PERKINS COIE LLP	\$819.00
6/13/22	6030865	PETROCARD INC	\$1,696.90
6/13/22	6030866	S&C ELECTRIC COMPANY	\$4,897.83
6/13/22	6030867	CELLCO PARTNERSHIP	\$3,133.84
6/13/22	6030868	DICKS TOWING INC	\$272.00
6/13/22	6030869	GENERAL PACIFIC INC	\$100,296.10
6/13/22	6030870	LEGEND DATA SYSTEMS INC	\$5,766.97
6/13/22	6030871	BRIAN DAVIS ENTERPRISES INC	\$634.34
6/13/22	6030872	NORTHWEST CASCADE INC	\$497.86
6/13/22	6030873	ROHLINGER ENTERPRISES INC	\$18,250.68
6/13/22	6030874	TECH PRODUCTS INC	\$478.50
6/13/22	6030875	TRIANGLE ASSOCIATES INC	\$4,979.61
6/13/22	6030876	ALTEC INDUSTRIES INC	\$8,221.15
6/13/22	6030877	ANIXTER INC	\$7,785.57
6/13/22	6030878	CAPITAL ARCHITECTS GROUP PC	\$1,930.00
6/13/22	6030879	THE GOODYEAR TIRE & RUBBER CO	\$4,222.40
6/13/22	6030880	HCL AMERICA INC	\$26,719.65
6/13/22	6030881	MOBILE SOLUTIONS SVCS HOLDINGS LLC	\$8,156.70
6/13/22	6030882	SPINAL HEALTH CONSULTANTS INC	\$14,000.00
6/13/22	6030883	TRAFFIC CONTROL PLAN CO OF WA LLC	\$875.00
6/13/22	6030884	MCWANE INC	\$7,750.15
6/13/22	6030885	HARNISH GROUP INC	\$2,085.47
6/13/22	6030886	LANE POWELL PC	\$1,581.00
6/13/22	6030887	THE ADT SECURITY CORPORATION	\$1,224.01
6/13/22	6030888	BORDER STATES INDUSTRIES INC	\$89,594.52
6/13/22	6030889	HP INC	\$143,883.52
6/13/22	6030890	JASON ZYSKOWSKI	\$134.73

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/13/22	6030891	STATE OF WASHINGTON	\$159,243.02
6/14/22	6030892	AVISTA CORPORATION	\$103,450.00
6/14/22	6030893	CENTRAL WELDING SUPPLY CO INC	\$39.56
6/14/22	6030894	FASTENAL COMPANY	\$10.97
6/14/22	6030895	STELLAR INDUSTRIAL SUPPLY INC	\$5,155.12
6/14/22	6030896	STELLA-JONES CORPORATION	\$22,225.50
6/14/22	6030897	TFS ENERGY LLC	\$925.00
6/14/22	6030898	ECOLIGHTS NORTHWEST LLC	\$988.56
6/14/22	6030899	EDGE ANALYTICAL INC	\$220.00
6/14/22	6030900	HOGLUNDS TOP SHOP INC	\$439.60
6/14/22	6030901	ROHLINGER ENTERPRISES INC	\$11,424.91
6/14/22	6030902	SENSUS USA INC	\$1,414.63
6/14/22	6030903	UNITED RENTALS NORTH AMERICA INC	\$5,073.44
6/14/22	6030904	GRAYBAR ELECTRIC CO INC	\$158.64
6/14/22	6030905	ALTEC INDUSTRIES INC	\$502.63
6/14/22	6030906	ANIXTER INC	\$56,896.28
6/14/22	6030907	SEATTLE NUT & BOLT LLC	\$2,617.82
6/14/22	6030908	THE GOODYEAR TIRE & RUBBER CO	\$272.55
6/14/22	6030909	ICONIX WATERWORKS INC	\$1,676.28
6/14/22	6030910	NORTH COUNTY OUTLOOK INC	\$405.00
6/14/22	6030911	ADVANCED GOVERNMENT SERVICES INC	\$9,411.00
6/14/22	6030912	DEVELOPMENT DIMENSIONS INTRNTL INC	\$23,000.00
6/14/22	6030913	EIP COMMUNICATIONS I LLC	\$5,295.18
6/14/22	6030914	FLEET SERVICE VEHICLE REPAIR LLC	\$4,966.64
6/14/22	6030915	DC GROUP INC	\$2,409.66
6/14/22	6030916	STILLY RIVER MECHANICAL INC	\$2,650.00
6/14/22	6030917	COHEN VENTURES INC	\$77,351.90
6/14/22	6030918	HILLARY OLSON	\$270.31
6/14/22	6030919	SIDNEY LOGAN	\$83.07
6/15/22	6030920	ASPLUNDH TREE EXPERT LLC	\$35,983.50
6/15/22	6030921	DAVID EVANS & ASSOCIATES INC	\$1,354.00
6/15/22	6030922	EUGENE WATER & ELECTRIC BOARD	\$475.00

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/15/22	6030923	INTERCONTINENTAL EXCHANGE HOLDINGS	\$3,325.00
6/15/22	6030924	MR TRUCK WASH INC	\$2,516.71
6/15/22	6030925	NORTH COAST ELECTRIC COMPANY	\$592.18
6/15/22	6030926	PUGET SOUND ENERGY INC	\$1,209.98
6/15/22	6030927	RWC INTERNATIONAL LTD	\$47.54
6/15/22	6030928	STELLAR INDUSTRIAL SUPPLY INC	\$307.68
6/15/22	6030929	STELLA-JONES CORPORATION	\$25,215.50
6/15/22	6030930	OTC GLOBAL HOLDINGS LP	\$1,136.00
6/15/22	6030931	BRAKE & CLUTCH SUPPLY INC	\$1,293.26
6/15/22	6030932	OTC GLOBAL HOLDINGS LP	\$950.00
6/15/22	6030933	EDGE ANALYTICAL INC	\$220.00
6/15/22	6030934	ENERGY NORTHWEST	\$55,252.00
6/15/22	6030935	NORTHWEST CASCADE INC	\$1,107.04
6/15/22	6030936	ROHLINGER ENTERPRISES INC	\$137.29
6/15/22	6030937	SENSUS USA INC	\$2,105.31
6/15/22	6030938	WALTER E NELSON CO OF WESTERN WA	\$5,837.87
6/15/22	6030939	GRAYBAR ELECTRIC CO INC	\$876.40
6/15/22	6030940	HECTOR BRACERO	\$1,068.02
6/15/22	6030941	ALTEC INDUSTRIES INC	\$4,388.44
6/15/22	6030942	ANIXTER INC	\$11,496.69
6/15/22	6030943	LUCID SOFTWARE INC	\$249.96
6/15/22	6030944	DS SERVICES OF AMERICA INC	\$112.91
6/15/22	6030945	MOUSER ELECTRONICS INC	\$45.71
6/15/22	6030946	QCL INC	\$2,304.00
6/15/22	6030947	COHEN VENTURES INC	\$23,250.20
6/15/22	6030948	CHERI NELSON	\$18.72
6/15/22	6030949	MELISSA COLLINS	\$179.82
6/16/22	6030950	CERIUM NETWORKS INC	\$6,472.71
6/16/22	6030951	MOTOR TRUCKS INTL & IDEALEASE INC	\$593.59
6/16/22	6030952	NORTH COAST ELECTRIC COMPANY	\$2,710.01
6/16/22	6030953	RIGHT SYSTEMS INC	\$66,599.40
6/16/22	6030954	ROMAINE ELECTRIC CORP	\$694.24

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/16/22	6030955	RWC INTERNATIONAL LTD	\$169.33
6/16/22	6030956	SONSRAY MACHINERY LLC	\$745.20
6/16/22	6030957	TOYOTA TSUSHO MATERIAL HANDLING AME	\$734.62
6/16/22	6030958	TRENCHLESS CONSTR SVCS LLC	\$17,074.70
6/16/22	6030959	BRAKE & CLUTCH SUPPLY INC	\$498.02
6/16/22	6030960	COLEHOUR & COHEN INC	\$114,939.76
6/16/22	6030961	GENERAL PACIFIC INC	\$1,813.36
6/16/22	6030962	LOUIS F MATHESON CONSTRUCTION INC	\$129.48
6/16/22	6030963	SEATTLE AUTOMOTIVE DISTRIBUTING INC	\$449.32
6/16/22	6030964	SENSUS USA INC	\$89,019.00
6/16/22	6030965	SOUND SAFETY PRODUCTS CO INC	\$2,599.03
6/16/22	6030966	GRAYBAR ELECTRIC CO INC	\$2,006.95
6/16/22	6030967	ALTEC INDUSTRIES INC	\$305.19
6/16/22	6030968	ANIXTER INC	\$184,630.13
6/16/22	6030969	FINANCIAL CONSULTING SOLUTIONS GROU	\$1,205.00
6/16/22	6030970	THE GOODYEAR TIRE & RUBBER CO	\$3,122.42
6/16/22	6030971	TRAFFIC CONTROL PLAN CO OF WA LLC	\$175.00
6/16/22	6030972	CONSTELLATION ENERGY CORP	\$129,228.00
6/16/22	6030973	CM HEATING INC	\$4,150.00
6/16/22	6030974	GS HEATING & COOLING LLC	\$1,650.00
6/16/22	6030975	LIBERTY MUTUAL GROUP INC	\$26,176.83
6/17/22	6030976	ASPLUNDH TREE EXPERT LLC	\$37,538.83
6/17/22	6030977	CENTRAL WELDING SUPPLY CO INC	\$609.71
6/17/22	6030978	HOWARD INDUSTRIES INC	\$73,756.09
6/17/22	6030979	INTERWEST CONSTRUCTION INC	\$13,367.40
6/17/22	6030980	SCHWEITZER ENGINEERING LAB INC	\$483.56
6/17/22	6030981	STAR RENTALS INC	\$317.23
6/17/22	6030982	UNITED PARCEL SERVICE	\$71.56
6/17/22	6030983	WILLIAMS SCOTSMAN INC	\$16,121.02
6/17/22	6030984	WW GRAINGER INC	\$818.76
6/17/22	6030985	PACIFIC TRADE SYSTEMS INC	\$59.39
6/17/22	6030986	ICONIX WATERWORKS INC	\$204.37

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/17/22	6030987	LANE POWELL PC	\$5,587.00
6/17/22	6030988	MURRAYSMITH INC	\$8,189.50
6/17/22	6030989	WASHINGTON ENERGY SERVICES COMPANY	\$750.00
6/17/22	6030990	BRENDA WHITE	\$174.14
6/17/22	6030991	KELLEY COULSON	\$174.11
6/21/22	6030992	ALS GROUP USA CORP	\$85.00
6/21/22	6030993	CARDINAL PAINT & POWDER INC	\$569.54
6/21/22	6030994	CERIUM NETWORKS INC	\$384.65
6/21/22	6030995	CONSOLIDATED ELECTRICAL DISTRIBUTOR	\$5,459.70
6/21/22	6030996	DAVID EVANS & ASSOCIATES INC	\$2,025.70
6/21/22	6030997	DAY MANAGEMENT CORPORATION	\$258.93
6/21/22	6030998	HOWARD INDUSTRIES INC	\$27,014.52
6/21/22	6030999	IBEW LOCAL 77	\$76,724.38
6/21/22	6031000	NELSON DISTRIBUTING INC	\$2,879.81
6/21/22	6031001	NORTHWEST POWER POOL CORP	\$429.00
6/21/22	6031002	RM YOUNG COMPANY INC	\$977.64
6/21/22	6031003	SISKUN INC	\$1,576.40
6/21/22	6031004	STELLAR INDUSTRIAL SUPPLY INC	\$5,790.17
6/21/22	6031005	STELLA-JONES CORPORATION	\$25,185.60
6/21/22	6031006	GORDON TRUCK CENTERS INC	\$140.73
6/21/22	6031007	STATE OF WASHINGTON	\$263.32
6/21/22	6031008	WESCO DISTRIBUTION INC	\$111.55
6/21/22	6031009	WEST COAST PAPER CO	\$2,732.55
6/21/22	6031010	WESTERN FACILITIES SUPPLY INC	\$322.56
6/21/22	6031011	WW GRAINGER INC	\$196.56
6/21/22	6031012	AXIS SURVEYING & MAPPING INC	\$1,045.00
6/21/22	6031013	BRAKE & CLUTCH SUPPLY INC	\$612.67
6/21/22	6031014	CELLCO PARTNERSHIP	\$1,651.87
6/21/22	6031015	COLEHOUR & COHEN INC	\$14,450.00
6/21/22	6031016	CUZ CONCRETE PRODUCTS INC	\$890.52
6/21/22	6031017	DESIGNER DECAL INC	\$5,132.61
6/21/22	6031018	EVERETT STEEL INC	\$513.40

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/21/22	6031019	FENCE SYSTEMS NW INC	\$1,572.42
6/21/22	6031020	BEN-KO-MATIC CO	\$1,748.23
6/21/22	6031021	PACIFIC TRADE SYSTEMS INC	\$250.24
6/21/22	6031022	ROHLINGER ENTERPRISES INC	\$8,497.95
6/21/22	6031023	SOUND SAFETY PRODUCTS CO INC	\$1,254.44
6/21/22	6031024	OFFICE OF THE SECRETARY OF STATE	\$2,577.50
6/21/22	6031025	WALTER E NELSON CO OF WESTERN WA	\$6,118.77
6/21/22	6031026	ALTEC INDUSTRIES INC	\$971.89
6/21/22	6031027	ANIXTER INC	\$67,836.00
6/21/22	6031028	ROADPOST USA INC	\$1,006.08
6/21/22	6031029	SEATTLE NUT & BOLT LLC	\$152.19
6/21/22	6031030	ICONIX WATERWORKS INC	\$717.97
6/21/22	6031031	TRAFFIC CONTROL PLAN CO OF WA LLC	\$525.00
6/21/22	6031032	HARNISH GROUP INC	\$2,692.55
6/21/22	6031033	REXEL USA INC	\$2,972.43
6/21/22	6031034	TITAN ELECTRIC INC	\$40,423.08
6/21/22	6031035	ORSI LESSEE LLC	\$21,870.00
6/21/22	6031036	DIAMOND VOGEL INC	\$838.52
6/21/22	6031037	WELLNESS BY WISHLIST INC	\$3,096.06
6/21/22	6031038	VIRTUAL PEAKER INC	\$69,000.00
6/21/22	6031039	STRATEGIC RESEARCH ASSOCIATES LLC	\$4,000.00
6/21/22	6031040	UTILITY TRAILER & EQUIP SALES NW LL	\$395.64
6/21/22	6031041	STILLY RIVER MECHANICAL INC	\$2,650.00
6/21/22	6031042	AA REMODELING LLC	\$1,200.00
6/21/22	6031043	HEIDIE WAXHAM	\$970.00
6/21/22	6031044	DAVID WOOD	\$103.07
6/21/22	6031045	ANGELA FORBES	\$999.00
6/21/22	6031046	MATTHEW KIMBALL	\$360.91
6/21/22	6031047	APRIL SULLIVAN	\$1,808.84
6/21/22	6031048	JESSICA RAAB HOLMGREN	\$97.16
6/21/22	6031049	ALLISON JUBB	\$398.88
6/22/22	6031050	CENTRAL WELDING SUPPLY CO INC	\$30,082.38

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/22/22	6031051	JPW ASSOCIATES INC	\$613.18
6/22/22	6031052	NORTHSTAR CHEMICAL INC	\$1,491.40
6/22/22	6031053	TRENCHLESS CONSTR SVCS LLC	\$5,879.47
6/22/22	6031054	GORDON TRUCK CENTERS INC	\$207.72
6/22/22	6031055	AARD PEST CONTROL INC	\$141.77
6/22/22	6031056	CELLCO PARTNERSHIP	\$76,936.19
6/22/22	6031057	CONFLUENCE ENGINEERING GROUP LLC	\$2,739.00
6/22/22	6031058	GENERAL PACIFIC INC	\$444,286.77
6/22/22	6031059	HD FOWLER COMPANY INC	\$387.24
6/22/22	6031060	LONGS LANDSCAPE LLC	\$4,143.23
6/22/22	6031061	LOUIS F MATHESON CONSTRUCTION INC	\$3,072.36
6/22/22	6031062	WALTER E NELSON CO OF WESTERN WA	\$2,750.78
6/22/22	6031063	ALTEC INDUSTRIES INC	\$1,679.39
6/22/22	6031064	ANIXTER INC	\$4,663.33
6/22/22	6031065	ICONIX WATERWORKS INC	\$3,252.19
6/22/22	6031066	HARMSSEN LLC	\$1,850.00
6/22/22	6031067	MURRAYSMITH INC	\$12,059.50
6/22/22	6031068	NORTHWEST HYDRAULIC CONSULTANTS INC	\$7,738.24
6/22/22	6031069	WELLNESS BY WISHLIST INC	\$1,423.24
6/22/22	6031070	ADP INC	\$11,945.67
6/22/22	6031071	CLEAN CRAWL INC	\$586.00
6/22/22	6031072	CM HEATING INC	\$5,300.00
6/23/22	6031073	CONSOLIDATED ELECTRICAL DISTRIBUTOR	\$4,664.27
6/23/22	6031074	DAVID EVANS & ASSOCIATES INC	\$22,973.10
6/23/22	6031075	DLT SOLUTIONS LLC	\$5,850.69
6/23/22	6031076	MOTOR TRUCKS INTL & IDEALEASE INC	\$397.91
6/23/22	6031077	GORDON TRUCK CENTERS INC	\$948.91
6/23/22	6031078	WW GRAINGER INC	\$447.66
6/23/22	6031079	GENERAL PACIFIC INC	\$68,091.22
6/23/22	6031080	KEMP WEST INC	\$149,708.80
6/23/22	6031081	DAVID JAMES PERKINS	\$3,025.00
6/23/22	6031082	LOUIS F MATHESON CONSTRUCTION INC	\$388.44

Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
6/23/22	6031083	SOUND SAFETY PRODUCTS CO INC	\$651.49
6/23/22	6031084	VISION METERING LLC	\$17,500.00
6/23/22	6031085	REXEL USA INC	\$2,369.13
6/23/22	6031086	CENVEO WORLDWIDE LIMITED	\$12,787.08
6/23/22	6031087	WELLNESS BY WISHLIST INC	\$35.28
6/23/22	6031088	ECO ENVIRONMENTAL SERVICES INC	\$648.00
6/24/22	6031089	DAVID EVANS & ASSOCIATES INC	\$166.00
6/24/22	6031090	HOWARD INDUSTRIES INC	\$38,782.61
6/24/22	6031091	INTERGRAPH CORPORATION	\$852.96
6/24/22	6031092	B&L UTILITY INC	\$160,007.95
6/24/22	6031093	STATE OF WASHINGTON	\$106.78
6/24/22	6031094	HECTOR BRACERO	\$158.64
6/24/22	6031095	CG ENGINEERING PLLC	\$7,195.69
6/24/22	6031096	NEWSDATA LLC	\$16,347.63
6/24/22	6031097	JR MERIT INC	\$666,054.44
6/24/22	6031098	ARTHUR J GALLAGHER RISK	\$3,359,638.39
Total:			\$7,741,506.85

Detailed Disbursement Report

Accounts Payable Wires			
Payment Date	Payment Ref Nbr	Payee	Amount
6/16/22	7002557	US BANK NA	\$2,007,421.96
6/17/22	7002558	PUBLIC UTILITY DIST NO 1 OF CHELAN	\$213,188.00
6/17/22	7002559	PUGET SOUND ENERGY INC	\$166,995.00
6/17/22	7002560	CITY OF SEATTLE	\$5,975.00
6/17/22	7002561	TRANSALTA ENERGY MARKETING US INC	\$215,584.90
6/17/22	7002562	US DEPARTMENT OF ENERGY	\$23,211,063.00
6/17/22	7002563	CITY OF TACOMA WASHINGTON	\$77,811.00
6/17/22	7002564	EDF TRADING NORTH AMERICA LLC	\$2,715.00
6/17/22	7002565	HAMPTON LUMBER MILLS-WA INC	\$70,935.82
6/17/22	7002566	IDAHO POWER COMPANY	\$3,250.00
6/17/22	7002567	LL&P WIND ENERGY INC	\$458,907.33
6/17/22	7002568	MACQUARIE ENERGY NORTH AMERICA TRAD	\$1,073,078.00
6/17/22	7002569	SHELL ENERGY NORTH AMERICA LP	\$54.00
6/17/22	7002570	AVANGRID RENEWABLES HOLDINGS INC	\$1,822,071.35
6/21/22	7002571	THE ENERGY AUTHORITY INC	\$25,255.00
6/21/22	7002572	CITY OF SEATTLE	\$293,519.25
6/21/22	7002573	ICMA-RC	\$214,450.05
6/21/22	7002574	PUBLIC UTILITY DIST NO 1 OF SNOHOMI	\$38,798.09
6/21/22	7002575	ICMA-RC	\$578,671.47

Total: \$30,479,744.22

Detailed Disbursement Report

Payroll			
Period End Date	Payment Ref Nbr	Payee	Amount
6/21/22	5300000643	PUD EMPLOYEES - DIRECT DEPOSIT	\$4,054,845.04
6/22/22	844666 - 844688	PUD EMPLOYEES - WARRANTS	\$44,882.28

Detailed Disbursement Report

Automatic Debit Payments			
Payment Date	Payment Ref Nbr	Payee	Amount
6/13/2022	5300000638	STATE OF WA DEPT OF RETIR	\$1,892,440.26
6/14/2022	5300000639	VOID	\$0.00
6/14/2022	5300000640	US POSTAL SVC	\$10,000.00
6/20/2022	5300000641	WELLNESS BY WISHLIST INC	\$14,129.75
6/21/2022	5300000642	US POSTAL SVC	\$110,000.00
6/21/2022	5300000643	ADP INC	\$975,659.47
6/24/2022	5300000644	STATE OF WA DEPT OF REVEN	\$2,147,929.03
1/6/1900	5300000645	STATE OF WA DEPT OF RETIR	\$174,517.65
Total:			\$5,324,676.16



BUSINESS OF THE COMMISSION

Meeting Date: July 5, 2022

Agenda Item: 3A

TITLE

Disposal of Surplus Property – 3rd Quarter 2022

SUBMITTED FOR: Public Hearing and Action

Materials Management & Warehouse
Department

Hud Allworth
Contact

5005
Extension

Date of Previous Briefing: _____
Estimated Expenditure: _____

Presentation Planned ☐

ACTION REQUIRED:

- | | | |
|--|-------------------------------------|--|
| <input checked="" type="checkbox"/> Decision Preparation | <input type="checkbox"/> Incidental | <input type="checkbox"/> Monitoring Report |
| <input type="checkbox"/> Policy Discussion | (Information) | |
| <input type="checkbox"/> Policy Decision | | |
| <input checked="" type="checkbox"/> Statutory | | |

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Governance Process, Board Job Description, GP-3(4) --- non-delegable, statutorily assigned Board duty.

Request approval to dispose of various materials and equipment from all Divisions, as set forth on Exhibit "A" that accumulated during the previous quarter. These items are no longer necessary or useful to the District and will be sold for high bid, scrap, junk, or used as trade-in.

Request advance approval to dispose of those materials set forth on Exhibit "B" that will accumulate during the Third Quarter of the year 2022. The materials listed on Exhibit "B" include waste transformer oil, unserviceable distribution transformers, unserviceable radiators, pipes, storage tanks, etc., containing PCB material, scrap metal, assorted sizes of tires, obsolete automotive parts, obsolete/scrap transmission and distribution inventory, obsolete/scrap substation inventory, obsolete/scrap material and equipment, obsolete/scrap CPUs and computer components, miscellaneous electronics and obsolete/scrap miscellaneous furnishings to include chairs, desks, cabinets, tables and work surfaces.

List Attachments:

Exhibit A

Exhibit B

SURPLUS PROPERTY RECOMMENDATIONS

EXHIBIT A

3rd QUARTER 2022

	DESCRIPTION	STORES REF. #	PURCHASE YEAR	ORIGINAL PURCHASE PRICE	APPROX. MARKET VALUE	DISPOSAL METHOD
1.	Veh. #1013: 2010 Toyota Prius, Vin #JTDKN3DU5A1134801, License 94559C, Mileage 38,802. This vehicle's age & maintenance costs exceed the minimum replacement criteria. It will be replaced with same type of vehicle, paid with funds from approved 2022 budget. It is recommended that this vehicle be sold at auction.	S-5408	2010	\$24,358.51	\$12,500.00	Sell
2.	Veh. #2031: 2007 Chevrolet Silverado 1500, Vin #1GCEC14077Z604339, License 84226C, Mileage 143,360. This vehicle's age & maintenance costs exceed the minimum replacement criteria. It will be replaced with same type of vehicle, paid with funds from approved 2022 budget. It is recommended that this vehicle be sold at auction.	S-5409	2007	\$23,320.85	\$2,000.00	Sell
3.	Veh. #2501: 2003 Ford F250 Pickup, Vin #3FTNX20L73MB41236, License 67839C, Mileage 128,667. This vehicle's age & maintenance costs exceed the minimum replacement criteria. It will be replaced with same type of vehicle, paid with funds from approved 2022 budget. It is recommended that this vehicle be sold at auction.	S-5410	2003	\$21,980.62	\$3,700.00	Sell
4.	Veh. #2536: 2012 Ford F350 Pickup, Vin #1FTBF3A61CEC13672, License A1257C, Mileage 46,500. This vehicle's age & maintenance costs exceed the minimum replacement criteria. It will be replaced with same type of vehicle, paid with funds from approved 2022 budget. It is recommended that this vehicle be sold at auction.	S-5380	2012	\$41,124.44	\$7,000.00	Sell

SURPLUS PROPERTY RECOMMENDATIONS

EXHIBIT A

3rd QUARTER 2022

DESCRIPTION	STORES REF. #	PURCHASE YEAR	ORIGINAL PURCHASE PRICE	APPROX. MARKET VALUE	DISPOSAL METHOD
5. MESA-2 Flow Battery Electrolyte: Removal and disposal of approximately 97,000 gallons of a custom vanadium electrolyte (pH -0.5) from MESA-2. The battery system never reliably worked and Accounting has retired the assets which were written off in 2020 and 2021. Removal and disposal of this regulated hazardous waste will be by a licensed contractor in accordance with all applicable laws in a manner to minimize the District's and public's risk. Based on staff research, this is a waste with no remaining value despite being a portion of the former asset. This is only on the Surplus Report to comply with Directive 17.	S-5412	N/A	N/A	N/A	Pay for Disposal
6. MESA-2 Battery Containers and Appurtenances: (Qty. of 16) Containers containing residual custom vanadium electrolyte (highly acidic). The battery system never reliably worked, Accounting has retired the assets which were written off in 2020 and 2021. Removal and disposal of these hazardous waste contaminated components will be by a licensed contractor in accordance with all applicable laws in a manner to minimize the District's and public's risk. These components have little or no remaining value despite being a portion of the former asset.	S-5413	N/A	N/A	N/A	Pay for Disposal
7. MESA-2 PCS and Appurtenances: a) Power Inverters, AEG model SC.600-10-UL, 600kVA, 450-1000VDC (Qty. of 4); b) Transformers, Rex Power Magnetics, 45kVA, dry type, 283VAC-480Y/277V (Qty. of 4); c) Miscellaneous appurtenances. MESA-2 is out of service. Accounting has retired the assets which were written off in 2020 and 2021. Substation Construction will remove this surplus equipment and locate it per Warehouse instructions.	S-5414	N/A	N/A	N/A	Sell

SURPLUS PROPERTY RECOMMENDATIONS

EXHIBIT A

3rd QUARTER 2022

DESCRIPTION	STORES REF. #	PURCHASE YEAR	ORIGINAL PURCHASE PRICE	APPROX. MARKET VALUE	DISPOSAL METHOD
8. (Qty of 4) MESA-2 PCS Storage Containers: MESA-2 is out of service. Accounting has retired the assets which were written off in 2020 and 2021. These containers will be retained by Substation Construction for storage of equipment.	S-5415	N/A	N/A	N/A	Storage
9. (Qty of 4) MESA-2 Transformers: 750kVA, ONAN, 12,960YG/7482V-283Y/163V, 5.88% Impedance, K-Factor 1, No Load Tap Settings, Manufactured by Cooper Power. MESA-2 is out of service. Accounting has retired the assets which were written off in 2020 and 2021. Substation Construction will remove this surplus equipment and locate it per Warehouse instructions.	S-5416	N/A	N/A	N/A	Sell
10. MESA-2 Miscellaneous System Components: Various system components from MESA-2 such as computer, display, ethernet switch, Gateway, test switches, rack, etc. MESA-2 is out of service. Accounting has retired the assets which were written off in 2020 and 2021. Substation Construction will remove this surplus equipment and locate it per Warehouse instructions.	S-5417	N/A	N/A	N/A	Sell/Scrap

SURPLUS PROPERTY RECOMMENDATIONS

EXHIBIT B

3rd QUARTER 2022

DESCRIPTION	PURCHASE YEAR	ORIGINAL PURCHASE PRICE	APPROX. MARKET VALUE	DISPOSAL METHOD
1. Waste transformer oil, PCBs less than 2 ppm to be disposed of as needed in the 3rd Quarter 2022	Various	Various	\$0.20 / KVA (paid to District)	Dechlorinated to <1 ppm PCB Recycled by Transformer Technologies
2. Waste transformer oil, PCBs between 2 to less than 49 ppm to be disposed of as needed in the 3rd Quarter 2022	Various	Various	\$0.10 / KVA (paid to District)	Dechlorinated to <1 ppm PCB Recycled by Transformer Technologies
3. Waste transformer oil, PCBs greater than or equal to 50 ppm to be disposed of as needed in the 3rd Quarter 2022	Various	Various	\$4.67/ Gallon (billed District)	Dechlorinated by Clean Harbors ES
4. Unserviceable distribution transformers and electrical equipment, PCBs of less than 1 ppm to be disposed of as needed in the 3rd Quarter 2022	Various	Various	\$1.88 / KVA (paid to District)	Oil recycled equipment is rebuilt for resale or scrapped for metal recovery by Transformer Technologies
5. Unserviceable distribution transformers and electrical equipment, PCBs of 1 through 49 ppm to be disposed of as needed in the 3rd Quarter 2022	Various	Various	\$1.00/ KVA (paid to District)	Oil will be dechlorinated & equipment scrapped for metal recovery by Transformer Technologies
6. Unserviceable distribution transformers and electrical equipment, PCBs greater than or equal to 50 ppm to be disposed of as needed in the 3rd Quarter 2022	Various	Various	\$1.27/ Lb. (billed District)	Incinerated by Clean Harbors ES

SURPLUS PROPERTY RECOMMENDATIONS

EXHIBIT B

3rd QUARTER 2022

DESCRIPTION	PURCHASE YEAR	ORIGINAL PURCHASE PRICE	APPROX. MARKET VALUE	DISPOSAL METHOD
7. Unserviceable PCB contaminated radiators, pipes, scrap metal and storage tanks drained of oil containing PCBs to be disposed of as needed in the 3rd Quarter 2022	Various	Various	\$1.27/ Lb. (billed District)	Incinerated by Clean Harbors ES
8. Scrap metal including: copper, aluminum, brass, steel, iron, meters, potential transformers and current transformers to be sold as needed in the 3rd Quarter 2022	Various	Various	\$120,000.00 (average based on previous 4 quarters)	High Bid
9. Assorted sizes of tires, tubes and casings to be scrapped as needed in the 3rd Quarter 2022	Various	Various	Various	Scrap
10. Obsolete miscellaneous auto parts and supplies including: fire extinguishers, polyester rope, strobe lights and other related automotive materials to be sold as needed in the 3rd Quarter 2022	Various	Various	\$12,000.00 (average based on previous 4 quarters)	High Bid
11. Obsolete or miscellaneous auto parts and supplies including: fire extinguishers, polyester rope, strobe lights and other related automotive materials to be scrapped as needed in the 3rd Quarter 2022	Various	Various	Various	Scrap
12. Obsolete or miscellaneous Transmission and Distribution inventory to include: street lighting, pole-line hardware, concrete products, wire, transformers and other related materials to be sold as needed in the 3rd Quarter 2022	Various	Various	\$3,000.00 (average based on previous 4 quarters)	High Bid

SURPLUS PROPERTY RECOMMENDATIONS

EXHIBIT B

3rd QUARTER 2022

	DESCRIPTION	PURCHASE YEAR	ORIGINAL PURCHASE PRICE	APPROX. MARKET VALUE	DISPOSAL METHOD
13.	Obsolete or miscellaneous Transmission and Distribution inventory to include: street lighting, poleline hardware, concrete products, wire, transformers and other related materials to be scrapped as needed in the 3rd Quarter 2022	Various	Various	\$30,000.00 (average based on previous 4 quarters)	Scrap
14.	Obsolete or miscellaneous Transmission and Distribution inventory to include: street lighting, poleline hardware, concrete products, wire, transformers and other related materials to be traded as needed in the 3rd Quarter 2022	Various	Various	Various	Trade
15.	Obsolete or scrap material and/or equipment including: adding machines, calculators, typewriters and other related items to be sold as needed in the 3rd Quarter 2022	Various	Various	\$1,000.00 (average based on previous 4 quarters)	High Bid
16.	Obsolete or scrap material and/or equipment to include: adding machines, calculators, typewriters and other related items to be scrapped as needed in the 3rd Quarter 2022	Various	Various	Various	Scrap
17.	Obsolete or scrap material and/or equipment to include: adding machines, calculators, typewriters and other related items to be traded as needed in the 3rd Quarter 2022	Various	Various	Various	Trade
18.	Obsolete or miscellaneous computer components to include: CPUs, monitors, keyboards, printers and miscellaneous electronics, to be sold as needed in the 3rd Quarter 2022	Various	Various	\$2,500.00 (average based on previous 4 quarters)	High Bid

SURPLUS PROPERTY RECOMMENDATIONS

EXHIBIT B

3rd QUARTER 2022

DESCRIPTION	PURCHASE YEAR	ORIGINAL PURCHASE PRICE	APPROX. MARKET VALUE	DISPOSAL METHOD
19. Obsolete or miscellaneous computer components to include: CPUs, monitors, keyboards, printers and miscellaneous electronics to be recycled, scrapped or junked as needed in the 3rd Quarter 2022	Various	Various	Various	Recycle/Scrap/Junk
20. Obsolete or miscellaneous furnishings to include: chairs, desks, cabinets and table work surfaces to be sold as needed in the 3rd Quarter 2022	Various	Various	\$50.00 (average based on previous 4 quarters)	High Bid
21. Obsolete and/or miscellaneous furnishings to include: chairs, desks, cabinets and table work surfaces that are damaged beyond economical repair to be scrapped in the 3rd Quarter 2022	Various	Various	\$30.00 (average based on previous 4 quarters)	Scrap
22. Pre-Authorization for any material "trade-ins" to be used as a credit against the purchase price of new products of the same type procured for District use; to the extent such "trade-ins" are consistent with standard industry practices, with respect to the applicable category of item in the 3rd Quarter 2022	Various	Various	Various	Trade
23. Pre-Authorization for any obsolete or miscellaneous Tool Room equipment and/or material to be sold during the 3rd Quarter 2022	Various	Various	\$30,000.00 (average based on previous 4 quarters)	High Bid
24. Pre-Authorization for any obsolete or miscellaneous Tool Room equipment and/or material to be traded during the 3rd Quarter 2022	Various	Various	Various	Trade
25. Pre-Authorization for any obsolete or miscellaneous Tool Room equipment and/or material, to be junked during the 3rd Quarter 2022	Various	Various	Various	Junk

SURPLUS PROPERTY RECOMMENDATIONS

EXHIBIT B

3rd QUARTER 2022

DESCRIPTION	PURCHASE YEAR	ORIGINAL PURCHASE PRICE	APPROX. MARKET VALUE	DISPOSAL METHOD
26. Pre-Authorization for any obsolete or miscellaneous Water Department equipment and/or material to be sold during the 3rd Quarter 2022	Various	Various	\$0.00 (average based on previous 4 quarters)	High Bid
27. Pre-Authorization for any obsolete or miscellaneous Water Department equipment and/or material to be scrapped during the 3rd Quarter 2022	Various	Various	Various	Scrap
28. Pre-Authorization for any obsolete or miscellaneous Generation Department equipment and/or material to be sold or scrapped during the 3rd Quarter 2022	Various	Various	\$1,500.00 (average based on previous 4 quarters)	Sell/Scrap
29. Pre-Authorization for any Departments obsolete or miscellaneous equipment and/or material to be sold or scrapped during the 3rd Quarter 2022	Various	Various	\$50.00 (average based on previous 4 quarters)	Sell/Scrap
30. Pre-Authorization for any obsolete or miscellaneous Telecom equipment and/or material to be sold or scrapped during the 3rd Quarter 2022	Various	Various	\$25,000.00 (average based on previous 4 quarters)	Sell/Scrap
31. Pre-Authorization for the transfer of poles removed from service, free of charge. Allowable on a "first come, first serve" basis in the following order:				
i. Customer/Property owners adjacent to pole,	Various	Various	N/A	Scrap
ii. To a customer/property owner near the pole, if requested or,				
iii. Crew members if no customer/property owner requests				

3rd QUARTER 2022 BID AWARD RECOMMENDATIONS

The successful Bidder for the Third Quarter 2022 Scrap Material Bid is: **Pacific Iron & Metal**



BUSINESS OF THE COMMISSION

Meeting Date: July 5, 2022

Agenda Item: 4A

TITLE

Consideration of a Motion Accepting the Asset Protection Monitoring Report

SUBMITTED FOR: Items for Individual Consideration

<u>Finance/Risk Management</u>	<u>Scott Jones/Jim Herrling</u>	<u>8356/8303</u>
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing: <u>7/6/2021</u>		
Estimated Expenditure: _____		Presentation Planned <input type="checkbox"/>

ACTION REQUIRED:

- | | | |
|---|-------------------------------------|---|
| <input type="checkbox"/> Decision Preparation | <input type="checkbox"/> Incidental | <input checked="" type="checkbox"/> Monitoring Report |
| <input type="checkbox"/> Policy Discussion | (Information) | |
| <input type="checkbox"/> Policy Decision | | |
| <input type="checkbox"/> Statutory | | |

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Executive Limitation 7 – Asset Protection

List Attachments:

Internal Monitoring Report – Asset Protection (EL-7)



GOVERNANCE INTERNAL MONITORING REPORT

Report Date: July 5, 2022

Policy Type: Executive Limitations

Reporting Method: ☒ Executive Report ☐ External Audit ☐ Direct Inspection

Policy Title: Asset Protection (EL-7)

Date of Policy: November 5, 2019

Frequency: Annually

Global Policy Prohibition: *The CEO/General Manager shall not allow corporate assets to be unprotected, inadequately maintained, or unnecessarily risked.*

Interpretation: The CEO/General Manager shall take reasonable and responsible actions to ensure that assets of the District are appropriately protected in order to reduce the economic impact of losses.

Compliance: This report constitutes assurance that to our knowledge, this global policy prohibition has not been materially violated and the information reported is accurate as of this report date. In most cases, the District has obtained insurance from external parties to manage the risk of loss. Company vehicles are largely self-insured by the District, a customary practice at many large utilities.

Signed


John W. Haarlow, CEO

Date

6/28/2022

Signed


J. Scott Jones, CFO

Date

6 | 28 | 2022

Summary Data: The District has a comprehensive structure in place to ensure that corporate assets are protected, maintained, and not unnecessarily risked. This structure includes:

- Liability, property, cybersecurity, and crime and fidelity insurance at required levels, except for vehicle insurance at cash value;
- Vehicle coverage at cash value through self-insurance reserves, with external insurance for large claims;
- Protection of intellectual property and information systems through system security upgrades and periodic vulnerability assessments;
- Scheduled maintenance and/or inspections of major assets;
- Strong internal controls for cash management which follow state law and meet auditor expectations;
- A strategic plan and critical goals that protect the District's image and credibility through timely communications to the public on pertinent issues;

- An internal task force that monitors compliance with policies and procedures regarding the management of power supply.

1. Policy Prohibition: *Accordingly, he or she shall not fail to maintain excess liability insurance, including minimum coverage per occurrence of \$50 million.*

Interpretation: The CEO/GM shall maintain excess liability insurance coverage for the District with minimum coverage of \$50 million per occurrence; with an underlying self-insured retention of the first \$2 million of a claim.

Conclusion: This Executive Limitation was followed with no known exceptions.

Summary Data: The District has an Excess Liability Policy with AEGIS (Associated Electric & Gas Insurance Services Limited) and a Second Excess Liability Policy with EIM (Energy Insurance Mutual) through May 31, 2023. The Aegis policy coverage limit is \$35 million per occurrence (limited to \$70 million aggregate per policy year) and the EIM policy provides an additional \$15 million (with a \$15 million annual aggregate). The District's self-insurance reserve fund has a balance of \$10 million (as of 6/30/2022) that will allow funding for five (5) separate liability claims reaching the \$2 million self-insured retention.

2. Policy Prohibition: *Accordingly, he or she shall not fail to maintain property insurance (for non-transmission and distribution system assets) for replacement value.*

Interpretation: The CEO/GM shall maintain property insurance coverage that will pay the replacement value of lost or damaged assets, where replacement value approximates the cost of repair, rebuild or replacement of the damaged property with property of the same kind, capacity, size, or quality. Total coverage amounts shall be based on the maximum probable exposure of losses during any single event. Transmission and distribution assets are excluded from coverage. Natural disaster sub-limits are acceptable (earthquake and flood) based on the anticipation of Federal Emergency Management Agency (FEMA) funds becoming available to reimburse the District for repair and/or replacement costs.

Conclusion: This Executive Limitation was followed with no known exceptions.

Summary Data: The following table provides data on the District's plant values, property insurance coverage limits and associated sublimits for the period June 1, 2022 through May 31, 2023.

Loss Limit	\$400,000,000
Property, Plant & Equipment Values of Covered Assets	\$1,366,780,937
Earth Movement Sub-limit	\$100,000,000
Flood Sub-limit	\$100,000,000
Dams, Pipeline, Power Tunnels Sub-limit	\$100,000,000
Deductible	\$ 1,000,000
Deductible for Earth Movement or Named Windstorm is \$1,000,000 or 2% of total insured value whichever is greater.	

3. Policy Prohibition: *Accordingly, he or she shall not fail to maintain vehicle insurance.*

Interpretation: The CEO/GM shall maintain insurance coverage for District vehicles damaged or lost.

Conclusion: This Executive Limitation was followed with no known exceptions. The District self-insures most vehicle losses, with property insurance covering larger losses.

Summary Data: Insurance coverage for vehicles is provided through the property insurance policy. The District's mobile equipment and vehicles are insured at an actual cash value which is usual and customary in the insurance marketplace. All vehicles have a \$100,000 deductible. The District currently has 167 vehicles with a cash value greater than \$100,000 that would be eligible for recovery under the existing policy. The District has a total of 647 vehicles of which 480 vehicles would not be eligible for recovery because the cash value is below the deductible.

4. Policy Prohibition: *Accordingly, he or she shall not fail to maintain crime and fidelity insurance for personnel with access to material amounts of funds.*

Interpretation: The CEO/GM shall maintain insurance coverage that protects the District from significant loss from employee misconduct.

Conclusion: This Executive Limitation was followed with no known exceptions.

Summary Data: The District has a Fidelity and Crime Policy with Hartford Fire Insurance Company through May 31, 2023 with coverage limits of \$5 million per occurrence and an excess crime policy with Chubb/Ace American Insurance Company for an additional \$5 million in limits. These policies cover losses of the District's money, securities, and other property in the care, custody, and control of employees. The underlying policy carries a \$25,000 deductible.

5. **Policy Prohibition:** *Accordingly, he or she shall not fail to maintain insurance covering cybersecurity risks.*

Interpretation: The CEO/GM shall maintain insurance coverage that protects the District from significant loss from security breaches, system failures, and extortions.

Conclusion: This Executive Limitation was followed with no known exceptions.

Summary Data: The District has a Cyber Security policy with Aegis (Associated Gas & Electric Insurance Services) through May 31, 2023, with coverage limits of \$5 million per occurrence. The policy carries a \$750,000 deductible.

6. **Policy Prohibition:** *Accordingly, he or she shall not subject plant and equipment to improper wear and tear or insufficient maintenance.*

Interpretation: The CEO/GM shall take reasonable and responsible actions to maintain preventative maintenance policies and procedures for plant and equipment.

Conclusion: This Executive Limitation was followed with no known exceptions.

Summary Data: The District uses various maintenance programs across all areas of operations. These programs outline maintenance criteria, ensures standards and requirements are followed, and develops preventative maintenance plans.

7. **Policy Prohibition:** *Accordingly, he or she shall not fail to protect intellectual property, information and files from loss or significant damage.*

Interpretation: The CEO/GM shall take reasonable and responsible actions to protect the District from loss, breach, or encroachment of intangible products, i.e., patents or copyrights developed at the District, confidential, sensitive and/or protected information, and the integrity of the District's information system, including all software and hardware where essential data contained within the system resides.

Conclusion: This Executive Limitation was followed with no known exceptions.

Summary Data: The District's Legal Department defends any unauthorized use of the District's intellectual property when notified of a violation. The District requires all public information requests be processed through a Public Records Officer to ensure no inappropriate information is released. The District's proprietary and non-proprietary information is duplicated through regularly scheduled back-ups of data stores. Periodic security vulnerability assessments are conducted on IT infrastructure (web servers, firewalls, and wireless networks).

The District has participated in engagements and exercises with various entities to gain awareness and practice for attacks and vulnerabilities.

- 8. Policy Prohibition:** *Accordingly, he or she shall not receive, process, or disburse funds under controls that are materially insufficient to meet the auditor's expectations.*

Interpretation: Internal controls relating to cash management, including funds paid out, received, or processed, will be developed, and adhered to at a level adequate to comply with Generally Accepted Accounting Principles and meet auditor guidelines.

Conclusion: This Executive Limitation was followed with one exception.

Summary Data: The District is audited each year by an independent public accounting firm and by the State Auditor's Office. Any material weaknesses or material deficiency of internal controls are reported to the District's Commissioners by the auditors. The District has not received any notification of material weakness or inadequate internal controls by the auditors.

- 9. Policy Prohibition:** *Accordingly, he or she shall not invest or hold operating capital in accounts or investments other than those permitted investments for the State of Washington (RCW 35.39.030, 39.58-39.60, 43.84.080 and 43.250).*

Interpretation: The District shall only invest or deposit cash in accounts authorized by State statute.

Conclusion: This Executive Limitation was followed with no known exception.

Summary Data: The District's general authority to invest and deposit funds is set forth in RCWs 35.39.030, 39.58-39.60, 43.84.080 and 43.250. As a part of an annual audit performed by the State Auditor's Office, compliance with state law is examined. The auditors have not found the District to be out of compliance with the State requirements.

- 10. Policy Prohibition:** *Accordingly, he or she shall not endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission.*

Interpretation: The CEO/GM shall take reasonable and responsible actions to ensure that the District's public image and credibility are consistent with our mission.

Conclusion: No material issues or intentional violations have surfaced which would be considered deliberately detrimental to the District's public image and credibility.

Summary Data: The District maintains a robust communication program that strives to keep the public informed and build community relationships.

11. Policy Prohibition: *Accordingly, he or she shall not manage the District's power supply for purposes other than meeting customer loads.*

Interpretation: The District engages in energy commodity transactions to meet customer loads in a dependable, safe, and responsible manner, at a price no greater than similar alternatives. Energy commodity transactions at the District include buying, selling, and scheduling of electric power or other energy commodities as necessary to meet load and mitigate risks. In the process of fulfilling those primary purposes, the District will manage its contracted and owned generation and transmission assets to optimize their value for the District's consumer owners.

Conclusion: This Executive Limitation was followed with no known exceptions.

Summary Data: The District follows the Commission-approved Energy Risk Management Policy Statement and maintains an Energy Risk Management oversight team that meets regularly, updates the Commission bi-annually, and ensures adherence to various pricing, risk, and power supply guidelines.



BUSINESS OF THE COMMISSION

Meeting Date: July 5, 2022

Agenda Item: 4B

TITLE

Consideration of a Resolution Creating a Plan of Financing for the Acquisition and Construction of and Certain Additions, Betterments and Improvements to and Renewals, Replacements and Extensions of the District's Electric System; Authorizing the Issuance and Sale of Not to Exceed \$75,000,000 Aggregate Principal Amount of Electric System Revenue Bonds, Series 2022 in One or More Series; Providing For the Terms of the 2022 Bonds; Approving the Execution and Delivery of Certain Documents and Agreements; and Providing for Certain Other Matters Related Thereto

SUBMITTED FOR: Items for Individual Consideration

Finance	Jim Herrling	8303
Department	Contact	Extension
Date of Previous Briefing:	June 21, 2022	
Estimated Expenditure:		Presentation Planned <input type="checkbox"/>

ACTION REQUIRED:

- | | | |
|--|-------------------------------------|--|
| <input checked="" type="checkbox"/> Decision Preparation | <input type="checkbox"/> Incidental | <input type="checkbox"/> Monitoring Report |
| <input type="checkbox"/> Policy Discussion | (Information) | |
| <input type="checkbox"/> Policy Decision | | |
| <input checked="" type="checkbox"/> Statutory | | |

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Ends Policy 5: Utilities are provided at the lowest possible cost consistent with sound business principles

On June 21, 2022, the Board received a presentation on a financing plan that, in part, included issuing Electric System bonds in order to fund capital improvements in the District's Electric System.

The attached resolution approves the distribution of the preliminary official statement for the District's proposed Electric System Revenue Refunding Bonds, Series 2022 in one or more series, (the Bonds) substantially in the form provided to the Commissioners, with such changes from the form presented that shall be approved by the CEO/General Manager, Chief Financial Officer or Treasurer (following consultation with General Counsel), and approves and authorizes the

execution of various other documents and agreements related to the issuance and sale of the Bonds, including the bond purchase agreement.

Staff will brief the Commission on the results of the pricing at the July 19th Commission meeting.

List Attachments:

Resolution

Preliminary Official Statement for the Electric System Revenue Bonds, Series 2022

Form of Bond Purchase Agreement

RESOLUTION NUMBER ____

A RESOLUTION CREATING A PLAN OF FINANCING FOR THE ACQUISITION AND CONSTRUCTION OF AND CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO AND RENEWALS, REPLACEMENTS AND EXTENSIONS OF THE DISTRICT'S ELECTRIC SYSTEM; AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$75,000,000 AGGREGATE PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE BONDS, SERIES 2022 IN ONE OR MORE SERIES; PROVIDING FOR THE TERMS OF THE 2022 BONDS; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

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RESOLUTION NO. ____

A RESOLUTION CREATING A PLAN OF FINANCING FOR THE ACQUISITION AND CONSTRUCTION OF AND CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO AND RENEWALS, REPLACEMENTS AND EXTENSIONS OF THE DISTRICT'S ELECTRIC SYSTEM; AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$75,000,000 AGGREGATE PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE BONDS, SERIES 2022 IN ONE OR MORE SERIES; PROVIDING FOR THE TERMS OF THE 2022 BONDS; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

WHEREAS, Public Utility District No. 1 of Snohomish County, Washington (the "District") is authorized by Sections 54.16.020 and 54.16.040 of the Revised Code of Washington (the "RCW") to construct, purchase, acquire, lease, maintain and operate plants, facilities and systems for generating electric energy by water, power, steam or other methods; and

WHEREAS, the Commission, by Part III of Resolution No. 3602 adopted by the Commission of the District on May 16, 1991 (as heretofore amended and supplemented, the "Master Resolution"), authorized bonds of the District to be issued in series and known as the Public Utility District No. 1 of Snohomish County, Washington, Electric System Revenue Bonds (the "Bonds"); and

WHEREAS, the District has previously issued Bonds pursuant to the Master Resolution, which Bonds are currently outstanding in the aggregate principal amount of \$375,440,000; and

WHEREAS, the District now desires to issue its Electric System Revenue Bonds, Series 2022, in one or more series (as further defined herein, the "2022 Bonds") for the purposes of (i) financing additions, betterments and improvements to and renewals, replacements and extensions of the Electric System, (ii) funding a deposit to the Reserve Account for the 2022 Bonds, if necessary, and (iii) paying costs of issuing the 2022 Bonds; and

WHEREAS, the 2022 Bonds will be issued and secured under the Master Resolution as supplemented by this Twelfth Supplemental Resolution;

WHEREAS, at the request of and for the convenience of U.S. Bank National Association, as trustee, registrar and paying agent for the Outstanding Bonds (the "Current Trustee"), in connection with the transfer of substantially all of the Current Trustee's corporate trust business to its wholly-owned subsidiary, U.S. Bank Trust Company, National Association, pursuant to the terms of the Master Resolution, the District desires to discharge the Current Trustee from its capacity as trustee, registrar, and paying agent for the District's Outstanding Bonds and appoint

U.S. Bank Trust Company, National Association, as trustee, registrar and paying agent for the District's Outstanding Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON, AS FOLLOWS:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Supplemental Resolution. This Twelfth Supplemental Resolution is supplemental to Resolution Nos. 3602, 3603, 4862, 5077, 5156, 5227, 5497, 5503, 5505, 5558, 5604, 5720, 5973 and 6014 is adopted in accordance with Article IX and Article XVI of the Master Resolution (as defined herein).

Section 1.02. Definitions.

(a) All terms that are defined in Section 8.1 of the Master Resolution shall have the same meanings in this Twelfth Supplemental Resolution as such terms are given in said Section 8.1 of the Master Resolution, as amended and supplemented hereby and heretofore.

(b) In this Twelfth Supplemental Resolution:

“Authorized Denominations” means \$5,000 and any integral multiple thereof.

“Authorized Officer” means the President or the Vice President of the Commission or the General Manager, Chief Financial Officer or the Treasurer of the District.

“Beneficial Owner” means any person for whom a Participant acquires an interest in 2022 Bonds.

“Bondowner” or “owner of a Bond” means any person who shall be the registered owner of any 2022 Bond.

“Business Day” means any day other than a Saturday, a Sunday or any other day on which banks located in the cities in which the principal offices of the Registrar or the District are located are authorized or required to remain closed.

“Cede” means Cede & Co., as nominee of DTC, and, subject to the transfer provisions hereof, any other nominee designated by DTC.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Current Trustee” means U.S. Bank National Association, as trustee, registrar and paying agent for the Outstanding Bonds.

“Date of Issuance” means the date of original issuance and delivery of the 2022 Bonds.

“DTC” means The Depository Trust Company, New York, New York, as depository for the 2022 Bonds, or any successor or substitute depository for the 2022 Bonds.

“Interest Payment Date” means each June 1 and December 1, commencing December 1, 2022.

“Letter of Representations” means the Blanket Letter of Representations from the District to DTC.

“Master Resolution” means Resolution No. 3602 of the District adopted by the Commission on May 16, 1991, as heretofore amended and supplemented.

“MSRB” means the Municipal Securities Rulemaking Board or any successor to its functions.

“New Trustee” means U.S. Bank Trust Company, National Association, as the successor trustee, registrar and paying agent for the Outstanding Bonds.

“Participant” means any direct or indirect participant of DTC.

“Record Date” means the 15th day of the month immediately preceding each Interest Payment Date.

“Registrar” means U.S. Bank Trust Company, National Association, its assigns and successors, which shall also act as the Trustee and the Paying Agent for the 2022 Bonds.

“Resolution” means the Master Resolution, as supplemented by this Twelfth Supplemental Resolution.

“Rule” means Rule 15c2-12(b)(5) adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax Certificate” means the certificate delivered by the District regarding compliance with applicable provisions of the Code in connection with the issuance of the 2022 Bonds issued on a tax-exempt basis.

“Twelfth Supplemental Resolution” means this Resolution No. _____, adopted by the District’s Commission on July 5, 2022, and any amendments, modifications or supplements hereto.

“2022 Bonds” means the District’s Electric System Revenue Bonds, Series 2022, to be issued in one or more series pursuant to the Master Resolution and this Twelfth Supplemental Resolution.

“2022 Delivery Certificate” means a written certificate of the District executed by an Authorized Officer and delivered at the time of issuance of the 2022 Bonds and/or a resolution of the Commission adopted by the Commission prior to or at the time of issuance of the 2022

Bonds setting forth certain terms with respect to the 2022 Bonds as provided in this Twelfth Supplemental Resolution.

“2022 Reserve Requirement” means the Reserve Account Requirement for the 2022 Bonds.

Section 1.03. Compliance with the Master Resolution. The Commission hereby finds that this Twelfth Supplemental Resolution contains the provisions required by Sections 9.2, 9.5 and 12.3(a)(iii) of the Master Resolution. All of the conditions required by Sections 9.2, 9.5 and 9.3 or 9.4, as applicable, of the Master Resolution for the 2022 Bonds to be issued on a parity with the Outstanding Bonds have been met or will be met by the Date of Issuance.

Section 1.04. Due Regard. The Commission hereby finds that due regard has been given to the cost of the operation and maintenance of the Electric System and that it has not obligated the District to set aside into the Bond Fund for the account of the 2022 Bonds a greater amount of the revenues and proceeds of the Electric System than, in its judgment, will be available over and above such cost of maintenance and operation.

Section 1.05. Plan and System. The District hereby specifies and adopts the plan and system for financing repairs, replacements, renewals, extensions, additions, improvements and betterments to the Electric System, which plan and system constitutes a portion of the District’s estimated capital requirements with respect to the Electric System for 2022 through 2026, including expansion of, upgrades to and equipping of substations and related facilities, expansion of and improvements to transmission lines and facilities, expanding and implementing the District’s Smart Grid Initiative and design, and construction and improvements to other facilities of the Electric System.

In connection with the plan and system, the District shall acquire and construct all or any portion of certain additions, betterments and improvements to and renewals, replacements and extensions of the Electric System, all as set forth in the capital plan and budgets adopted from time to time by the Commission and shall cause to be made any and all surveys and appraisals and financial and engineering studies and investigations and shall cause to be performed any and all fiscal, engineering, accounting, legal and other services necessary or incidental to implementation thereof.

The District may amend and modify details of the plan and system when deemed necessary or advisable in the judgment of the Commission without amending this Twelfth Supplemental Resolution. Should any part or portion of the plan and system as amended and modified from time to time, be held to be invalid, it shall not affect the validity of other parts or portions thereof.

Section 1.06. Soundness of Plan and System. The Commission finds and determines that:

(a) the public interest, welfare, convenience and necessity require the District to implement the plan and system described in Section 1.05;

(b) the implementation of the plan and system described in Section 1.05 is for lawful purposes of the District and will further the purpose of supplying the District and the

inhabitants thereof and any other persons, including public and private corporations, within or without its limits, with electricity for all uses and purposes;

(c) the implementation of the plan and system is economically sound; and

(d) the plan and system will contribute properly and advantageously to the conduct of the business of the District and its Electric System.

Section 1.07. Cost of Plan and System. The cost of the plan and system herein specified and adopted for the financing of the acquisition and construction of and certain additions, betterments, and improvements to and renewals, replacements, and extensions of the Electric System, including as a part of such cost funds necessary for the payment of expenses and obligations heretofore incurred, is hereby declared, as near as may be, to be no less than \$75,000,000.

Section 1.08. Reimbursement of Prior Expenditures. The District expects to pay certain costs of the projects described in Section 1.05 on or after the date that is 60 days prior to the adoption of this Twelfth Supplemental Resolution and prior to the issuance of the 2022 Bonds, and certain of the proceeds of the 2022 Bonds may be used to reimburse expenditures for such costs. The District hereby declares its intent, pursuant to Section 1.150-2 of the Treasury Regulations, to reimburse such expenditures with proceeds of the 2022 Bonds, although this does not bind the District to make any expenditure or reimburse any particular expenditure.

Section 1.09. Authority for this Twelfth Supplemental Resolution. This Twelfth Supplemental Resolution is adopted pursuant to the provisions of the laws of the State of Washington and the Master Resolution.

ARTICLE II

AUTHORIZATION OF 2022 BONDS

Section 2.01. Authorization of the 2022 Bonds. Pursuant to the provisions of the Master Resolution, another series of Bonds of the Electric System entitled to the benefit, protection and security of such provisions is hereby authorized and shall be distinguished from the Bonds of all other series by the title, "Electric System Revenue Bonds, Series 2022" (the "2022 Bonds"). The 2022 Bonds shall be issued in the aggregate principal amount of up to \$75,000,000, and shall be sold by negotiated sale. Notwithstanding the foregoing, the issuance of the 2022 Bonds authorized to be issued under this Twelfth Supplemental Resolution shall be at the option of the District (subject to the Bond Purchase Contract referred to in Section 5.01 below), and the District shall confirm the issuance of such 2022 Bonds and the terms thereof in the 2022 Delivery Certificate. The Authorized Officers (as defined herein) may, in consultation with the District's investment bankers, municipal advisors, general counsel and Bond Counsel, establish one or more additional series of 2022 Bonds, provided that the aggregate principal amount of all series of 2022 Bonds issued pursuant to this Twelfth Supplemental Resolution does not exceed the authorized principal amount of the 2022 Bonds. The District shall authorize, direct and confirm the issuance of any

such additional series of Bonds, the name and series designation of each such additional series of 2022 Bonds and the terms thereof in the 2022 Delivery Certificate.

Section 2.02. Authentication of the 2022 Bonds. The 2022 Bonds shall be issued as hereinafter provided. The Registrar shall authenticate and deliver the 2022 Bonds upon receipt of all of the following:

(a) The 2022 Delivery Certificate signed by an Authorized Officer specifying (A) the series designation and principal amounts of the 2022 Bonds to be issued, (B) the dated date and maturity dates of the 2022 Bonds to be issued, (C) the interest rates to be borne by the 2022 Bonds to be issued, (D) the initial 2022 Reserve Requirement, if different from the amount specified in this Twelfth Supplemental Resolution, (E) direction as to the deposit of the proceeds of the sale of the 2022 Bonds to be issued, including the amount, if any, deposited in the Reserve Account, (F) the optional redemption provisions and mandatory sinking fund redemption provisions of the 2022 Bonds to be issued and (G) any other additions or changes to this Twelfth Supplemental Resolution and such other matters as may be deemed necessary or desirable in the opinion of the Authorized Officer executing the 2022 Delivery Certificate, after consultation with General Counsel to the District, to effect the issuance of the 2022 Bonds and further the purposes of this Twelfth Supplemental Resolution;

(b) An opinion of Bond Counsel acceptable to the District and the Registrar, addressed to the District, to the effect that (i) the 2022 Bonds to be issued are legal, valid and binding obligations of the District, and (ii) if any of the 2022 Bonds are issued on a tax-exempt basis, that interest on such 2022 Bonds is excluded from gross income for federal income tax purposes under to Section 103 of the Code; and

(c) A certified copy of the Master Resolution and this Twelfth Supplemental Resolution.

Section 2.03. Terms of the 2022 Bonds. The 2022 Bonds shall be issued in the form of fully registered bonds only, shall be dated and shall bear interest from the Date of Issuance, and shall mature on the dates and bear interest on the unpaid principal amount thereof at the rates set forth in the 2022 Delivery Certificate. The true interest cost on the 2022 Bonds shall not exceed five and one half percent (5.5%) per annum. The final maturity date for the 2022 Bonds shall not be later than December 1, 2052. Interest shall be computed on the basis of a 360-day year consisting of twelve (12) 30-day months.

Section 2.04. Registration, Exchange and Payments.

(a) Registrar/Bond of Registry. The Registrar shall keep, or cause to be kept, at its principal corporate trust office, the Bond Register for the 2022 Bonds, which shall be open to inspection by the District. The Registrar is authorized, on behalf of the District, to authenticate and deliver 2022 Bonds transferred or exchanged in accordance with the provisions of such 2022 Bonds and this Twelfth Supplemental Resolution and to carry out all of the Registrar's powers and duties under this Twelfth Supplemental Resolution.

(b) Method of Payment. The principal of and redemption premium, if any, on any 2022 Bond will be payable to the Bondowner thereof at the corporate office of the Registrar.

Interest on the 2022 Bonds will be payable by the Registrar on each Interest Payment Date by check or draft mailed to each Bondowner as of the Record Date, at the most recent address shown on the Bond Register; provided, however, that payment of interest to each Bondowner who owns of record \$1,000,000 or more in aggregate principal amount of 2022 Bonds may be made to such Bondowner by wire transfer to such wire address within the United States as that Bondowner may request in writing prior to the Record Date; provided, the cost of such wire transfer shall be paid by such Bondowner.

(c) Denominations; Medium of Payment. The 2022 Bonds shall be issued in fully registered form in Authorized Denominations. The 2022 Bonds shall be payable with respect to interest, principal and redemption premium, if any, in any coin or currency of the United States of America that, at the time of payment, is legal tender for the payment of public and private debts. Each 2022 Bond shall bear interest until the principal sum thereof has been paid; provided, however, that if at the maturity date of any 2022 Bond, funds are available for the payment thereof in full in accordance with the terms of Section 12.4 of the Master Resolution, such 2022 Bond shall then cease to bear interest.

(d) Registered Ownership. The District and the Registrar may deem and treat the Bondowner of each 2022 Bond as the absolute owner for all purposes, and neither the District nor the Registrar shall be affected by any notice to the contrary. Payment of any such 2022 Bond shall be made only as described in Section 2.04(b) hereof, but such registration may be transferred as herein provided. All such payments made as described in Section 2.04(b) shall be valid and shall satisfy the liability of the District upon such 2022 Bond to the extent of the amount or amounts so paid.

(e) Book-Entry System. Except as provided in subparagraph (d) of this Section 2.04, all of the 2022 Bonds shall be registered in the name of Cede. So long as Cede is the Bondowner, payment of semi-annual interest for any 2022 Bond shall be made by transfer of same day funds to the account of Cede on the Interest Payment Date for the 2022 Bonds at the address indicated for Cede in the Bond Register kept by the Registrar.

The 2022 Bonds shall be initially issued in the form of a single fully registered bond for each series, maturity and interest rate. Upon initial issuance, the ownership of such 2022 Bonds shall be registered in the Bond Register kept by the Registrar in the name of Cede, as nominee of DTC. With respect to 2022 Bonds registered in the Bond Register kept by the Registrar in the name of Cede, as nominee of DTC, the District and the Registrar shall have no responsibility or obligation to any Participant or to any Beneficial Owner. Without limiting the immediately preceding sentence, the District and the Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any ownership interest in the 2022 Bonds, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the 2022 Bonds, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal of, premium, if any, or interest on the 2022 Bonds. With respect to 2022 Bonds registered in the Bond Register in the name of Cede, as nominee of DTC, the District and the Registrar may treat as and deem DTC to be the absolute owner of each 2022 Bond for the purpose of payment of the principal of, premium, if any, and interest on such 2022 Bonds, for the purpose of giving notices of redemption and other matters

with respect to such 2022 Bonds, for the purpose of registering transfers with respect to such 2022 Bonds, and for all other purposes whatsoever. The Registrar shall pay all principal of and premium, if any, and interest on such 2022 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal of, and premium, if any, and interest on the 2022 Bonds to the extent of the sum or sums so paid. Payments of principal may be made without requiring the surrender of such 2022 Bonds, and the District and the Registrar shall not be liable for the failure of DTC or any successor thereto to indicate properly on the 2022 Bonds the payment of such principal. No person other than DTC shall receive any such 2022 Bond evidencing the obligation of the District to make payments of principal of, premium, if any, and interest on such 2022 Bonds pursuant to this Twelfth Supplemental Resolution. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Twelfth Supplemental Resolution shall refer to such new nominee of DTC.

(f) (i) DTC may determine to discontinue providing its services with respect to the 2022 Bonds at any time by giving written notice to the District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), certificates representing the 2022 Bonds will be delivered as described in this Twelfth Supplemental Resolution.

(ii) The District, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2022 Bonds if the District determines that: (a) DTC is unable to discharge its responsibilities with respect to the 2022 Bonds, or (b) a continuation of the requirement that all of the Outstanding 2022 Bonds be registered in the Bond Register in the name of Cede, as nominee of DTC, is not in the best interest of the District or the Beneficial Owners of the 2022 Bonds. In the event that no securities depository is found by the District or restricted registration is no longer in effect, certificates representing the 2022 Bonds will be delivered as described in the Resolution.

(iii) Upon the termination of the services of DTC with respect to the 2022 Bonds pursuant to subsection (f)(ii)(b) hereof, or upon the discontinuance or termination of the services of DTC with respect to the 2022 Bonds pursuant to subsection (f)(i) or subsection (f)(ii)(a) hereof and for which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the District, is willing and able to undertake such functions upon reasonable and customary terms, the 2022 Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede as nominee of DTC, but may be registered in whatever name or names Bondowners transferring or exchanging 2022 Bonds shall designate, in accordance with the provisions of the Resolution.

(g) Notwithstanding any other provision of this Twelfth Supplemental Resolution to the contrary, so long as any 2022 Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal of, premium, if any, and interest on such 2022 Bond and all notices with respect to such 2022 Bond shall be made and given, respectively, to DTC as provided in the Letter of Representations, heretofore executed.

(h) In connection with any notice or other communication to be provided to Bondowners of the 2022 Bonds pursuant to the Resolution with respect to any consent or other action to be taken by the Bondowners of the 2022 Bonds, the District or the Registrar, as the case may be, shall establish a consent date for such consent or other action and give DTC notice of such date not less than 15 calendar days in advance of such date to the extent possible.

Section 2.05. Form of 2022 Bonds. The 2022 Bonds shall be in substantially the form set forth in Section 17.1 of the Master Resolution.

Section 2.06. Appointment of Registrar. U.S. Bank Trust Company, National Association, is hereby appointed as Trustee, Registrar and Paying Agent for the 2022 Bonds.

ARTICLE III

REDEMPTION PROVISIONS FOR THE 2022 BONDS

Section 3.01. Optional Redemption. The 2022 Bonds shall be subject to redemption prior to maturity at the option of the District as provided in the 2022 Delivery Certificate.

Section 3.02. Mandatory Sinking Fund Redemptions. The 2022 Bonds shall be subject to mandatory sinking fund redemptions, if any, as provided in the 2022 Delivery Certificate.

Section 3.03. Partial Redemption of the 2022 Bonds. Unless otherwise provided in the 2022 Delivery Certificate, if less than all of the 2022 Bonds of a series shall be called for redemption under Section 3.01 of this Twelfth Supplemental Resolution, they shall be redeemed from such maturities in such order as shall be selected by the District, and by lot within any maturity subject to selection by the Registrar or DTC (with respect to its participants), in such manner as the Registrar or DTC (with respect to its participants) in its discretion may deem proper, in the principal amount designated to the Registrar by the District or otherwise as required by this Twelfth Supplemental Resolution. The portion of any 2022 Bond to be redeemed shall be an Authorized Denomination, and in selecting 2022 Bonds for redemption, each 2022 Bond shall be considered as representing that number of 2022 Bonds that is obtained by dividing the principal amount of such 2022 Bond by the minimum Authorized Denomination thereof. If for any reason the principal amount of 2022 Bonds called for redemption would result in a redemption of 2022 Bonds in an amount that is less than an Authorized Denomination, the Registrar, to the extent possible within the principal amount of 2022 Bonds to be redeemed, is hereby authorized to adjust the selection of 2022 Bonds of the same maturities for such purpose to minimize any such redemption. Notwithstanding the foregoing, while the 2022 Bonds are held by DTC as book-entry bonds, if fewer than all of the 2022 Bonds of a series and maturity are called for redemption, the selection of the 2022 Bonds within such maturity to be redeemed shall be made by DTC in accordance with its operational procedures as then in effect.

If it is determined that a portion of the principal amount represented by any such 2022 Bond is to be called for redemption, then, upon notice of intention to redeem such portion, the Bondowner of such 2022 Bond shall surrender such 2022 Bond to the Registrar for (i) payment to such Bondowner of the redemption price of the portion of principal amount called for redemption and (ii) delivery to such Bondowner of a new 2022 Bond or 2022 Bonds at the option of the

Bondowner in the aggregate principal amount of the unredeemed balance of the principal amount of such 2022 Bond. New 2022 Bonds representing the unredeemed balance of the principal amount of such 2022 Bond shall be issued to the Bondowner thereof in accordance with Section 11.4 of the Master Resolution. If the Bondowner of any such 2022 Bond shall fail to present such 2022 Bond to the Registrar for payment and exchange as aforesaid, such 2022 Bond nevertheless shall become due and payable on the date fixed for redemption to the extent of the portion of the principal amount called for redemption (and to that extent only) as provided herein.

Section 3.04. Notice of Redemption of the 2022 Bonds.

(a) Written notice of any redemption of 2022 Bonds shall be given by the Registrar on behalf of the District by first class mail, postage prepaid, not less than 20 days nor more than 60 days before the date fixed for redemption to the registered owners of 2022 Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the 2022 Bonds are held in book-entry form, notice of redemption shall be given as provided in the Letter of Representations. The Registrar shall provide additional notice of redemption to the MSRB at least 20 days prior to the date fixed for redemption.

The requirements of this Section shall be deemed complied with when notice is mailed, whether or not it is actually received by the Bondowner.

Each notice of redemption shall contain the following information: (i) the date fixed for redemption, (ii) the redemption price, (iii) if less than all Outstanding 2022 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the 2022 Bonds to be redeemed, (iv) that on the date fixed for redemption the redemption price will become due and payable upon each 2022 Bond or portion called for redemption, and that interest shall cease to accrue from the date fixed for redemption, (v) that the 2022 Bonds are to be surrendered for payment at the principal office of the Registrar, (vi) the CUSIP numbers of all 2022 Bonds being redeemed, (vii) the dated date, series designation and stated maturity date of the 2022 Bonds being redeemed, (viii) the date of the notice, (ix) if the redemption is a Conditional Redemption, explain the conditional nature of the optional redemption, and (x) any other information needed to identify the 2022 Bonds being redeemed.

In the case of an optional redemption under Section 3.01, the notice and the notice to Bondowners may state (1) that redemption is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar no later than the date fixed for redemption and/or (2) that the District retains the right to rescind such notice on or prior to the date fixed for redemption (in either case, a "Conditional Redemption") and that such notice shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in subsection (c) of this Section.

If notice is given as stated in this subsection, failure of any Bondowner to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the 2022 Bonds.

The foregoing notice provisions of this Section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices,

may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

(b) On or before the date fixed for redemption, unless the conditions to a Conditional Redemption are not satisfied and subject to the provisions of subsections (a) and (c) of this section, money shall be deposited with the Registrar to pay the principal of, premium, if any, and interest accrued to the date fixed for redemption on the 2022 Bonds called for redemption.

(c) Any Conditional Redemption notice, subject to the requirements of subsection (a), may be rescinded in whole or in part at any time on or prior to the date fixed for such optional redemption if the District delivers a certificate to the Registrar instructing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondowners. Any 2022 Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the District to make funds available in part or in whole on or before the date fixed for redemption shall not constitute an Event of Default, and the Registrar shall give prompt notice to DTC or the affected Bondowners that the redemption did not occur and that the 2022 Bonds called for redemption and not so paid remain Outstanding.

Section 3.05. Effect of Redemption of Bonds. Notice of redemption having been duly given as aforesaid, the 2022 Bonds or portions thereof so called for redemption (unless, in the case of Conditional Redemption, such notice is rescinded or any condition to redemption is not satisfied), shall become due and payable, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the 2022 Bonds (or portions thereof) so called for redemption being held by the Registrar on the date fixed for redemption designated in such notice, interest on the 2022 Bonds so called for redemption shall cease to accrue and said 2022 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Resolution (except for payment of particular 2022 Bonds for which moneys are being held by the Registrar and which money shall be pledged to such payment), and the owners of said 2022 Bonds shall have no rights in respect thereof except to receive payment of said principal, premium, if any, and interest accrued to the date fixed for redemption.

Upon the payment of the redemption price of 2022 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by maturity and interest rate, the 2022 Bonds being redeemed with the proceeds of such check or other transfer.

Section 3.06. Purchase at Any Time. The District reserves the right to purchase any of the 2022 Bonds, at public or private sale, at any price deemed reasonable by the District at any time.

ARTICLE IV

APPLICATION OF PROCEEDS OF THE 2022 BONDS;

2022 RESERVE REQUIREMENT; TAX COVENANTS ; ESTABLISHMENT OF FUNDS
AND ACCOUNTS

Section 4.01. Application of Proceeds of the 2022 Bonds. The proceeds of the sale of the 2022 Bonds shall be deposited as required by Sections 9.4, 9.8 and 12.4 of the Master Resolution and shall be applied as provided in the 2022 Delivery Certificate.

Section 4.02. 2022 Reserve Requirement. The 2022 Bonds shall be secured by the Reserve Account. The 2022 Reserve Requirement shall be as set forth in the 2022 Delivery Certificate.

Section 4.03. Tax Covenants. If any 2022 Bonds are issued on a tax-exempt basis, the District covenants to undertake all actions required to maintain the tax-exempt status of interest on such 2022 Bonds, including compliance with the provisions of the Tax Certificate.

Section 4.04. Establishment of Funds and Accounts.

(a) Establishment and Application of 2022 Rebate Account. If any 2022 Bonds are issued on a tax-exempt basis, to ensure proper compliance with the tax covenants contained in Section 4.03 of this Twelfth Supplemental Resolution and with the covenants contained in the Tax Certificate, the District shall establish and shall maintain within the Bond Fund an account separate from any other fund or account established and maintained under the Resolution to be known as the "Public Utility District No. 1 of Snohomish County, Washington Electric System Revenue Bonds, 2022 Rebate Account" (the "2022 Rebate Account"). All money at any time deposited in the 2022 Rebate Account in accordance with the provisions of the 2022 Tax Certificate shall be held by the Treasurer for the account of the District in trust for payment to the federal government of the United States of America, and neither the District nor the owner of any 2022 Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the 2022 Rebate Account shall be governed by the Resolution and by the 2022 Tax Certificate. The Treasurer shall invest all amounts held in the 2022 Rebate Account in accordance with the Resolution and the 2022 Tax Certificate. Money shall not be transferred from the 2022 Rebate Account except in accordance with the Resolution and the 2022 Tax Certificate. The 2022 Rebate Account and the amounts on deposit therein shall not be subject to the pledge of Section 9.1(c) of the Resolution for the benefit of the owners of the 2022 Bonds.

(b) Establishment of 2022 Construction Account. There is hereby created a special fund of the District to be known as the "Public Utility District No. 1 of Snohomish County, Washington, Electric System Revenue Bonds, Series 2022 Construction Account" (the "2022 Construction Fund") within the Construction Fund of the District established pursuant to the Resolution. All amounts on deposit in the 2022 Construction Fund shall be applied to pay the costs of financing the additions, betterments and improvements to and renewals, replacements and extensions of the Electric System financed with the proceeds of the 2022 Bonds, except if, any 2022 Bonds are issued on a tax-exempt basis, as provided in the Tax Certificate.

(c) Establishment of 2022 Costs of Issuance Fund. There is hereby created a special fund of the District to be known as the "Public Utility District No. 1 of Snohomish County, Washington, Electric System Revenue Bonds, Series 2022 Costs of Issuance Fund" (the "2022 Costs of Issuance Fund") to be held by the Trustee. All amounts on deposit in the 2022 Costs of

Issuance Fund shall be applied to pay costs of issuing the 2022 Bonds, except, if any 2022 Bonds are issued on a tax-exempt basis, as provided in the Tax Certificate.

ARTICLE V

SALE OF 2022 BONDS; APPROVAL OF DOCUMENTS

Section 5.01. Approval of Bond Purchase Contract. The contract between the District and Citigroup Global Markets Inc., acting on its own behalf and on behalf of RBC Capital Markets, LLC (collectively, the “Underwriters”), for the purchase of the 2022 Bonds (the “Bond Purchase Contract”), shall be and is hereby approved in substantially the form presented to and considered at this meeting, which is on file with the Secretary of the Commission (the “Secretary”), and the Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to execute and deliver the Bond Purchase Contract with such changes therein from the form presented to this meeting as such officer shall deem appropriate and in the best interests of the District upon consultation with General Counsel, such approval to be evidenced conclusively by his or her execution thereof, as so added to or changed. Subject to the conditions set forth in this Section 5.01, the 2022 Bonds shall be sold to the Underwriters pursuant to the Bond Purchase Contract at a purchase price equal to the principal amount of the 2022 Bonds less any original issue discount and plus any original issue premium, and less an Underwriters’ discount not to exceed 0.5% of the aggregate principal amount of the 2022 Bonds.

Section 5.02. Approval of the Preliminary Official Statement and the Official Statement.

(a) Preliminary Official Statement. The preliminary official statement with respect to the 2022 Bonds (the “Preliminary Official Statement”), in substantially the form presented to and considered at this meeting, which is on file with the Secretary, shall be and is hereby authorized and approved and shall be delivered to the Underwriters with such changes therein from the form presented to this meeting as shall be deemed appropriate and in the best interests of the District, upon consultation with General Counsel, by one or more Authorized Officers, such approval to be evidenced conclusively by the delivery of the Preliminary Official Statement to the Underwriters, as so added to or changed. The Underwriters are hereby authorized to distribute the Preliminary Official Statement in connection with the offer and sale of the 2022 Bonds. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to deem the Preliminary Official Statement final as of its date for purposes of the Rule, such action to be conclusively evidenced by delivery of the Preliminary Official Statement to the Underwriters.

(b) Official Statement. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to execute and deliver a final official statement (the “Official Statement”) substantially in the form of the Preliminary Official Statement, with such changes therein from the Preliminary Official Statement as such officer shall deem appropriate and in the best interests of the District upon consultation with General Counsel, such approval to be evidenced conclusively by his or her execution thereof, as so added to or changed. The Underwriters are hereby authorized to distribute the Official Statement in connection with the offer and sale of the 2022 Bonds.

Section 5.03. Approval of the 2022 Delivery Certificate. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to execute and deliver the 2022 Delivery Certificate upon the issuance and delivery of the 2022 Bonds, including such changes or additions to this Twelfth Supplemental Resolution as shall be necessary or desirable and consistent with the intents and purposes hereof, upon consultation with General Counsel.

Section 5.04. Approval of the Continuing Disclosure Certificate. The Authorized Officers, each acting singly, shall be and each of them is hereby authorized, empowered and directed to execute and deliver a Continuing Disclosure Certificate upon the issuance, delivery and sale of the 2022 Bonds with such terms and provisions as such officer shall deem appropriate and in the best interests of the District, upon consultation with General Counsel.

ARTICLE VI

DISCHARGE OF U.S. BANK NATIONAL ASSOCIATION AS TRUSTEE, REGISTRAR AND PAYING AGENT FOR OUTSTANDING BONDS

Section 6.01. Discharge of Current Trustee and Appointment of New Trustee for the District's Outstanding Bonds. Pursuant to Section 14.3 of the Master Resolution, the District hereby discharges the Current Trustee from its capacity as trustee, paying agent and registrar for the Outstanding Bonds, and pursuant to Section 14.4 of the Master Resolution, the District hereby appoints the New Trustee as trustee, registrar and paying agent for the Outstanding Bonds.

ARTICLE VII

MISCELLANEOUS

Section 7.01. 2022 Bonds Subject to Resolution. Except as expressly provided in this Twelfth Supplemental Resolution, every term and condition contained in the Master Resolution shall apply to this Twelfth Supplemental Resolution and to the 2022 Bonds with the same force and effect as if it were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Twelfth Supplemental Resolution.

Section 7.02. Severability of Invalid Provisions. If any one or more of the provisions contained in this Twelfth Supplemental Resolution or in the 2022 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Twelfth Supplemental Resolution, such invalidity, illegality or unenforceability shall not affect any other provision of this Twelfth Supplemental Resolution, and this Twelfth Supplemental Resolution shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 7.03. Twelfth Supplemental Resolution as Contract. In consideration of the acceptance of the 2022 Bonds by the Owners thereof, the provisions of this Twelfth Supplemental Resolution shall be deemed to be and shall constitute a contract between the District and the Owners of the 2022 Bonds to secure the full and final payment of the principal of, and interest on,

the 2022 Bonds, subject to the conditions, covenants and terms contained herein and in the Master Resolution.

Section 7.04. Holidays. If the last day of any period of grace, or the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Twelfth Supplemental Resolution, is not a Business Day, the last day of such period of grace shall be deemed to be, and such payment may be made or act performed or right exercised, with the same force and effect as if done on the nominal date provided in this Twelfth Supplemental Resolution, on, the next succeeding Business Day, and no interest shall accrue for the period after such nominal date.

Section 7.05. Further Action. The Authorized Officers, each acting singly, and the other officers, agents and employees of the District shall be and each of them is hereby authorized, empowered and directed to execute and deliver such other documents and agreements, in addition to those enumerated herein, and to take such other actions as they deem necessary or advisable in order to carry out and perform the purposes of this Twelfth Supplemental Resolution. All actions taken by the Authorized Officers and the other officers, agents and employees of the District pursuant to or anticipation of the adoption of this Twelfth Supplemental Resolution but prior to its effective date are hereby ratified, confirmed and approved.

Section 7.06. Effective Date. This Twelfth Supplemental Resolution shall become effective upon its adoption.

Adopted by the Commission of Public Utility District No. 1 of Snohomish County,
Washington this 5th day of July 2022.

PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY

President

Vice President

Secretary

CLERK'S CERTIFICATE

I, the undersigned, Clerk of the Commission of the Public Utility District No. 1 of Snohomish County, Washington, and keeper of the records of said Commission (herein called the "Commission"), DO HEREBY CERTIFY:

1. That the attached Resolution No. _____ (herein called the "Resolution") is a true correct copy of a resolution of the Commission, as finally adopted at a regular meeting of the Commission held on the 5th day of July 2022 and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the adoption of said Resolution; that all other requirements and proceedings incident to the proper adoption of said Resolution have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of July 2022.

Clerk of the Commission

PRELIMINARY OFFICIAL STATEMENT DATED JULY 5, 2022

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2022A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the 2022A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2022A Bonds. See "TAX MATTERS" herein.

**NEW ISSUE
BOOK-ENTRY ONLY**

See "RATINGS"

**\$(Par)*
PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON
ELECTRIC SYSTEM REVENUE BONDS, SERIES 2022A
(TAX-EXEMPT)**

Dated: Date of Delivery

Due: December 1, as shown on the inside cover

The Electric System Revenue Bonds, Series 2022A (Tax-Exempt) (the "2022A Bonds") of Public Utility District No. 1 of Snohomish County, Washington (the "District") will be issued as fixed rate bonds maturing in the amounts and bearing interest at the rates set forth on the inside front cover of this Official Statement, payable June 1 and December 1 of each year, commencing December 1, 2022.

When issued, the 2022A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2022A Bonds. Individual purchases will be made in book-entry form in authorized denominations, and purchasers of the 2022A Bonds will not receive certificates representing their interests in the 2022A Bonds. Payments of principal of and interest on the 2022A Bonds are to be paid to purchasers by DTC through DTC Participants, as described in "APPENDIX E—BOOK-ENTRY SYSTEM." The District has appointed U.S. Bank Trust Company, National Association to act as Trustee, Registrar and Paying Agent for the 2022A Bonds.

The 2022A Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE BONDS—REDEMPTION."

The 2022A Bonds are being issued (i) to finance additions, betterments and improvements to and renewals, replacements and extensions of the Electric System; (ii) to fund a deposit to the Debt Service Reserve Account with respect to the 2022A Bonds; and (iii) to pay costs of issuance of the 2022A Bonds. See "PURPOSE AND APPLICATION OF 2022A BOND PROCEEDS."

The 2022A Bonds are special limited obligations of the District payable from and secured solely by the Electric System Revenues, subject to the prior payment of Operating Expenses of the Electric System. The 2022A Bonds are secured by a pledge of and lien and charge on Electric System Revenues equal to that of the Electric System Bonds (as defined herein) heretofore and hereafter issued pursuant to the Electric System Bond Resolution (as defined herein) and any Parity Lien Obligations (as defined herein). The District is obligated to pay all costs of its Generation System (as defined herein, the "Generation System Power Costs") (i) as Operating Expenses of the Electric System (and thus prior to payment of debt service on the Electric System Bonds) for any month in which any power and energy from the Generation System (as defined herein) is made available to the Electric System (regardless of whether or not the Electric System actually scheduled or received any such power or energy) and (ii) at all other times as Parity Lien Obligations on a parity with the Electric System Bonds outstanding from time to time, including the 2022A Bonds. See "SECURITY FOR THE 2022A BONDS." The District has covenanted in the Generation System Bond Resolution (as defined herein) to cause the Generation System to sell and the Electric System to purchase in each month all of the electric power and energy of the Generation System available in such month for use in the Electric System.

MATURITY SCHEDULE — See Inside Front Cover

The 2022A Bonds shall not in any manner or to any extent constitute general obligations of the District or of the State of Washington, or of any political subdivision of the State of Washington, or a charge upon any general fund or upon any money or other property of the District or of the State of Washington, or of any political subdivision of the State of Washington, not specifically pledged thereto by the Electric System Bond Resolution, nor shall the full faith and credit of the District or of the State of Washington, or of any political subdivision of the State of Washington, be pledged to the payment of principal, premium, if any, or interest on the 2022A Bonds.

This cover page is not intended to be a summary of all of the terms of, or security for, the 2022A Bonds. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The 2022A Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by its General Counsel, Anne Spangler, Esq. Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Garvey, P.C. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, as Disclosure Counsel to the District. It is expected that delivery of the 2022A Bonds will be made through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer (FAST), on or about August __, 2022.

CITIGROUP

RBC CAPITAL MARKETS

* Preliminary, subject to change.
4157-7707-6280.5

MATURITY SCHEDULE

\$(PAR)*
PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON
ELECTRIC SYSTEM REVENUE BONDS, SERIES 2022A
(TAX-EXEMPT)

<u>Maturity Year</u> <u>(December 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number†</u>
	\$	%	%	

\$_____ * ____% Term Bonds due December 1, 20__ Priced to Yield ____% (CUSIP No. _____†)

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 2022A Bonds and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2022A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been provided by the District or obtained by the District from other sources that the District believes to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

The Underwriters have provided the following paragraph for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the 2022A Bonds, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the 2022A Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

This Preliminary Official Statement has been “deemed final” as of its date by the District, except for the omission of offering prices, interest rates, selling commissions, aggregate principal amount, principal amount per maturity, delivery dates and other terms of the 2022A Bonds depending on such matters, in accordance with Rule 15c2-12(b)(i) under the Securities Exchange Act of 1934, as amended.

This Official Statement is not to be construed as a contract with the purchasers of the 2022A Bonds.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts, projections and “forward-looking statements.” The achievement of certain results or other expectations contained in forward-looking statements in this Official Statement involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that any future results discussed herein will be achieved, and actual results may differ materially from any forecasts or projections described herein. In this respect, the words such as “estimate,” “project,” “forecast,” “anticipate,” “expect,” “intend,” “plan,” “believe” and similar expressions identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinion and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based occur.

The CUSIP numbers provided in this Official Statement are included for convenience of the holders and potential holders of the 2022A Bonds. No assurance can be given that the CUSIP numbers for the 2022A Bonds will remain the same after the date of issuance and delivery of the 2022A Bonds.

The 2022A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon a specific exemption contained in such act, nor have they been registered under the securities laws of any state.

The District has undertaken to provide continuing disclosure on certain matters, including annual financial information and specific events, as more fully described herein. See “CONTINUING DISCLOSURE UNDERTAKING.”

Information on website addresses set forth in this Official Statement is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor can it be relied upon in making investment decisions regarding the 2022A Bonds.

**PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON
2320 California Street
Everett, Washington 98201
(425) 783-1000**

www.snopud.com⁽⁴⁾

BOARD OF COMMISSIONERS

**PRESIDENT
Tanya “Toni” Olson**

**VICE PRESIDENT
Rebecca Wolfe**

**SECRETARY
Sidney “Sid” Logan**

ADMINISTRATIVE MANAGEMENT

John Haarlow, Chief Executive Officer/General Manager

Anne Spangler, General Counsel

Scott Jones, Chief Financial Officer

James Herrling, Treasurer

Jason Zyskowski, Assistant General Manager—Facilities, Generation, Power, Rates and Transmission
Management

Guy Payne, Assistant General Manager—Distribution and Engineering Services

Kristi Sterling, Chief Information Officer—Information Technology Services

Pam Baley, Assistant General Manager—Customer & Energy Services

CONSULTANTS

Bond Counsel and Disclosure CounselOrrick, Herrington & Sutcliffe LLP
Municipal AdvisorPFM Financial Advisors LLC
Trustee, Registrar and Paying AgentU.S. Bank Trust Company, National Association

⁽⁴⁾ Neither the information on the District’s website, nor any links from that website, is part of this Official Statement, and such information cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information be relied upon to make investment decisions regarding the 2022A Bonds.

**PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON**

THE DISTRICT'S SERVICE AREA

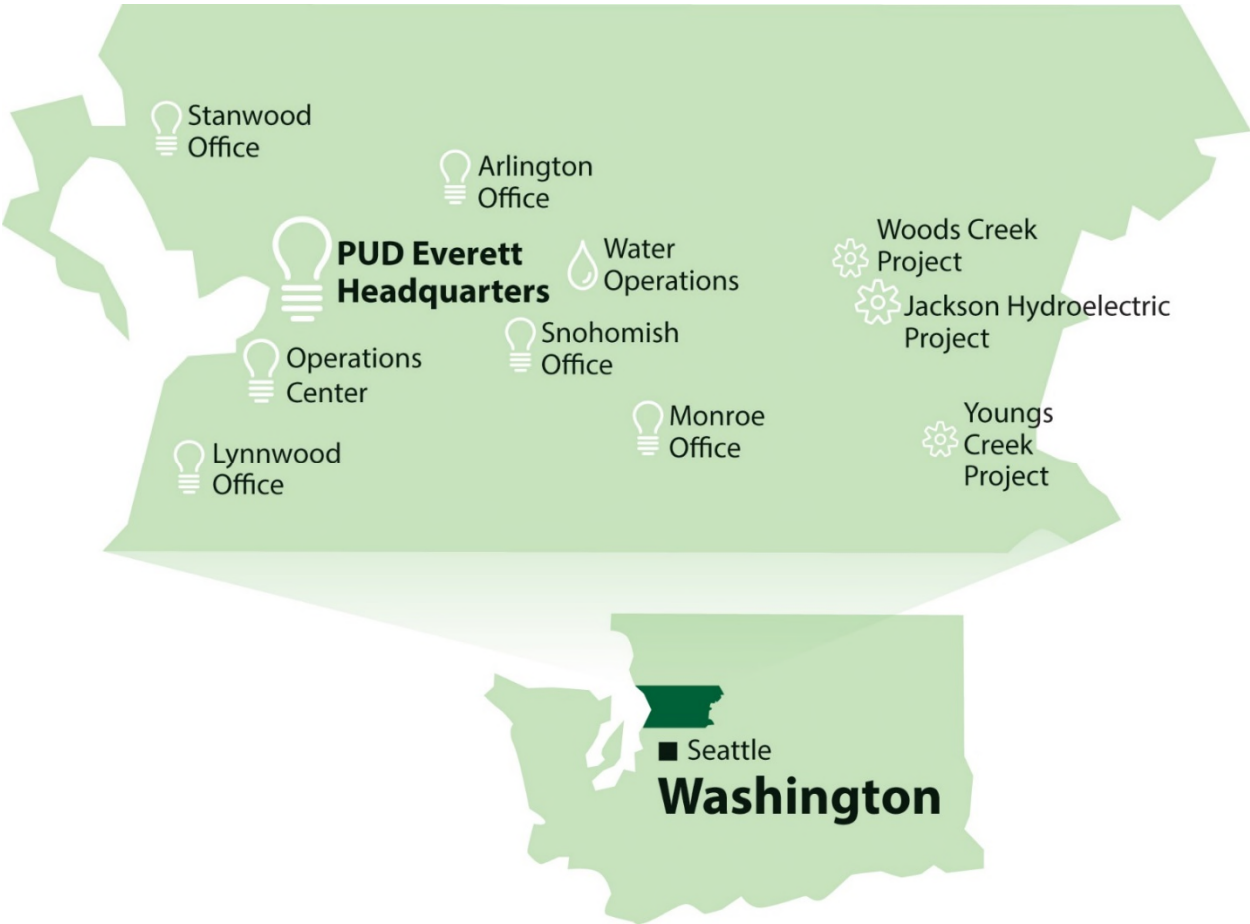


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OFFICIAL STATEMENT

\$(Par)*

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON ELECTRIC SYSTEM REVENUE BONDS, SERIES 2022A (TAX-EXEMPT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover page and appendices, is to provide information concerning Public Utility District No. 1 of Snohomish County, Washington (the “District”), its Electric System, its Generation System and its proposed \$(Par)* Electric System Revenue Bonds, Series 2022A (Tax-Exempt) (the “2022A Bonds”).

The 2022A Bonds are to be issued pursuant to Chapter 1 of the Laws of Washington, 1931, as amended and supplemented, constituting Title 54 of the Revised Code of Washington, Chapter 167 of the Laws of Washington, 1983, as amended and supplemented, constituting Chapter 39.46 of the Revised Code of Washington (collectively, the “Enabling Act”) and Resolution No. 3602, adopted by the Commission of the District (the “Commission”) on May 16, 1991 (the “Master Electric System Resolution”), as supplemented and amended, including as supplemented by Resolution No. [____], adopted by the Commission on July 5, 2022 (the “Twelfth Supplemental Resolution”). The Master Electric System Resolution, as amended and supplemented, including as supplemented by the Twelfth Supplemental Resolution, is hereinafter collectively referred to as the “Electric System Bond Resolution.”

The District previously issued its Electric System Revenue Bonds, Series 2010A (the “2010A Bonds”), of which \$118,765,000 remains outstanding, its Electric System Revenue Refunding Bonds, Series 2012 (the “2012 Bonds”), of which \$5,610,000 remains outstanding, its Electric System Revenue Bonds, Series 2015 (the “2015 Bonds”) of which \$123,625,000 remains outstanding, its Electric System Revenue Refunding Bonds, Series 2020A (the “2020A Bonds”) of which \$48,755,000 remains outstanding, and its Electric System Revenue Bonds, Series 2021A (the “2021A Bonds”) of which \$78,685,000 remains outstanding. The 2010A Bonds, the 2012 Bonds, the 2015 Bonds, the 2020A Bonds and the 2021A Bonds are collectively referred to herein as the “Outstanding Bonds,” of which, collectively, \$375,440,000 remains outstanding. The Outstanding Bonds, the 2022A Bonds and any future bonds issued under the Electric System Bond Resolution, are collectively referred to herein as the “Electric System Bonds.” The 2022A Bonds are special limited obligations of the District payable solely from and secured by the income, revenues and receipts derived by the District from the ownership and operation of the Electric System. See “SECURITY FOR THE 2022A BONDS.”

The capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings given in the Electric System Bond Resolution or the Generation System Bond Resolution, as applicable. Definitions of certain terms are set forth in “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Definitions” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Definitions.”

Under Washington State law, the District has the authority to establish separate enterprise funds with respect to its various municipal utility business operations, each of which enterprise funds is accounted for separately. In addition, these utility business operations (referred to as “systems”) can be separately financed through the issuance of debt by the District payable from revenues of that particular system. The

* Preliminary, subject to change.

District currently has three systems that are separately accounted for and through which it issues debt: the Electric System, the Generation System and the Water System. See “THE DISTRICT.”

This Official Statement includes summaries and descriptions of the terms of the 2022A Bonds, the Electric System Bond Resolution and the Generation System Bond Resolution. The summaries of and references to any documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

In the preparation of the forecasts and projections in this Official Statement, the District has made various assumptions with respect to conditions that may occur in the future. While the District believes these assumptions are reasonable for the purpose of the forecasts and projections, they depend upon future events, and actual conditions likely will differ from those assumed. The District does not represent or guarantee that actual results will replicate the forecasts and projections in this Official Statement. Potential purchasers of the 2022A Bonds should not rely on the forecasts and projections in this Official Statement as statements of fact, as they are subject to change, and will change, from time to time. The District has not committed itself to provide investors with updated forecasts or projections.

The novel coronavirus (“COVID-19”) pandemic currently is affecting many parts of the world, including the State, the District and the local economy served by the District. Certain historic information in this Official Statement predates the outbreak of COVID-19, and should be considered in light of the possible or negative effects that the COVID-19 pandemic may have on the current and future finances and operations of the District. The District is unable to determine with certainty if COVID-19 and the related economic disruption will have a material effect on its future results of operations or financial position. For information related to the regional impact of the COVID-19 pandemic and the District’s response, see “ELECTRIC SYSTEM FINANCIAL INFORMATION—Impacts from the COVID-19 Pandemic.” Any information related to the impacts of the COVID-19 pandemic is subject to change.

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PURPOSE AND APPLICATION OF 2022A BOND PROCEEDS

General

The proceeds of the 2022A Bonds will be used to (i) finance additions, betterments and improvements to and renewals, replacements and extensions of the Electric System, including the expansion of, upgrades to and equipping of substations and related facilities, expansion of and improvements to transmission lines and facilities, expanding and implementing the District's Smart Grid Initiative, and the design, construction and improvements to other facilities of the Electric System; (ii) fund a deposit to the Debt Service Reserve Account with respect to the 2022A Bonds; and (iii) pay costs of issuing the 2022A Bonds.

Estimated Sources and Uses of Funds

The table below sets forth the estimated sources and uses of proceeds of the 2022A Bonds and other funds in connection with the issuance of the 2022A Bonds.

Sources of Funds

Principal Amount of the 2022A Bonds	\$
[Net] Original Issue Premium/Discount	
Total Sources:	\$

Uses of Funds

Deposit to Construction Fund	\$
Deposit to Debt Service Reserve Account	
Costs of Issuance ⁽¹⁾	
Total Uses:	\$

⁽¹⁾ Includes fees of bond counsel and disclosure counsel, municipal advisor and rating agency, printing costs, underwriters' discount, and other costs associated with issuing the 2022A Bonds.

DESCRIPTION OF THE 2022A BONDS

The following is a summary of certain provisions of the 2022A Bonds. Reference is made to the Electric System Bond Resolution for more detailed descriptions of such provisions. A summary of certain additional provisions of the Electric System Bond Resolution is set forth in "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION."

General

The 2022A Bonds will be issued pursuant to the Electric System Bond Resolution in the form of fully registered bonds of each maturity without coupons in authorized denominations and dated their date of delivery. The 2022A Bonds will be issued in the aggregate principal amount of \$[Par]* as fixed rate bonds maturing in the amounts and bearing interest at the rates set forth on the inside front cover of this Official Statement. Interest on the 2022A Bonds, calculated based upon a 360-day year consisting of twelve 30-day months, is payable on each June 1 and December 1, commencing December 1, 2022, until maturity or prior redemption. The authorized denominations of the 2022A Bonds will be \$5,000 and any integral multiple of \$5,000 for each maturity.

Upon their initial issuance, the 2022A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Purchases of beneficial interests in the 2022A

* Preliminary, subject to change.

Bonds will be made in book-entry form, without certificates. See “APPENDIX E—BOOK-ENTRY SYSTEM.”

If the book-entry only system for the 2022A Bonds is discontinued, (i) the principal of each 2022A Bond will be payable to the owner thereof by check or draft at maturity upon the presentation and surrender of each such 2022A Bond at the corporate office of the Registrar; (ii) interest on the 2022A Bonds will be payable by the Paying Agent on each interest payment date by check or draft mailed to each owner as of the Record Date, at the most recent address shown on the Bond Register; provided, that payment of interest to each owner who owns of record \$1,000,000 or more in aggregate principal amount of 2022A Bonds may be made to such owner by wire transfer to such wire address within the United States as that owner may request in writing prior to the Record Date; and (iii) the 2022A Bonds will be exchangeable for other fully registered certificated 2022A Bonds in any authorized denominations. The Paying Agent may impose a charge sufficient to reimburse the District for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a 2022A Bond.

Capitalized terms used herein not otherwise defined shall have the meanings given in “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Definitions.”

Redemption*

Optional Redemption

The 2022A Bonds maturing on or after December 1, 20__ are subject to redemption prior to their stated maturity dates at the option of the District, in whole or in part, in authorized denominations, at any time on or after December 1, 20__, at a redemption price equal to 100% of the principal amount thereof, plus accrued but unpaid interest thereon, if any, to the date fixed for redemption.

Mandatory Redemption

The 2022A Bonds stated to mature on December 1, 20__ are term bonds subject to mandatory sinking fund redemption, in part, at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest, if any, to the dated fixed for redemption, on December 1 in the years and in the amounts as set forth below:

<u>Term Bond Maturing on December 1, 20__</u>	
Year (December 1)	Sinking Fund Redemption
<hr/>	<hr/>
*	\$

* Final maturity.

Partial Optional Redemption of the 2022A Bonds

If less than all of the 2022A Bonds are called for optional redemption, such 2022A Bonds called for redemption are to be redeemed from such maturities in such order as shall be selected by the District, and by lot within any maturity subject to selection by the Registrar in such manner as the Registrar in its discretion may deem proper, in the principal amount designated to the Registrar by the District.

* Preliminary, subject to change.

Notwithstanding the provisions of the Twelfth Supplemental Resolution described in the preceding sentence, while the 2022A Bonds are held as book-entry bonds, if fewer than all of the 2022A Bonds of a maturity are called for redemption, the selection of the 2022A Bonds within such maturity to be redeemed is to be made by DTC in accordance with its operational procedures as then in effect.

Notice of Redemption of the 2022A Bonds

In the case of an optional redemption, the notice and the notice to Bondowners may state (1) that redemption is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar no later than the date fixed for redemption and/or (2) that the District retains the right to rescind such notice on or prior to the date fixed for redemption (in either case, a “Conditional Redemption”) and that such notice shall be of no effect if such moneys are not so deposited or if the notice is rescinded, in each case as described below.

The Registrar is required to give written notice of any redemption of 2022A Bonds by first class mail, postage prepaid, not less than 20 days nor more than 60 days before the date fixed for redemption to the registered owners of 2022A Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the 2022A Bonds are in book-entry form, notice of redemption is to be given as provided in the DTC letter of representations.

Effect of Redemption of 2022A Bonds

Notice of redemption having been duly given, the 2022A Bonds or portions thereof so called for redemption (unless, in the case of Conditional Redemption, such notice is rescinded or any condition to redemption is not satisfied), shall become due and payable, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the 2022A Bonds (or portions thereof) so called for redemption being held by the Registrar on the date fixed for redemption designated in such notice, interest on the 2022A Bonds so called for redemption will cease to accrue and said 2022A Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Electric System Bond Resolution (except for payment of particular 2022A Bonds for which moneys are being held by the Registrar and which money shall be pledged to such payment), and the owners of said 2022A Bonds shall have no rights in respect thereof except to receive payment of said principal, premium, if any, and interest accrued to the date fixed for redemption.

Defeasance

The District may refund or defease all or a portion of the then outstanding Electric System Bonds by setting aside in a special fund money and/or Government Obligations sufficient, together with known earned income, to accomplish the refunding or defeasance. In that case all rights of the owners of the defeased or refunded Electric System Bonds in the benefit or security of the Electric System Bond Resolution will cease, except that such owners will have the right to receive payment of the principal of, premium, if any, and interest on their Electric System Bonds. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Defeasance of Bonds.”

Trustee

The District has appointed U.S. Bank Trust Company, National Association to serve as Trustee, Registrar and Paying Agent for the 2022A Bonds. U.S. Bank Trust Company, National Association may be removed or replaced as Trustee, Registrar and Paying Agent by the District as provided in the Electric System Bond Resolution.

SECURITY FOR THE 2022A BONDS

Pledge of Electric System Revenues

Under Washington State law, the District has the authority to establish separate enterprise funds with respect to its various municipal utility business operations, each of which enterprise funds is accounted for separately. In addition, these utility business operations (referred to as “systems”) can be separately financed through the issuance of debt by the District payable from revenues of that particular system. The District currently has three systems that are separately accounted for and through which it issues debt: the Electric System, the Generation System and the Water System. See “THE DISTRICT.”

The Electric System currently includes the electric utility properties, rights and assets, real and personal, tangible and intangible, now owned and operated by the District and used or useful in the generation, transmission, distribution or conservation of power and energy and all properties, rights and assets, real and personal, tangible and intangible, hereafter constructed or acquired by the District as additions, betterments, improvements or extensions to said electric utility properties, rights and assets and declared by the Commission to be included in the Electric System, but does not include the Generation System or any other properties, rights or assets, real or personal, tangible or intangible that hereafter may be purchased, constructed or otherwise acquired by the District as a system that is declared by the Commission to be separate from the Electric System, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire payment of the bonds of another such separate system of the District. See “—The District’s Ability to Consolidate the Electric System and the Generation System.”

The 2022A Bonds are special limited obligations of the District payable from and secured solely by the Electric System Revenues, subject to the prior payment of Operating Expenses of the Electric System (including Generation System Power Costs and Resource Obligations, each as described below). The 2022A Bonds are secured by a pledge of and lien and charge on Electric System Revenues equal to that of (i) Electric System Bonds heretofore or hereafter issued pursuant to the Electric System Bond Resolution and (ii) any Parity Lien Obligations.

“Electric System Revenues” means all income, revenues, receipts and profits derived by the District through the ownership and operation of the Electric System together with the proceeds received by the District directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Electric System and together with the investment income earned on money held in any fund or account of the District, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Electric System, exclusive of insurance proceeds compensating the District for the loss of a capital asset and income derived from investments irrevocably pledged to the payment of any Electric System Bonds defeased or other bonds defeased, or the payment of which is provided for, under any similar provision of any other bond resolution of the District, and exclusive of investment income earned on money in any fund or account created for the purpose of complying with the rebate provision of Section 148 of the Internal Revenue Code of 1986 (the “Code”). Federal and state grant moneys received by the District in any Fiscal Year to pay or reimburse all or a portion of periodic payments of principal of and/or interest or redemption premium of Electric System Bonds shall constitute Electric System Revenues if designated as such by the Commission.

“Operating Expenses” means all the District’s expenses for operation and maintenance of the Electric System, including all operation and maintenance expenses as defined by generally accepted accounting principles and shall include, without limiting the generality of the foregoing, (a) all amounts required to be paid to the United States with respect to the Electric System Bonds pursuant to Section 148 of the Code; (b) Resource Obligations for any month in which any power and energy or other goods and

services from such Resource Obligation were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from the Resource Obligation during such month); and (c) so long as any Generation System Bond is Outstanding, the amounts covenanted in the Generation System Bond Resolution to be paid into the Generation System Revenue Fund with respect to Generation System Power Costs on or prior to the last day of any month during which any power and energy or other goods and services from the Generation System were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from the Generation System during such month). See “—Payment of Generation System Power Costs.” Operating Expenses do not include any extraordinary, nonrecurring expenses of the Electric System, any judgments or amounts to be paid in settlement of claims against the Electric System, any costs or expenses for new construction for the Electric System, interest on bonds or other obligations of the Electric System, amortization or any allowance for depreciation.

The Electric System Bond Resolution defines “Parity Lien Obligations” as all charges and obligations against Electric System Revenues ranking on a parity of lien with the Electric System Bonds, including but not limited to Generation System Power Costs or Resource Obligations for any month such costs or such obligations are not eligible for payment as Operating Expenses of the Electric System. “Parity Lien Obligations” do not include Electric System Bonds.

Section 54.24.040 of the Revised Code of Washington (“RCW”) provides that the revenue obligations and interest thereon issued by a public utility district shall be a valid claim of the owner thereof only as against the special fund or funds provided for the payment of such obligations and the amount of the revenues pledged to such fund or funds, and that such pledge of the revenues or other money shall be valid and binding from the time made, that the revenues or other money so pledged and thereafter received by a district shall immediately be subject to the lien of such pledge without any physical delivery or further act, and that the lien of any such pledge shall be valid and binding as against any parties having claims of any kind in tort, contract or otherwise against a district irrespective of whether such parties have notice thereof.

Payment of Generation System Power Costs as an Operating Expense of the Electric System

The District has covenanted in the Generation System Bond Resolution to cause the Generation System to sell and the Electric System to purchase in each month all of the electric power and energy of the Generation System available in such month for use in the Electric System. Such power and energy is required to be purchased by the Electric System at rates and charges sufficient to provide the Generation System with revenues sufficient for the timely payment of Generation System Power Costs. “Generation System Power Costs” are defined in the Generation System Bond Resolution as all costs in each month that are attributable to the Generation System, including (i) Generation System Operating Expenses, (ii) payments required to be made into the bond fund for the Generation System Bonds, (iii) costs of necessary repairs, renewals and replacements of the Generation System (not financed with bond proceeds) and (iv) all other charges or obligations payable by the District from Generation System Revenues (excluding depreciation, amortization and other non-cash charges).

The Electric System is obligated to pay Generation System Power Costs as Operating Expenses of the Electric System (and thus prior to the payment of debt service on the Electric System Bonds, including the 2022A Bonds) for any month during which any power and energy from the Generation System is made available to the Electric System (regardless of whether or not the Electric System actually scheduled or received such power or energy). In any month during which power and energy is not made available to the Electric System from the Generation System, Generation System Power Costs are payable from Electric System Revenues as Parity Lien Obligations after payment of Operating Expenses of the Electric System and on a parity with the Electric System Bonds, including the 2022A Bonds.

The District is required to pay into the Generation System Revenue Fund, on or prior to the last day of the month in which any power and energy were made available from the Generation System to the Electric System, an amount which, together with amounts then on deposit in the Generation System Revenue Fund and available for such purpose, is equal to the sum of (i) Generation System Power Costs for that month remaining unpaid, plus (ii) estimated Generation System Power Costs for the next month.

Payment of Generation System Power Costs on Parity of Lien with Electric System Bonds

In any month during which power and energy are not made available to the Electric System from the Generation System, the District is obligated irrevocably to set aside and pay into the Generation System Revenue Fund, out of Electric System Revenues (after payment of operating expenses of the Electric System, including the amounts, if any, required to be paid by the District in such month for power and energy that was made available from the Generation System to the Electric System), on a parity of lien with the Electric System Bonds, an amount sufficient, together with amounts then on deposit in the Generation System Revenue Fund, to pay estimated Generation System Power Costs for the next succeeding month and to pay any deficiencies in the payment of Generation System Power Costs for the then current or any prior month.

Limitation of Liability

The 2022A Bonds shall not in any manner or to any extent constitute general obligations of the District or of the State of Washington, or of any political subdivision of the State of Washington, or a charge upon any general fund or upon any money or other property of the District or of the State of Washington, or of any political subdivision of the State of Washington, not specifically pledged thereto by the Electric System Bond Resolution, nor shall the full faith and credit of the District or of the State of Washington, or of any political subdivision of the State of Washington, be pledged to the payment of principal, premium, if any, or interest on the 2022A Bonds.

Rates and Charges

The District has covenanted in the Electric System Bond Resolution to establish, maintain and collect rates and charges for services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System that will be adequate to provide Electric System Revenues sufficient for the proper operation and maintenance of the Electric System, including payment of all Generation System Power Costs required by the Generation System Bond Resolution to be paid as Operating Expenses of the Electric System and all Resource Obligations required to be paid as Operating Expenses of the Electric System and all necessary repairs, replacements and renewals of the Electric System, including the payment of all taxes, assessments or other governmental charges lawfully imposed on the Electric System or the Electric System Revenues, or payment in lieu thereof, for the punctual payment of the principal of, premium, if any, and interest on the Electric System Bonds for which the payment has not otherwise been provided, for all other payments that the District is obligated to make into the Bond Fund, for the payment of Parity Lien Obligations, for the payment of Policy Costs, and for the payment of all other amounts that the District may become obligated to pay from the Electric System Revenues by law or contract.

The District has covenanted in the Electric System Bond Resolution also to establish, maintain and collect rates and charges that will be adequate to provide in each fiscal year Net Revenues of the Electric System (after deducting therefrom amounts paid in such fiscal year to satisfy all Parity Lien Obligations and amounts transferred to the Rate Stabilization Account from the General Account and adding thereto amounts transferred to the General Account from the Rate Stabilization Account during such Fiscal Year) in an amount equal to at least 1.25 times the Annual Debt Service on the then outstanding Electric System Bonds in such Fiscal Year. For the definitions of certain capitalized terms used in this paragraph, see

“Appendix B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Definitions.” As of December 31, 2021, the District had \$116.4 million in the Rate Stabilization Account.

The calculation of the coverage requirement, and District’s compliance with such requirement, may be made solely with reference to the Electric System Bond Resolution without regard to changes in generally accepted accounting principles since the District’s audited financials for the fiscal year ended December 31, 1990 (the “1990 Audited Financial Statements”) were prepared. If the District adopts changes in accounting principles for coverage calculation purposes, such changes are to be applied consistently thereafter. The Electric System Bond Resolution provides that, if the District changes one or more of the accounting principles used in the preparation of its financial statements because of a change in generally accepted accounting principles or otherwise, and does not adopt the change for coverage calculation purposes, then an event of default relating to this coverage requirement shall not be considered an Event of Default if the coverage requirement ratio would have been complied with had the District continued to use those accounting principles employed in preparing the 1990 Audited Financial Statements. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Definitions” for the definitions of capitalized terms used above.

Flow of Funds

Pursuant to the Electric System Bond Resolution, the District created a special fund known as the Revenue Fund (the “Electric System Revenue Fund”), and within the Electric System Revenue Fund, the General Account and the Rate Stabilization Account. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Funds and Accounts—Revenue Fund.” The District has covenanted in the Electric System Bond Resolution to pay into the General Account in the Electric System Revenue Fund all Electric System Revenues and all other amounts required by the Electric System Bond Resolution to be deposited into the Electric System Revenue Fund. The Electric System Bond Resolution provides for the disbursement of Electric System Revenues in the following order of priority:

- (a) First, for the payment of Operating Expenses of the Electric System, including Generation System Power Costs, as appropriate (see “—Payment of Generation System Power Costs” above);
- (b) Second, equally and ratably and without priority, (i) for the payment of the principal of and interest and redemption premium, if any, on any Electric System Bonds, and for deposit into a reserve fund securing any Electric System Bonds, according to the priority set forth in the Electric System Bond Resolution; (ii) for the payment of any Parity Lien Obligations, including Generation System Power Costs, as appropriate (see “—Payment of Generation System Power Costs” above); and (iii) for payment to any financial institution or insurance company providing any letter of credit, line of credit, or other credit or liquidity facility, including municipal bond insurance and guarantees, that secures the payment of principal of or interest on any Electric System Bonds;
- (c) Third, for the payment of the principal of and interest and redemption premium, if any, on, and for deposit in any reserve fund securing, any Junior Lien Bonds (as defined below) and any other subordinate obligations of the Electric System;
- (d) Fourth, to make additions, betterments, extensions, renewals, replacements and other capital improvements to the Electric System; and

(e) Fifth, for any other lawful purpose of the Electric System, in any order of priority that may be established by the District by resolution.

Any Electric System Revenues remaining after the District makes the payments and credits described in clauses (a) through (d) may be transferred by the District to the Rate Stabilization Account to be applied as set forth in the Electric System Bond Resolution.

The District may not withdraw moneys from the Electric System Revenue Fund in accordance with clause (e) described under this subheading unless the District first has made the payments and credits described in clauses (a) through (d) under this subheading.

Debt Service Reserve Account

The Electric System Bond Resolution established a Debt Service Reserve Account in the Bond Fund (the “Debt Service Reserve Account”) to secure the payment of the principal of, premium, if any, and interest on the Electric System Bonds. The Electric System Bond Resolution provides that there shall be deposited into such Debt Service Reserve Account an amount from the proceeds of each series of Electric System Bonds secured thereby sufficient, together with the other moneys and investments on deposit in the Debt Service Reserve Account to meet the Reserve Account Requirement for all series of Electric System Bonds secured thereby calculated immediately after the issuance of such Electric System Bonds. The Debt Service Reserve Account may also be funded with any other money lawfully available therefor or with Qualified Insurance or a Qualified Letter of Credit. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Definitions” for the definition of Qualified Insurance and Qualified Letter of Credit.

“Reserve Account Requirement” means (a) with respect to a series of Electric System Bonds, the lesser of (i) 10% of the proceeds of such series of Electric System Bonds or (ii) the maximum amount of interest due in any Fiscal Year on such series of Electric System Bonds, calculated as of the date of issuance of such series of Electric System Bonds and recalculated as of the date of issuance of any obligation of the District issued to refund any Bonds and (b) with respect to all Electric System Bonds secured by the Debt Service Reserve Account, the sum of the Reserve Account Requirements for all such series of Electric System Bonds. A Supplemental Resolution may establish a separate reserve account for one or more series of Electric System Bonds or provide that Electric System Bonds be secured by a common reserve account other than the Debt Service Reserve Account. In any such case, such Electric System Bonds would not be secured by the Debt Service Reserve Account. If the District establishes a separate reserve account for a series of Electric System Bonds, the Reserve Account Requirement will be as set forth in the Supplemental Resolution authorizing the series of Electric System Bonds.

The 2022A Bonds are to be secured by the Debt Service Reserve Account. The current Reserve Account Requirement for the outstanding Electric System Bonds secured by the Debt Service Reserve Account is \$18,298,417. Upon the issuance of the 2022A Bonds, the aggregate Reserve Account Requirement for all series of Electric System Bonds secured by the Debt Service Reserve Account will be \$_____.^{*} This amount is equal to the sum of the maximum annual interest on each such series of Electric System Bonds secured by the Debt Service Reserve Account as of date of issuance of the 2022A Bonds, and includes \$_____.^{*} with respect to the 2022A Bonds, which amount is equal to the maximum annual interest on the 2022A Bonds as of their date of issuance. Upon the issuance of the 2022A Bonds, the District expects to deposit proceeds of the 2022A Bonds in the amount of \$_____.^{*} into the Debt Service Reserve Account.

^{*} Preliminary, subject to change.

The Debt Service Reserve Account is held in trust by the District for the benefit of the Owners of the Electric System Bonds secured by the Debt Service Reserve Account. In the event of the bankruptcy or insolvency of the District, a bankruptcy court may be able to direct the application of money in the Debt Service Reserve Account to other purposes. See “LIMITATIONS ON REMEDIES; BANKRUPTCY.” Money in the Debt Service Reserve Account, including any amounts drawn under a Qualified Letter of Credit or paid pursuant to Qualified Insurance, are to be used for the purpose of paying the principal of or interest on any Electric System Bonds secured thereby in the event that money in other accounts in the Bond Fund is insufficient therefor. Whenever money is withdrawn from the Debt Service Reserve Account, the amount in that account is to be restored as described in the Electric System Bond Resolution. See “Appendix B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Revenues and Flow of Funds—Debt Service Reserve Account.”

The Electric System Bond Resolution requires that the District make a valuation of the amount credited to the Debt Service Reserve Account as of the close of business on each December 31 (or on the next preceding business day if December 31 does not fall on a business day) and after any withdrawal to pay when due debt service on any Electric System Bonds and provides that a valuation may be made on each June 30 (or the next preceding business day of June 30 is not a business day). For purposes of determining the amount credited to the Debt Service Reserve Account, obligations in which moneys have been invested are to be valued at the “market value” thereof. The Electric System Bond Resolution provides that if the amount in the Debt Service Reserve Account is less than Reserve Account Requirement, the District shall have 12 months within which to transfer to the Debt Service Reserve Account in amounts sufficient to restore the Debt Service Reserve Account to the Reserve Account Requirement, such transfers to come, first, from moneys in the Electric System Revenue Fund (after making provision for the Operating Expenses for the required payments into the Interest and Principal Accounts), and, second, from moneys in the Construction Fund.

Additional Indebtedness

Electric System Bond Resolution

Under the Electric System Bond Resolution, the District is not permitted to issue bonds or other evidences of indebtedness of the Electric System secured by a pledge of or a lien on or charge upon Electric System Revenues prior to the pledge, lien and charge of the Electric System Bonds (other than Generation System Bonds and Resource Obligations). The District may issue additional Electric System Bonds from time to time in one or more series for any lawful purpose of the District only upon compliance with the terms and conditions stated in the Electric System Bond Resolution. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Additional Indebtedness—Additional Bonds.”

As of June 1, 2022, the Electric System Bonds were outstanding in the aggregate principal amount of \$375,440,000. Upon the issuance of the 2022A Bonds, the Electric System Bonds are expected to be outstanding in the aggregate principal amount of \$[____]*.

Certain covenants and other provisions of the Electric System Bond Resolution are summarized in “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION.”

* Preliminary, subject to change.

Generation System Bond Resolution

The District may issue additional Generation System Bonds in one or more series for the purposes set forth in the Generation System Bond Resolution only upon compliance with the terms set forth in the Generation System Bond Resolution as summarized in “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Additional Indebtedness.”

The District’s Generation System currently has outstanding its Generation System Revenue Bonds, Series 2010B Taxable Build America Bonds (Direct Pay) (the “2010B Generation System Bonds”), its Generation System Revenue Bonds, Series 2015 (the “2015 Generation System Bonds”) and its Generation System Revenue Refunding Bonds, Series 2020A (the “2020A Generation System Bonds”), which as of June, 2022, were outstanding in the aggregate principal amount of \$67,650,000. The 2010B Generation System Bonds, the 2015 Generation System Bonds and the 2020A Generation System Bonds, together with any future bonds issued under the Generation System Bond Resolution, are collectively referred to herein as the “Generation System Bonds.”

Certain covenants and other provisions of the Generation System Bond Resolution are summarized in “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION.”

The Generation System Bond Resolution also permits the District to issue bonds or other evidences of indebtedness for a separate system for any lawful purpose of the District, payable on a parity with the payment of Generation System Power Costs upon compliance with the terms and conditions stated in the Generation System Bond Resolution. See “—Flow of Funds” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Additional Indebtedness—Obligations Payable from Revenues.”

Junior Lien Bonds

The District may issue bonds or other evidences of indebtedness for any corporate use or purpose of the District payable from, and having a lien and charge against, Electric System Revenues junior to the Electric System Bonds. As of June 1, 2022, the District had no outstanding bonds having a lien on and charge against Electric System Revenues junior to the Electric System Bonds (“Junior Lien Bonds”).

Derivative Products

The Electric System Bond Resolution does not permit the District to enter into interest rate swap agreements payable from or secured by Electric System Revenues on a parity with the Electric System Bonds. The Generation System Bond Resolution, however, permits the District to enter into “Derivative Products” secured by a pledge of and lien on Generation System Revenues on a parity with the Generation System Bonds. Derivative Products include agreements providing for an exchange of payments based on interest rates (known as interest rate swaps), or providing for ceilings or floors on such payments. Derivative Products could also include currency or commodity swap agreements. As such, they would be payable from Electric System Revenues as a part of Generation System Power Costs either prior to or on a parity with the Electric System Bonds. Execution of any Derivative Product is subject to the satisfaction of certain conditions set forth in the Generation System Bond Resolution. See “—Payment of Generation System Power Costs as an Operating Expense of the Electric System” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Additional Indebtedness—Derivative Products.”

The District has previously been a party to interest rate swap agreements that constituted Derivative Products pursuant to the Generation System Bond Resolution and is not currently a party to any Derivative Products. The District from time to time may enter into certain hedge agreements, such as commodity or currency swaps, in the ordinary course of business. Payments made or received by the District under such agreements would be applied for purposes of the flow-of-funds provisions of the Electric System Bond Resolution consistent with applicable accounting rules.

Resource Obligations

If the District complies with certain requirements in the Electric System Bond Resolution, then the District may (1) enter into contracts for the purchase of energy, capacity, capability or reserves, or (2) acquire or construct a facility for the generation of power and energy as a separate system of the District, and in each case declare the costs of such contract or facility (including debt service on bonds) to be a “Resource Obligation” of the Electric System. Such costs would then be paid (a) as Operating Expenses of the Electric System for any month in which power and energy from such contract or facility was made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received such power or energy during such month), and (b) on a parity with the Electric System Bonds as a Parity Lien Obligation for any month in which power and energy from such contract or facility was not made available to the Electric System during such month. The requirements under the Electric System Bond Resolution include the delivery of a report of a Professional Utility Consultant to the effect that the District would continue to satisfy the Electric System rate covenant, described above, for the second full Fiscal Year following (i) the first delivery of energy, capacity, capability or reserves pursuant to such contract, or (ii) the date of commercial operation such facility constituting such a separate system of the District. The District has not declared costs associated with any contract or any separate system of the District to be a Resource Obligation, and the District has no current plans to do so. In practical effect, however, costs of the Generation System are paid from Electric System Revenues as if such costs were Resource Obligations of the Electric System. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Additional Indebtedness—Separate System Bonds; Resource Obligations.”

Except as described in the preceding paragraph, the District is prohibited under the Electric System Bond Resolution from entering into a contract or other similar arrangement with a third party for the purchase of energy, capacity, capability or reserves from a new or existing generating facility, payments under which contract or arrangement are payable as Operating Expenses of the Electric System, if: (a) such payments are pledged directly to secure the payment of bonds or other indebtedness issued or incurred to finance such facility, and (b) such payments are due regardless of whether the District takes delivery of any power or such facility or resource is producing or is capable of producing any power.

Other Covenants

The District has covenanted in the Electric System Bond Resolution to maintain, preserve and keep the properties of the Electric System in good repair, working order and condition, to make all necessary and proper repairs, renewals, replacements, additions, extensions and betterments thereto and to operate the properties and business of the Electric System in an efficient manner and at a reasonable cost. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Covenants.”

Contingent Payment Obligations

The District has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation on the part of the District to make payments or post

collateral contingent upon the occurrence or nonoccurrence of certain future events, including events that are beyond the direct control of the District. The amount of any such contingent payments may be substantial. To the extent that the District did not have sufficient funds on hand to make any such payment, it is likely that the District would seek to borrow such amounts through the issuance of additional bonds or otherwise.

These agreements may include interest rate swap and other similar agreements, power purchase agreements, commodities futures contracts with respect to the delivery of electric energy or capacity, investment agreements, including for the future delivery of specified securities, electric energy and fuel price swap and similar agreements, other financial and energy hedging transactions, and other agreements.

Such contingent payments or posting of collateral may be conditioned upon the future credit ratings of the District and/or other parties to the agreement, maintenance by the District of specified financial ratios, future changes in electric energy, fuel or related prices, and other factors.

If any such payments, or portions thereof, were subject to characterization as Operating Expenses or operating expenses of the Electric System, as applicable, they would be payable from Generation System Revenues and/or Electric System Revenues, as applicable, prior to the payment of debt service on the Electric System Bonds, including the 2022A Bonds, or the Generation System Bonds. However, if they constituted “extraordinary, non-recurring expenses,” as set forth in the respective definitions of Operating Expenses, they would be payable after debt service on the Generation System Bonds or the Electric System Bonds, as applicable. Other such payments also may be payable on a parity with the Generation System Bonds or the Electric System Bonds subject to the satisfaction of certain conditions precedent. See “—Derivative Products.”

The District’s Block-Slice Power Sales Agreement with the Bonneville Power Administration (“Bonneville”) and power purchase agreements with Hay Canyon Wind, LLC (“Hay Canyon”) and Wheat Field Wind Power Project, LLC (“Wheat Field”) include requirements that the District post collateral upon the District’s long-term credit rating dropping below “BBB-” in the case of Bonneville and Hay Canyon and “BBB” in the case of Wheat Field. See “ELECTRIC SYSTEM POWER SUPPLY—Bonneville Power Administration—*The Bonneville Power Purchase Agreement—Slice Product*” and “ELECTRIC SYSTEM POWER SUPPLY—Long-Term Third-Party Power Purchase Contracts,” respectively.

The District’s Ability to Consolidate the Electric System and the Generation System

The District may combine the Electric System and the Generation System into a single system for accounting and financing purposes, subject to the satisfaction of certain conditions in the Electric System Bond Resolution and in the Generation System Bond Resolution. In such event, the revenues of both Systems would be pledged and available to pay and secure debt service on the Electric System Bonds, including the 2022A Bonds, and the Generation System Bonds and the operating expenses, capital costs and other obligations of both Systems would be payable from the revenues of both Systems. Upon such consolidation of the Electric System and the Generation System, the Electric System Bonds and the Generation System Bonds would have an equal lien on revenues of the consolidated system, subject to the prior payment of the costs of operation and maintenance of the consolidated system.

As a condition to the consolidation of the Electric System and the Generation System, the District is required to provide (i) written confirmation from each Rating Agency then rating the Electric System Bonds and the Generation System Bonds that such consolidation would not cause a reduction or withdrawal of the then-current rating(s) on the Electric System Bonds and the Generation System Bonds and (ii) an opinion of Bond Counsel that such consolidation would not adversely affect the exclusion of interest on any tax-exempt Electric System Bonds or Generation System Bonds from gross income for federal income

tax purposes. The District currently does not have any plans, nor does it expect, to consolidate these Systems.

Authorized Investments

All moneys in any of the funds and accounts held and established pursuant to the Electric System Bond Resolution may be invested in any obligation or investment in which the District may legally invest its funds. For a description of the District's current investment policies and practices, see "THE DISTRICT—Investment Policy."

No Acceleration Upon Default

Upon the occurrence and continuance of an Event of Default under the Electric System Bond Resolution, payment of the principal of and accrued interest on the Electric System Bonds is not subject to acceleration. The District thus is liable for principal and interest payments only as they become due. The inability to accelerate the Electric System Bonds upon an Event of Default could give rise to varying interests between holders of earlier and later maturing Electric System Bonds. The nature and extent of any such variance would depend in part upon the nature and duration of any default. In the event of multiple defaults in payment of principal or interest on the Electric System Bonds, the bondholders would be required to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies against public bodies under Washington law. The District has never defaulted in the payment of principal or interest on any of its bonds.

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Outstanding Debt of the Electric System and Generation System

The table below presents the District's outstanding Generation System and Electric System long-term indebtedness as of June 1, 2022. The table below does not reflect the issuance of the 2022A Bonds. See "SECURITY FOR THE 2022A BONDS—Additional Indebtedness—Electric System Bond Resolution."

TABLE 1
Outstanding Debt of the Electric System and the Generation System
As of June 1, 2022
(\$000)

Series of	Final Maturity Date	Original Principal Amount	Amount Outstanding
<u>GENERATION SYSTEM BONDS</u>			
2010B	12/1/2040	\$14,050	\$13,115
2015	12/1/2045	39,985	39,985
2020A	12/1/2024	<u>19,725</u>	<u>14,550</u>
<u>Total Generation System Bonds</u>		<u>\$73,760</u>	<u>\$67,650</u>
<u>ELECTRIC SYSTEM BONDS</u>			
2010A	12/1/2035	\$128,075	\$118,765
2012	12/1/2028	55,610	5,610
2015	12/1/2040	140,920	123,625
2020A	12/1/2028	49,085	48,755
2021A	12/1/2051	<u>78,685</u>	<u>78,685</u>
<u>Total Electric System Bonds</u>		<u>\$452,375</u>	<u>\$375,440</u>
Total Outstanding Debt		<u>\$526,135</u>	<u>\$443,090</u>

Source: The District.

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DEBT SERVICE

The following table shows the debt service requirements for the outstanding Electric System Bonds, the outstanding Generation System Bonds and the 2022A Bonds.

TABLE 2
Electric System Bonds and Generation System Bonds
Debt Service Requirements

Fiscal Year	Outstanding Electric System Bonds	2022A Bonds*		Total Electric System Bonds Debt Service ⁽¹⁾	Outstanding Generation System Bonds		Total Generation System Bonds Debt Service ⁽¹⁾	Total Debt Service
		Principal	Interest		Principal	Interest		
2022	\$28,983,797	\$	\$	\$	\$5,120,000	\$3,462,821	\$8,582,821	\$
2023	28,985,253				5,355,000	3,205,564	8,560,564	
2024	29,619,322				5,610,000	2,936,519	8,546,519	
2025	30,078,336				1,410,000	2,654,672	4,064,672	
2026	28,984,571				1,480,000	2,582,788	4,062,788	
2027	28,907,275				1,560,000	2,504,946	4,064,946	
2028	28,830,268				1,640,000	2,422,968	4,062,968	
2029	28,748,303				1,730,000	2,336,854	4,066,854	
2030	28,514,759				1,820,000	2,246,070	4,066,070	
2031	28,275,477				1,915,000	2,150,616	4,065,616	
2032	28,025,140				2,015,000	2,050,276	4,065,276	
2033	27,767,684				2,120,000	1,944,766	4,064,766	
2034	27,496,702				2,230,000	1,833,836	4,063,836	
2035	27,221,099				2,345,000	1,717,202	4,062,202	
2036	29,939,250				2,470,000	1,594,648	4,064,648	
2037	29,942,250				2,600,000	1,465,640	4,065,640	
2038	29,937,500				2,735,000	1,329,928	4,064,928	
2039	29,937,750				2,875,000	1,187,262	4,062,262	
2040	29,940,000				3,025,000	1,037,358	4,062,358	
2041	5,486,250				3,185,000	879,750	4,064,750	
2042	5,486,250				3,345,000	720,500	4,065,500	
2043	5,485,250				3,510,000	553,250	4,063,250	
2044	5,488,000				3,685,000	377,750	4,062,750	
2045	5,484,000				3,870,000	193,500	4,063,500	
2046	9,548,250							
2047	9,547,000							
2048	9,548,000							
2049	9,550,250							
2050	9,547,750							
2051	9,549,750							
Total ⁽¹⁾	\$634,855,486	\$	\$	\$	\$67,650,000	\$43,389,484	\$111,039,484	\$

Source: The District.

* Preliminary, subject to change.

⁽¹⁾ Totals may not foot due to rounding.

THE DISTRICT

General

The District is a municipal corporation of the State of Washington (the “State”) established in 1936. The District began its electric utility operations in 1949 by purchasing the electric distribution facilities of Puget Sound Power & Light Company in Snohomish County and in the Camano Island portion of Island County. Its service area consists of virtually all of Snohomish County and Camano Island in Island County. The District is the second largest municipally-owned utility in the Pacific Northwest and the twelfth largest in the nation in terms of customers served and energy sold by its Electric System. The administrative offices of the District are located in the City of Everett, the county seat of Snohomish County, which is approximately 20 miles north of Seattle.

Under Washington State law, the District has the authority to establish separate enterprise funds with respect to its various municipal utility business operations, each of which enterprise funds is accounted for separately. In addition, these utility business operations (referred to as “systems”) can be separately financed through the issuance of debt by the District payable from revenues of that particular system. The District currently has three systems that are separately accounted for and through which it issues debt: the Electric System, the Generation System, and the Water System. Each of these systems is separately financed, and the District maintains separate books and records for each system. The District has reserved the right to combine the Electric System and Generation System.

Pursuant to the Enabling Act, the District is empowered to (i) purchase electric energy, (ii) sell electric energy at wholesale and retail, (iii) acquire, construct and operate electric generating plants and transmission and distribution facilities, and (iv) issue revenue obligations for the purpose of financing the acquisition and construction of electric properties and for other corporate purposes. The District also has authority to provide wholesale and retail telecommunications services through its Electric System.

The District also is empowered and required by the Enabling Act to establish, maintain and collect rates and charges for services that will be fair, nondiscriminatory and adequate to provide revenues sufficient for (i) the payment of principal of and interest on its revenue obligations for which payment has not otherwise been provided and (ii) the proper operation and maintenance of its electric facilities and (iii) renewals and replacements thereto.

Cities in the District’s service area have statutory authority to provide electric service, although no city in the District’s service area presently provides electric service, nor is the District aware of any city that is considering providing electric service. The District also has statutory rights of eminent domain that, subject to certain limitations, enable the District to acquire various assets and property rights, including electric distribution facilities in Snohomish County of any private utility company that may seek to serve Snohomish County and Camano Island. The District’s facilities in any city and its right to provide electric service in any city are subject to the reasonable police power regulation of such city.

Administration

The District is governed by the Board of Commissioners (the “Commission”), which is comprised of three members, each elected from a separate commissioner district. The commissioners are elected at large for staggered six-year terms. The legal responsibilities and powers of the District, including the establishment of rates and charges for services rendered, are exercised through the Commission.

The present commissioners and certain administrative managers of the District are as follows:

Tanya “Toni” Olson, President

Ms. Olson began her third six-year term as Commissioner on January 1, 2017. Ms. Olson held a number of management positions at the District, the last as Assistant General Manager of Corporate Services. Ms. Olson retired in October 2003 after 22 years of service. In addition, Ms. Olson has extensive experience in public education and was the co-founder of a non-profit organization that delivered performing and visual arts programs to K-12 students throughout the State. Her six-year term will end December 31, 2022.

Rebecca Wolfe, Vice-President

Ms. Wolfe began her term in January 2019. She holds degrees in English (Bachelor of Arts and Master of Arts), Organizational Leadership (PhD), and Environmental Law and Policy (Masters). She worked as a career educator in K-12, college, and university settings. Ms. Wolfe has served on the City of Edmonds’ Economic Development Commission, Tree Board, and Mayor’s Climate Protection Committee. Previous Board positions have included community service for music, art, and library programs. Ms. Wolfe’s term expires December 31, 2024.

Sidney “Sid” Logan, Secretary

Mr. Logan worked for eight years as the Executive Director of Operations for the Arlington School District. He also has worked as an engineer and consultant in the oil and gas industry, including for Shell Oil Company. His community service experience includes serving on the Arlington-Smokey Point Chamber of Commerce and several school PTAs and advisory committees. He holds a Bachelor of Science degree in petroleum engineering from the University of Alaska. Mr. Logan’s six-year term will end December 31, 2026.

John Haarlow, Chief Executive Officer/General Manager

The Commission appointed Mr. Haarlow to serve as CEO/General Manager beginning October 8, 2018. He joined the District in February 2017 as Assistant General Manager of Distribution & Engineering Services, bringing nearly 30 years of experience in the electric utility industry. In that role, he was responsible for construction, engineering, operations and maintenance of the utility’s transmission, substation and distribution assets. He also oversaw fleet, real estate and environmental functions. Before joining the District, Mr. Haarlow worked for the Public Service Company of New Mexico, serving as both Director of Safety and Transmission and Distribution Engineering and Operations. He began his career at the Central Illinois Light Company where he was an IBEW journeyman for 10 years. Mr. Haarlow also worked as Vice President of Power Delivery for the Indianapolis Power and Light Company. He attended University of Illinois and holds a Bachelor of Arts degree in accounting.

Anne Spangler, General Counsel

Ms. Spangler joined the District in 2008 after serving four years as the Chief Assistant City Attorney for Tacoma Public Utilities. Ms. Spangler’s background includes practice with the Office of the Attorney General, representing the State Department of Transportation, and with the City of Seattle as a land-use litigation attorney. Ms. Spangler has a Bachelor of Arts degree in anthropology from Reed College, a juris doctorate, cum laude, from the University of California, Hastings College of the Law, and a utility management program certificate from Willamette University’s Atkinson Graduate School of Management.

She is a member of the Washington State Bar Association and the Energy Bar Association, a Washington, D.C. based organization of legal professionals in the energy industry.

Scott Jones, Chief Financial Officer

Mr. Jones joined the District as Chief Financial Officer in January 2020, leading the organization's accounting and finance functions. He spent several years in public power working for the Municipal Electric Authority of Georgia (MEAG Power), serving as its Chief Administrative Officer. Most recently, Scott was the Chief Financial and Administrative Officer for the North American Electric Reliability Corporation (NERC), responsible for various functions including finance, information technology, human resources, and stakeholder relations. His early professional career included roles at PricewaterhouseCoopers and a natural gas company before moving into the electric utility industry. Mr. Jones attended the University of Tennessee where he earned Bachelor of Arts and Master of Accountancy degrees.

James Herrling, Treasurer

Mr. Herrling was appointed by the Commission to serve as Treasurer in June 2018. He joined the District in 2000 as Senior Manager of Financing and Risk Management and was later named Senior Manager of Treasury, Risk Management and Supply Chain. Before joining the District, Mr. Herrling served as the Corporate Controller for Chelan PUD for seven years. Prior to that, Mr. Herrling worked for Arthur Andersen. Mr. Herrling holds a Bachelor of Arts Degree in Accounting from Seattle University and is a certified public accountant.

Jason Zyskowski, Assistant General Manager – Facilities, Generation, Power, Rates and Transmission Management

Mr. Zyskowski started at the District in 2004 as an Electrical Engineer in the Distribution and Engineering Services Division. He worked on several renewable generation projects, substation upgrades, numerous automation projects, and was the Project Manager for the District's first Energy Storage System. He became the Manager of Substation Engineering in 2013 and the Senior Manager of Planning, Engineering and Technical Services in 2017. In 2019, he also became Senior Manager over Transmission and Distribution System Operations. In March 2020, Mr. Zyskowski was selected as the AGM of Facilities, Generation, Power, Rates and Transmission Management. In this role, he is responsible for the District's office facilities, generation (including the Jackson Hydro Project), setting of the District's electric rates and purchasing power and transmission service to provide the utility with the resources it needs to keep the lights on. He has a Bachelor of Science in electrical engineering from the University of Washington and is a registered Professional Engineer in the State.

Guy Payne, Assistant General Manager – Distribution and Engineering Services

Mr. Payne joined the District in March 2019 as Assistant General Manager of Distribution & Engineering Services. He holds an associate degree in business from New Mexico State University and has 25 years of safety, operational, and leadership experience in the electrical utility industry. Most recently he served as Area Manager of Southern New Mexico Operations for Public Service Company of New Mexico, overseeing operational and engineering employees in four service centers that distributed power to six separate towns across southern New Mexico. As Assistant General Manager of Distribution & Engineering Services, Mr. Payne oversees more than 500 employees across several District offices.

Kristi Sterling, Chief Information Officer – Information Technology Services

Ms. Sterling joined the District in December 2008 and has performed several leadership positions within the Information Technology Services Division. As a Senior Project Manager, she led several strategic technology projects. As an Applications Manager, she led a technical team supporting of operations systems. Ms. Sterling became a Senior Manager of the Information Technology Services Program Management Office in 2019. In 2021, she became the Senior Manager of Information Technology Services Applications, Data & Analytics, and Architecture. She holds a Bachelor of Arts degree from the University of Colorado and an MBA of Information Technology Management from Western Governors University. Ms. Sterling has 20 years of experience in the Utility industry beginning at Colorado Springs Utilities as a Customer Service Representative, application analyst, and Lead Information Technology Services Analyst.

Pam Baley, Assistant General Manager – Customer and Energy Services

Ms. Baley was appointed Interim Assistant General Manager for Customer and Energy Services in May 2019 and accepted the permanent position in July 2019. She leads the District's efforts to develop and operate solar energy, electrification of transportation, and demand response programs. She is also responsible for the District's customer service operations, including call center, frontline, account management, collections and low-income programs for commercial and residential customers. Ms. Baley joined the utility in 2013 as a Senior Manager of Customer Experience with more than 20 years of executive and operational leadership experience, working in London and the United States for the banking and telecommunication industries, where she oversaw approximately 3,000 employees and was responsible for a \$235 million budget.

The Electric System

The District began its electric utility operations in 1949 and currently serves most of Snohomish County and the Camano Island portion of Island County. The properties of the Electric System include the District's transmission lines, substations, distribution lines, transformers, meters and general plant. For the year ended December 31, 2021, the Electric System served an average of approximately 370,000 customers and had energy sales of 8,107,000 megawatt hours ("MWh") and operating revenues of \$708,139,000. In 2021, the District purchased approximately 80% of its power from Bonneville, approximately 6% from long-term power contracts, approximately 6% combined from the hydroelectric generation facilities of the Generation System and 8% from the wholesale power market to balance resources with loads. The Electric System is primarily a distributor of power at retail rates. As of December 31, 2021, the total assets of the Electric System were \$2,152,041,000 and its total outstanding bond principal, prior to the issuance of the 2022A Bonds, was \$375,440,000. See "THE ELECTRIC SYSTEM," "ELECTRIC SYSTEM POWER SUPPLY" and "ELECTRIC SYSTEM FINANCIAL INFORMATION."

The Generation System

In 1986 pursuant to the Generation System Bond Resolution, the District established the Generation System, which is financed and accounted for as a system separate from the Electric System. The Generation System currently consists of the Henry M. Jackson Hydroelectric Project (the "Jackson Project"), the Youngs Creek Hydroelectric Project (the "Youngs Creek Project"), the Calligan Creek Hydroelectric Project (the "Calligan Creek Project"), the Hancock Creek Hydroelectric Project (the "Hancock Creek Project"), the Woods Creek Hydroelectric Project (the "Woods Creek Project") and the Biofuel Project (the "Biofuel Project"). The Generation System could include any other electric generating, transmission and/or conservation facilities undertaken by the District in the future. See "THE GENERATION SYSTEM—

Small Hydroelectric Generation Projects,” “THE GENERATION SYSTEM—Biofuel Project” and “THE ELECTRIC SYSTEM POWER SUPPLY—The District’s Future Power Supply Strategy.”

The Jackson Project is an operating hydroelectric generating facility with a nameplate capacity of 111.8 megawatts (“MW”). The Youngs Creek Project is a hydroelectric generating facility with a nameplate capacity of 7.5 MW. The Calligan Creek Project is a hydroelectric generating facility with a nameplate capacity of 6 MW. The Hancock Creek Project is a hydroelectric generating facility with a nameplate capacity of 6 MW. The Woods Creek Project is a small hydroelectric project with a nameplate capacity of 0.65 MW. The Biofuel Project is a biogas generating facility with a nameplate capacity of 675kW. See “THE GENERATION SYSTEM—The Jackson Project,” “—Small Hydroelectric Generation Projects” and “—Biofuel project.”

As of December 31, 2021, the total assets of the Generation System were \$246,096,000 and its total outstanding bond principal was \$67,650,000. See “THE GENERATION SYSTEM” and see “SECURITY FOR THE 2022A BONDS” for a discussion of the obligations of the Electric System to the Generation System.

The Water System

The District’s Water System was formed through the merger of the District’s former Lake Stevens Water System and its former Sunnyside Water System and became operational in 1946. As of December 31, 2021, the Water System served approximately 22,960 customers. The revenues of the Electric System and the Generation System are not pledged to the payment of operating expenses or debt of the Water System, and the revenues of the Water System are not pledged to the payment of the expenses and obligations of the Electric System or the Generation System. As of December 31, 2021, the total assets of the Water System were \$165,198,000 and its total outstanding bond principal was \$13,193,000.

Labor Relations

The District had the full-time equivalent of approximately 1,125 employees as of December 31, 2021. Of those, 589 employees are covered by a four-year collective bargaining agreement with the International Brotherhood of Electrical Workers, Local 77 (IBEW), which expires on March 31, 2024. The District strives to promote sound labor relations policies that are beneficial to the District and its employees. The District has not experienced any work stoppages in the past 39 years.

Insurance

The District maintains a comprehensive insurance program. Property insurance coverage and retention levels under the District’s insurance program are customary in the industry. The District’s property insurance coverage has a \$400 million per occurrence limit, which includes acts of terrorism. Included in this coverage is \$100 million in earth movement coverage. The District’s general liability coverage has a \$50 million per occurrence limit, in excess of a \$2 million self-insured retention. The District’s self-insured retention fund balance at December 31, 2021, was approximately \$10 million.

The District also has an insurance policy covering cyber events.

Accounting

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor’s Office, under the authority of Chapter 43.09 RCW. The District currently uses the Federal Energy Regulatory Commission (“FERC”) uniform system of accounts for class A electric systems.

The District utilizes a financial accounting system that features a standard chart of accounts, but the system also allows the District to continue to report on a FERC system of accounts basis as well. The District's financial statements include the financial position and results of operations for all enterprise operations which the District manages. See "APPENDIX A—INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020."

The District's combined financial statements and individual statements for the Electric System, Generation System and Water Systems as of December 31, 2021 and 2020, and for the years ended December 31, 2021 and 2020, respectively, included herein as Appendix A, have been audited by Moss Adams LLP ("Moss Adams"), independent auditors, as stated in its report appearing herein. The audited financial statements of the District are public documents. The District has not requested that Moss Adams provide consent for inclusion of its audited financial statements in this Official Statement, and Moss Adams has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, Moss Adams has not participated in any way in the preparation or review of this Official Statement.

The District requests proposals from national and large regional accounting and auditing firms every five years and selects its financial statement auditors based on industry expertise, reputation and cost. Following such a request for proposals, the District selected Moss Adams LLP as its independent auditors for the fiscal years ended December 31, 2017 through 2021. In May 2022, the Commission approved a two-year extension to retain Moss Adams as its independent auditors for the fiscal years ended December 31, 2022 through 2023.

Pension Plans and Other Post-Employment Benefits

Pension Plans

General. Substantially all of the District's full-time and qualifying part-time employees participate in the Washington State Public Employees Retirement System ("PERS"), administered by the State. The Legislature, rather than participating local government employers determines pension benefits for participants in PERS.

The following information regarding PERS was derived from the 2020 Valuation Report, the 2019 Valuation Report, the 2018 Valuation Report, the Comprehensive Annual Financial Report for the Washington State Department of Retirement System Funds of the State (the "WDRS") for the fiscal year ended June 30, 2021 (the "2021 Retirement Fund Audit") prepared by the WDRS and the WDRS' Contribution Rate Tables Index. *The District has obtained certain information in this section from the State. The District believes such information to be reliable, but the District does not guarantee the accuracy or completeness of such information.*

PERS Plans 1, 2 and 3. PERS is a multiple-employer, cost-sharing public employee retirement system operated by the State. PERS is comprised of three separate plans for membership and benefit purposes ("PERS 1," "PERS 2" and "PERS 3"). See "APPENDIX A—FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 AND INDEPENDENT AUDITOR'S REPORT, Note 7" for a description of PERS benefits and eligibility requirements for these plans.

PERS 1 is closed to employees hired after September 30, 1977. Eligible employees hired after that date are members of either PERS 2 or PERS 3. Eligible employees hired after August 31, 2002, are members of PERS 2 unless they irrevocably elect to join PERS 3. The District is one of 1,368 governmental employers that participate in PERS as of June 30, 2021. As of June 30, 2021, 209,173 retirees and beneficiaries were receiving benefits under PERS, 65,483 terminated plan members were entitled to, but

not yet receiving, benefits, and there were 199,076 vested active plan members and 135,750 non-vested active plan members.

Benefits for active members in PERS 1 or PERS 2 vest after five years of service, and in PERS 3 members are vested in the defined benefit portion of their plan after 10 years unless they qualify for early vesting after five years.

PERS 1 and PERS 2 are defined benefit plans, and PERS 3 is a hybrid plan that includes defined benefits and a defined contribution component. PERS 1 and PERS 2 and the defined benefit portion of PERS 3 are defined benefit plans in which member benefits are specified in advance and are payable from assets of the respective plans. PERS 1 and PERS 2 are funded by a combination of investment earnings and employer and employee contributions, and the defined benefit component of PERS 3 is funded by employer contributions and investment earnings. Unlike in a defined contribution plan, where the employer's liability is limited to making its specified contribution and the employee bears the risk that the contributions and investment income thereon will generate sufficient retirement income, in a defined benefit plan the employer bears the risk that contributions and investment income will be sufficient in the future to pay the promised benefits. Employee contributions and investment earnings finance the defined contribution component of the PERS 3 plan, and the defined contribution retirement benefits depend solely upon the results of investment earnings.

Employers are not liable directly for and do not guarantee the obligations of PERS, but as described below employer contribution rates for defined benefit plans may increase if assets are, or are projected to be, insufficient to pay promised benefits.

The Washington State Investment Board directs the investment of retirement system assets and invests all retirement funds in a single pool, referred to as the Commingled Trust Fund (the "CTF"). Although in general assets from one plan may not be used to fund benefits from another plan, the defined benefit portions of PERS 2 and PERS 3 are accounted for in the same fund and all assets of the combined PERS 2 and PERS 3 defined benefit plans may be used to pay defined benefits of PERS 2 or PERS 3 members.

Actuarial Valuation, Funding Policy and Assumptions

Actuarial Valuation. Actuarial valuations are prepared on a plan-wide basis and not for individual employers. The Office of the State Actuary (the "OSA") is required to provide an actuarial valuation of each retirement system, including PERS, every two years. In practice, however, the OSA provides valuations annually, although only the valuations for odd-numbered years (which are released during the following even-numbered year) are used to calculate contribution rates. In those even-numbered years, the OSA provides its preliminary results and recommended contribution rates to the Select Committee on Pension Policy, a committee of the Legislature (the "SCPP"), and to the Pension Funding Council ("PFC"). See "—Contribution Rates" below.

In August 2021, the OSA released an actuarial valuation for June 30, 2020 (the "2020 Valuation Report"). The primary purpose of the 2020 Valuation Report is to provide information on the funding progress and developments in the plans over the State fiscal year ended June 30, 2020.

Funding Policy. The State's funding policy and methods for determining the contribution rates are set forth in RCW Chapters 41.40 and 41.45 RCW (collectively, the "Pension Act"). In 2009, the Pension Act was amended to provide for the amortizing in full the unfunded accrued actuarial liability (the "UAAL") of PERS 1 over a rolling-10-year period, using methods and assumptions that balance the needs for increased benefit security, decreased contribution rate volatility and affordability of contribution rates. The

Pension Act also requires that to the extent feasible all benefits for PERS 2 and PERS 3 members be funded over the working lives of those members. In preparing valuations and making recommendations regarding contribution rates, the OSA uses valuation methods, economic and demographic assumptions, including rates of retirement, rates at which members become disabled, turnover rates and mortality rates, and other assumptions, including assumptions about plan benefits.

Assumptions. As required by State law, OSA periodically prepares experience studies to assess the reasonableness of their assumptions and inform potential changes to those assumptions. Economic experience studies are prepared every two years. In August 2021, OSA released its 2021 Report on Financial Condition and Economic Experience Study. Every five to six years, OSA performs a demographic experience study, which compares demographic assumptions with actual experience to determine if any adjustments are necessary. The most recent Demographic Experience Study report was prepared in June 2020, using data from the 2013-2018 period, and was not updated to reflect any effects to demographic assumptions related to COVID-19. Demographic assumptions incorporating experience regarding mortality, retirement, disability, termination rates, salary increases and other assumptions are included in the determination of contribution rates for a biennium. Economic assumptions are adopted by the PFC and/or prescribed by the Legislature. The Legislature used the following economic assumptions for the 2021-2023 biennium contribution rates: a rate of inflation of 2.75%; an assumed annual investment return of 7.5%; and annual growth in membership of 0.95%.

Actuarial Funded Rate. For purposes of determining the plans' funded status on an actuarial basis (but not to determine contribution requirements), the OSA determines the ratio of the actuarial value of assets (the "AVA") to the cost of plan benefits, calculated using the Entry Age Normal ("EAN") cost method. The annual cost of benefits is comprised of (i) the "normal cost" of benefits that will accrue in the subsequent year for current plan members, and (ii) the amount required to amortize the unfunded accrued actuarial liability (the "UAAL") over a specified period. The "normal cost" is the estimated present value of projected benefits current plan members will earn in the year following the valuation date, and the "normal cost rate" is the level percentage of salary contribution required each year per employee to accumulate, over the project working lifetime of each employee, the reserves needed to meet the cost of the projected benefits, assuming the UAL is paid off and the plan's actual experience conforms to the actuarial assumptions used by the OSA in calculating the plan's actuarial liabilities. The UAAL is the difference between a plan's actuarial accrued liability ("AAL") and the actuarial value of the plan's assets or the present value of benefits earned at the valuation date not covered by current actuarial assets. The AAL represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

To determine a plan's AVA, the OSA determines the current Market Value of Assets (the "MVA"), taking into account the prior year's contributions, disbursements and investment returns. To limit fluctuations in contribution rates and plan funded status that would otherwise arise from short-term changes in the MVA, the OSA "smooths" the inherent volatility in the MVA by deferring a portion of annual investment gains or losses over a period of not to exceed eight years. To help ensure that the AVA maintains a reasonable relationship to the MVA, any valuation of the AVA may not exceed 130% of, nor drop below 70% of, the MVA.

The funded status for PERS 1, for all of Washington State is set forth below.

TABLE 3
Washington State PERS Actuarial Liability and Funded Ratio on an Actuarial Basis

	<u>June 30, 2018</u>		<u>June 30, 2019</u>		<u>June 30, 2020</u>	
	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PERS 1</u>	<u>PERS 2/3</u>	<u>PERS 1</u>	<u>PERS 2/3</u>
Actuarial Liability	\$11,942	\$40,024	\$11,535	\$42,600	\$11,160	\$45,559
Valuation Assets	<u>7,193</u>	<u>36,601</u>	<u>7,461</u>	<u>40,766</u>	<u>7,686</u>	<u>44,497</u>
Unfunded Liability	<u>\$ 4,749</u>	<u>\$ 3,423</u>	<u>\$ 4,074</u>	<u>\$ 1,833</u>	<u>\$ 3,474</u>	<u>\$ 1,062</u>
Funded Ratio	60%	91%	65%	96%	69%	98%

Source: Office of the State Actuary; 2020 Valuation Report; amount in millions.

Contribution Rates. Employer contribution rates are set for a biennium (the State’s two-year period ending on June 30 of an odd-numbered year). Contribution rates for a biennium are adopted during even-numbered years according to a statutory rate-setting process. The process begins with the OSA performing an actuarial evaluation of each plan and determining recommended contribution rates. As discussed above in “Actuarial Valuation, Funding Policy and Assumptions,” in even-numbered years, the OSA provides its preliminary results and recommended contribution rates to the SCPP and to the PFC. The PFC, based on the recommendations of the OSA and the SCPP, adopts contribution rates. The rates adopted by the PFC are subject to revision by the Legislature each year when the Legislature is in session. All employers are required to contribute at the levels established by the Legislature.

The current biennium began July 1, 2021 and ends June 30, 2023. The employee contribution rate for PERS 1 is established by statute at 6% of covered payroll for local government unit employees. The employee contribution rate for PERS 2, which is determined by the PFC, is 6.36% of covered payroll. The range of permissible employee contribution rates for the defined contribution component of PERS 3 are determined by the Director of WDRS and range from a minimum of 5.0% of covered salary to a maximum of 15.0% of covered salary. Employees are not required to contribute to the defined benefit component of PERS 3. Effective July 1, 2021, the employer contribution rate for all PERS plans is 10.07% of covered payroll. The current rates are subject to change by the Legislature during future legislative sessions. Based upon the statutory funding policy, the same contribution rate is charged to employers regardless of the plan in which employees hold membership.

OSA has cautioned that the economic and fiscal impacts of the COVID-19 pandemic will most likely impact pension plan funding by (1) reducing investment returns below expectations and (2) reducing the amount of revenue available for participating employers to meet contribution requirements. If the Legislature deems actuarial contributions to be unaffordable for participating employers, then it may decide to adopt contribution rates that are lower than those recommended by OSA; however, as of the date of this Official Statement the Legislature has not taken such an action. See “ELECTRIC SYSTEM FINANCIAL INFORMATION—Impacts from the COVID-19 Pandemic.”

The District does not have any control over the determination of the employer contribution rates or the process for setting such rates. Employee and employer contribution rates may increase over the next several years, and those increases may be significant.

District Contributions. For the year ended December 31, 2021, the District’s total payroll for employees was \$140.8 million, and virtually all of that was covered by PERS. Both the District and its employees made their required contributions to PERS in 2021, with the District contributing \$17.2 million consisting of \$6.4 million to PERS 1 and \$10.8 million total to PERS 2 and PERS 3.

Other Post-Employment Benefits

The District provides post-employment health care and life insurance benefits to eligible retirees hired before July 1, 2009 and their dependents. The District implemented GASB No. 75 to recognize net liability related to other post-employment benefits (“OPEB”). Based on an actuarial study completed as part of the disclosure requirements, the unfunded actuarial accrued liability for these benefits as of December 31, 2021 was \$47.6 million. The District’s annual post-employment healthcare benefit cost is calculated based on the annual required contribution (the “ARC”) of the District. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded liabilities (or funding excess) over a 30-year period. The District has established a separate fund to supplement the costs for the net post-employment obligation. That fund has a balance of \$36.39 million as of December 31, 2021. The post-employment healthcare program was changed for any employee hired by the District after July 1, 2009. Employees hired after July 1, 2009 receive post-employment health benefits under a defined contribution program that is funded on a pay-as-you-go basis. For a description of the post-employment related disclosures, see “APPENDIX A—FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 AND INDEPENDENT AUDITOR’S REPORT, Note 7.”

Deferred Compensation Plan

In addition, the District offers its employees deferred compensation plans under Internal Revenue Code Sections 401(k), 457 and 401(a) (for employees that were previously employed by a first-class city), which permit employees to defer a portion of their compensation until future years.

Investment Policy

The District invests public funds in a manner that conforms with state and local statutes governing the investment of public funds providing for the preservation of principal, liquidity and market rate returns consistent with financial market indices. Eligible investments include: (i) obligations of the U.S. government including U.S. Treasury bonds, notes, and bills, (ii) obligations of U.S. government agencies wholly-owned by the government or any government sponsored enterprises, (iii) banker’s acceptances purchased on the secondary market, (iv) commercial paper, (v) certificates of deposit, (vi) liquid overnight funds held at a national financial institution that is under the Washington State Public Depository Protection Commission and (vii) State of Washington Local Government Investment Pool (the “LGIP”).

The District’s investment policy also establishes issuer constraints and other guidelines of various types for these investments. As of December 31, 2021, the District’s major investment portfolio holdings include the Washington State Local Government Investment Pool (13%), Federal Home Loan Bank Notes (12%), Federal Home Loan Mortgage Corporation (“Freddie Mac”) Notes (6%), Federal National Mortgage Association (“Fannie Mae”) Notes (5%), Federal Farm Credit Bank Notes (7%), and U.S. Treasury Notes (53%). Freddie Mac and Fannie Mae remain under the conservatorship of the U.S. government and continue to maintain the implied guarantee and support from the U.S. government on outstanding debt. The Electric System Bond Resolution provides that money in the Bond Fund be invested in any obligations or investments in which the District may legally invest its funds. The investment policy of the District may be amended at any time. See “APPENDIX A—FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 AND INDEPENDENT AUDITOR’S REPORT,” Note 2, and Table 2 for a summary of the District’s investments.

Local Government Investment Pool

The funds of the District that are invested in the LGIP are administered by the State Treasurer's Office. The LGIP is a pool with over 530 local government participants since its inception in 1986. The LGIP had approximately a \$22 billion average balance under investment as of December 31, 2021. In its management of the LGIP, the State Treasurer is required to adhere, at all times, to the principles appropriate for the prudent investment of public funds. These are, in priority order, (i) the safety of principal, (ii) the assurance of sufficient liquidity to meet cash flow demands and (iii) to provide a competitive interest rate relative to other comparable investment alternatives.

The LGIP, authorized by chapter 43.250 RCW, is a voluntary investment vehicle that provides its participants the opportunity to safely benefit from the economies of scale available from a pooled fund investment portfolio. It is also intended to offer participants increased safety of principal, access to liquidity, and the ability to achieve a competitive investment yield. The LGIP is restricted to investments with maximum maturities of 397 days, and the weighted average life is not permitted to exceed 120 days. Investments permitted under the LGIP's investment policy include: 1) obligations of the U.S. government, 2) obligations of U.S. government agencies, or of corporations wholly owned by the U.S. government, 3) obligations of supranational institutions provided that, at the time of investment, the institution has the United States government as its largest shareholder, 4) obligations of government-sponsored corporations which are, or may become, eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve and 5) certificates of deposit or demand deposits with financial institutions made in accordance with the provisions of chapter 39.58 RCW.

General Obligation Bonds and Taxing Power

The District by state law is authorized to issue nonvoter-approved general obligation bonds for any corporate purpose of the District in an amount up to 3/4 of 1% of the total assessed value of the taxable property within the District. In addition, the District is authorized to levy an annual tax on all taxable property within the District up to 45¢ per \$1,000 of assessed value in any one year, exclusive of interest and redemption for general obligation bonds. The District has no outstanding general obligation bonds and does not levy a tax. The proceeds of any such tax would not be available to pay or secure the Bonds.

THE ELECTRIC SYSTEM

The properties of the Electric System presently include transmission lines, substations, distribution lines, transformers, meters and general plant. As of December 31, 2021, the District had approximately 327.15 miles of 55/115 kV transmission lines. It is anticipated that future transmission lines will be at least 115 kV. The District's distribution facilities generally consist of 12,470-volt overhead lines, supported by wood poles, 12,470-volt underground lines, 93 substations with a combined capacity of 3,432,000 kVA, distribution transformers, meters, and secondary lines and services, both overhead and underground. As of December 31, 2021, these facilities included 3,290 miles of overhead lines and 2,990 miles of underground lines. In addition, the District has three mobile transformer units with a combined capacity of 75,000 kVA. The District has continually increased the substation and distribution line capacity to meet the needs of its customers and further increases are planned. See "ELECTRIC SYSTEM FINANCIAL INFORMATION—Financial Condition and Liquidity—*Capital Expenditures*."

The District and Frontier Communication were parties to a Joint Pole Ownership Agreement covering approximately 60% of the District's existing distribution pole plant. The Joint Pole Ownership Agreement became effective October 1, 2009 and had an initial term of five years. The term was extended for an additional five year term ending on September 30, 2019, and was then extended for an additional one year term ending on September 30, 2020. Frontier filed for Chapter 11 bankruptcy on or about April 14,

2020. Frontier's interests in the Joint Pole Ownership Agreement have been acquired in the bankruptcy process by Northwest Fiber, LLC, d/b/a Zply Fiber. The term of the Joint Pole Ownership Agreement has been extended through September 30, 2022.

As used in this Official Statement, consistent with its ordinary use in electrical engineering, the term "transmission" denotes the District's 115kV system and Beverly Park 230-115kV transformer which, after voltage is stepped down in Bonneville's substations, moves power delivered by Bonneville to lower voltage feeders which exclusively serve the District's retail electric customers. However, the District is neither a "Transmitting Utility" within the meaning of Section 3(23) of the Federal Power Act nor subject to FERC "reciprocity" requirements because the District's Electric System neither moves electricity in interstate commerce nor serves wholesale customers, except with respect to certain obligations related to Bonneville, which do not implicate reciprocity requirements. Accordingly, nothing in this Official Statement is intended to imply that the District has acceded either to FERC jurisdiction over its electric system or to the reciprocity requirements of FERC Orders No. 888 and 890.

Electric Rates

The District is required and empowered under Washington State law to establish, maintain and collect rates or charges for electric energy that are fair, nondiscriminatory and adequate to provide revenues sufficient for the payment of the principal of and interest on its revenue obligations and for the proper operation and maintenance of the Electric System and all necessary repairs, replacements and renewals thereof.

Retail rates and charges of the District are fixed by the Commission. The Commission holds public meetings to consider the District's proposed budget, construction and resource plans, load forecast and effects on the District's revenue requirements. Based on these planning documents, the District's staff estimates revenue requirements and prepares various rate proposals designed to produce this revenue based on cost of service studies. Although the Commission typically holds multiple public meetings in order to introduce and explain its rate proposals to the public and to receive public comments, there is no particular statutory process that must be followed in order to enact a rate increase.

During the western power market crisis resulting from the unprecedented increase in the market price of power in 2001, the District was able to raise rates by 35% within two days and by an additional 18% within the following 10 months. At that time, the District was buying approximately 21% of its overall power supply from the short-term market (terms of one year or less). The sharp increases in price for that power had a significant impact on the District's total costs.

During the last ten years, the Commission has approved several rate adjustments. The District enacted general rate increases of 2.9%, effective April 1, 2012; 2.3%, effective April 1, 2013; 1.9%, effective April 1, 2015; 2.9%, effective April 1, 2017; and 2.1% effective April 1, 2022. Because the District contracts for a majority of its power supply from Bonneville, changes Bonneville makes to its power and transmission rates have a significant effect on the District's overall power supply costs. In July 2009, the Commission adopted a policy providing for a review and pass-through of any adjustments to the costs of wholesale energy or transmission services charged by Bonneville, subject to the discretion of the Commission. In the last ten years, the District has enacted rate increases of: 2.7%, effective October 1, 2013; 4.6%, effective October 1, 2015; and 1.6%, effective October 1, 2017; and 0.5% effective October 1, 2021, with each such increase consisting solely of a pass-through of the increased costs of power and transmission purchased from Bonneville.

Electric rates and charges of the District are not subject to the jurisdiction or control of the Washington Utilities and Transportation Commission (the "WUTC") or any other state or federal regulatory

body. FERC could potentially assert that it has jurisdiction over rates of licensees of hydroelectric projects and customers of such licensees under the Federal Power Act, although to date it has not exercised or sought to exercise such jurisdiction. The Public Utility Regulatory Policies Act of 1978 (the “PURPA”) directs state regulatory authorities and non-FERC jurisdictional utilities (including the District) to consider certain standards for rate design and other utility procedures. The District believes that it is operating in compliance with these PURPA ratemaking requirements.

Residential Base Charge

The Commission approved the implementation of a base charge to its residential service rates on November 19, 2019. The District was the only electric utility in the State that did not have a base charge. The base charge to residential service rates was implemented on April 1, 2022. The base charge will be phased in over five years and will be based on customer home type and service ampacity.

The base charge is expected to result in more predictable and stable bills for the District’s customers and revenue for the District, which is intended to allow the District to focus on keeping rates low and minimize the need for rate increases.

The phase-in of the base charge is not a rate increase. In stepping up the base charge, the District plans to reduce the energy usage charge proportionally over the five year phase-in period. The effect on the bills of the District’s customers is expected to be minimal, with the average District customer experiencing changes of a few dollars of increase or decrease over the five-year period.

The base charge is expected to be revenue-neutral based on the usage of the District’s customers in 2018. In future years, it is expected to provide increased revenue and stability for the District as new homes, which tend to consume less electricity due to more efficient designs and/or gas heating systems, connect to the District’s Electric System. The base charge is expected to pay for the fixed costs of connecting customers to the grid, including billing, meter maintenance and meter reading.

The amount of the base charge will be based on home size and type. Customers will be categorized as small (multi-family dwellings or small electrical services like garages or well pumps), medium (single-family homes), large (large homes with high energy demands) and extra-large (very large homes with multiple structures). The large and extra-large categories will apply only to new connections.

All customers will pay either the combined daily base charge plus the usage charge or the minimum bill charge (53 cents per day), whichever is higher. By April 1, 2026, the minimum daily charge will be eliminated.

Electric Rates and Monthly Bills

The following table sets forth average rates in cents per kWh and monthly bills for selected levels for typical residential, commercial and industrial customers as of the date of this Official Statement.

TABLE 4
Electric System
Typical Rates and Monthly Bills

	Average Rate (¢/kWh)	Monthly Bill
Residential		
1,000 kWh per month	10.556	\$106
2,000 kWh per month	10.404	\$208
Commercial		
1,500 kWh per month (12 kW demand)	10.037	\$151
9,000 kWh per month (30 kW demand)	9.265	\$834
Industrial		
150,000 kWh per month (400 kW demand)	8.510	\$12,766
400,000 kWh per month (1,000 kW demand)	8.390	\$33,561
Large Industrial		
1,800,000 kWh per month (5,000 kW demand)	7.154	\$128,780

Source: The District.

The District's accounts receivable write-offs in 2021 were approximately 1.6% of energy sales revenue. Subject to statutory prohibitions against disconnecting customers in winter months, and the State's Executive Order temporarily prohibiting disconnecting customers during the COVID-19 pandemic, the District's collection policy provides for disconnection of power for nonpayment of amounts due the District. The Executive Order is no longer in effect. See "ELECTRIC SYSTEM FINANCIAL INFORMATION—Impacts from the COVID-19 Pandemic—*Financial Impact*."

Comparative Electric Rates

The following table compares the District's average monthly electric bills with those of several other public and investor-owned Pacific Northwest utilities. The electric bills shown are based on specific rate schedules for each utility; the use of other schedules applicable to particular customers will yield different results.

TABLE 5
Public District No. 1 of Snohomish County, Washington
Electric System
Comparable Monthly Electric Bills as of June 7, 2022⁽¹⁾

	Residential	Commercial	Industrial
	1,000 kWh	30 kW & 9,000 kWh Use	400 kW & 150,000 kWh Use
The District	\$ 105	\$ 821	\$ 12,466
Washington Cities			
City of Seattle ⁽²⁾	127	980	13,933
City of Tacoma	101	768	11,366
Investor-Owned Utilities			
AVISTA	97	995	14,571
Pacific Power	92	757	11,301
Portland General Electric Co.	137	901	10,690
Puget Sound Energy	110	846	13,049
Western Washington Public Utility Districts			
PUD No.1 of Cowlitz County	92	804	11,394
PUD No.1 of Clark County	94	718	9,800

Source: The District and individual utilities.

⁽¹⁾ Computed from the published rate schedules of the utilities listed. There may be some variations in rate schedules and/or rate classifications among the utilities.

⁽²⁾ The City of Seattle rate structure includes seasonal differences in its summer and winter block rates, which affect monthly bills. For purposes of this table, the District has used an average of these block rates.

Largest Customers

The Electric System's ten largest customers in terms of revenues accounted for approximately 10% of total retail kWh energy sales and 8% of retail energy sales revenue in 2021. For 2021, the District's ten largest customers (in alphabetical order) are: The Boeing Company, City of Everett, The Everett School District, Fred Meyer Inc. (QFC/Kroger), Providence Medical Center, Safeway Stores, Snohomish County, State of Washington, Tulalip Tribes and U.S. Navy.

Customers, Energy Sales and Peak Demand

The following table presents the Electric System's customers, energy sales and peak demand during the period of fiscal year 2017 through fiscal year 2021.

TABLE 6
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Customers, Energy Sales, and Peak Demand
Year Ended December 31,

	2017	2018	2019	2020	2021
Average Number of Customers					
Residential	314,323	318,421	322,225	327,475	332,746
Commercial	31,357	31,712	32,443	33,317	34,071
Industrial	81	80	81	82	76
Other	221	205	204	202	203
Total Customers	<u>345,982</u>	<u>350,418</u>	<u>354,953</u>	<u>361,076</u>	<u>367,096</u>
Retail Energy Sales (MWh)					
Residential	3,642,117	3,566,731	3,603,089	3,724,601	3,788,553
Commercial	2,371,339	2,363,415	2,373,169	2,226,949	2,311,513
Industrial	553,544	528,244	527,237	472,618	466,812
Other	27,137	29,000	27,728	28,465	26,892
Total Retail Energy Sales (MWh)	<u>6,594,137</u>	<u>6,487,390</u>	<u>6,531,223</u>	<u>6,452,633</u>	<u>6,593,770</u>
Energy Losses and Electric System Usage (MWh) ⁽¹⁾	266,940	187,173	207,481	196,655	278,944
Wholesale Power Sales (MWh) ⁽²⁾	<u>2,227,442</u>	<u>2,016,038</u>	<u>1,401,511</u>	<u>2,060,403</u>	<u>1,512,879</u>
Total System Energy Requirements	<u>9,088,519</u>	<u>8,690,601</u>	<u>8,140,215</u>	<u>8,709,691</u>	<u>8,385,593</u>
Peak Demand (MW)	<u>1,448</u>	<u>1,317</u>	<u>1,410</u>	<u>1,364</u>	<u>1,526</u>

Source: District records.

⁽¹⁾ Includes non-revenue MWh used internally by the Electric System, line losses and energy unbilled at the end of the period.

⁽²⁾ The amount of wholesale power sales typically varies year-to-year due to changes in annual hydrological conditions, retail customer demand and the initiation and expiration of power supply contracts.

The District's average number of customers increased by 21,114 from 2017 to 2021 reflecting a compound annual rate of 1.5%. During this period, average residential customers increased at a compound annual rate of 1.4%, average commercial customers increased at a compound annual rate of 2.1%, and average industrial customers decreased by a compound annual rate of 1.6%.

Residential energy sales between 2017 and 2021 increased from 3,642,117 MWh to 3,788,553 MWh, a compound annual rate of 1%. Commercial sales decreased from 2,371,339 MWh in 2017 to 2,311,513 MWh in 2021, a compound annual rate of 0.6%. Industrial sales declined at a compound annual rate of 4.2% from 2017 to 2021.

New Load Policy

The District from time to time receives inquiries from potential new customers with large electric load requirements that are interested in locating within the District's service area. The District maintains a new large load policy, for potential customers with anticipated needs of 2.5MW or greater, that contains a formula for allocating the cost of interconnecting and serving such new large load customers between the District and the new customer. The formula assigns costs for infrastructure that are attributable to the new load to the customer, and costs for infrastructure that serve the District's customer base as a whole to the District. The District has received several inquiries of the last several years for such new large loads, but they have not to date included new large loads associated with cryptocurrency mining operations. The District anticipates, but cannot guarantee, three large customers may enter the District's service area within the next five years, forecasted to consume an estimated 2-3% of the District's load at peak operation.

ELECTRIC SYSTEM POWER SUPPLY

Overview

In 2021, approximately 80% of the District's long-term energy resources came from Bonneville, over 6% from the District's owned hydro resources, 6% from the long-term Renewable Energy Contracts, and approximately 8% from short-term market purchases. The District purchases and sells power in the short-term wholesale energy markets to balance the seasonal and daily variations in customer loads and the District's owned and contracted resources. The following table presents the Electric System's energy resources for fiscal year 2017 through fiscal year 2021.

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TABLE 7
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Energy Resources
(Megawatt Hours)

Year Ended December 31,

	2017	2018	2019	2020	2021
Long-Term Energy Purchases					
Bonneville	7,813,671	7,430,870	6,727,200	7,117,518	6,678,792
Jackson Project	453,152	459,517	306,344	486,417	443,226
Renewable Energy Contracts ⁽¹⁾	433,872	487,573	431,576	541,102	505,331
Biofuel Project ⁽²⁾	-	-	-	-	-
Small Hydro Electric Generation Projects ⁽³⁾	18,397	31,335	36,393	62,872	58,435
Other ⁽⁴⁾	21,285	17,317	11,468	17,512	17,522
Total Long-Term Energy Purchases	8,740,377	8,426,612	7,512,981	8,225,421	7,703,306
Short-Term Energy Purchases ⁽⁵⁾	348,142	263,989	627,233	484,270	682,287
Total Energy Resources	9,088,519	8,690,601	8,140,214	8,709,691	8,385,593
Wholesale Power Sales ⁽⁶⁾	(2,227,442)	(2,016,038)	(1,401,511)	(2,060,403)	(1,512,879)
Total Net Energy Resources	6,861,077	6,674,563	6,738,703	6,649,288	6,872,714

Source: District records.

- ⁽¹⁾ Renewable Energy Contracts include (i) a power purchase contract for 10% of the output from the White Creek Wind Project, which became effective in January 2008 (the "White Creek Wind Agreement"), (ii) two power purchase contracts, each for 50% of the output from the Hay Canyon Wind Project, which became effective in March 2009 (together, the "Hay Canyon Wind Agreements"), (iii) a power purchase contract for 100% of the output from the Wheat Field Wind Project, which became effective in April 2009 (the "Wheat Field Wind Agreement"), (iv) a power purchase contract for output from the Hampton Lumber Mill Co-Generation Project, which became effective August 2006, and was replaced in December 2021 (collectively, the "Hampton Lumber Mill Agreement"), and (v) a power purchase contract for output from the Qualco Energy Bio-digester Project, which became effective in January 2014 (the "Qualco Energy Agreement"). Wind production increased in 2020 by 25%.
- ⁽²⁾ The biofuel project became a district asset in the fall of 2021. The project has not actively generated any resources as of December 31, 2021. The District does anticipate this project to become part of the power portfolio. Associated startup costs have been recorded as district-owned purchased power in 2021.
- ⁽³⁾ Small Hydroelectric Generation Projects include the District-owned and operated Youngs Creek Project, Woods Creek Project, Hancock Creek Project, Calligan Creek Project, and the customer-owned 97 kilowatt Ebey Hill project from which the District purchases power under a small power production rate schedule. In 2018, the District brought online the Calligan Creek Project and Hancock Creek Project. The increase in 2020 and 2021 was due to higher production correlating to favorable snowpack conditions.
- ⁽⁴⁾ Other includes a power sales agreement for 20% of the output from the Packwood Hydroelectric Project, which was amended and restated in October 2011 (the "2011 Packwood Agreement"), and output from the District's Arlington Microgrid, Community Solar Array Project which began generating in 2019.
- ⁽⁵⁾ Short-Term Energy Purchases represent energy purchases made daily to balance customer demand with power resource availability. The increase in 2019 was due to colder than expected conditions coupled with record high wholesale market prices. The increase in 2021 is attributed to the high demand summer load influenced by high temperatures during periods of high market prices.
- ⁽⁶⁾ Wholesale Power Sales include energy sales made daily to balance customer demand with power resource availability.

Table 9 presents purchased power costs for the Electric System for fiscal year 2017 through fiscal year 2021:

TABLE 8
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Purchased Power Costs
(\$000's)

	Year Ended December 31,				
	2017	2018	2019	2020	2021
Long-Term Energy Purchases:					
Bonneville ⁽¹⁾⁽²⁾	\$ 241,874	\$ 237,861	\$ 239,477	\$230,242	\$ 234,958
Jackson Project ⁽²⁾	17,993	20,585	20,418	8,584	7,774
Small Hydroelectric Generation Projects ⁽³⁾	2,289	7,164	6,766	6,748	7,813
Biofuel Project ⁽⁴⁾	-	-	-	-	855
Other Generation System Costs ⁽⁵⁾	19,612	14,185	9,265	7,725	7,292
Renewable Energy Contracts	32,275	37,341	33,548	41,640	39,840
Other ⁽⁶⁾	3,907	2,799	568	632	737
Total Long-Term Energy Purchases	317,950	319,935	310,042	295,571	299,269
Short-Term Energy Purchases:					
Market Purchases ⁽⁷⁾	10,646	9,314	35,127	12,906	30,818
Other Short-Term Purchases	4,742	4,456	4,740	3,654	4,340
Total Short-Term Energy Purchases	15,388	13,770	39,867	16,560	35,158
Total Purchased Power Costs ⁽⁸⁾	333,338	333,705	349,909	312,131	334,427
Wholesale Power Sales	(34,947)	(34,985)	(29,317)	(38,783)	(42,693)
Net Cost of Energy Purchased	\$ 298,391	\$ 298,720	\$ 320,592	\$ 273,348	\$291,734
Total Energy Purchases (MWh)	9,088,519	8,690,601	8,140,214	8,709,691	8,385,593
Less: Wholesale Power Sales (MWh)	(2,227,442)	(2,016,038)	(1,401,511)	(2,060,403)	(1,512,879)
Net Energy Purchase (MWh)	6,861,077	6,674,563	6,738,703	6,649,288	6,872,714
Total Purchased Power (cents/kWh) ⁽⁸⁾	3.7¢	3.8¢	4.3¢	3.6¢	4.0¢
Net Purchased Power (cents/kWh) ⁽⁸⁾	4.3¢	4.5¢	4.8¢	4.1¢	4.2¢

Source: District records.

⁽¹⁾ On October 1, 2011, the District began purchasing power from Bonneville under a new 17-year contract (the "Power Purchase Agreement"), pursuant to which the District could purchase up to 811 average annual megawatts ("aMW") at cost, or the "Tier 1 Rate." The operating capability of the Bonneville federal hydro or Tier 1 system has declined over the past 10 years by about 4%, reducing the District's maximum allowable purchase amount at cost to approximately 775 aMW. During the five-year period presented, expenditures for Bonneville power purchases were reduced by a credit related to Bonneville's readjustment of the level of Residential Exchange benefits provided to investor-owned utilities as a result of a legal challenge and subsequent court decision regarding those benefits. This credit was \$8.7 million in 2017, \$8.8 million in 2018, \$6.6 million in 2019 and concluded in late 2019.

⁽²⁾ The Jackson Project cost decreased in 2020 caused by the final payments of two intercompany loans in late 2019.

⁽³⁾ Includes costs that are charged to the Electric System from the Woods Creek Project, the Youngs Creek Project which began production in 2012, and non-capitalized costs related to other low impact hydroelectric projects. In 2018, the Calligan Creek Project and Hancock Creek Project came online which added about \$4 million of combined costs.

⁽⁴⁾ The biofuel project became a district asset in the fall of 2021. The project has not actively generated any resources as of December 31, 2021. The District does anticipate this project to become part of the power portfolio. Associated startup costs have been recorded as district-owned purchased power in 2021.

- (5) Represents debt service on Generation System Bonds and other renewable generation costs that are not directly related to current Generation System projects.
- (6) Includes the 2011 Packwood Agreements, and other gas and small power production charges. Change between 2018 and 2019 reflects the retirement of gas capacity contract which was approximately \$2.2 Million annually. Costs from operating the Arlington Microgrid are not calculated by the District as purchased power and are thus not included in other costs. The Arlington Microgrid serves as a source of energy for the District and the output is included in the total energy purchase MWh. The total output from the Arlington Microgrid in 2020 and 2021 was 598 and 647 MWh, respectively.
- (7) Market Sales in 2019 increased primarily from a cold first quarter increasing load demand while market prices were high. Market sales in 2021 also increased from higher volume of purchases at increased prices influenced by divergent seasonal temperatures.
- (8) Total Purchased Power (cents/kWh) represents the Total Purchased Power Costs divided by the Total Energy Purchases expressed in kWh. Net Purchased Power (cents/kWh) represents Net Cost of Energy Purchased divided by Net Energy Purchases expressed in kWh. The total and net purchased power costs per kWh vary annually as a result of changes in the District's resource portfolio, the impact of annual precipitation levels on hydroelectric power generation, and the additional power provided by Bonneville under the Power Purchase Agreement.

Bonneville Power Administration

Background

Bonneville was created by federal law in 1937, and is a revenue-financed federal agency under the United States Department of Energy (the "DOE"), that markets wholesale electricity generated at 31 federal hydroelectric projects in the Columbia River basin, one nonfederal nuclear plant and several other small nonfederal power plants. The federal hydroelectric projects are built and operated by the United States Bureau of Reclamation and the United States Army Corps of Engineers. Bonneville markets power from resources having an expected aggregate output in Bonneville's operating year 2023 (from August 1 through July 31) of approximately 9,769 average annual megawatts[±] ("aMW") under average water conditions and approximately 7,538 aMW under low water conditions. The federal hydroelectric projects and the related electrical system are known collectively as the Federal Columbia River Power System (the "Federal System"), and currently produce approximately 28% of the region's electric energy supply. Bonneville sells electric power at wholesale rates to approximately 143 utility, industrial, tribal and governmental customers in the Pacific Northwest. Its service area covers over 300,000 square miles in Idaho, Oregon, Washington and parts of Montana, Nevada, Utah and Wyoming, with a population of about 14 million. It also owns and operates a high voltage transmission system comprising a significant majority of the bulk transmission capacity in the Pacific Northwest.

Bonneville is required by law to meet certain energy requirements in the region and is authorized to acquire power resources and take other actions to enable it to carry out these purposes. This includes the requirement for Bonneville to provide power to preference customers, like the District, so the utility can meet its total customer load and load growth, less its owned or purchased resources from non-federal generators. In doing so, Bonneville must give preference and priority to public body and cooperative utilities before offering to serve non-preference entities. Since 1937, Bonneville has always met its power marketing obligations to supply federal power to serve the firm power needs of its regional power customers.

On October 1, 2011, Bonneville's customers began purchasing power from the agency under a new 17-year power contract under a tiered rate construct. Under this rate construct, a utility is eligible to purchase energy from Bonneville at a "Tier 1 Rate," up to a pre-defined amount, or "High Water Mark." The Tier 1 Rate is cost based and reflects the investment and operating costs of resources in the Federal System on October 1, 2011, the date the new 17-year contract went into effect.

[±] An average megawatt is the amount of electricity produced by the continuous production of one megawatt over a period of one year. The term average megawatt (or "aMW") is also referred to as average annual megawatt, which defines power production in megawatt increments over time. There are 8,760 hours in a year, so an average megawatt (aMW) is equal to 8,760 megawatt-hours.

Bonneville has agreed by contract to review and set the Tier 1 Rate every two years. The ratemaking process incorporates inputs from a number of public processes which include (i) the Integrated Program Review, which establishes Bonneville's operating budgets, costs, and long-range capital plan, and (ii) the Rate Period High Water Mark process, through which the size of the Federal System and the total preference customer load is determined for the purpose of allocating costs under the tiered rates construct. At the conclusion of the ratemaking process, Bonneville submits its rates to FERC for approval. This review is to confirm Bonneville's rates are sufficient to recover the agency's costs.

Under the Power Purchase Agreement with Bonneville, the District's High Water Mark for the maximum amount of power it can purchase at the Tier 1 Rate during the contract term is 811 aMW, which is 105 aMW higher than the District's prior Bonneville contract amount of 706 aMW. In fiscal year 2021, the District purchased 718 aMW at the cost-based, Tier 1 Rate.

A utility may elect to purchase power from Bonneville for its customer loads that exceeds its High Water Mark at a rate reflecting Bonneville's incremental costs for additional resources ("Tier 2 Power" priced at a Tier 2 Rate). Alternatively, a utility may acquire power from other sources to serve loads above its High Water Mark. The District is required to provide notice to Bonneville of whether it intends to purchase Tier 2 Power from Bonneville for fiscal years 2022 through 2024, or that it will rely on its own resources. To date, the District has not exceeded its High Water Mark and has elected to use its own resources to serve its loads above the High Water Mark for fiscal years 2022 through 2024.

The Power Purchase Agreement

On December 1, 2008, the District executed a long-term power sales agreement with Bonneville (the "Power Purchase Agreement"), purchasing the "Block" and "Slice" energy products for the period October 1, 2011 through September 30, 2028. The Block product provides a set amount of energy delivered in flat monthly blocks; the Slice product represents a "slice" or percentage of the actual output of the Federal System, which is predominantly hydrogeneration based.

Block Product. The Block product provides the District with power in flat monthly amounts that are determined based on the District's historical average monthly load. In 2021, the Block product provided 439 aMW in December during the District's winter peak period. The lowest Block purchase was 286 aMW both in July and August, when the District typically has the lowest average monthly load. In 2021, the District received 3,015,131 MWh from the Block product, at a total annual cost of \$104,692,361 and an average cost of \$34.72/MWh.

Slice Product. The Slice product provides the District with variable amounts of power that reflect the actual output of Bonneville's resource portfolio. It provides the District with the ability to follow its customer loads by storing and dispatching energy within the contractual constraints and physical limits of the Federal System. Under the Slice product, the District takes responsibility for managing its portion of Bonneville's resources, and assumes the inherent risks. The majority of the District's short-term wholesale market sales are from surplus Slice energy, which varies with the seasonal and daily variations in the Slice product's output. If snowpack and water conditions that feed the Federal System are above average, the energy output from the Slice product will be above average. If snowpack and water conditions are low, then the output from the Slice product will be reduced.

The output of the Federal System can vary annually with changes in hydrological conditions. Regional weather patterns create the snowpack and precipitation levels that provide fuel for this expansive hydroelectric system. In addition, climate change may over time have an impact on the timing of runoff into the Federal System. The output of the Federal System in the future may be affected by other longer

term factors, the impact of which are not yet known, including but not limited to the potential for breaching the Lower Snake River dams, and increased spill conditions.

As a purchaser of the Slice product, the District has an obligation to pay its *pro rata* share of Bonneville's actual operating costs for its Slice percentage. The District's Slice percentage is 5.454%, which is equivalent to 3,239,439 MWh or 370 aMW, under critical water conditions.

After the end of each fiscal year, Bonneville "true up" the difference between its actual costs and its rate forecast for the year through the Slice True-Up Adjustment charge or credit. The District's share of the Bonneville's fiscal year 2021 Slice True-Up Adjustment was a charge of \$744,850.

The Slice portion of the Power Purchase Agreement includes a separate Creditworthiness Agreement to secure the District's payment obligations. Under the provisions of the Creditworthiness Agreement, the District would be required to provide credit support through a letter of credit if the District's long-term credit rating were to drop below "BBB-." The maximum amount of credit support or collateral is based on a factor of 0.12 multiplied by the District's total annual cost for Slice, or approximately \$15 million. To date, the District has maintained ratings sufficient that it has not been required to provide collateral for this purpose.

Bonneville Residential Exchange Program

The Northwest Power Act of 1981 (the "Northwest Power Act") provides that a municipal or investor-owned utility may offer power to Bonneville, and Bonneville must purchase power from the utility, at the utility's average system cost. In exchange, Bonneville sells an equivalent amount of power to the utility for purchase by its residential and small farm customers at Bonneville's established Priority Firm ("PF") Exchange Rate. This is referred to as the "Residential Exchange Program." The PF Exchange Rate is established periodically by Bonneville as part of its rate case and is the lower rate Bonneville is required to provide to its municipal and electric cooperative utility customers. Benefits are settled financially with no energy exchanged.

Over the years there have been numerous legal challenges. In 2011, the parties reached a settlement agreement (the "2011 Settlement Agreement"), which provides an agreed basis and certainty for how the Residential Exchange Program is treated in Bonneville's power rates through 2028.

The District has subsequently executed a Residential Purchase and Sale Agreement ("RPSA") with Bonneville for the period of October 1, 2011 through September 30, 2028. In accordance with the 2011 Settlement Agreement, the RPSA provides that the District may remain in or opt out of the Residential Exchange Program for future rate periods, depending upon its eligibility for participation. The District's residential customers were determined to be eligible to receive benefits in the form of rate credits as follows:

Fiscal years 2012-2013: \$4.97 million and \$4.6 million respectively

Fiscal years 2014-2015: District not eligible to receive program rate credits

Fiscal years 2016-2017: \$2.1 million and \$2.2 million, respectively

Fiscal years 2018-2019: \$3.2 million and \$3.2 million, respectively

Fiscal years 2019-2020: \$3.2 million and \$2.7 million, respectively

Fiscal years 2020-2021: \$2.7 million and \$2.1 million, respectively

Fiscal years 2022-2023: \$7.7 million and \$7.7 million per fiscal year, respectively

The District submitted its financial information to Bonneville on June 1, 2022, to determine its eligibility to participate in the Residential Exchange Program for fiscal years 2024 and 2025. The District will know by November 2022 if it is eligible to receive residential exchange benefits on behalf of its residential customers.

Bonneville's Transmission Service Contracts

The District contracts with Bonneville for its firm transmission needs. The District currently contracts for 1,918 MW of transmission capacity on Bonneville's transmission network. Of this amount, 1,457 MW are designated for delivery to the District's service area. When the District requires more than 1,457 MW delivered to its service area, the staff formally requests Bonneville, through its Open Access Same-Time Information System (the "OASIS"), to "redirect" contracted transmission capacity from other transmission network delivery points to the District's service area. The District also has rights to 97 MW of transmission associated with the long-term Wheat Field Wind Project power purchase agreement, and 101 MW of transmission associated with the Hay Canyon Wind Project power purchase agreement. The District can redirect this transmission capacity on a short-term basis, to the extent it is not needed to deliver wind output from the project.

The District also has contractual scheduling rights on the Pacific Northwest AC Intertie (the "Third AC"), the 500 kV transmission line constructed by Bonneville between John Day, Oregon, and the California-Oregon border in 1993. The line added 1,600 MW of capacity to Bonneville's Intertie network, and as a result of Congress' requirement for nonfederal participation, Bonneville offered capacity ownership and scheduling rights to nonfederal customers. In 1994, the District executed a Pacific Northwest Intertie Capacity Ownership Agreement with Bonneville for a 1.217% share of the Third AC capacity or 42 MW.

The Pacific Northwest Intertie Capacity Ownership Agreement allows the District bi-directional use of the Third AC capacity for numerous business transactions and requires the District to pay a portion of the annual operating costs. Bonneville operates and maintains the north end of the Third AC.

In accordance with the provisions of the Pacific Northwest Intertie Capacity Ownership Agreement, the District can assign its Third AC capacity scheduling rights to another party, subject to Bonneville approval. In February 2009, the District executed a 15 year agreement assigning 100% of its Third AC scheduling rights to Avangrid Renewables, LLC ("Avangrid"). Bonneville approved the assignment of the District's Third AC capacity and scheduling rights to Avangrid in March 2009. During this assignment period, Avangrid has assumed responsibility for the District's share of the annual operating costs and any capital expenditures that may arise during the term of the assignment. At the end of the 15 year assignment term, or in early 2024, the Third AC capacity and scheduling rights will revert to the District. See "—Long Term Third-Party Power Purchase Contracts—*Hay Canyon Wind Agreements*."

Bonneville and Energy Northwest

Energy Northwest is a municipal corporation and a joint operating agency organized and existing under the laws of the State. It has the authority to acquire, construct and operate works, plants and facilities for the generation and transmission of electric power and energy. The membership of Energy Northwest includes 27 member utilities, all located in Washington State. The District is a member of Energy Northwest and previously held a seat on the Executive Board. Currently the District has one seat on the Participant Review Board ("PRB"). The PRB represents the 92 utilities participating in the Columbia

Generating Station. This nine-member board reviews all Columbia Generating Station plant purchases of more than \$500,000, construction and annual budgets, fuel management plans and plans for refinancing.

Energy Northwest's Columbia Generating Station nuclear plant is included with Bonneville's federal facilities for purposes of integrated resource planning and operation. Bonneville markets power from and is responsible for paying the capital costs of certain Energy Northwest nuclear projects and other non-federal projects.

The District, Energy Northwest and Bonneville have entered into separate Net Billing Agreements with respect to approximately \$4.8 billion in outstanding bonds (as of September 30, 2020) for Energy Northwest's Project No. 1, Project No. 2 (Columbia Generating Station), and 70% ownership share of Project No. 3 (collectively, the "Net Billed Projects") under which the District has purchased from Energy Northwest and, in turn, assigned to Bonneville a maximum of 19.584%, 15.363%, and 19.334% of the capability of Projects Nos. 1 and 2, and Energy Northwest's ownership share of Project No. 3, respectively. Under the agreements, the District is unconditionally obligated to pay Energy Northwest its *pro rata* share of the total costs of the projects, including debt service, whether or not construction is terminated (Project Nos. 1 and 3 were terminated). Under the Net Billing Agreements, Bonneville is responsible for the District's percentage share of the total annual cost of each project, including debt service on revenue bonds issued to finance and refinance the costs of construction. The District's electric revenue requirements are not directly affected by the cost of the Net Billed Projects. The revenue requirements are affected only to the extent that the costs of the projects result in increases in Bonneville's wholesale power rates or if Bonneville failed to pay Energy Northwest. Bonneville and Energy Northwest executed an agreement with respect to each Net Billed Project ("Direct Pay Agreements") pursuant to which, beginning May 2006, Bonneville agrees to pay at least monthly all costs for each Net Billed Project, including debt service on the bonds for the Net Billed Projects, directly to Energy Northwest. In the Direct Pay Agreements, Energy Northwest agrees to promptly bill the District and other participants their share of the costs of the respective Net Billed Project under the Net Billing Agreements if Bonneville fails to make a payment when due under the Direct Pay Agreements.

The other Energy Northwest project the District participates in is the Packwood Hydroelectric Project, located in Packwood, Washington. See "—Long-Term Third-Party Power Purchase Contracts—*Packwood Agreements.*"

Bonneville and Columbia River Treaty

The Columbia River Treaty (the "CRT") is an international treaty between Canada and the United States of America. Ratified in 1964, the CRT named two "entities" to implement the CRT — a "U.S. Entity" and a "Canadian Entity." The U.S. Entity, created by the President, consists of the Administrator of Bonneville (chair) and the Northwestern Division Engineer (member) of the U.S. Army Corps of Engineers. The Canadian Entity, appointed by the Canadian Federal Cabinet, is the British Columbia Hydro and Power Authority. Canada and the United States each have the option to terminate many of the CRT provisions by providing a 10-year advance written notice.

The CRT called for the construction and operation of three large dams in the upper Columbia River basin in British Columbia, Canada, and gave the U.S. an option to build a fourth dam in Montana with a reservoir that extends into Canada. The operation of CRT dams was designed to provide flood control and hydropower benefits to both countries, which made other benefits possible. These benefits included dams that doubled the amount of Columbia River basin reservoir storage, which helped transform annual river and stream flows by storing the spring runoff for release during the fall and winter months, or even in subsequent years. This helped eliminate major flood damage for all but the most extreme events. The dams

constructed in the Columbia River basin as a result of the CRT provided power generation, flood control, navigation and irrigation benefits.

The CRT flood control operations, which provide significant benefits to the United States, will expire in September 2024. Terms and conditions for ongoing flood control will need to be renegotiated, regardless of whether or not the CRT is terminated. In addition, U.S. hydro operations of the Columbia River system for fisheries management south of the U.S./Canadian border and the significant increase in new renewable resources like wind and solar that have been added to the grid have significantly reduced any benefits today to the United States and its Pacific Northwest utilities under the CRT.

The U.S. Entity engaged in a multi-year effort and collaborated and consulted with the region's sovereign states, federally recognized tribes and a variety of stakeholders in the 2011-2013 period to evaluate the regional cost and benefits of the CRT after 2024. This culminated in the U.S. Entity's issuance of the Regional Recommendation to the United States Department of State in December 2013. This recommendation identified potential modifications and rebalancing the value of the CRT post 2024, and outlined a general set of principles. While the recommendation requested that the U.S. government make a decision by mid-2014 to proceed with a renegotiation of the CRT with Canada, it has only been since 2016 that the U.S. Interagency Policy Committee completed their review of the Regional Recommendation, and forwarded it to the U.S. State Department. Since late 2018, the U.S. State Department has been in discussions with Canada about the future of the CRT and has held numerous webinars and public stakeholder meetings. At this time the long-term resolution of the CRT post-2024 is unknown.

Bonneville's Over-Generation Conditions

Over-generation conditions can occur in the Northwest during spring runoff periods when high water flows into the Federal System from melting snowpack combine with high generation levels from wind and solar projects, resulting in energy production that exceeds the demand inside the Bonneville Balancing Authority footprint and export commitments. As early as 2011, Bonneville began to implement policies to address the unique set of over-generation conditions. These policies initially included a one-year Interim Environmental Redispatch and Negative Pricing Policies (the "ER Policy") of 2011, followed by a time-limited Oversupply Management Protocol ("OMP"). These policies were eventually incorporated into Bonneville's open access transmission tariff ("OATT") through Attachment P, and accordingly the OMP no longer has an expiration date.

Under the OMP, if the electricity supply in the Bonneville footprint exceeds demand, Bonneville will reduce the output of any non-federally owned generation that does not affect reliability and substitute hydroelectric power from the Federal System to ensure Bonneville can meet its environmental, statutory and reliability responsibilities. The intent of the OMP is to move the high-water flows through the Federal System to create energy, rather than spilling additional water from dams into the river and potentially harming fish. Bonneville then compensates the generators for certain costs related to their energy being displaced by hydrogeneration during the OMP period. These "oversupply costs" are then allocated to the generators based on their scheduled use of transmission during the oversupply condition or event.

During fiscal year 2020, the water supply volume for the Federal System was 101 million-acre feet ("MAF") compared to 90.2 MAF in 2019 which was considered an average water year. Bonneville called on OMP a total of 7 times in June 2020, for a total OMP request of 35,024 MWh, at a displacement cost of \$1.4 million.

Only a small portion of the District's contracted-for wind generation has been displaced by Bonneville with an equivalent amount of hydro power being provided from the Federal System at zero cost. Under the provisions of the District's wind contracts, the District is not required to pay for wind energy

when Bonneville directs the wind projects to reduce their generation levels. During these periods, the District received replacement energy from Bonneville, but did not receive the renewable energy credits (“RECs”) or the associated environmental attributes that would have been produced if the wind projects had been allowed to generate. The number of RECs the District did not receive as a result of the OMP has not adversely affected the District’s ability to comply with its renewable energy portfolio requirements under Washington State law. See “—Long-Term Third-Party Power Purchase Contracts,” “—Wholesale Power Market Purchases, Sales and Trades—Renewable Energy Credits” and “—Washington State Energy Initiatives and Legislation—Washington State’s Renewable Energy Portfolio and Conservation Standards.” Although there is a possibility that energy from the District’s contracted-for wind projects could be displaced as part of the OMP, the District does not expect that such displacement or loss of RECs will adversely affect its continued compliance with renewable energy portfolio requirements under Washington State law.

District-Owned Power Supply

The District currently receives power from five District-owned hydroelectric generation projects. See “THE GENERATION SYSTEM—Small Hydroelectric Generation Projects.”

Jackson Project

The Jackson Project is located on the Sultan River, north of the city of Sultan, and is owned and operated by the District. The Jackson Project has a total nameplate capacity of 111.8 MW. See “THE GENERATION SYSTEM—The Jackson Project.” The District receives all of the generation output from this project. The City of Everett receives its water supply from Lake Chaplain, which the Jackson Project feeds. FERC issued a new 45-year license to the District, as sole licensee, in September 2011. In 2021 the Jackson Project produced 443,226 MWh. See “THE GENERATION SYSTEM—The Jackson Project—*FERC License.*”

Woods Creek Project

In 2008, the District acquired the Woods Creek Project, a small hydroelectric project in Snohomish County with a nameplate capacity of 0.65 MW. This project is adjacent to Woods Creek, a tributary of the Skykomish River, with a powerhouse located above a natural impassable barrier to anadromous fish. In 2021, the Woods Creek Project produced 1,118 MWh, of which 621 MWh qualifies as incremental hydro under Initiative 937. See “THE GENERATION SYSTEM—Small Hydroelectric Generation Projects—*Woods Creek Project.*”

Youngs Creek Project

In 2008, the District acquired the lands, access rights and studies for the Youngs Creek Project located just south of the city of Sultan, Washington. An existing FERC license was successfully transferred to the District. The Youngs Creek Project was completed and commissioned in October 2011. The Youngs Creek Project has a nameplate capacity of 7.5 MW and produced 17,842 MWh in 2021. See “THE GENERATION SYSTEM—Small Hydroelectric Generation Projects—*Youngs Creek Project.*”

Hancock and Calligan Creek Projects

The District received licenses in June 2015 from FERC for the development of the Calligan Creek and Hancock Creek Hydroelectric Projects. These Projects are run-of-the-river hydroelectric, renewable resource facilities, located on Calligan Creek approximately 9 miles and Hancock Creek approximately 7 miles north of the city of North Bend, Washington. The Projects started operation in February 2018. The

Hancock and Calligan Creek Projects each have a 6.0 MWh nameplate capacity and produced 19,712 and 19,481 MWh in 2021 respectively. See “THE GENERATION SYSTEM—Small Hydroelectric Generation Projects—Hancock and Calligan Creek Projects.”

Long-Term Third-Party Power Purchase Contracts

The District has several long-term contracts for power supply. All of these contracts are take and pay agreements and are associated with acquiring the output from specific generating projects.

Hay Canyon Wind Agreements

The District executed two power purchase agreements in February 2009 with Hay Canyon for 100% of the wind energy and RECs from the Hay Canyon Wind Project. This 100.8 MW nameplate project interconnects with the Bonneville transmission system and is located in north central Oregon along the Columbia River Gorge. The project was developed by Hay Canyon LLC, a subsidiary of Avangrid, which is part of the Iberdrola Group. Iberdrola S.A. has one of the largest renewable asset bases of any company in the world, with more than 32,000 MW of renewable energy spread across a dozen countries. Avangrid is headquartered in Portland, Oregon, and has more than 7,300 MW of owned and controlled wind and solar generation in more than 20 states. The Hay Canyon Agreement will expire February 2024 and the District currently does not expect to renew the agreement at this time.

The District began receiving energy output under the agreements on March 1, 2009. The project has an estimated annual output of approximately 210,000 MWh. The District receives 50% of the project's output under a 15-year power purchase agreement and 50% under an 18-year power purchase agreement. For the year ended December 31, 2021, the District purchased output totaling 222,402 MWh. As part of the 15-year power purchase agreement, the District assigned its transmission capacity and scheduling rights for its share on the Third AC transmission line to Avangrid. See “—Bonneville Power Administration—Bonneville Transmission Service Contracts.” The Hay Canyon Wind Project qualifies as an eligible renewable resource under Initiative 937. See “—Washington State Energy Initiatives and Legislation.”

Wheat Field Wind Agreement

The District executed a 20-year power purchase agreement with Wheat Field for 100% of the project's output and RECs from the 97 MW nameplate wind project known as the Wheat Field Wind Project. This project interconnects with the Bonneville transmission system and is located near the City of Arlington in north central Oregon. The project was developed by Wheat Field, in conjunction with Horizon Wind Energy, LLC, which was rebranded in 2011 to EDP Renewables North America LLC. The project is owned and operated by Wheat Field. The District began receiving energy output under the agreement on April 1, 2009. The Wheat Field Wind Project has an estimated annual output of over 210,000 MWh, and qualifies as an eligible renewable resource under Initiative 937. For the year ended December 31, 2021, the District purchased output totaling 209,897 MWh. The Wheat Field agreement will expire March 2024 and the District currently does not expect to renew the agreement at this time. See “—Washington State Energy Initiatives and Legislation.”

White Creek Wind Agreement

In January 2007, the District executed a 20-year power purchase contract with LL&P Wind, L.L.C., a wholly owned subsidiary of Lakeview Light & Power, Tacoma, Washington, for the output of approximately 10% of the White Creek Wind Project. The project is located in south-central Washington along the Columbia River Gorge. The District's share of the White Creek Wind Project output is equivalent to 20 MW of wind capacity, with an average annual output of approximately 52,000 MWh. The project

achieved commercial operation in November 2007, and the District began taking output under its contract in January 2008. For the year ended December 31, 2021, the District purchased output totaling 55,048 MWh. The White Creek agreement will expire January 2027 and the District currently does not expect to renew the agreement at this time. This wind project qualifies as an eligible renewable resource under Initiative 937. See “—Washington State Energy Initiatives and Legislation.”

Packwood Agreements

Energy Northwest owns and operates the Packwood Hydroelectric Project, located 20 miles south of Mount Rainier in Packwood, Washington. The Packwood Hydroelectric Project began operating in 1964 and has a nameplate capacity of 27.5 MW. The District currently contracts for a 20% share, or approximately 17,000 MWh of annual energy from the project. For the year ended December 31, 2021, the District’s share was 16,875 MWh.

Hampton Lumber Mill Agreement

In 2006, the District executed a 10-year power purchase agreement with Hampton Lumber Mills-Washington, Inc. for 100% of the electrical output of a cogeneration project located at the Hampton Lumber Mill in Darrington, Washington. In December 2011, the District amended its existing contract to include the purchase of the energy and the RECs associated with the full electrical output of the project and the option to extend the contract term in five year increments, by mutual agreement. The agreement was extended in 2017 through December 31, 2021. In December 2021, a replacement power purchase agreement was executed with a termination date of December 31, 2026. The project utilizes wood waste (biomass) and has a nameplate capacity of 4.5 MW and is recognized as an eligible renewable resource under Initiative 937. For the year ended December 31, 2021, the District purchased output totaling 15,510MWh.

Qualco Energy Agreement

In 2014, the District executed a five-year power purchase agreement with the Qualco Energy Corporation (“Qualco”) for 100% of the output and RECs from its existing 450 kilowatt biogas electric generating facility located in Monroe, Washington that has been extended several times. Fuel for the project is provided through anaerobic digestion, which uses waste from local dairy operations and other bio-waste products such as restaurant trap grease and expired alcohol and beverages. This generator qualifies as an eligible renewable resource under Initiative 937. The project is currently owned and operated by Qualco, a nonprofit partnership between Northwest Chinook Recovery, the Tulalip Tribes and the Sno/Sky Agricultural Alliance. The power purchase agreement began January 2014 and included an option to extend the term in five year increments, by mutual agreement.

During 2019, Qualco performed a major overhaul to its 10-year-old digester, which significantly reduced the project’s annual energy production during the overhaul. The overhaul work was completed in September 2020 and the Qualco project generator resumed normal production. In 2021 the District’s total annual purchase from the Qualco Project was 2,473 MWh.

The District executed a separate sublease and operating agreement with Qualco in 2021 under which the District will own and operate a new biogas electric generating facility at the Qualco site and all corresponding environmental attributes and electricity. The District budgeted roughly \$1.6 million in 2021 to install the new generator with an expected capacity of 675 kW, along with updated metering and supportive infrastructure. This generator is expected to begin operations in August of 2022. The existing power purchase agreement will terminate upon the commercial operation date of the new generator.

Conservation

The District has offered energy efficiency programs to its customers for over forty years. These programs provide energy savings opportunities over a broad range of electric uses, from installing LED lighting to analyzing process improvements for industrial operation. In 2021, District programs enabled customers to reduce their annual energy consumption by approximately 74,000 MWh.

Residential Programs

Programs currently available to residential customers promote energy efficiency improvements for space heating, water heating, lighting, appliances and consumer electronics. Customers can take advantage of rebates for floor, wall, ceiling and duct insulation, high-efficiency heat pumps, ductless heat pumps, electric hybrid hot water heaters, and insulated windows. Through the District's online "Marketplace", the District also offers rebates for efficient appliances, electric vehicle chargers, and smart thermostats in addition to manufacturer buy-downs and rebates for LED bulbs and fixtures. Because the District works with others in the Pacific Northwest region, District customers benefit from regionally coordinated buy-downs for products including consumer electronics.

Commercial and Industrial Programs

Commercial and industrial customers receive technical assistance, incentives and rebates for energy efficiency measures, including lighting controls, lamp replacements, and fixtures, heating, ventilating, and air conditioning equipment, compressed air systems, motors, pumps and fans, refrigeration, heat recovery systems, and variable frequency drives. The District's executive account managers and energy engineers work closely together to identify custom efficiency solutions for large customers and projects. Strategic Energy Management programs group customers of similar industry into energy coaching cohorts to develop low cost and no cost behavioral options to reduce consumption. For smaller projects, the District has established standardized rebate amounts for lighting, heat pumps, water heating, insulation, windows, refrigeration equipment, compressed air, and commercial cooking equipment.

The District offers incentives for residential and commercial new construction projects. These incentives enable staff to influence and encourage owners, builders, and architects to incorporate efficiency technologies in new homes and buildings. In 2021 the District implemented a program to provide incentives directly to design teams of new commercial and multifamily buildings to increase energy efficiency to exceed the requirements of the Washington Energy Code. Incentives are also provided to new building owners and contractors to install measures to benefit income qualified customers, support electric vehicle and demand response initiatives, as well as building electric only as a fuel source.

Customer Renewables Programs

The District's Solar Express program, which provided incentives for residential and commercial customers to install solar photovoltaic systems, ran from 2009 through 2017 and resulted in almost 1,200 customers installing 9,000 KW of renewable capacity. Since 2017, through District education and public awareness, nearly 1,500 additional customers have installed approximately 17,000 KW in solar photovoltaic system capacity.

Hopeworks Station Energy Net Zero Project

Hopeworks Station is an affiliate of Snohomish County's Housing Hope that assists individuals who have barriers to both housing and employment. Hopeworks Station is a new construction project that incorporates both residential living space for individuals experiencing homelessness and commercial

kitchen space that is used for both training individuals and a public cafe. The District provided technical assistance, energy management software, and financial support through incentives for a solar array to help Hopeworks Station become a net zero energy building. Net zero energy means the building generates the same amount of energy as it consumes. Net zero energy helps Housing Hope in reducing both its carbon footprint and energy bills.

Wholesale Power Market Purchases, Sales and Trades

Power Scheduling Operations

The District's Power Scheduling Operations sell power in the wholesale energy market when the District's contracted resources and surpluses associated with the Bonneville Slice product exceed its load and make purchases from the wholesale power market when required to meet the District's loads. In 2021, the District sold 1,512,879 MWh and purchased 682,287 MWh in the short-term market. The short-term market purchases were made to serve customer loads during the winter months when peak demands (driven by space heating loads) exceed the capabilities of the District's owned and contracted resources. Short-term wholesale market purchases and sales fluctuate throughout the year, reflecting seasonal variations in customer loads, weather and market conditions.

Energy Risk Management

Models and tests for managing a variety of risks are outlined in the District's Energy Risk Management Policy and Procedures Manual, adopted in 2002 and last revised in 2018. All employees involved in the District's energy supply, energy risk management and accounting functions have the obligation to see that proper procedures are followed and where necessary, intervene to mitigate risks.

The District manages its physical and financial positions and exposures through a variety of transactions over various time horizons including real-time, day ahead, monthly, quarterly and annually. Within the time limits and guidelines established in the District's Energy Risk Management Policies and Procedures Manual, the District seeks to optimize the use of its physical and contractual power, including transmission resources, purchased to meet its native load. This includes utilizing the flexibility inherent in some resources to reduce overall costs to the District through low-risk transactions.

Physical Energy

In order to meet the monthly, daily and hourly energy demands of the District's customers and contractual obligations, District staff purchase and sell power in the wholesale energy market, primarily at the Mid-Columbia market hub. Contracts for short-term energy are made in accordance with the District's Energy Risk Management Policies and Procedures Manual on a rolling 18 to 30 month planning horizon.

Risk Management Tools

In addition to buying and selling physical energy, the Commission has authorized the use of call and put options as additional tools to manage price and supply certainty. These instruments allow the District to avoid buying large amounts of energy to cover a small number of peak load days. Options are purchased from approved and creditworthy counterparties.

In 2008, the Commission adopted a resolution authorizing the use of financial hedges to mitigate the District's exposure to energy price risk. This authorization allows the District to enter into financial hedging contracts wherein the District would pay to or receive from the counterparty a fixed sum of money calculated based on a fixed price multiplied by a number representing MWh of power over a period

specified in the contract. The counterparty would receive or pay the District a sum of money based upon a market index rate multiplied by the MWh. These transactions would, in essence, allow the District to lock in a known expense or revenue for a future short-term power market purchase or sale in advance. The payment received from the counterparty would be used to purchase power in the future period.

Renewable Energy Credits

Renewable Energy Credits, or RECs, are the environmental attributes associated with one MWh of electrical output from a qualifying renewable energy resource. Markets for RECs support both voluntary green power programs and mandated Washington State renewable portfolio and clean energy standards. Initiative 937 (Chapter 19.285 of the Revised Code of Washington), applies to utilities with over 25,000 customers, and establishes a minimum target for the amount of renewable resources it must include in its power supply portfolio to serve its customers. The legislation provides three different methods by which a utility can demonstrate it is compliant for the target year. See “—Washington State Energy Initiatives and Legislation—*Washington State’s Renewable Portfolio and Conservation Standard*.” In addition, the Clean Energy Transition Act (“CETA”) (Chapter 19.405 of the Revised Code of Washington) allows for the use of RECs as an alternative compliance mechanism to satisfy up to 20% of the 2030 standard that requires 100% of a utility’s energy supply to be “clean energy.” See “—Washington State Energy Initiatives and Legislation—*Washington State Integrated Resource Planning Requirements*.”

As a matter of policy, the Commission approved the sale of up to 100% of RECs that are surplus to the District’s Initiative 937 needs. In addition, through its approval of the District’s Integrated Resource Plan (“IRP”), the Commission has approved a strategy of retaining and banking RECs in the future to meet the District’s Initiative 937 needs. The market price for RECs fluctuates according to supply and demand, resource fuel type, year generated and timing of the renewable portfolio standards established in nearby states. The District has strategically bought and sold RECs while rolling over a “bank” of surplus RECs for consumption in the following year. In 2021, the District spent approximately \$350,000 on RECs, primarily as part of a 5-year REC purchase agreement. District revenues from the sale of surplus RECs were approximately \$1.6 million in 2021.

The District’s Future Power Supply Strategy

For purposes of long-term resource planning, the District has projected its customer loads – after accounting for rooftop solar - to be outpaced on an annual average basis by new conservation and energy efficiency acquisition until the early 2040s. A combination of energy efficiency acquisition, improved energy codes and standards for buildings and products, fuel switching to electricity, changes in consumer behavior and some growth of industrial large load have all contributed to expectations of static to slightly inclining future average annual load growth when looking beyond the year 2040. Real load growth opportunities have surfaced in the range of load forecasts considered in the long-term integrated resource planning process and analyses. Such opportunities include electrification of vehicles, electrification of water and space heating, and new industrial large loads. The District utilizes more conservative assumptions for load growth in the financial plan, which assumes slight projected residential load growth. See “Financial Plan—*Load Forecast*.”

District’s 2021 Integrated Resource Plan. Washington State law requires utilities with more than 25,000 customers in the State to develop and adopt an updated IRP at least every four years and provide a progress report at least every two years. The District’s 2021 Integrated Resource Plan (the “2021 IRP”) was formally adopted by the Commission in December 2021. See “—Washington State Energy Initiatives and Legislation—*Washington State Integrated Resource Planning Requirements*.”

The IRP process helps evaluate and determine the timing and quantity of new resources and new cumulative conservation, in combination with the District's existing and committed resources, that would be required to meet the possible range of future customer needs over a 24-year study period. The District's adopted 2021 IRP Long Term Resource Strategy identified that it could meet increased District demand for annual energy with existing resources and new conservation across the entire 24-year study period (2022 through 2045). The District also identified the need to acquire up to 50 MW of short-term winter capacity or on-peak winter energy to hedge peak winter demand in the 2022 through 2026 period. Future resource additions include a total of 94 aMW of new conservation through 2031, a small 5 MW utility scale solar project in 2029, the development of up to 5.6 peak hour demand response programs by 2025, and up to 70 MW nameplate of long-duration energy storage resources that could help meet the winter and a forecast emerging summer need in the late 2020's.

The 2021 IRP established the following short-term policy and actions to begin implementing the long-term resource strategy: implement all cost-effective energy conservation measures; conduct a utility-specific study to understand the opportunities of existing and emerging summer conservation technologies and technically achievable potential; pursue acquisition of significant long-duration utility-scale energy storage; develop a roadmap to significant, lowest-cost demand response programs; further develop geospatial modelling capabilities of demand-side resource potential; continue to enhance and leverage short and long-term resource portfolio modeling capabilities; continue to participate in the development of a regional resource adequacy program; continue to participate in regional forums discussing the formation of organized markets in the Pacific Northwest; and continue to participate in the post-2028 contract negotiation processes with Bonneville.

A key component of the future power supply strategy will be the development of new contracts with BPA for the post-2028 period. Several long term factors may affect the availability of preference power from Bonneville, the impacts of which are not yet known, including climate impacts, the potential for breaching the Lower Snake River dams, and spill conditions.

The 2021 IRP helped inform the District's two-year conservation target for 2022 and 2023, and the 10-year conservation potential estimate for the 2022-2031 period. The District's Bonneville power contract is set to expire September 30, 2028. The District will assess the District's post-2028 needs in the 2023 IRP update analysis and is engaging Bonneville both through regional discussions and directly as Bonneville begins to initiate post-2028 discussions on future product offerings. See “—Washington State Energy Initiatives and Legislation—*Washington State's Renewable Portfolio and Conservation Standard.*”

Battery Energy Storage Systems – MESA 1 and MESA 2

In 2014, the District received a grant from the Clean Energy Fund through the Washington State Department of Commerce to develop the use of utility scale battery energy storage systems. At that time, such battery systems were considered an emerging technology and not widely commercially available. The District installed two battery energy storage systems as part of a multi-year program aimed at transforming the marketplace and how utilities manage grid operations. The first set of lithium batteries (“MESA 1”) were installed in 2015 and located at a utility substation near the District's operations center. A second system, a vanadium flow battery (“MESA 2”), was installed in early 2017. The installations are designed to improve reliability and the integration of renewable energy sources, which are rapidly growing in the Pacific Northwest. These battery storage systems were the first to be built using the Modular Energy Storage Architecture (“MESA”). MESA is a set of nonproprietary design and connectivity standards that provide a scalable approach for energy storage control system integration and optimization. The District teamed up with Doosan GridTech, Alstom Grid, the University of Washington, Pacific Northwest National Labs and other private- and public-sector partners in order to develop and demonstrate the MESA standards. As changes to the electrical grid are anticipated to accommodate more renewable power, the District has

identified MESA's standards-based energy storage systems and software as a valuable contributor to the change. MESA provides standard interfaces between equipment components such as the power conversion system, batteries, and control system. It brings more choices for utilities, reduces projects' complexity and is expected to lower costs.

Several leak incidents at the MESA 2 Project were noted and reported after installation in 2017. In 2018, a spill occurred that had greater impact and required significant effort to mitigate, resulting in a decision to discontinue the MESA 2 operation. The vanadium flow battery technology is not as mature as lithium-ion, and the MESA 2 system was one of the manufacturer's earlier versions of its flow battery system. It was determined that the MESA 2 system design is not viable for long-term reliability due to the risk of potential chemical spills and lack of system reliability. The MESA 2 components were decommissioned, and as a result, the Electric System recorded an \$8.5 million asset write-off charged to other income and expense in 2020. Since the MESA 2 project was deemed to be emerging technology the District is not required to reimburse the Washington State Department of Commerce for the grant funds received in 2014. The District is in the process of disassembling and disposing of the MESA 2 components.

Arlington Microgrid and the Clean Energy Center (MESA 3)

A third lithium-ion energy storage system was designed and constructed for the new Arlington Microgrid and Clean Energy Center. This project ("MESA 3") represents a new technology and approach that offers grid resiliency and renewable energy integration. The project includes a 500-kilowatt solar array with smart inverters, a 1,000 kW/1,400 kWh lithium-ion battery storage system and two vehicle-to-grid (V2G) charging stations for use with the District's electric fleet vehicles. This Microgrid will demonstrate how various clean energy technologies, such as solar, battery storage and electric vehicles, can work together to help with renewable energy integration and grid resiliency. The system provides electricity to critical District facilities that can be used in the event of a disaster such as a large-scale earthquake. The District is anticipating the growth of electric vehicles, especially fleet vehicles, and the District considers it important to learn about the effect of electric vehicles on electric grids. By including vehicle-to-grid technology, the District will test how these mini batteries can be another source of electric storage to benefit the overall grid and the Microgrid. This project was completed in March 2022.

Small Hydroelectric Generation. The District considers small hydroelectric generation an attractive power supply option because it is free of greenhouse gas emissions, is a long-lived asset (up to 50 years or more), has low operation and maintenance costs and can produce relatively predictable output. The District is currently operating four such projects, the Woods Creek, the Youngs Creek, the Hancock Creek and the Calligan Creek projects. See "THE GENERATION SYSTEM—Small Hydroelectric Generation Projects."

Future Energy Storage Alternatives

The District has begun preliminary feasibility analyses on several types of potential large scale energy storage projects, including pumped hydroelectric projects, and liquid air storage.

Resource Adequacy

The District is part of the Western Power Pool (the "WPP"), a non-profit organization that provides professional and management services to its participating organizations, which includes major generating utilities serving the Northwestern United States, British Columbia, Canada, and Alberta, Canada. The WPP is working to coordinate activities related to a comprehensive review of resource adequacy in the region covered by the participating organizations in the WPP, and the development and implementation of a Western Resource Adequacy Program ("WRAP"). The District expects WPP to submit the WRAP tariff

to the Federal Energy Regulatory Commission for filing in the summer of 2022, with a requested effective date of January 1, 2023. The District's potential participation in the WRAP is under review by District staff.

Energy Market Participation

The District is participating in two initiatives to develop real-time and day-ahead regional wholesale energy markets for the Pacific Northwest and other portions of the western United States. One initiative is the Extended Day-Ahead Market, which would be administered by the California Independent System Operator. The second initiative is Markets+, which would be administered by the Southwest Power Pool. The earliest either initiative would become effective is 2024.

District Climate Change Policy, Principles and Strategies

The District was one of the first utilities in the region to adopt an official climate change policy, including supporting principles and strategies. In the policy, the District, among other things, (i) commits that it will provide electric, water and associated services to its customers in an environmentally responsible way while increasing economic value, financial stability and operational safety and security for its ratepayers; (ii) recognizes that climate change is a serious global problem that should be addressed through the development of thoughtful and forward-looking legislation that actually results in the reduction of greenhouse gas emissions in a workable and cost-effective manner; (iii) recognizes that the Pacific Northwest's investments in energy efficiency and renewable hydroelectricity have yielded substantial environmental benefits and this legacy should be continued by meeting customer growth through conservation and a diverse mix of renewable technologies including, but not limited to, wind, tidal, solar, biomass and geothermal; and (iv) recognizes that using natural resources more efficiently and wisely makes good environmental and economic sense. Since adoption of its initial climate change policy, the District has developed several "strategic priorities" guidance documents, beginning in 2015, as well as an Environmental Commitment document in 2019, that prominently feature environmental stewardship and environmental sustainability as fundamental principles in carrying out the District's business.

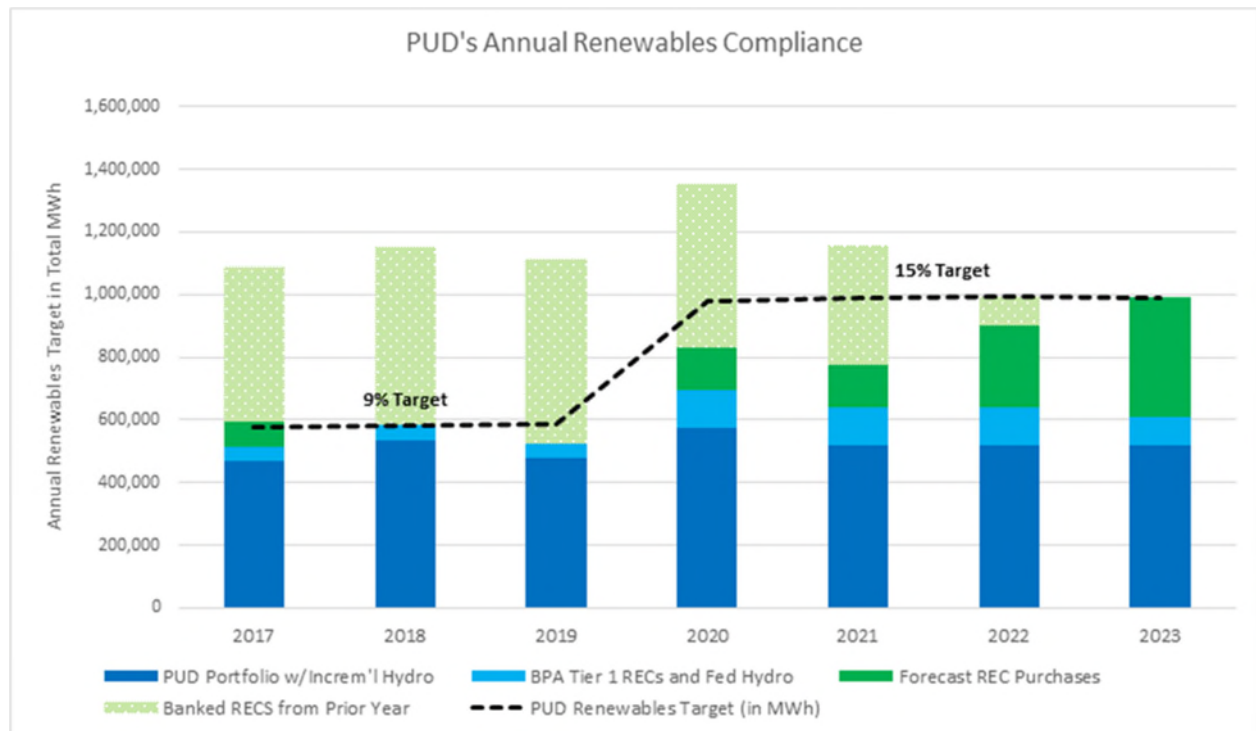
Washington State Energy Initiatives and Legislation

Washington State's Renewable Portfolio and Conservation Standard

In the fall of 2006, voters of Washington State approved Initiative Measure 937 ("Initiative 937"), codified as the Energy Independence Act, Chapter 19.285 RCW, requiring electric utilities with over 25,000 customers in the State to accomplish all cost-effective conservation and, by 2020, use certain eligible renewable resources to serve at least 15% of their retail loads. Specifically, Initiative 937 requires such utilities to: (i) estimate the cost-effectiveness of conservation programs using methodologies consistent with the approach of the Northwest Power and Conservation Council ("NWPPCC"); (ii) every two years, calculate and document 10-year conservation potential; (iii) produce detailed analyses of how energy will be conserved through end-user programs, production and distribution efficiencies, co-generation and/or distributed generation; (iv) use eligible renewable resources to serve 3%, 9% and 15% of the utility's retail loads by 2012, 2016 and 2020, respectively; and (v) beginning January 1, 2012, report annual compliance with the law's requirements. Eligible renewable resource types include wind, solar energy, geothermal energy, landfill gas, wave, ocean or tidal power, gas from sewage treatment facilities, specific biodiesel fuels, biomass energy and incremental hydroelectric power (power produced as a result of efficiency improvements at existing hydroelectric facilities). Incremental hydropower is the only form of hydro-related energy designated as an approved renewable. The legislation imposes significant penalties for non-compliance—\$50 for every MWh the utility falls short of its conservation or renewable resource targets.

To satisfy the renewables target for a given compliance year, a qualifying utility may elect to serve an increasing percentage of its load with certain eligible renewable generation or RECs (“target method”). These targets are 3% of load served by renewables by 2012, 9% by 2016 and 15% by 2020. A utility may also “bank” or “carryover” the RECs generated by the renewable resources in its portfolio the year prior to, the year of, and the year after, the compliance target year. For example, a utility can apply the RECs generated in 2018 by its renewable resource to the utility’s 2019 compliance requirement.

The District met its annual renewables requirement each year from 2012 through 2016 with bundled RECs from its existing portfolio, including bundled RECs the District is eligible to receive under its Block-Slice Power Purchase Agreement. For the 2017 through 2020 compliance years (as shown in chart below), the District used a combination of unbundled REC’s from its existing renewable resources and a small quantity of unbundled REC purchases to leverage its REC bank in anticipation of the annual target increase from 9% in 2019 to 15% in 2020. Ongoing compliance is explored and addressed in the District’s IRP process every two years. The District submitted its compliance report for the renewables requirement for 2021 based upon a “no load growth” compliance option, but has not yet been audited.



For compliance year 2020, the District’s 15% renewable target equates to 976,396 MWh which the District served from a combination of its 2019 REC bank (525,161 MWh) and from the contributions of its 2020 eligible renewable resources and unbundled REC purchases (451,235 MWh).

In December 2021, the Commission adopted conservation targets for the years 2022-2023 of 7.96 aMW, and set its 10-year conservation potential estimate at 76.59 aMW for the 2022-2031 period. The District subsequently filed the two-year target and 10-year potential estimate with the Washington State Department of Commerce in December 2021.

In accordance with Initiative 937 reporting requirements, the District submits its annual filings with the Washington State Department of Commerce by June 1 each year. This report consists of: (i) total owned

and acquired renewable resources as of January 1 of the target year; and (ii) the actual conservation achievements for the two-year period, compared to the adopted target.

Washington State Integrated Resource Planning Requirements and the Clean Energy Transformation Act (CETA)

In 2006, the Washington State Legislature passed a law requiring electric utilities with more than 25,000 customers in the State (that are not full requirements customers of Bonneville) to develop an IRP. Each utility must report on its progress every two years and update its plan every four years. At a minimum, the IRP must include: (i) a range of forecasts, for at least the next 10 years, of forecasted customer demand that takes into account econometric data and customer usage; (ii) an assessment of commercially available conservation and efficiency resources; (iii) an assessment of commercially available utility scale renewable and nonrenewable generating technologies; (iv) a comparative evaluation of renewable and nonrenewable generating resources, including transmission and distribution delivery costs, and conservation and efficiency resources using “lowest reasonable cost” as a criterion; (v) the integration of the demand forecasts and resource evaluations into a long-range assessment describing the mix of supply-side generating resources and conservation and efficiency resources that will meet current and forecasted needs at the lowest reasonable cost and risk to the utility and its ratepayers; and (vi) a short-term plan identifying the specific actions to be taken by the utility consistent with its long-range IRP.

In May 2019, Washington State Governor Jay Inslee signed CETA into law. This law eliminates coal as a resource that is permitted to be used to serve retail electric customers by January 1, 2026, requires all retail electric sales of electricity to retail customers in Washington to be greenhouse gas neutral by Jan 1, 2030 and requires that 100% of electricity sales to retail customers in Washington must be supplied by non-emitting electric generation and from renewable resources by January 1, 2045. To meet the 2030 standard, utilities may use up to 20% “alternative compliance” options such as RECs. The Act requires electric utilities to develop Clean Energy Implementation Plans that include targets for energy efficiency, renewable energy and demand response, and require reporting compliance over four-year compliance periods. The first CEIP was adopted by the Commission in December 2021. CETA also includes penalties for each megawatt hour of noncompliance through 2045.

CETA also added several new requirements to the RCW 19.280 regarding development of IRPs. These requirements include the following: completing an assessment and 10-year forecast of generation and transmission availability; determining resource adequacy metrics; forecasting distributed energy resources; assessing equity issues and how customers are benefitting from the transition to clean energy; including the social cost of carbon as a cost adder to the IRP’s analytical methodology; and replacing the previous short term action plan in the IRP with a 10 year clean energy action plan for implementing the CETA standards.

The District included CETA provisions in the 2021 IRP and 2021 CEIP, and, due to composition of the District’s power portfolio (which contains no direct carbon emissions), and previous practices which already considered the carbon impact of resource decisions, was not materially impacted by the provisions of CETA in setting long-term planning strategies.

Washington State Emissions Performance Standards

In 2008, legislation was adopted in Washington requiring reductions in greenhouse gas (“GHG”) emissions, initiating GHG reporting requirements, and requiring the Washington State Department of Ecology (“WDOE”) to make recommendations for the development of a market-based cap and trade system. Under the legislation, the State must reduce overall GHG emissions to 1990 levels by 2020; to 25% below 1990 levels by 2035; and to 50% below 1990 levels by 2050. The legislation also required the

WDOE to adopt rules requiring the reporting of GHG emissions. Subsequent legislation adopted in 2010 aligned the Washington State GHG reporting protocols with federal regulations promulgated by the Environmental Protection Agency. The WDOE rules for the reporting of GHG emissions became effective on January 1, 2011. Mandatory reporting for facilities with annual GHG emissions of 10,000 metric tons CO₂ equivalent or greater began with 2012 emissions reported in 2013.

Related legislation provides that generation sources underlying power supply contracts of five years or more that are entered into after July 2008 must comply with a permissible ceiling of 1,100 pounds of GHG emissions per MWh (or the average available GHG emissions output as derived by the Washington State Department of Commerce analysis of appropriate combined cycle combustion turbines). Some emissions are allowable if sequestered or mitigated under a plan approved by the Energy Facilities and Site Evaluation Council (the “EFSEC”). In June 2008, the WDOE, EFSEC, Washington State Department of Commerce and Bonneville coordinated and adopted rules to implement and enforce these standards. In addition to compliance with such ceiling, owners of generation facilities were required to comply with certain mandatory reporting requirements beginning in 2013 (based on 2012 emission levels).

Voluntary Green Power Program Legislation

Since 2002, State law has required that larger electric utilities in the State offer retail customers an option to purchase qualified alternative energy resources—often referred to as green power. Utilities have two options for providing customers with qualified green power: actual power from qualified green resources, and RECs. The law also requires electric utilities to maintain and make available upon request certain information and details regarding their green power programs. As a consumer-owned utility, the District provides this information annually to the Washington State Department of Commerce. See “—Wholesale Power Market Purchases, Sales and Trades—*Renewable Energy Credits*.”

The District’s business and residential customers can support green power through a second voluntary program option, Carbon Solutions. Customers can participate for as little as one unit at \$4.50 per month which is applied directly to their consumption accounts. Customers also have the option to make a one-time purchase of any number of units. Every unit of RECs purchased for \$4.50 equals 1,000 kWh of energy generated by a renewable source, primarily solar and wind. Generation from geothermal and biogas may also be included depending on product availability. RECs are purchased through the North American Renewable Registry region.

Transportation Electrification

The District actively supports our residential and commercial customers in the adoption of transportation electrification by providing technical support, incentives, tools and partnerships to leverage various funding opportunities. The District is actively working with private businesses, municipalities and school districts as they plan and implement the buildout of electric vehicle supply equipment infrastructure and electrify their fleets. The District was recently awarded federal funding for the installation of multiple DC fast chargers available for public charging and on route induction charging for public transit buses. In 2020, the District launched an EV charger incentive program that provides incentives to both residential and commercial customers for the installation of connected chargers. In 2021, the District launched a program to provide to customers a bill credit equal to an average year of charging costs for purchasing a qualified electric vehicle. The District is currently developing a commercial customer program that will assist customers in developing a ten year fleet electrification plan.

Demand Response/Distributed Energy Resources

The District is currently offering several pilot programs that analyze the possibility of demand response and distributed energy resources to meet future demand, especially, on-peak demand. Flex Energy, launched in 2021, is a set of rates and incentives that incentivize customers to change their behavior or employ smart technology to save energy when demand on the electrical grid is at its greatest. Behavioral programs target different rates such as time of day and critical peak pricing. Some of the smart technology being targeted are smart thermostats and electric vehicle chargers. These rates allow the District to bring value to all customers by managing costs and partnering with customers to reduce consumption at key times, limiting the need for additional costly market purchases or infrastructure build outs. In 2020 the District launched a Commercial Time of Day Rate pilot for commercial customers. This program rewards customers through discounted rates to shift their loads to off-peak hours.

Advanced Metering

After obtaining approval from the District's Commission in August of 2020, the District is planning to deploy advanced metering technology throughout the District's service territory over the next four years. Components of this program include an expanded communications network, metering technology, and a data management system. The first installations of meters are anticipated to occur in 2023. The District will be using FCC-approved equipment that is the same as or is similar to that which is already used by many other utilities in the Pacific Northwest and nationally.

The District has already completed many of the infrastructure projects needed for an upgraded electrical grid, including but not limited to modernizing substations, deploying automated devices in the distribution system and extending communications technology to critical points in the service area. Upon completion of the advanced meter rollout, the District will be able to provide more customer services, more efficient system monitoring and restoration for outages. In addition, the advanced metering technology is also important for the implementation of many of the demand response and distributed energy programs that are currently in the pilot stage.

Community Solar Projects

In April 2019, the District launched its first Community Solar project at the site of the District's Arlington Microgrid. The District sold 76-watt solar energy units at \$120 each to cover the cost of the solar array. Each solar panel consists of five solar energy units and customers were limited to purchasing a maximum of 26 panels, or 130 units. The 500-kilowatt solar array consists of 1,620 panels, or 8,100 solar energy units. See "*—The District's Future Power Supply Strategy—Arlington Microgrid (MESA 3) and the Clean Energy Center.*"

Participants receive a \$0.06/kilowatt-hour credit on their bill based on the energy production of the solar energy units they purchase. Participants also receive annual incentive checks of \$.16/kWh through the Washington State Renewable Energy System Incentive Program for approximately eight years, or until total incentives paid reaches 50% of project cost. Based on the price of the solar energy units and forecasted energy production, participant payback is estimated to occur at approximately eight years. 10% of the available units were granted to two income-qualified service agencies to support the clients they serve: HopeWorks Social Enterprises in Everett and the Stanwood-Camano Community Resource Center.

The District is in the planning process for a second Community Solar project to be located in South Everett, on land leased from the City of Everett. The District expects the project to be partially grant funded with State grant funds, and the value of the solar generation to be directed into a fund that provides energy assistance for income qualified customers.

2021 and 2022 Legislation

The following are State legislative proposals that were enacted in 2021 and 2022.

Climate Commitment Act (Cap and Invest Program)

Chapter 70A.65 RCW, titled the “Climate Commitment Act”, establishes a greenhouse gas emissions cap-and-invest program (the “Cap and Invest Program”) for utilities, industrial facilities, and other operations and facilities with greater than 25,000 metric tons of emissions annually. Covered entities will be subject to a statewide emissions cap that decreases over time to meet the state’s goal of net-zero emissions by 2050. Additional entities may choose to opt-in to the Cap and Invest Program, and may generate offset credits through greenhouse gas emission reduction projects. The Cap and Invest Program’s market for emissions allowances and offsets is intended to be linked with California’s cap-and-trade program. Revenue from the Cap and Invest Program is intended to fund emissions reduction projects, emphasizing projects in communities overburdened by the impacts of climate change and air pollution.

The Climate Commitment Act directs the WDOE to establish a cap on greenhouse gas emissions by determining the proportionate share of the state’s total greenhouse gas emissions emitted by covered entities. Based on the statewide cap, the WDOE will distribute allowances for emissions, via four annual auctions. Entities that emit more than their budgeted allowances must purchase additional allowances or offsets, and entities that emit less than their budgeted allowances may bank for future use or sell their allowances. The budgets decrease over time to meet the State’s emissions limits for 2030, 2040, and 2050. Rulemaking is expected to address issues such as limits on auction purchases, bidder collusion and market manipulation and price containment. Additional compliance pathways are established for energy-intensive, trade-exposed facilities.

In recognition that electric utilities’ greenhouse gas emissions are regulated through CETA, Chapter 19.405 RCW, WDOE must provide allowances at no cost to electric utilities that are subject to CETA, based upon a forecast of each utility’s supply and demand and the cost burden resulting from inclusion in the cap-and-invest program, through 2045. WDOE is currently engaged in the process of drafting rules to implement the program.

A partial veto by the Governor removed a provision that would have made the Cap and Invest Program contingent upon future enactment of a transportation revenue package that includes a gas tax increase of at least five cents per gallon.

Low Carbon Fuel Standard

Chapter 70A.535 RCW directs the WDOE to adopt rules establishing a clean fuels program (the “Clean Fuels Program”), to be in place no later than January 1, 2023 and to limit the greenhouse gas emissions attributable to each unit of transportation fuel (in terms of carbon intensity) to 20% below 2017 levels by 2035, with increasing annual reductions between 2023 and 2034. The Clean Fuels Program exempts fuels exported or not used in the State, and fuels used in aircraft, railroad locomotives, marine vessels and military tactical vehicles.

The Clean Fuels Program includes processes for generating credits for the production, import and dispensation of fuel for use, of fuels with associated life-cycle greenhouse gas emissions that are less than the carbon intensity standard set by the WDOE, and for other specified activities that support the reduction of greenhouse gas emissions associated with transportation in the State.

Electric utilities will be able to register and earn credits under the program for electricity used as transportation fuel, and for some electric vehicle charging activity, including smart vehicle charging technology. Proceeds from the sale of credits earned by electric utilities are to be spent on transportation electrification projects and programs.

A partial veto by the Governor removed a provision that would have delayed the Low Carbon Fuel Standard until future enactment of a transportation revenue package that includes a gas tax increase of at least five cents per gallon.

Retail Broadband Authority

Engrossed Substitute House Bill 1336 (“ESHB 1336”) and Second Substitute Senate Bill 5383 (“2SSB 5383”) (both codified in RCW 54.16.330) contain two complementary, but slightly different, proposals that authorize, but do not require, public utility districts to offer retail telecommunications services in addition to wholesale telecommunications services. Both proposals require that the utility ensure that it separately accounts for all revenues and expenditures associated with such retail telecommunications services, and that it charge the full and true value for its own telecommunications needs. ESHB 1336 also would prohibit the use of eminent domain to acquire property necessary for telecommunications services. As a prerequisite to offering retail telecommunications services, both proposals also require consultation with the Governor’s Office of Broadband Services to determine that the areas to be served are not currently being served, and to provide information regarding the sources of funds, costs to customers, and strategic plans.

Utility Arrearage Assistance

In 2022, the legislature appropriated \$100 million for public and private water, sewer, garbage, electric and natural gas utility arrearages incurred by utility customers between March 1, 2020 and December 31, 2021, during the COVID-19 pandemic. The state’s Department of Commerce has initiated a process to determine the amount of funding available to each utility and expects to notify the District of the amount of funding for which it will qualify in July 2022.

Regional Transmission Planning

Regional Transmission Planning

Bonneville owns and operates a high voltage transmission system comprising approximately 75% of the bulk transmission capacity in the Pacific Northwest. The District depends on Bonneville for the vast majority of its regional transmission needs and does not provide transmission services to others. While the District is not FERC jurisdictional and is not required to participate in joint regional planning, it is nonetheless interested in the development of a robust transmission network throughout the Pacific Northwest. In 2019, the District joined NorthernGrid, a new transmission planning region that facilitates regional transmission planning across the Pacific Northwest and Intermountain West. Other private and public utilities are members of NorthernGrid, including Bonneville, Avista Corporation, Puget Sound Energy, Seattle City Light, Idaho Power Company, BHE Canada, Public Utility District No. 2 of Grant County, Washington, Public Utility District No. 1 of Chelan County, Washington, Northwestern Corporation, Pacificorp, Portland General Electric, and Tacoma Power. NorthernGrid began its planning operations in 2020. Prior to the formation of NorthernGrid, the District engaged in regional planning through membership in ColumbiaGrid, a non-profit corporation formed in 2006 to conduct single-utility based transmission planning for its members. ColumbiaGrid staff along with member utilities carry out transmission planning studies, coordinate and facilitate transmission expansion projects and develop new tools and processes for increasing the efficiency and utilization of the regional network. All members of

ColumbiaGrid have joined NorthernGrid. Following the issuance in 2020 of ColumbiaGrid's final transmission plan, ColumbiaGrid's members voted to dissolve ColumbiaGrid.

Puget Sound Area Transmission Initiatives

Changing generation patterns and loads within the metropolitan Puget Sound area, regional transmission outages, and Bonneville's obligation to return energy to Canada under the Columbia River Treaty, have occasionally created transmission congestion which has impacted the District. Coordinated actions to re-dispatch local generation and a memorandum of understanding citing investment and cost-sharing responsibilities was signed by Bonneville, Seattle City Light and Puget Sound Energy in December 2011. These actions have averted the need to drop customer load in the Puget Sound area. The District is not a party to this agreement.

The District is also currently engaged in discussions with Bonneville and other Puget Sound region utilities on whether changes may be warranted to Bonneville's Regional Outage Coordination Policy.

Open Access

FERC Order 890, first issued in 2006 and revised in 2007, affects the way transmission is planned by the electric utility industry. Its goal is to prevent discrimination by owners of transmission facilities against utilities and power producers desiring transmission service. Order 890 strengthens the open access transmission tariff ("OATT") standards, reduces opportunities for the exercise of market power, makes it easier to detect abuses, facilitates enforcement efforts and increases transparency in the areas of planning and transmission system use.

While the OATT modifications have little direct impact on the District, since the District does not provide transmission services to others, the nine planning principles adopted in the order are beneficial to the District. These include coordination, openness, transparency, information exchange, comparability, dispute resolution, regional participation, economic planning studies and cost allocation for new projects.

FERC Order 1000

In 2011, FERC issued Order 1000, which amended the transmission planning and cost allocation requirements established in Order 890. With respect to transmission planning, Order 1000 (i) requires that each jurisdictional utility transmission provider participate in a regional transmission planning process that produces a regional transmission plan; (ii) requires that each jurisdictional utility transmission provider amend its OATT to describe procedures that provide for the consideration of transmission needs driven by public policy requirements in the local and regional transmission planning process; (iii) removes from FERC-approved tariffs and agreements a federal right of first refusal for certain new transmission facilities; and (iv) improves coordination between neighboring transmission planning regions for new interregional transmission facilities.

Order 1000 also requires each jurisdictional utility transmission provider to participate in a regional transmission planning process that has (i) a regional cost allocation method for the cost of new transmission facilities selected in a regional transmission plan for purposes of cost allocation; and (ii) an interregional cost allocation method for the cost of certain new transmission facilities that are located in two or more neighboring transmission planning regions and are jointly evaluated by the regions in the interregional transmission coordination procedures required by Order 1000. Each cost allocation method must satisfy six cost allocation principles specified by FERC.

Participation in regional transmission planning efforts is voluntary for non-jurisdictional utility transmission providers. The District is not a jurisdictional utility nor is it a “transmission provider” for purposes of Order 890 or Order 1000. A potential impact to the District could occur if NorthernGrid adopted cost allocation principles for a regional transmission project under which a share of the project’s costs were made attributable to the District. The District has negotiated in the NorthernGrid agreement provisions to protect the District from costs it has not agreed to pay, and the District could further protect itself from an unacceptable cost allocation by terminating its membership in NorthernGrid.

Transmission Reliability

In March 2007, FERC issued Order No. 693, which addresses mandatory reliability standards for utilities. The North American Electric Reliability Corporation (“NERC”) was tasked with developing reliability standards for the electric industry and for ensuring those standards are met. All users, owners and operators of the bulk power system are required to identify functions they perform and register the information with the NERC or their Regional Entity. In the District’s case, this is the Western Electricity Coordinating Council (“WECC”).

The District has developed an internal compliance program to manage reporting requirements and ensure implementation of new WECC and NERC required procedures. The program defines a process by which applicable NERC standards are identified and staff is assigned to review and document compliance, or, if necessary, prepare mitigation plans. Beginning in 2012, WECC has conducted four combined Critical Infrastructure Protection (“CIP”) and Operation and Planning (“O&P”) audits of the District’s compliance with the applicable NERC reliability requirements.

Public Utility Regulatory Policies Act

FERC Rulemaking

On July 16, 2020, FERC adopted substantial revisions to its PURPA regulations. The package of revisions allows, among other things, states and self-regulated entities like the District more flexibility to incorporate competitive forces when setting avoided cost rates for certain qualifying generating facilities.

Amendments from Infrastructure Investment and Jobs Act (IIJA)

Enacted on November 15, 2021, the IIJA revises PURPA to add two new federal ratemaking standards related to (1) demand response practices, and (2) electric vehicle charging programs, which nonregulated utilities like the District are obligated to consider and formally determine whether or not to implement. Each nonregulated electric utility has one year to begin consideration of these new standards, and two years to complete its consideration and make a determination with respect to the two new standards. These one-year and two-year deadlines are calculated from the date of enactment of the IIJA. The District is on task to begin and complete its consideration of the two new standards within the deadlines.

Energy Imbalance Market

In July 2019, Bonneville issued a letter to the region seeking public comment on Bonneville potentially joining the Western Energy Imbalance Market (“EIM”). This letter included a package with Bonneville’s policy proposal document, a report of Bonneville’s EIM cost-benefit analysis and a draft of the California Independent System Operation (“CAISO”) EIM implementation agreement. Bonneville addressed comments received on this package in its record of decision published in September 2019. On September 26, 2019, Bonneville signed an implementation agreement with the CAISO and a record of

decision in a move toward joining the Western EIM in March 2022. Bonneville joined the Western EIM on May 2, 2022.

For Bonneville, joining the EIM may result in increased value for the flexibility obtained from the federal hydropower system, and other Northwest generators and utilities within Bonneville's balancing authority area would also have opportunity to participate through Bonneville in the Western EIM. The EIM could also help manage congestion of the Bonneville transmission network.

Washington Initiative 502/Revised Code of Washington 69.50

Washington voters approved Initiative 502 ("I-502") on marijuana reform in the November 2012 election. I-502 was codified under RCW 69.50 and legalizes the recreational use of marijuana and marijuana-related products by adults, taxes those products, and designates the revenue for healthcare and substance-abuse prevention and education. Possession by anyone younger than 21, possession of larger amounts, and the unlicensed or unregulated growing of marijuana remain illegal under State law. In addition, marijuana is still classified as a Schedule I controlled substance under federal law. Thus, the growing, possession and sale of marijuana are subject to federal prosecution, and could subject violators to confiscation of their assets.

I-502/RCW 69.50 has presented Washington local governments with numerous issues, including the conflict between State and federal law. There is limited guidance from the federal government available to date on how state and local governments can or should address this conflict. The following is a brief summary of certain of the issues presented. The District does not believe that any of these issues will have a material adverse effect on the District.

A January 4, 2018 memorandum from then U.S. Attorney General Jeff Sessions rescinded prior Department of Justice ("DOJ") memorandums that had indicated that the DOJ would not interfere with marijuana-related businesses that were operating in accordance with State laws provided that the respective state implemented a strong and effective regulatory system that respected drug law enforcement priorities identified by DOJ. In place of the prior guidance, the Sessions' memorandum appears to leave it to the discretion of federal prosecutors to "weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." To date, it appears that local federal prosecutors have not pursued enforcement actions against marijuana-related businesses that are operating in accordance with state law and regulations.

The District purchases a substantial portion of its power supply from Bonneville and is also the recipient of various federal grants and subsidies, including from Bonneville. The grant agreements typically include a requirement that the District comply with all applicable federal laws during the term of the grant agreement. A November 12, 2014 U.S. Department of Energy ("DOE") memorandum on this topic provided to federal power marketing agencies ("PMAs"), including Bonneville, notes that the cultivation and distribution of marijuana is illegal under federal law and that "federally owned, controlled or administered resources may not be purposely provided to facilitate the commission of a federal offense." However, the memorandum also states that wholesale power sales by PMAs to their utility customers "do not purposely facilitate the commission of a federal offense." The memorandum provides that "[t]he federal statutes that govern PMAs address the relationship between the PMAs and their wholesale power customers. State law governs the relationship between the PMAs wholesale power customers and their retail customers." Should the DOE's guidance on this topic change in the future, the District has enough owned or contracted for nonfederal resources to serve the existing and anticipated load associated with marijuana production within its service territory over the next 5 to 10 years, as more fully described below.

Additionally, Bonneville issued a clarification document on December 2, 2015 and again on August 5, 2020, in which it also recognized that the cultivation and distribution of marijuana is illegal under federal law and that federal resources may not be “purposely provided to facilitate the commission of a federal offense.” The document states that Bonneville will not knowingly pay incentives/reimbursements or provide support to customers for energy efficiency projects involving marijuana related businesses. However, the document also provides that Bonneville will “allow customers to report self-funded [energy efficiency] activities that meet the rules and requirements of [Bonneville’s] Implementation Manual” and will “count those savings towards the region’s savings goals.” The document further notes that Bonneville “may conduct oversight and impact evaluation on self-funded savings involving marijuana business load (including site visits) to ensure the savings reported to Bonneville comply with IM requirements and are reliable.”

Increased Loads. Marijuana, which is grown primarily indoors in the Pacific Northwest, requires significant amounts of power to produce. Energy uses include for high-intensity lights, dehumidification, space heating and cooling during certain periods, pre-heating of irrigation water, and ventilation and air-conditioning to remove waste heat. A recent report by the Northwest Power and Conservation Council estimated marijuana operations could increase electricity demand in the State between 60 MW and 160 MW over the next 20 years. According to the report, regional demand – from producers in Idaho, Montana, Oregon and Washington – could increase by almost 250 MW by 2035. Legal marijuana production was identified as one of three major categories of load growth in the region, along with data centers and electric vehicles. The State has issued licenses for approximately 10 million square feet of marijuana production “canopy.” Based on the number of existing and pending permits applied for to date, the District’s estimates for marijuana production-associated load growth within its service territory during the next 5 to 10 years range from approximately 25 MW to as much as 80 MW.

Energy Conservation Efforts. There are significant opportunities for energy conservation with marijuana producers, including in particular through the use of more energy-efficient lighting, such as LEDs. LED lighting, however, is significantly more expensive than traditional lighting methods which rely on high-pressure sodium and other high-intensity fixtures. Marijuana producers are thus unlikely to switch to LED lighting in the absence of financial incentives to do so from utilities. New technology has become available to producers that utilizes heat generated from LED lighting to warm HVAC air to help offset additional energy consumed to keep the ambient air used for growing at the ideal temperature. The District currently offers incentives for both lighting and HVAC improvements that lead to energy efficiency upon the express condition that the participant fully comply with all applicable state and local laws and regulations and federal guidelines. Since 2017, marijuana producers in the District’s territory have saved over 5.5 million kWh per year.

ELECTRIC SYSTEM FINANCIAL INFORMATION

Financial Results

The following table presents income statements of the Electric System from fiscal year 2017 through fiscal year 2021. Appendix A contains the audited financial statements for the District for fiscal years 2021 and 2020. See “—Financial Condition and Liquidity” for a description of the District’s cash balances and liquidity reserves.

TABLE 9
Public Utility District No. 1 of Snohomish County, Washington
Electric System
Operating Results
(\$000's)

Year Ended December 31,

	2017	2018	2019	2020	2021
Operating Revenues					
Sales of Electric Energy					
Residential	\$ 360,906	\$ 362,924	\$ 366,804	\$ 379,219	\$ 384,362
Commercial	205,653	208,405	209,058	196,879	204,048
Industrial	37,762	36,729	36,611	32,972	32,564
Other	3,853	4,185	4,043	3,910	3,739
Sales for Resale	34,947	34,985	29,317	38,783	42,693
Unbilled Revenue ⁽¹⁾	1,500	(1,921)	(2,700)	(5,300)	8,400
Total Sales of Electric Energy	644,621	645,307	643,133	646,463	675,805
Other Operating Revenues ⁽²⁾	28,685	36,878	28,451	32,088	32,334
Total Operating Revenues	673,306	682,185	671,584	678,551	708,139
Operating Expenses					
Purchased Power and Generation ⁽³⁾	333,338	333,705	349,909	312,131	334,427
Operations ⁽⁴⁾	197,709	190,239	188,550	213,742	186,312
Maintenance ⁽⁵⁾	21,817	30,986	23,021	25,493	29,324
Depreciation	53,191	53,624	55,493	57,202	58,988
Taxes	37,994	38,668	38,710	38,525	39,534
Total Operating Expenses	644,049	647,222	655,683	647,093	648,585
Net Operating Income (Loss)	29,257	34,963	15,901	31,458	59,554
Interest and Other Income ⁽⁶⁾	9,279	3,591	20,704	6,828	3,653
Interest Charges					
Interest	18,069	17,639	17,194	16,044	16,045
Other, Net of Capitalized Interest	(4,110)	(3,184)	(1,228)	(643)	(2,115)
Total Interest Charges	13,959	14,455	15,966	15,401	13,930
Capital Contributions ⁽⁷⁾	22,348	24,651	33,743	28,445	27,800
Net Income	\$ 46,925	\$ 48,750	\$ 54,382	\$ 51,330	\$ 77,077
Net Income Adjustments:					
Non-cash Contributions	\$ (5,010)	\$ (6,598)	\$ (9,098)	\$ (5,442)	\$ (6,376)
Interest Charges	13,959	14,455	15,966	15,401	13,930
Depreciation	53,191	53,624	55,493	57,202	58,988
Pension and OPEB Liability Actuarial Adjustment ⁽⁸⁾⁽⁹⁾	(6,889)	(12,964)	(13,747)	(16,207)	(43,297)
Net (Increase) Decrease in the Fair Value of Investments ⁽¹⁰⁾	456	(1,002)	(2,078)	(2,513)	4,857
Hydroelectric Project Termination Charge ⁽¹¹⁾⁽¹²⁾	-	9,637	-	8,465	-

Operating Revenues	2017	2018	2019	2020	2021
Balance available for debt service coverage	\$ 102,632	\$ 105,902	\$ 100,918	\$ 108,236	\$ 105,179
Electric System Bonds Debt Service	\$ 26,854	\$ 26,853	\$ 26,855	\$ 26,579	\$ 26,847
Electric System Bonds Debt Service Coverage	3.8x	3.9x	3.8x	4.1x	3.9x

Source: District records. See "APPENDIX A—INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS" for the years ended December 31, 2021 and 2020.

- (1) An updated model of calculating unbilled revenue was implemented in 2020, a corresponding true-up of the account caused the increase in unbilled revenue from 2019 to 2020. Colder than average temperatures and snow events in December 2021 resulted in a large increase in unbilled revenue for 2021.
- (2) The District was able to sell \$11 million of excess transmission capacity in 2018, which led to the increase from previous years. Other operating revenues increased in 2020 and 2021 due to a higher level of Bonneville energy conservation program reimbursements.
- (3) Unfavorable weather conditions reduced the power supplied by the District's hydroelectric and wind contracts in the first quarter of 2019, requiring the District to purchase considerably more power from the wholesale market than usual. Because wholesale market power rates were much higher than normal, purchased power expense was \$16.2 million higher in 2019 than 2018. Purchased Generation decreased in 2020 primarily due to a pay down in the Generation System's debt, lowering the total cost of operations of the Generation System. Purchased power costs increased in 2021 due to extreme heat in June of 2021 and extreme cold in December 2021, resulting in greater market purchases made at higher prices.
- (4) The operations expenses increase in 2020 was primarily due to the increase in the write off of bad debt, additional costs of personal protection equipment, and the costs associated with the COVID-19 Community Support program. Operations costs decreased in 2021 primarily due to a reduction of the District's net pension obligation of \$43 million.
- (5) Maintenance costs increased in 2018 due to two wind events in December 2018 which resulted in combined costs of \$5 million. Maintenance costs increased in 2021 due to several storms experienced throughout the year.
- (6) The increase in 2019 Interest and Other Income is largely due to \$5 million in grant income and additional interest income resulting from favorable market interest rates.
- (7) Capital contributions are collected from property developers when they request to connect to the District's electric or water distribution systems or request engineering or construction services. The capital contribution increases in 2019 and 2018 reflect increased property development in the District's service area.
- (8) GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires governments providing defined benefit pensions to their employees to recognize the net pension liability for pension benefits in their operating results. The District participates in a multiple-employer plan, known as Washington State Public Employees Retirement System (PERS) and implemented this Statement for the year ended December 31, 2015. These amounts are determined through an actuarial analysis by the State. The corresponding increase (gain) or decrease (loss) from year to year is reflected in the operating results. The effect of recording the pension adjustment has no impact on District cash flows, so the impact has been removed from the debt service coverage calculation. A large decrease of net pension expense was recorded in 2021 due to market returns within the Washington State PERS, resulting in a reclassification of a portion of the net pension obligation from a liability to an asset on the District's Statement of Net Position.
- (9) In 2018, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, required governments to recognize net liability related to OPEB. The corresponding increase or decrease from year to year is reflected in the operating results. The effect of recording the OPEB adjustment has no impact on District cash flows, so the impact has been removed from the debt service coverage calculation.
- (10) The District typically holds investments to maturity. Generally Accepted Accounting Principles, however, require certain unrealized gains and losses be recorded as a component of net income. Because the effect of recording the mark-to-market value of these investments has no impact on District cash flows, the impact is removed from the debt service coverage calculation.
- (11) In April 2018, the District's Commissioners decided not to pursue a final application with FERC for the Sunset Falls Hydropower Project. As a result of the project termination, the Electric System recorded a \$9 million charge in Interest and Other Income. The effect of recording the adjustment has no impact on District cash flows, so the impact has been removed from the debt service coverage.
- (12) Due to the inherent risk of potential vanadium electrolyte spills and lack of system reliability, MESA 2 was terminated and equipment was decommissioned, and as a result, the Electric System recorded an \$8.5 million asset write-off charged to other income and expense in 2020. See "—The District's Future Power Supply Strategy—Energy Storage - MESA 1 and MESA 2."

Management's Discussion of the Electric System's Financial Results

Revenues from the District's annual sales of electric energy increased from \$644.6 million in 2017 to \$675.8 million in 2021, an increase of \$31.2 million over the period. Excluding sales for resale, sales of electric energy increased from \$609.7 million in 2017 to \$633.1 million in 2021, an increase of \$23.4 million, or 3.8%, over the period. The increase in retail energy sales revenue during this period reflects a growing residential customer base over the past five years.

The District enacted a general rate increase of 2.9% effective April 1, 2017. In addition, the District enacted a rate increase of 1.6% effective October 1, 2017, to recover the cost of wholesale power increases from Bonneville.

The total average number of customers of the District's Electric System increased from 345,982 in 2017 to 367,096 in 2021, an increase of 5.9%. The growth in customers reflects the population growth rate in Snohomish County.

The District is not dependent on its large corporate customers for its retail sales revenue. In 2021, industrial customers represented only about 5% of the District's retail sales revenue, while residential and commercial customers made up 62% and 32% of retail sales, respectively. The District's two largest customers in terms of power consumption accounted for 4.0% of retail energy sales revenues in 2021. See "THE ELECTRIC SYSTEM—Customers, Energy Sales and Peak Demand."

Power received from the District's own generating resources and power purchase contracts, in particular its Bonneville Slice product, can exceed the District's retail power requirements during certain periods of the year, resulting in sales for resale (wholesale market sales). Annual fluctuations in resale revenues have resulted from changes in retail load, variations in annual hydrological conditions, changes in District resources and variations in wholesale power prices. Resale revenues of \$42.7 million in 2021 were \$3.9 million higher than in 2020 due to an increase in wholesale market prices in 2021.

Other operating revenues include proceeds from the sales of the District's transmission capacity, proceeds from the sale of RECs, reimbursements from Bonneville to fund conservation programs, lease revenue for use of District facilities and customer fees. These revenues increased from \$32.1 million in 2020 to \$32.3 million in 2021 due to an increase in the sale of RECs and reimbursements from Bonneville of \$3.0 million, offset by a decrease in revenue from sales of transmission capacity of \$2.8 million. Purchased power and generation expenses increased from \$333.3 million in 2017 to \$334.4 million in 2021, an increase of 0.3%. Purchased power and generation expenses increased from \$333.7 million in 2018 to \$349.9 million in 2019 due to considerably greater market purchases in the first quarter of 2019 resulting from unfavorable weather conditions as well as record high wholesale power market prices in the first quarter of 2019. The Generation System's annual debt service requirements were significantly lower in 2020 than in 2019, lowering the total cost of the Generation System's operations, in turn resulting in lower purchased generation expense for the Electric System in 2020. Purchased power and generation expenses increased from \$312.1 million in 2020 to \$334.4 million in 2021 due to significant weather events experienced in June and December of 2021.

Operations expense decreased from \$197.7 million in 2017 to \$186.3 million in 2021. Operations expense declined in 2018 and 2019 due to a reduction of the District's share of State pension liability. Operations expenses increased \$25 million from \$188.6 million in 2019 to \$213.7 million in 2020 primarily due to the increase in the write off of bad debt, additional costs of personal protection equipment and the costs associated with the COVID-19 Community Support program. Operations expense subsequently decreased in 2021 primarily due to a \$43 million decrease in expenses related to the District's net pension obligation.

Maintenance expenses increased from \$21.8 million in 2017 to \$29.3 million in 2021, an increase of \$7.5 million, or 34%. Maintenance expenses are subject to annual fluctuations based on the level of restoration efforts necessary following periodic storms that impact the Pacific Northwest. Accordingly, the District experienced major windstorms in each of the years 2018, 2020, and 2021 resulting in heightened maintenance expense in those years. In addition to storm restoration, maintenance expenses represent the costs to repair, refurbish and preserve the Electric System's transmission and distribution assets to appropriate operating levels, including regular maintenance of lines and stations. Maintenance expenses also include programs such as tree and vegetation trimming around overhead lines, as well as upkeep of Electric System facilities, vehicles and equipment.

Depreciation expense increased from \$53.2 million in 2017 to \$59 million in 2021, an increase of \$5.8 million, or 11%. Higher depreciation expense over the five-year period reflects continued investments in Electric System infrastructure, facilities and systems as the District continues to grow and expand to serve a growing customer base.

The District pays an excise and privilege tax, in lieu of property tax, levied by the State. These taxes are assessed as a percentage of the District's revenue from retail electric sales. Privilege tax is also assessed based on energy generated from power plants. The District has pursued renewable resource tax deductions, capital construction exemptions and other tax deductions and exemptions available under Washington State law.

Interest and other income was \$9.3 million in 2017 and decreased \$5.6 million to \$3.7 million in 2021, with greater fluctuations within the years between. These fluctuations are related to varying factors including costs recognized in 2018 related to the termination of the Sunset Falls project, and favorable market conditions in 2019 resulting in greater levels of interest income recognized. Other income and expense decreased in 2020 due to the recognition of \$8 million remaining depreciable value of the decommissioned MESA 2 battery energy storage system assets, a decrease in interest income reflecting unfavorable market conditions and a decrease in grant income as compared to 2019. Other income and expense decreased in 2021 due to further unfavorable market conditions resulting in a decrease of interest income offset by an increase in other deductions related to the final decommissioning of the MESA 2 battery energy storage system assets. See “—The District's Future Power Supply Strategy—*Energy Storage - MESA 1 and MESA 2.*”

Financial Condition and Liquidity

Cash and Temporary Investments

As of December 31, 2021, the Electric System's cash, temporary investments, and long-term investments totaled \$204.8 million, and special funds totaled \$267.9 million. Cash and temporary investments represent bank deposits and highly liquid, short-term investments that are available for use in District operations. Long-term investments consist of unrestricted funds invested with maturities exceeding one year. Special funds are limited-use funds established by the Commission and are restricted for specific purposes such as debt service, bond reserves, rate stabilization, qualifying capital expenditures, post-employment benefits, and other reserve requirements. Cash, temporary investments, long-term investments, and special funds for each of the years 2017 through 2021 are summarized in the following table.

TABLE 10
Electric System
Cash and Temporary Investments and Special Funds
(\$000s)

<u>Year</u>	<u>Cash, Temporary Investments, and Long-term Investments</u>	<u>Special Funds</u> ⁽¹⁾
2017	\$219,969	\$208,276
2018 ⁽²⁾	266,324	174,963
2019	231,768	180,015
2020	219,115	179,976
2021	204,754	267,921

Source: The District.

⁽¹⁾ Balance includes construction funds from 2015 bond issuance, funds exhausted in 2018. Balance also includes construction funds from 2021 bond issuance, approximately \$73.5 million of funds remained at December 31, 2021.

⁽²⁾ Reserve resolutions were adopted in 2018 and restructured the reserve categories and balances within those reserves. Some existing funds considered special in 2016 and 2017 including the Tax Fund and Retiree Life Insurance Fund were considered obsolete and were absorbed into non-special funds.

Reserve Policy

The District has several special funds. These funds, which consist of cash, cash equivalents and investments, are restricted for specific purposes, including debt service, debt service reserves, rate stabilization, qualifying capital expenditures, post-employment benefits, FERC license commitments, and other reserve requirements. In June 2018, the District adopted a revised financial reserve policy which made modest changes in the allocation of reserves between special funds and other cash and investments. It is the District's policy to use unrestricted funds prior to using restricted funds except for bond proceeds used for qualifying capital expenditures and funds set aside for debt service payments.

The District adheres to the following policies with respect to the various reserve funds:

- Reserve funds have been structured to enable the District to prudently and consistently meet its financial obligations while allowing for flexible planning in the development and implementation of its capital plan and operations and maintenance budget.
- Reserve funds allow the District to mitigate risks from unforeseen financial variability, thereby minimizing the need for temporary rate surcharges.

- Areas that may warrant reserves include, but are not limited to, power cost variability, capital infrastructure investment, insurance policy retentions or deductibles, legal claims, operating cash flow needs, bond reserve covenant compliance, bond payment sinking requirements, future financial obligations, contingencies for significant known or estimated liabilities, and other areas as determined by the Commission from time to time.

- Levels for cash reserves will be established based on the nature of the risk or situation being managed.

As of December 31, 2021, the Electric System's cash and temporary investments totaled \$204.8 million. Table 13 above shows the Electric System's cash and unrestricted investments in the cash reserve funds, as of December 31 for years 2017 through 2021. The District has established the following cash reserves for the Electric System:

- Operating Reserve: funds set aside to provide adequate working capital for operational liquidity, seasonal revenue and expenditure fluctuations and unforeseen events not addressed by the other reserve funds.

- Sinking Reserve: funds set aside on a calculated schedule in order to meet known, significant, periodic payments.

- Project Reserves: funds that may be utilized to fund projects as approved by the Commission through the adopted District budget, as directed by the Commission or as required to comply with applicable requirements set forth in any resolution related to a series of the District's bonds.

- Contingency Reserve: funds set aside to mitigate the exposure of the Electric System to risk, including natural disasters and water quality issues.

- Bond Debt Service Reserve: funds set aside to fulfill the District's obligation to establish debt service reserve funds to secure series of the District's bonds, to the extent required by a resolution authorizing such bonds.

- Benefit Reserve: funds set aside to meet current and future employee benefit obligations.

Electric System Debt

As of June 1, 2022, the Electric System Bonds were outstanding in the aggregate principal amount of \$375,440,000. See "OUTSTANDING DEBT OF THE ELECTRIC SYSTEM AND GENERATION SYSTEM."

Capital Expenditures

Capital expenditures for the fiscal year 2017 through fiscal year 2021 are presented in the following table.

TABLE 11
Electric System
Capital Expenditures
(\$000s)

<u>Year</u>	<u>Historical</u>	<u>Amount</u>
2017		\$123,714
2018		96,012
2019		113,708
2020		102,239
2021		110,419

Source: The District.

The capital expenditures above include costs incurred in connection with construction of new electrical transmission and distribution lines and substations to serve new customer loads, construction of electrical connections to new customers, and general facilities of the District.

Intersystem Loans

The Electric System and the Generation System periodically enter into loan transactions between the systems for various purposes. As of December 31, 2021, the aggregate outstanding principal amount of Electric System loans to the Generation System was \$34.5 million. See APPENDIX A—“INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020,” Note 6.

In December 2008, the Commission adopted a resolution authorizing the Electric System to loan funds to the Water System from time to time in the maximum aggregate amount of \$10,000,000 at a market rate of interest, to be repaid from either (i) Water System revenue bond proceeds or (ii) revenues of the Water System, on a basis which is junior and subordinate to payment of debt service on Water System bonds, notes or other obligations for borrowed money. No such loans have been made or are currently anticipated by the District.

Financial Plan

As part of its continuing planning efforts, the District prepares a five-year financial plan including projected operating results. Projected operating results are based on forecasts of retail loads, market prices for wholesale energy, District energy resources and energy contracts, and capital and operating expenditures. The District believes the underlying assumptions in the projected operating results are reasonable; however, there will be differences between the actual and forecasted results because events and circumstances frequently do not occur as expected, and these differences may be material. The District tests the sensitivity of its projected operating results to certain factors which it believes could significantly affect its operating results, such as variations in load forecasts, the impact of annual precipitation levels on hydroelectric power generation and the cost of purchased power on the wholesale market.

The District has established financial guidelines developed for the Electric System in connection with a comprehensive financial study. The District has concluded that a minimum debt service coverage ratio of 1.75x on the Electric System Bonds, no more than 40% debt financing of capital improvements, and a minimum of 120 days of non-power operating cash reserve provide a capital structure which will minimize rates and maintain the financial stability of the District.

Load Forecast

The District uses end-use, trend and econometric analysis to prepare its load forecast. The end-use analysis focuses on space heating characteristics and the effects of the District's conservation program. The District's load forecasts include several scenarios of load growth. Trend and econometric analysis are used to predict new customer connections by type (such as single family with electric heating and new apartment complexes with gas heating), with key model inputs including various measures of national and regional economic and demographic data. See "ELECTRIC SYSTEM FINANCIAL INFORMATION—Impacts from the COVID-19 Pandemic—*Load Impact*."

Resource Forecast

The District's resources must meet its expected loads and satisfy regulatory requirements. Resource planning is an ongoing process and documented in the District's adopted IRPs, which are updated every two years. The District currently has resources available and planned to meet its forecasted loads through 2028 after utilizing cost-effective conservation within the service territory. See "ELECTRIC SYSTEM POWER SUPPLY—The District's Future Power Supply Strategy—*District's 2019 Integrated Resource Plan*."

To the extent that such resources are in excess of actual loads, the District will sell its surplus power in the wholesale power market. These sales can produce significant additional revenues to the District. Conversely, to the extent that such resources are not sufficient to meet actual loads, the District will purchase additional power in the wholesale power market. These wholesale market purchases can result in significant additional costs to the Electric System for purchased power. A variety of factors will influence whether the District incurs additional costs or produces additional revenue. Among these factors are: retail load variances as compared to forecast, relative precipitation levels and hydroelectric power generation in the Federal System and at the Jackson Project, seasonal variations in temperature and variations from average temperatures, wind energy variability, population changes, the addition or loss of large single loads of commercial or industrial customers, the price of power in the forward wholesale power market, fuel switching between natural gas and electricity or other sources, interruptions in power deliveries on the regional transmission system and local, regional and national economic conditions.

Because the District receives the majority of its long-term power resource requirements from Bonneville, changes to Bonneville's wholesale power rates can significantly affect the District's purchased power costs. The District's projected financial results include Bonneville's most recent forecast for wholesale power costs. The Power Purchase Agreement with Bonneville provides the ability for Bonneville to adjust their power prices to the District for a variety of reasons, including changes in Bonneville's power production costs and financial results. The Slice product provides the District a variable amount of power generated by Bonneville's resource portfolio and obligates the District to pay a percentage of Bonneville's costs. See "THE ELECTRIC SYSTEM POWER SUPPLY—Bonneville Power Administration—The Bonneville Power Purchase Agreement."

Projected Capital Expenditures

Projected capital expenditures for the years 2022 through 2024 are presented in the following table.

TABLE 12
Electric System
Capital Expenditures
(\$000s)

<u>Year</u>	<u>Projected</u>	<u>Amount</u>
2022		164,167
2023		165,213
2024		136,439

Source: The District.

The District does not commit funds to capital construction projects or future growth until it is clear that forecast loads and new customer connections are likely to develop. The District pays for its capital construction program from four sources: cash reserves, line extension fees, general rates, and bond proceeds.

Projected Financial Results

The District does not, as a matter of course, make public projections as to future sales, earnings, or other results. However, the management of the District has prepared the prospective financial information set forth below to present the forecasted financial results of the Electric System. The accompanying prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the District's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the District. The prospective financial information included herein, and the assumptions, forecasts and projections related thereto are not necessarily indicative of future performance of the Electric System or the District, and the District cannot be responsible if actual results differ from those forecasts. Certain assumptions related to the prospective financial information may be subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular set of facts or circumstances, and prospective purchasers of the 2022A Bonds are cautioned not to place undue reliance upon the prospective financial information, or any assumptions, forecasts or projections related thereto. If actual results are less favorable than the results forecast or projected or if the assumptions used in preparing such forecasts or projections prove to be incorrect, the District's ability to make timely payment of the principal of and interest on all of its obligations, including the 2022A Bonds, may be materially and adversely impaired. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and prospective investors should not place undue reliance on the forecasted information.

The District's independent auditors have not been engaged to compile, examine, or perform any procedures with respect to the District's forecasted financial information, nor have they expressed any opinion or any other form of assurance on such information or its achievability and assume no responsibility for, and disclaim any association with, the forecasted financial information.

In projecting the financial results for the Electric System, the District has made certain assumptions regarding various factors that affect financial performance. Changes in these assumptions can have material effects on the projected financial performance. While numerous factors (or combinations of factors) could affect the District's financial performance, the factors most likely to affect the projections are the impact of annual precipitation levels on hydroelectric power generation in the Federal System, Bonneville power price adjustments, the effect of the distributed generation, conservation response or temperature variations on load forecasts, the cost of purchased power on the wholesale market, and a reallocation of District priorities. Changes to the assumptions regarding these factors could have material effects on the outcome of the District's financial projections. See "ELECTRIC SYSTEM FINANCIAL INFORMATION—Impacts from the COVID-19 Pandemic."

In 2022, the District is continuing to see impacts from the Pandemic. Residential loads continue to remain higher than pre-Pandemic levels due to an increase in the remote workforce. Wholesale power market sales are expected to increase as the availability and price have increased in the market. Climate and social conditions continue to be a focal point in the District's efforts to create a sustainable financial plan.

The 2022, 2023 and 2024 projected financial results were prepared based on the following assumptions: (i) approximately 1% annual increase in retail loads, reflecting modest growth in residential customers and increases in commercial consumption due to recovery from the pandemic, (ii) a projected 3.0% rate increase to offset a forecasted Bonneville wholesale power price increase expected to be effective October 1, 2023, and additional, and 2.0% and 1.5% general retail rate increases projected for April 1, 2023 and 2024, respectively; (iii) increased power purchase costs due to expected wholesale price increases from Bonneville; and (iv) increased operating and maintenance costs, reflecting higher transmission and ancillary services costs, increased labor, materials, and upgrade and maintenance costs for certain District software systems.

The District's financial projections for 2022, 2023 and 2024 assume average water conditions at hydroelectric facilities. The projected financial results can be significantly impacted by wide-ranging actual water conditions.

The following table presents the projected Electric System financial results for the years ending December 31, 2022, 2023 and 2024.

TABLE 13
Electric System
Projected Financial Results
(Average Water Results)
(\$000s)

	2022	2023	2024
Operating Revenues			
Retail Sales of Electric Energy ⁽¹⁾	\$619,977	\$634,888	\$666,249
Wholesale Sales of Electric Energy	50,868	52,251	47,019
Other Operating Revenues	36,622	36,883	31,418
Total Operating Revenues	707,467	724,022	744,686
Operating Expenses			
Purchased Power and Generation ⁽²⁾	322,824	327,223	337,564
Operations and Maintenance ⁽³⁾	246,842	248,054	260,379
Depreciation	59,433	60,919	62,442
Taxes	38,614	39,529	41,448
Total Operating Expenses	667,713	675,725	701,833
Net Operating Income	39,753	48,297	42,854
Other Income	6,740	3,937	3,229
Contributions	32,867	30,628	30,633
Interest Charges	(17,608)	(18,249)	(17,961)
Net Income	61,753	64,613	58,755
Interest Charges	17,608	18,249	17,961
Depreciation	59,433	60,919	62,442
Other	(4,000)	(4,000)	(4,000)
Balance Available for Debt Service	\$134,793	\$139,781	\$135,158
Electric System Bonds Debt Service	\$30,350	\$31,496	\$33,460
Electric System Bonds Debt Service Coverage:	4.4x	4.4x	4.0x

Source: The District.

⁽¹⁾ Retail Sales of Electric Energy reflects a 3.0% projected rate increase effective October 1, 2023 and proposed general retail rate increase of 2.0% and 1.5% effective April 1, 2023 and April 1, 2024 respectively.

⁽²⁾ Changes in purchased power are a reflection of the District's power needs that can vary year to year based on contracts, water production, market volatility and the District's ability to serve its own resource load.

⁽³⁾ Operations and Maintenance costs support the District's daily operation. The fluctuation between years correlates mainly to programmatic planning and capital schedules. In years when capital construction is heavier, the pressure on operations and maintenance is less. This is anticipated to create minor fluctuations in the District's Operations and Maintenance costs.

Sensitivity Analysis

The District tests the sensitivity of the projected numbers by analyzing the impacts of varying hydrological conditions. The projected financial results above are based on average water conditions, which represent hydroelectric production calculated based on historical average water. The District also calculates projected financial results, for planning purposes, on hydrological conditions at the midpoint between critical and average water conditions at hydroelectric facilities. In this scenario of water conditions, the District's operating results could be weaker, as seen in the following table.

TABLE 14
Electric System
Projected Financial Results
(Lower than Average Water Conditions)
(\$000s)

	2022 ⁽¹⁾	2023	2024
Total Operating Revenues	\$711,095	\$726,561	\$748,372
Total Operating Expenses	685,034	689,216	716,703
Net Operating Income (Loss)	26,062	37,345	31,669
Other Income, Interest Charges and Contributions	22,000	16,316	15,901
Net Income	\$48,061	\$53,660	\$47,571
Electric System Bonds Debt Service Coverage	4.0x	4.1x	3.7x

Source: The District.

⁽¹⁾ The District utilizes the assumption of hydrological conditions at the midpoint between critical and average water conditions at hydroelectric facilities for annual budgeting purposes. The 2022 projected results are based on the approved budget.

Impacts from the COVID-19 Pandemic

The rapid spread of COVID-19 across the United States caused the Federal Government to declare a national emergency beginning March 1, 2020, while the global outbreak of COVID-19 was later declared a pandemic (the "Pandemic") by the World Health Organization on March 11, 2020. Within the United States, each state has addressed the public health emergency through restrictions on business, travel and other activity of varying degree and duration, and has allowed businesses to re-open and activities to resume based on that state's approach to the public health emergency.

On March 23, 2020, the Governor issued a statewide "Stay Home, Stay Healthy" proclamation, requiring individuals to stay home except for essential activities, banning social and other gatherings, and closing all businesses with certain exceptions for essential businesses. In June 2021, the Governor announced a reopening of the economy, lifting most government-imposed restrictions on businesses and their operations.

The number of COVID-19 cases within the District's service area, the State, the United States and globally continues to fluctuate, which may result in the reimposition of precautionary measures, that may have an adverse effect on the local, state, national and the global economy.

District Operations Response

In March 2020, the District implemented its Pandemic Response Plan, cancelled the use of facilities for public meetings, closed all offices to the public, and transitioned the office-based workforce to indefinite telecommuting. In April 2022, several District offices began reopening to the public and remote employees

began transitioning back to the office. To assist with the transition, a task force has been assigned to create policies that balance the advantages of telecommuting and onsite work, aiming to provide an optimal future office environment for customers and employees. The District will continue to monitor guidance provided by the U.S. Centers for Disease Control and Prevention and State agencies as the District moves through the reopening process.

In March 2020, the District introduced the Community Support Plan (the “Plan”) to provide needed relief to residential and small business customers impacted by the Pandemic. The Plan includes an indefinite pause on disconnects and late fees, a one-time credit available to qualifying customers of up to \$200 for residential customers and up to \$500 for small business customers, as well as expansion of existing rate discount and payment plan programs. As of March 31, 2022, the District had provided one-time credits to approximately 22,500 customers for a total of \$4.6 million. In January 2022, the District began to phase in disconnects for customers who have not responded to enhanced payment options. At this time, late fees have not yet resumed. The District intends to coordinate its activities while monitoring customer payment activity and the status of the County’s economy to evaluate how best to serve the District’s customers during unprecedented times.

Load Impact

The Stay Home order required temporary closure of several businesses and schools in Snohomish County. Accordingly, the District experienced a slight decrease in commercial and industrial customer usage and an offsetting increase in residential customer usage. After the reopening of the State economy in June 2021, the District’s commercial loads began recovering toward pre-pandemic levels.

The District’s largest customer, The Boeing Company (“Boeing”), accounting for 3.4% of the District’s retail revenue in 2021, shut down its facilities in Everett, Washington for approximately three weeks spanning March and April of 2020 in accordance with the Stay Home order. Boeing resumed operations in April 2020 without a noticeable decline in consumption. However, due to current and expected future changes in Boeing’s production at its Everett facility, the District anticipates reduced consumption in the coming years. In the spring of 2020, Boeing announced layoffs of thousands of employees at the Everett facility and in the Puget Sound region, with several more layoff phases expected. New production lines of the 777x aircraft initially projected for 2020-2023 are now forecast to reach initial production levels in 2025-2027. In July 2020, Boeing announced an end to the production of its 747 jumbo jet by early 2022, as well as intentions to move production of the 787 aircraft from the Everett facility to its South Carolina plant by mid-2021, which has occurred. In light of the above announcements, the District has reduced Boeing’s forecasted consumption from pre-COVID-19 levels by as much as 10%, or \$2 million in annual gross revenue, through 2025.

Financial Impact

The District has not experienced and does not expect significant impacts to revenue from the Pandemic. Approximately 91% of the District’s retail customers are residential, accounting for over 62% of retail revenue in 2021. Due to the high proportion of residential customers in the District territory combined with higher residential rates than commercial and industrial rates, the revenues lost from commercial and industrial customers during the Stay Home order was largely offset by the increase in residential revenues. During the beginning of the Pandemic, several capital and maintenance projects were delayed. The delays experienced were transient and did not have significant impacts to operations. The District has since resumed normal capital and maintenance operations and does not have any outstanding delays related to the Pandemic.

As a result of economic impacts from the Pandemic, the District has seen a significant increase in the aging of its accounts receivable. As of March 31, 2022, the total active customer accounts with receivables over 90 days past due was approximately \$12.5 million, or 17.6% of total accounts receivable, an increase of \$2.7 million from March 31, 2021 at \$9.8 million. The District's Community Support Plan has paused late fees and disconnects for customer accounts with past due balances. However, these aged balances are owed to the District and have not been deemed forgiven or uncollectible. As of March 31, 2022, the provision for doubtful accounts balance was \$15.2 million.

The District is currently experiencing minor impacts on expenses from inflation and a rise in construction costs. In addition, the District continues to monitor and take efforts to mitigate supply chain risks in its continued operations. It implemented an emergency declaration in the fall of 2021 to suspend certain procurement requirements in order to manage the procurement of equipment needed in the day-to-day operations of the water and electric systems. Through these and other efforts to reuse equipment, the District has been able to procure a supply of equipment adequate to maintain operations. However, it is possible that the District will experience shortages and project delays, including delays in certain phases of the District's Advanced Metering Infrastructure projects.

Despite the economic disruption globally and regionally, the District has remained resilient, continuing efforts of cost containment and shifting project priorities to adapt to the unprecedented times brought on from the Pandemic.

The District has provided the information contained in this Official Statement to describe certain of the impacts that the COVID-19 Pandemic and related orders have had on the District's finances and operations, and to describe some of the actions that the District is taking in response. The District cannot predict the duration and extent of the COVID-19 pandemic or any future declarations of a public health emergency or quantify the magnitude of the impact on the global, national, State and regional economy or on the other revenues and expenses of the District. The outbreak of COVID-19 within the District's operating territory is ongoing, and its dynamic nature leads to many uncertainties, including (i) the geographic spread of the virus; (ii) the severity of the disease; (iii) the duration of the outbreak; (iv) additional actions that may be taken by governmental authorities to contain or mitigate the outbreak; (v) the continued development of medical therapeutics or vaccinations and vaccination rates; (vi) travel restrictions; (vii) the impact of the outbreak on the local or global economy; (viii) whether and to what extent the Governor may order additional public health measures; and (ix) the impact of the outbreak and actions taken in response to the outbreak on District revenues, expenses, and financial condition. Prospective investors may consider assuming that the restrictions and limitations instituted related to COVID-19 may be reimposed, and the current uncertainties in the national and global economies, including supply chains, will continue and/or be exacerbated, at least over the near term, and the recovery may be prolonged.

THE GENERATION SYSTEM

General

Pursuant to the Generation System Bond Resolution, the District has established the Generation System, which is financed and accounted for as a system separate from the District's Electric System. The Generation System is currently composed of the Jackson Project, the Youngs Creek Project, the Calligan Creek Project, the Hancock Creek Project and the Woods Creek Project. In the future the District may construct, develop or acquire additional facilities and resources for the generation, transmission or conservation of power and energy as a part of the Generation System or another separate system. The District expects that any new generating resources developed or acquired by the District would become part of the Generation System. See "ELECTRIC SYSTEM POWER SUPPLY—The District's Future Power

Supply Strategy.” Pursuant to the Generation System Bond Resolution, the Electric System pays for all Generation System Power Costs to the extent not paid from other sources.

The Jackson Project

The Jackson Project, located on the Sultan River approximately 24 miles east of the City of Everett (the “City”) in south central Snohomish County, is a hydroelectric project that provides water supply to the City and power for the District. The Jackson Project’s generating facilities comprise two large generating units rated at 47.5 MW each and two small generating units rated at 8.4 MW each, for a total nameplate capacity of 111.8 MW. The power output of the Jackson Project is delivered to the Electric System at a switchyard adjacent to the powerhouse.

The District operates the Jackson Project to produce the optimum amount of electrical energy, subject to specified releases of water into the Sultan River for maintenance of the fishery and diversion of water as necessary into the City’s water system reservoir. An agreement in 1961 and subsequent amendments in 1981, 2007, 2008, 2009, and 2017 set out the rights and duties of the City and District to use water at the Jackson Project. Jackson Project storage is used to capture water during high runoff periods and to provide water during low precipitation periods for stream flows, City water demands and power production. Actual energy production varies substantially throughout the year and from year to year.

The following table shows Jackson Project production for the last 10 years.

TABLE 15
Jackson Project Energy Production

<u>Year</u>	<u>MWh</u>	<u>Annual Precipitation (Inches)</u>	<u>Cost of Energy Produced (cents/kWh)</u>
2021	443,226	183	1.8
2020	486,417	205	1.8
2019	306,344	119	6.7
2018	459,517	154	4.5
2017	453,152	155	4.0
2016	483,805	187	4.8
2015	375,376	135	5.2
2014	519,531	192	3.7
2013	452,063	142	4.6
2012	520,255	169	5.0

Source: The District.

The electrical generation output of the Jackson Project varies annually with the amount and timing of the precipitation received, and their impact on the stream flows feeding the project. Power production is highest in the late fall through late spring periods due to precipitation and snowmelt. This output shape roughly matches the District’s seasonal load pattern. However, requirements to maintain minimum instream flows and technical restrictions limit the Jackson Project’s ability to follow the District’s load within a day. Under critical water conditions based on the lowest water year on record, output for the project is planned at 29.5 aMW or 258,420 MWh. Under normal precipitation and stream flow conditions, the Jackson Project can generate approximately 50 aMW or 434,528 MWh.

FERC License

The District operates the Jackson Project under a 45-year license issued on September 2, 2011 by the FERC. The license generally conforms to the terms of a Settlement Agreement approved by federal,

state and local agencies, the cities of Everett and Sultan, the Tulalip Tribes and American Whitewater that was filed with FERC on October 14, 2009. The District also negotiated a separate settlement agreement with the Tulalip Tribes that covers the proposed license term. The license does not contain conditions that substantially alter the physical characteristics of the Jackson Project or substantially increase the capital costs thereof. The license and settlement agreements require the District to complete certain capital improvement projects, fund habitat preservation and monitor certain functions, the aggregate costs of which are expected to total approximately \$85 million over the 45-year term of the license. The District is continuing to implement all the requirements of its FERC license for the Jackson Project. In addition, the District is currently evaluating the need to apply for and secure National Pollutant Discharge Elimination System (“NPDES”) permits under Section 301 of the Clean Water Act, 33 U.S.C. Section 1251, for its hydroelectric facilities, after some litigation brought by Columbia Riverkeepers against the federal agencies resulted in applications for NPDES permits on the Columbia River system. These permits are not expected to have a material impact on the operation of the Jackson Project.

Endangered Species Issues

Fish listings that may affect Jackson Project operations include Puget Sound Chinook salmon, steelhead, and bull trout. Listed Chinook salmon and steelhead trout spawn and rear throughout the lower Sultan River in the full range of historically accessible areas. Bull trout have a wide geographic range in the Pacific Northwest, with transient sub-populations occasionally using the lower Sultan River to forage for food. Studies are undertaken regularly to determine the status of the populations and any potential impacts of the Jackson Project. While it is unclear how these listings might affect operations, the District already has in place extensive measures to protect fish, including complex flow controls, a minimum flow regime and non-flow measures such as habitat restoration, research, monitoring and evaluation. The Settlement Agreement does not substantially modify the fisheries conditions for the Jackson Project.

The U.S. Fish and Wildlife Service (the “USFWS”) Western Washington field office website indicates that five federally listed wildlife species may occur in Snohomish County. These species are the northern spotted owl, marbled murrelet, gray wolf, grizzly bear and Canada lynx. Designated critical habitat for two of these species, the northern spotted owl and marbled murrelet, is also present in Snohomish County. USFWS also identified four candidate species for listing, the fisher, North American wolverine, yellow-billed cuckoo and Oregon spotted frog, as possibly occurring in Snohomish County. Only the marbled murrelet (federal threatened species) is known to occur within the Jackson Project area. The Jackson Project Terrestrial Resources Management Plan protects and enhances habitat used by this species. Jackson Project operations that might affect this species such as road maintenance and repairs follow State Forest Practice guidelines and the Jackson Project Marbled Murrelet Habitat Protection Plan (“MMHPP”) to protect these species as appropriate. As part of the “ORDER ISSUING NEW LICENSE, September 2, 2011,” FERC approved the MMHPP with a requirement to update it every ten years in consultation with USFWS and the Washington State Department of Fish and Wildlife. The approved MMHPP has resulted in minimal changes to project operations over the subsequent nine years, and consultation with agencies in coming years are not expected to force significant operational costs or changes.

Dam Safety Assessments

In accordance with Chapter 14 of the FERC Engineering guidelines, the Jackson Project is required to hire an independent consultant every five years to review all aspects of the project facilities for safe and reliable continued operation (a Part 12D inspection). In 2021, HDR, the District’s independent consultant, completed the 11th Part-12D inspection in the project’s history. This comprehensive inspection and report includes recommendations for improving the Dam Safety Surveillance and Monitoring Plan, updating the Potential Failure Modes Analysis and Supporting Technical Information Documents, and minor revisions to Operations and Maintenance procedures. HDR concluded: “Based on observations made during the site

visit and a review of the supporting information currently available, the Project is considered to be suitable for continued safe and reliable operation with respect to standards for dam safety and risk for normal operating conditions that are currently accepted by FERC.”

Small Hydroelectric Generation Projects

The District is currently operating and/or evaluating additional renewable and non-greenhouse gas emitting resources, including small hydroelectric generating resources in the surrounding area, to meet future load. The District’s investigation of small hydroelectric projects has focused on projects that the District anticipates will have minimal negative environmental impacts and will be cost effective. See “ELECTRIC SYSTEM POWER SUPPLY—The District’s Future Power Supply Strategy—*District’s 2019 Integrated Resource Plan.*”

Woods Creek Project

The Woods Creek Project is located in Snohomish County, north of the city of Monroe, Washington, and has a nameplate capacity of 0.65 MW. This project is adjacent to Woods Creek, a tributary of the Skykomish River, with the powerhouse located at a natural impassible barrier to anadromous fish. Prior to acquiring this resource, the District had been purchasing the output from this small hydroelectric project since its construction in 1982. The Project received an exemption from FERC licensing in 1982, although the exemption places certain restrictions on the operation of the Woods Creek Project. The District purchased the powerhouse, two residences and 150 acres of land for \$1,600,000 in February 2008 and the appraised value of the land alone exceeded the purchase cost. The annual operation and maintenance costs for this facility are approximately \$250,000.

Youngs Creek Project

The Youngs Creek Project is a FERC-licensed project located on an approximately 23-acre site just south of the city of Sultan, Washington. The District commissioned the Youngs Creek Project and began generating power on October 17, 2011. With a nameplate capacity of 7.5 MW, the powerhouse is located above a natural impassible barrier to anadromous fish on Youngs Creek, a tributary of Elwell Creek. The FERC license expires in April 2042.

Hancock and Calligan Creek Projects

In December 2010, the District acquired the project lands for the Calligan Creek and Hancock Creek Projects, and both filed and received preliminary permits for the projects from FERC in 2011. Both of these Projects are “run-of-the-river” projects located in King County above Snoqualmie Falls, a natural impassible barrier to anadromous fish, and were originally licensed with FERC in 1993. The design and layout of these Projects is similar to that of the Youngs Creek Project. A 401 Water Quality certification was granted by the WDOE, and FERC issued its Environmental Assessment for both projects in December 2014. The District received the 50-year FERC licenses to develop and construct the Calligan Creek Project and the Hancock Creek Project in late June 2015, and the District completed construction and commissioning for the two projects in 2018.

The Hancock Creek Project is located on Hancock Creek, a tributary of the North Fork Snoqualmie River in King County downstream from Lake Hancock. The Hancock Creek Project has a nameplate capacity of 6.0 MW, with expected output of approximately 2.5 aMW during average water year conditions.

The Calligan Creek Project is located on Calligan Creek, a tributary of the North Fork Snoqualmie River in King County downstream from Calligan Lake. The Calligan Creek Project has a nameplate capacity of 6.0 MW, with expected output of approximately 2.4 aMW during average water year conditions.

Biofuel Project

In 2021, the District executed an operating agreement with Qualco Energy Corporation to own and operate a biogas electric generating facility at the Qualco site. The District is working to install a generator, metering, and supporting infrastructure for the project in 2022 with operations expected to begin in August of 2022. Upon completion of the installation, the project's operation costs and associated electricity generation will be included as a part of the District's Generation System. See "ELECTRIC SYSTEM POWER SUPPLY—Long-Term Third-Party Power Purchase Contracts—Qualco Energy Agreement."

Other Projects

The District's review of other generating projects such as pumped storage hydroelectric capacity and biogas thermal energy are more fully described in "ELECTRIC SYSTEM POWER SUPPLY—The District's Future Power Supply Strategy." The District expects that these projects, to the extent they come to fruition, will be included as a part of the Generation System. See "ELECTRIC SYSTEM POWER SUPPLY—Long-Term Third-Party Power Purchase Contracts—Qualco Energy Agreement."

Generation System Net Project and Annual Costs

The Generation System Bond Resolution requires the District to account for the revenues and expenses of the Generation System separately from the Electric System. The District has covenanted to purchase for use in the Electric System all power and energy available from the Generation System. The following table sets forth the annual costs of the Generation System from fiscal year 2017 through fiscal year 2021.

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TABLE 16
Public Utility District No. 1 of Snohomish County, Washington
Generation System Annual Costs
(\$000s)

	Year Ended December 31,				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Jackson Project ⁽¹⁾	\$ 17,993	\$ 20,585	\$ 20,418	\$ 8,584	\$ 7,774
Biofuel Project ⁽²⁾	-	-	-	-	855
Small Hydroelectric Generation Projects ⁽³⁾	2,199	6,222	6,570	6,748	7,813
Net Project Costs ⁽⁴⁾	20,192	26,807	26,988	15,332	16,442
Other Costs ⁽⁵⁾	19,702	15,127	9,462	7,725	7,292
Net Annual Costs ⁽⁶⁾	<u>\$ 39,894</u>	<u>\$ 41,934</u>	<u>\$ 36,450</u>	<u>\$ 23,057</u>	<u>\$ 23,734</u>
Jackson Project Energy Output (MWh) ⁽⁷⁾	453,152	459,517	306,344	486,417	443,226
Biofuel Project Energy Output (MWh) ⁽²⁾	-	-	-	-	-
Small Hydroelectric Generation Projects (MWh) ⁽⁸⁾	18,154	31,052	36,184	62,590	58,153
Other (MWh) ⁽⁹⁾	-	-	7	598	647
Total Energy Output	<u>471,306</u>	<u>490,569</u>	<u>342,535</u>	<u>549,605</u>	<u>502,026</u>
Net Project Costs (\$/MWh) ⁽¹⁰⁾	\$ 43	\$ 55	\$ 79	\$28	\$33
Net Annual Costs (\$/MWh)	\$ 850	\$ 85	\$ 106	\$42	\$47

Source: District Records.

- (1) Intercompany loans were fully repaid by the Jackson Project in November 2019, significantly reducing total operating costs for the project in 2020.
- (2) In 2022, the District is working toward a new operating agreement with Qualco Biofuel to acquire ownership and operations of the project. The costs incurred in 2021 include start-up costs for the transition of the project to District ownership. Generation by the Biofuel plant in 2021 was acquired by the District through its power purchase agreement. District-owned generation is scheduled to begin in 2022.
- (3) Small Hydroelectric Generation Projects costs include costs that are charged to the Electric System from the Woods Creek Project, the Youngs Creek Project, the Hancock Creek Project, and the Calligan Creek Project. See "—Small Hydroelectric Generation Projects."
- (4) Net Project Costs include operating and maintenance, capital, tax and debt service expenditures associated with the project, net of interest and other income, which are charged to the Electric System.
- (5) Other Costs represents debt service expenditures on Generation System Bonds that are not directly related to current Generation System projects.
- (6) Excludes costs incurred by the Generation System for the research of potential renewable resources which were funded by the District's resource reinvestment reserve through 2017.
- (7) Jackson Project energy output varies annually based on the timing of precipitation received in the Sultan River basin.
- (8) Small Hydroelectric Generation Projects output includes output from the Woods Creek Project, the Youngs Creek Project, the Hancock Creek Project, and the Calligan Creek Project. The increase in 2020 and 2021 was due to higher production correlating to snowpack conditions.
- (9) Other includes output from the District's Arlington Microgrid, Community Solar Array Project which began generating in 2019.
- (10) Excludes Other Costs (see Note 4 above). Variations in unit costs per MWh are primarily due to the effects of annual precipitation on generation output.

The Hancock Creek Project and the Calligan Creek Project, as more fully described in “—Hancock Creek and Calligan Creek Projects,” were completed and began operations in 2018, adding approximately \$5 million in combined costs annually. Other than as noted in footnote 1 in the table above, projected annual costs of the Jackson Project are not expected to vary materially from historical results; costs are expected to increase modestly as a result of inflationary pressures on the costs of labor and materials. Energy output for the Jackson Project is expected to vary annually based on the timing of the precipitation in the Sultan River Basin.

Future Generation System Expenditures

Generation System expenditures related to the operations of the Jackson Project, the Youngs Creek Project, the Woods Creek Project, the Qualco biodigester and the Hancock and Calligan Creek Projects consist of operating and maintenance, capital, taxes and debt service costs. These costs are expected to be approximately \$28 million in 2022 due to two large projects at the Jackson Project, however the forecast years of 2023-2025 are expected to be slightly below historical levels, approximately \$26 million annually. Capital expenditures are expected to average between \$2 and \$5 million per year beginning in 2022, with no significant capital projects expected for 2022 through 2025.

The need for new resources and the associated capital requirements are assessed during the IRP planning process.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning the economic and demographic conditions in Snohomish County (the “County”). This information is intended only to provide prospective investors with general information regarding the community. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The information presented was obtained from the sources indicated, and the District and the Underwriters make no representation as to the accuracy or completeness of the data obtained from parties other than the District.

Snohomish County (the “County”) encompasses a land area of approximately 2,100 square miles in northwestern Washington. The County extends from Puget Sound to the crest of the Cascade Mountain range 70 miles to the east. The County includes a significant portion of the Puget Sound metropolitan area and is the third most populated county in Washington State, after King and Pierce Counties. As shown in the following table, since 2016, the County’s population has grown 8.4% and the City of Everett’s population has grown 3.7%.

**TABLE 17
POPULATION ESTIMATES**

Year	Snohomish County	City of Everett
2021	837,800	112,300
2020	830,500	112,700
2019	818,700	111,800
2018	805,120	111,200
2017	789,400	109,800
2016	772,860	108,300

Source: Washington State Office of Financial Management, as of November 30, 2021.

Industry, Real Property and Employment. The County’s economy is an urban-rural mix. Agriculture and logging predominate in the northern and eastern regions of the County while a high

technology, urban job market predominates in the City of Everett and the southern part of the County. While forestry and wood products manufacturing are important industries locally, the economic base of the County has expanded due to diversification into major industries, including aircraft production, high technology, biotechnology, electronics and electrical equipment manufacturing.

The County has recently experienced an increase in housing prices but a decrease in closed sales. According to Northwest Multiple Listing Services, closed sales for houses and condos in the County decreased from 1,469 closed sales in May 2021 to 1,394 in May 2022 and the median selling price for houses increased by approximately 19.51% from \$655,000 to \$782,000 for the same period.

The Boeing Company remains the County's largest employer, with an estimated 27,700 workers in the County as of 2021. Boeing established an airplane manufacturing plant at the south end of the City of Everett in 1966. The plant was built to assemble wide-bodied 747 aircraft. In 1980 the plant was expanded for production of the new-generation 767 wide-body twin jet, and in the early 1990s Boeing completed a \$1.5 billion expansion project to accommodate 777 aircraft production. Located adjacent to the Snohomish County Airport ("Paine Field"), the complex presently includes the world's largest volume building with 472 million cubic feet together with nine office buildings and one 500,000 square foot supply building. As of 2018, Boeing employed approximately 69,813 in Washington State. On March 13, 2019, the Federal Aviation Administration ordered the grounding of Boeing's 737 MAX aircraft operated by U.S. airlines or in U.S. territory. In November 2020 the FAA permitted the resumption of flight operations by the 737 MAX, but several foreign countries have maintained the grounding order. The 737 MAX is manufactured in Boeing's Renton, Washington manufacturing facility. The District does not expect the grounding of the 737 MAX to have a material adverse effect on Revenues or the District.

Due to the Pandemic, Boeing shut down its Everett, Washington facilities on March 23, 2020 and resumed operations on April 20, 2020. In July 2020, Boeing announced an end to the production of its 747 jumbo jet at the Everett Facility and in October announced its plans to move production of the 787 aircraft from the Everett facility to its South Carolina plant by mid-2021, which has occurred. Boeing announced it had cut approximately 10,500 jobs in the State, with more reductions likely and concentrated at the Everett facilities, due to the Pandemic and the associated decrease in air travel and demand. See "ELECTRIC SYSTEM FINANCIAL INFORMATION—Impacts from the COVID-19 Pandemic."

In March 2019, a new two-gate commercial passenger terminal opened at Paine Field, which is located near the City of Everett. Alaska Air Group and United Airlines were operating approximately 24 commercial passenger service flights per day at Paine Field before the Pandemic began. Due to the Pandemic, Paine Field announced a temporary pause of flights on May 22, 2020 for 10 weeks. Flights resumed on August 1, 2020 with a reduced schedule of three flights per day, and continues to operate on a reduced schedule. See "ELECTRIC SYSTEM FINANCIAL INFORMATION—Impacts from the COVID-19 Pandemic."

The U.S. Navy operates a homeport for several naval vessels in the City of Everett. Naval Station Everett is home to five destroyers and two Coast Guard cutters. Naval Station Everett employed a total of approximately 4,300 military and civilian personnel as of 2021.

Economic Indicators. Following are economic indicators for Snohomish County and the City of Everett. The major employers in the County are shown on the following table:

TABLE 18
MAJOR EMPLOYERS IN SNOHOMISH COUNTY (2021)

Employer	Product/Business	2021 Estimated Employment⁽¹⁾
The Boeing Company	Aircraft manufacturing	27,700
Providence Regional Medical Center	Medical services	7,350
The Everett Clinic	Health care	6,951
Naval Station Everett	U.S. Navy Base	4,300
The Tulalip Tribes	Gaming, real estate, government services	3,413
State of Washington	State government	3,319
Snohomish County Government	County government	2,877
Edmonds School District	School district	2,850
Everett Public Schools	School district	2,533
Mukilteo School District	School district	2,500
Albertsons / Safeway (25 locations)	Retail - grocery	2,322
Walmart (8 locations)	Retail	2,200
Premiera Blue Cross	Health insurer	2,175
Swedish Medical Center Edmonds campus	Health care	2,026
Kroger (Fred Meyer / QFC) (19 locations)	Retail - grocery	1,764
Marysville School District	School district	1,600
U.S. Federal Government	Government, federal	1,468
Philips Healthcare	Ultrasound technology	1,387
Seagen	Biotechnology	1,200
Fluke Corp (Fortive)	Electronic testing	960

Sources: Economic Alliance Snohomish County.

TABLE 19
SNOHOMISH COUNTY AND CITY OF EVERETT
TAXABLE RETAIL SALES

Year	Snohomish County	City of Everett
2020 ⁽¹⁾	\$ 17,079,322,746	\$ 3,661,836,922
2019	16,861,829,385	3,177,978,369
2018	15,673,269,688	3,011,204,938
2017	14,509,899,633	2,934,305,078
2016	13,618,314,632	2,803,484,518
2015	12,641,937,656	2,704,459,177

Source: Washington State Department of Revenue.

⁽¹⁾ Most recent data available.

TABLE 20
ASSESSED VALUATION OF SNOHOMISH COUNTY

Collection Year	Valuation
2022	\$ 170,299,965,640
2021	154,392,389,464
2020	145,174,737,279
2019	132,827,352,255
2018	118,417,725,917
2017	105,036,086,924

Source: Snohomish County Assessor's Office.

TABLE 21
SNOHOMISH COUNTY PERSONAL AND PER CAPITA INCOME

Year	Personal Income (\$000s)	Per Capita Income
2020 ⁽¹⁾	\$ 51,706,431	\$ 62,267
2019	47,617,430	57,900
2018	44,722,291	54,934
2017	41,661,895	51,879
2016	39,370,989	49,970
2015	37,185,038	48,291

Source: U.S. Bureau of Economic Analysis.

⁽¹⁾ Most recent data available.

TABLE 22
SNOHOMISH COUNTY EMPLOYMENT DATA

	Annual Averages					
	2022 ⁽¹⁾	2021 ⁽²⁾	2020	2019	2018	2017
Civilian Labor Force	450,761	448,535	440,196	439,464	430,814	423,819
Employed	437,535	420,472	402,101	426,100	415,930	407,363
Unemployed	13,226	28,063	38,095	13,364	14,884	16,456
County Unemployment Rate	2.9%	6.3%	5.2%	3.0%	3.5%	3.9%

Source: Washington State Employment Security Department, Labor Market and Economic Analysis Branch.

⁽¹⁾ Preliminary, as of March 2022.

⁽²⁾ Average through October 2021.

TABLE 23
SNOHOMISH COUNTY NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

NAICS Industry Title	Annual Averages					
	2022 ⁽¹⁾	2021	2020	2019	2018	2017
Goods Producing						
Mining, Logging, and Construction	27,400	25,000	23,400	24,400	24,200	22,700
Manufacturing	50,400	51,800	56,800	60,600	58,500	58,700
Total ⁽²⁾	77,800	76,800	80,200	84,900	82,700	81,400
Services Providing						
Trade, Transportation and Utilities	53,300	47,700	47,000	48,900	48,400	48,200
Information	3,300	4,000	3,800	4,600	5,200	5,700
Financial Activities	13,400	13,300	13,600	13,100	13,000	12,800
Professional and Business Services	26,800	29,800	28,300	29,300	28,500	27,900
Education and Health Services	39,100	35,900	34,900	36,500	35,600	34,700
Leisure and Hospitality	26,100	20,400	22,000	27,000	26,500	26,100
Other Services	10,500	10,500	10,400	10,800	10,300	10,300
Government	39,300	36,700	37,800	40,400	40,000	40,000
Total ⁽²⁾	211,800	198,200	197,700	210,600	207,400	205,600
Total Nonfarm ⁽²⁾	289,600	275,000	277,900	295,600	290,100	287,100

Source: Washington State Employment Security Department, Labor Market and Economic Analysis Branch.

⁽¹⁾ Preliminary, as of March 2022.

⁽²⁾ Totals may not add due to rounding.

TABLE 24
SNOHOMISH COUNTY NUMBER OF HOUSING UNITS BY STRUCTURE TYPE

	Total Housing Units		One Unit Structures		Two or More Unit Structures		Mobile Homes, Trailers, Special Units	
	2020	2021	2020	2021	2020	2021	2020	2021
City of Everett	47,198	48,219	22,103	22,169	23,933	24,887	1,162	1,163
Other Incorporated	184,333	188,042	112,816	113,942	65,588	68,169	5,929	5,931
Unincorporated	137,094	138,681	98,915	99,639	24,482	25,368	13,697	13,674
Snohomish County	321,427	326,723	211,731	213,581	90,070	93,537	19,626	19,605

Source: Washington State Office of Financial Management.
Note: Numbers are shown as of April 1, 2020 and April 1, 2021.

DEVELOPMENTS AFFECTING THE ELECTRIC UTILITY INDUSTRY

General

The electric utility industry in the United States is in a period of significant change, resulting in part from actions taken by legislative and regulatory bodies at the national, regional and state levels. Legislative and regulatory actions have fostered, among other things, increased wholesale competition and, in some states, competition at a retail level, as well as “open access” for certain transmission facilities. The industry also is being affected by a variety of other factors that can have an impact on the financial condition of electric utilities, including without limitation the following: (1) the effects of increased competition in certain sectors of the industry, including in the wholesale power markets; (2) changes in the availability and cost of fuels, including natural gas; (3) changes in the availability of and demand for power generally, as a result of economic, demographic, regulatory, weather and other factors; (4) climate change; (5) reliability standards; and (6) the costs and operational impacts of endangered species, environmental, safety, licensing and other federal, state and local laws and regulations.

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. Consequently, there is no assurance that the facilities operated by the District will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental or regulatory standards could result in reduced operating levels or the shutdown of facilities not in compliance.

The District cannot predict whether additional legislation or rules will be enacted which will affect the operations of the District, and if such laws or rules are enacted, what the costs to the District might be in the future because of such action.

The electric utility industry is also subject to changes in technologies. Recent and continuing advances in electrical generation may render electrical generation on a smaller scale more feasible or make alternative forms of generation more or less economic. Such technology would provide certain purchasers of the power generated by the District’s facilities with the ability to generate increased portions of their own electrical power needs and reduce the market price for power provided by the District. The District cannot predict the timing of the development or availability of such technologies and the ultimate impact they would have on the Revenues of the Consolidated System.

The District cannot predict what effects such factors will have on its operations and financial condition, but the effects could be significant. Extensive information on the electric utility industry is available from the various regulatory bodies and other sources in the public domain.

Infectious Disease Outbreak

The financial and operating condition of the District, including the District's ability to collect Revenues, may be materially affected by a national or localized outbreak of an infectious disease, such as the COVID-19 Pandemic, or other highly contagious or epidemic diseases (an "Outbreak").

As described above in "THE DISTRICT—Impacts from the COVID-19 Pandemic" in connection with the COVID-19 Pandemic, the District has a policy in place to address the Pandemic, including protocols to maintain essential staffing and services and to coordinate the District's response with other agencies.

Despite the policies of the District and the existence of governmental aid programs, there can be no assurances that an Outbreak, including the COVID-19 Pandemic, will not materially affect the regional economy of the District or the national or global economies and, accordingly, materially adversely affect the financial or operating condition of the District, including the District's collection of Revenues.

The District cannot predict (i) the duration or extent of the COVID-19 Pandemic or of other Outbreaks; (ii) the scope, duration or effect on the District of government restrictions related to commercial or other activity by businesses and individuals; (iii) whether and to what extent the COVID-19 Pandemic or other Outbreaks may disrupt the local or global economy or financial markets, or whether any such disruption may adversely affect the District's activities; or (iv) whether any of the foregoing may have a material adverse effect on the finances and operations of the District, including, without limitation, the ability to collect Revenues and meet its debt service obligations, changes to pension contribution rates and other budgetary considerations.

Cybersecurity

Cyberattacks continue to become more sophisticated and are increasingly capable of impacting control systems and components. To mitigate this threat, the District maintains layered cyber defenses consisting of policies, procedures, training, and technical controls to protect the reliability of systems, mitigate intrusions, and plan for business continuity and data recovery. The District also has insurance covering cyber events, see "THE DISTRICT—Insurance." These defenses conform to North American Electric Reliability Corporation Critical Infrastructure Protection Standards and best practices. While the threat of a cyberattack can never be completely eliminated, the District maintains a strong cybersecurity program to enhance cyberdefense and resilience, protecting critical infrastructure, information networks, and the data the District possesses and transmits. Notwithstanding these and other cybersecurity measures, a cybersecurity breach could damage District systems and cause material disruption to operations and services. The cost to remedy such damage or protect against future attacks could be substantial. Security breaches could expose the District to litigation and other legal risks, which could cause the District to incur significant costs related to the claims.

Natural Disaster and Climate Change

The District is located in a seismically active region. The Puget Sound region has experienced a number of major earthquakes. There have been four major earthquakes in the last 50 years, the most recent in 2001. The 2001 earthquake reportedly caused more than \$2 billion in damage in the region but caused minimal damage within the District's service area and to District facilities. The largest known earthquake

in the region reportedly occurred in approximately 1700 and is estimated to have been of a magnitude 9.0 or greater. Such an earthquake could cause areas of liquefaction and landslide and could cause extensive and even catastrophic damage within the District's service area, including District facilities. Earthquakes of that magnitude are reportedly estimated to occur in the region every 400 to 600 years, according to the Pacific Northwest Seismic Network. Such an earthquake along the Washington coast or elsewhere in the Pacific rim could result in a major tsunami, which in turn could cause additional and extensive damage to areas within the District's service area adjacent to Puget Sound. The District has insurance covering earthquakes, see "THE DISTRICT—Insurance." The State has experienced various other natural disasters, including wildfires, mudslides, floods, droughts, windstorms and volcanic eruptions (Mt. St. Helens in 1980).

Climate change may intensify and increase the frequency of extreme weather events, such as drought, wildfires, floods and heat waves, as well as effect the timing of runoff. Although the territory comprising the District does not have a history of significant wildfires, regions in the Pacific Northwest that historically did not experience large or frequent wildfires have begun to experience wildfires, or are experiencing larger or more frequent, wildfires. The District has a preliminary wildfire mitigation plan, developed with a consultant, that includes such components as mapping for risk and magnitude of potential damage, operational protocols to limit risk during high risk periods, construction standard modifications, training, and vegetation management enhancements.

The District cannot predict the timing, extent, or severity of climate change impacts or their effect on the District's operations and finances, and there can be no assurances that such effects will not be material or adverse. Under Washington law, any person, firm, or corporation may be liable if it negligently creates or allows extreme fire hazards to exist and which hazards contribute to the spread of fires.

Physical Security

Certain physical security concerns present a risk to the District's facilities, such as sabotage, terrorist attacks and other crime. The District relies on comprehensive security systems and measures to ensure critical assets are protected. Many of these security measures are required by federal law due to the nature of the District's facilities, specifically its hydroelectric facilities. The District has carefully implemented a number of integrated security measures, including but not limited to, strategically placed security cameras, electronic access control, security lighting, restricted access areas, perimeter intrusion alarms, 24/7 monitoring, fencing, signage, policies, procedures and employee training programs.

LIMITATIONS ON REMEDIES; BANKRUPTCY

Limitations on Remedies

Any remedies available to the owners of the 2022A Bonds upon the occurrence of an event of default under the Electric System Bond Resolution are in many respects dependent upon judicial actions that are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the District fails to comply with its covenants under the Electric System Bond Resolution or to pay principal of or interest on the 2022A Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the 2022A Bonds.

In addition to the limitations on remedies contained in the Electric System Bond Resolution, the rights and obligations under the 2022A Bonds and the Electric System Bond Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinion to be delivered by Orrick, Herrington & Sutcliffe

LLP, as Bond Counsel (“Bond Counsel”) to the District, concurrently with the issuance of the 2022A Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors’ rights. The various other legal opinions to be delivered concurrently with the issuance of the 2022A Bonds will be similarly qualified. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D.

Bankruptcy

A municipality such as the District must be specifically authorized under state law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the “Bankruptcy Code”). While an involuntary bankruptcy petition cannot be filed against the District, the District may be authorized to file for bankruptcy under certain circumstances. Should the District file for bankruptcy, there could be adverse effects on the holders of the 2022A Bonds.

To the extent that the Revenues are “special revenues” under the Bankruptcy Code, then Revenues collected after the date of the bankruptcy filing should secure the District’s obligations under the Electric System Bond Resolution and the 2022A Bonds. “Special revenues” are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. No assurance can be given that a court would hold that any or all Revenues are special revenues. In a case arising from the insolvency proceedings of Puerto Rico, the United States Court of Appeals for the First Circuit concluded that while a debtor has the right to voluntarily apply special revenues to the payment of debt service during the pendency of a bankruptcy case, the debtor is not obligated to do so, even though the special revenues are subject to the lien of the bond documents.

If any of the Revenues are determined not to be special revenues, then any such amounts collected after the commencement of the bankruptcy case will likely not secure the District’s obligations under the Electric System Bond Resolution or the 2022A Bonds. The holders of the 2022A Bonds may not be able to assert a claim against any property of the District other than the Revenues, and if any or all of the Revenues no longer secure the Electric System Bond Resolution and 2022A Bonds, then there may be limited, if any, funds from which the holders of the 2022A Bonds are entitled to be paid.

The Bankruptcy Code provides that “special revenues” can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear precisely which expenses would constitute necessary operating expenses and the definition of “Operating Expenses” in the Electric System Bond Resolution may not be controlling.

If the District is in bankruptcy, the parties (including the Trustee and the holders of the 2022A Bonds) may be prohibited from taking any action to collect any amount from the District or to enforce any obligation of the District, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the 2022A Bonds from funds in the Trustee’s possession. The rate covenant (see “SECURITY FOR THE 2022A BONDS—Rates and Charges”) may not be enforceable in bankruptcy by the holders of the 2022A Bonds.

The District is permitted to commingle the Revenues with its own funds for certain periods of time before turning over the Revenues to the Trustee. See “SECURITY FOR THE 2022A BONDS—Flow of Funds.” If the District goes into bankruptcy, the District may not be required to turn over to the Trustee any Revenues that are in its possession at the time of the bankruptcy filing and have been commingled with other moneys. If the District has possession of Revenues (whether collected before or after commencement of the bankruptcy) and if the District does not voluntarily turn over such Revenues to the Trustee, it is not entirely clear what procedures the holders of the 2022A Bonds would have to follow to attempt to obtain

possession of such Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. The United States Court of Appeals for the First Circuit, in another case involving the insolvency proceedings of Puerto Rico, concluded that a bankruptcy court does not have the power order a debtor to comply with state law.

The District may be able to borrow additional money that is secured by a lien on any of its property (including the Revenues), which lien could have priority over the lien of the Electric System Bond Resolution, or to cause some of the Revenues to be released to it, free and clear of lien of the Electric System Bond Resolution, in each case as long as the bankruptcy court determines that the rights of the Trustee and the holders of the 2022A Bonds will be adequately protected.

If the District is in bankruptcy it may be able, without the consent and over the objection of the holders of the 2022A Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Electric System Bond Resolution and the 2022A Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2022A Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the 2022A Bonds or result in losses to the holders of the 2022A Bonds. Regardless of any specific adverse determinations in a District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2022A Bonds.

The District may invest the Revenues in the State of Washington Local Government Investment Pool. Should those investments suffer any losses, the District may have insufficient funds to make payments on the 2022A Bonds.

INITIATIVE AND REFERENDUM

Under the State Constitution, the voters of Washington State, the voters of the State have the ability to propose referenda to modify, approve, or reject all or a part of recently enacted legislation or propose ballot initiatives to initiate legislation directly. Referenda can be required on recently-enacted legislation through a petition of the voters, or a referendum on new legislation may be required by the Legislature itself. Initiatives are new legislation proposed to the Legislature or for voter approval by petition of the voters. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least eight percent (initiative) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. The State Constitution may not be amended by initiative or referendum. Any initiative or referendum approved by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the relevant statute is subject to amendment or repeal by the Legislature by a simple majority vote.

Tax and fee initiative measures may be filed in the future, but it cannot be predicted whether any such initiative might gain sufficient signatures to qualify for submission to the Legislature and/or the voters or, if submitted, would ultimately be approved.

SECONDARY MARKET AND PRICES

It has been the practice of the Underwriters to maintain a secondary market in municipal securities that it sells. The Underwriters presently intends to engage in secondary market trading of the 2022A Bonds, subject to applicable securities laws. However, the Underwriters are not obligated to engage in secondary

trading or to repurchase any of the 2022A Bonds at the request of the Registered Owners thereof. No assurance can be given that a secondary market for the 2022A Bonds will be available and no assurance can be given that the initial offering prices for the 2022A Bonds will continue for any period of time.

LITIGATION

No Litigation Affecting the 2022A Bonds

There is no litigation now pending or threatened restraining or enjoining the issuance and delivery of the 2022A Bonds or the power and authority of the District to impose, prescribe or collect rates or charges for the services of the Electric System or the Generation System, or in any manner questioning the power and the authority of the District to impose, prescribe or collect such rates or charges or issue and deliver the 2022A Bonds or affecting the validity of the 2022A Bonds.

Other Litigation

The District is a party to a number of lawsuits and claims arising out of its normal course of business, but the District does not believe any of such litigation will have a material adverse effect upon the District.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2022A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the 2022A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the 2022A Bonds is less than the amount to be paid at maturity of such 2022A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2022A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2022A Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the 2022A Bonds is the first price at which a substantial amount of such maturity of the 2022A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2022A Bonds accrues daily over the term to maturity of such 2022A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2022A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2022A Bonds. Beneficial Owners of the 2022A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2022A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2022A Bonds in the original offering to the public at the first price at which a substantial amount of such 2022A Bonds is sold to the public.

2022A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will

be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2022A Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2022A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2022A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2022A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2022A Bonds may adversely affect the value of, or the tax status of interest on, the 2022A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2022A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2022A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2022A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2022A Bonds. Prospective purchasers of the 2022A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2022A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2022A Bonds ends with the issuance of the 2022A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the 2022A Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit

examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2022A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2022A Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the 2022A Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of 2022A Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the 2022A Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2022A Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

CONTINUING DISCLOSURE

The District will covenant for the benefit of Owners and Beneficial Owners of the 2022A Bonds to provide certain financial information and operating data relating to the Electric System (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (which fiscal year currently ends on December 31), commencing with the Annual Report for the fiscal year ended December 31, 2022, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notices of listed events is set forth in APPENDIX—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants will be made in order to assist the Underwriters for the 2022A Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission, promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”).

RATINGS

Moody’s Investors Service, Inc. and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, have assigned their ratings of “[_],” and “[_],” respectively, to the 2022A Bonds. Such ratings reflect only the views of the respective rating agency and are not a recommendation to buy, sell or hold the 2022A Bonds. An explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. The District has furnished to each rating agency certain information and materials with respect to the 2022A Bonds. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings that have been assigned to the 2022A Bonds will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agencies if, in the judgment of the rating agencies, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the 2022A Bonds.

UNDERWRITING

Citigroup Global Markets Inc. and RBC Capital Markets, LLC (the “Underwriter”) has agreed, subject to certain conditions, to purchase the 2022A Bonds from the District at an aggregate purchase price of \$_____, representing the aggregate principal amount of the 2022A Bonds, plus [net] original issue premium/discount of \$_____ less Underwriters’ discount of \$_____. The Underwriters’ obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all 2022A Bonds if any such 2022A Bonds are purchased.

Citigroup Global Markets Inc., as one of the Underwriters of the 2022A Bonds, has provided the information in the following two paragraphs for inclusion in this Official Statement. The District cannot and does not make any representation as to its accuracy or completeness.

The 2022A Bonds may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the 2022A Bonds into unit investment trusts or money market funds, certain of which may be managed or sponsored by the Underwriters, at prices lower than the public offering prices. In connection with the offering of the 2022A Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the 2022A Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Citigroup Global Markets Inc., as the Underwriters of the 2022A Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts with respect to the 2022A Bonds.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact. No representation is made that any of such estimates will be realized. The descriptions contained in this Official Statement of the 2022A Bonds, the Electric System Bond Resolution, and certain legislation do not purport to be complete and are qualified in their entirety by reference to the respective documents and laws. Copies of the Electric System Bond Resolution are available at the offices of the District. The execution and delivery of this Official Statement by its Treasurer has been duly authorized by the District.

Conflicts. Certain of the fees of the Underwriters, Bond Counsel and Underwriters’ Counsel are contingent upon the sale of the 2022A Bonds. From time to time Bond Counsel may serve as counsel to the Underwriters with respect to transactions other than the issuance of the 2022A Bonds.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC has acted as financial advisor to the District in connection with the issuance of the 2022A Bonds.

CERTAIN LEGAL MATTERS

The validity of the 2022A Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. A complete copy of the proposed

form of Bond Counsel opinion is contained in Appendix D. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, will provide certain legal services for the District. Certain legal matters in connection with the issuance of the 2022A Bonds will be passed upon for the District by Anne Spangler, General Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Garvey, P.C. Any opinion of Foster Garvey, P.C. will be addressed solely to the Underwriters and may not be relied upon by owners of the 2022A Bonds.

This Official Statement is not to be construed as a contract with the owners of any of the 2022A Bonds.

**PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON**

Treasurer

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Independent Auditors' Report



Report of Independent Auditors

The Board of Commissioners
Public Utility District No. 1 of Snohomish County
Everett, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Public Utility District No.1 of Snohomish County, Washington (the "District"), which comprise the District's combined and individual statements of net position, and the related combined and individual statements of revenues, expenses and changes in net position and cash flows of the Electric, Generation, and Water Systems, as of and for the year ended December 31, 2021, and the District's combined statements as of and for the year ended December 31, 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the combined financial position of the District as of December 31, 2021 and 2020, and the individual financial positions of the Electric, Generation, and Water Systems as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, schedule of proportionate share of the net pension liability – PERS, schedule of employer contributions – PERS, and schedule of changes in total other post-employment benefits (OPEB) liability and related ratios, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules of Electric System – statements of revenues, expenses, and debt service coverage, Electric System – revenue and statistical data, and Water System – statements of revenues, expenses, debt service coverage, and statistical data are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Everett, Washington
April 4, 2022

Management's Discussion and Analysis (Unaudited)

The following discussion provides an overview of *Public Utility District No. 1 of Snohomish County* (the PUD) financial activities for the years ended December 31, 2021 and 2020. This unaudited discussion is designed to be used in conjunction with the financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

Combined Operating Results

The PUD's combined net operating income for 2021 was \$73 million, a \$30 million increase from \$43 million in 2020. Combined net income increased from \$65 million in 2020 to \$93 million in 2021. This was a 43.1% increase. The increase in net income was primarily due to recording a \$43 million decrease in net pension expenses as required by *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions*. GASB 68 requires participants in group funded plans to record their portion of assets or liabilities as Other Post-Employment Benefits (OPEB) on their financial statements. (See Footnote No. 7).

Combined net income decreased from \$82 million in 2019 to \$65 million in 2020. The decrease was primarily due to lower interest and investment income, lower grant revenue, lower capital contributions, and asset write-offs in 2020. The decreased capital contributions reflected slower real estate development activity due to the COVID-19 pandemic.

The average number of Electric System customers increased from 361,076 in 2020 to 367,096 in 2021, resulting in a 1.7% increase in 2021 and 2020. New electric service connections were 5,934 in 2021, the highest recorded at the PUD, compared to 5,638 in 2020, and 4,339 in 2019. The increase in 2021 was primarily due to an increase in new connections in residential units. The average number of Water System customers increased 2.8% from 22,161 in 2020 to 22,774 in 2021, following a 2.4% increase from 2019 to 2020.

Retail MWh sales increased 2.2% from 6,452,632 MWh in 2020 to 6,593,771 MWh in 2021, compared to a 0.7% increase from 2019 to 2020. The increase was primarily caused by a 1.7% increase in residential MWh sales and a 2.6% increase in commercial and industrial MWh sales in 2021.

Combined retail sales were \$647 million in 2021, higher than the \$621 million in 2020 and \$627 million in 2019. This was primarily the result of an increase of \$26 million in residential and commercial retail energy sales. The decrease in 2020 as compared to 2019 is primarily due to a decrease of \$16 million in commercial and industrial energy sales which was offset by an increase of \$12 million in residential energy sales. There were no Electric or Water System rate increases in the last three years.

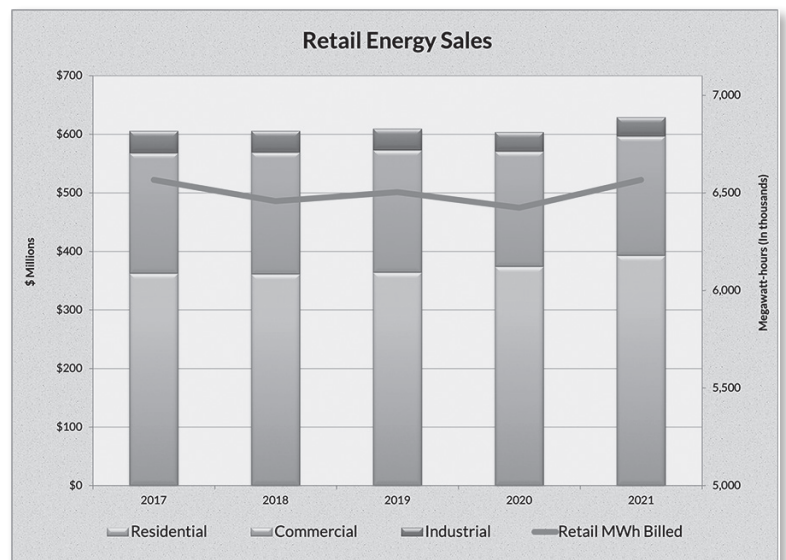


Figure 1

The PUD sells surplus power into the wholesale power markets to balance resources with customer loads. Combined wholesale revenue was \$43 million in 2021 compared to \$39 million in 2020 and \$30 million in 2019. The volume of excess power available to be sold in the wholesale market decreased 27% in 2021. This caused wholesale prices to increase, which contributed to the PUD's \$4 million increase in wholesale revenue from 2020. The Electric System sold \$11 million of excess transmission capacity in 2021 and \$13 million in 2020. Combined other operating revenue was consistent between 2021 and 2020 at \$33 million.

Combined operating expenses were \$650 million in 2021. These expenses include \$311 million in combined purchased power costs, an increase of \$22 million from the prior year. This increase was driven by extreme heat in June 2021 and cold weather in December 2021. In total, combined operating expenses declined from \$222 million in 2020 to \$194 million in 2021, driven primarily by the \$43 million decrease in expenses related to the PUD's net pension obligation. This decrease was partially offset by increases in bad debt and other costs associated with the COVID-19 Community Support Program. Combined maintenance costs were \$12 million higher in 2021 due to several storms throughout the year.

Combined operating expenses were \$650 million in 2020, \$7 million higher than the \$643 million spent in 2019, a 1.0% increase following a 2.4% increase in 2019. The increase in 2020 was driven primarily by a \$29 million increase in operation and maintenance costs. This was partially offset by a \$24 million decrease in purchased power in 2020.

Combined operations expenses increased \$25 million from \$197 million in 2019 to \$222 million in 2020. The higher 2020 operation and maintenance cost was primarily due to the increase in the write off of bad debt, additional costs of personal protection equipment, and the costs associated with the COVID-19 Community Support program. Combined maintenance costs were \$27 million in 2019, compared to \$30 million in 2020. In January and February 2020, the PUD service area experienced several powerful storms, causing over \$2 million in restoration costs.

During 2021, the PUD's income from investing activities decreased to \$4.2 million as compared to \$7.7 million in 2020, consistent with the financial market indices. This was a 45.0% decrease compared to a 36.0% increase in 2020. The cash reserve portfolio is invested in securities and deposits authorized by Washington state statute. The portfolio is managed to reflect the PUD's current risk profile and other cash reserve policies and regulatory requirements.

Capital contributions remained unchanged at \$34 million in 2021 when compared to 2020 and decreased \$7 million in 2020 from \$42 million in 2019, reflecting a downturn in the economy and slower real estate development activities. This was a 17.0% decrease in 2020 compared to a 40.0% increase in 2019.

ELECTRIC SYSTEM

Electric System Rates

General Rates

The last electric general rate increase of 2.9% was approved by the PUD Board of Commissioners effective April 1, 2017. The PUD did not implement a general rate increase from 2018 to 2021.

Bonneville Power Administration (BPA) Rates

BPA markets wholesale electricity generated from the federally owned hydroelectric projects in the Columbia River basin and one non-federal nuclear power plant. BPA provides approximately 80% of the energy resources used by the PUD to serve its customers. Power purchases from BPA were \$236 million in 2021 and \$230 million in 2020, respectively. As a response to provide relief due to COVID-19, BPA suspended its financial reserves surcharge through September 2021.

BPA passes its costs of power, transmission, and ancillary services to customers through its wholesale rates. These wholesale rates are reviewed biannually and adjusted on October 1. Subject to approval by the Board of Commissioners, the PUD adjusts retail electric rates to reflect BPA rate adjustments. As a result of the increased cost of power and transmission purchases from BPA, the PUD's Board of Commissioners increased retail power rates 0.54% to match the higher costs effective October 1, 2021.

Capital Investments – Customer Growth

The PUD makes significant investments in capital programs each year to maintain, expand, and enhance its electric distribution system. The number of customers continues to grow in the PUD's service area. The need for electric distribution infrastructure and facilities to serve customers and assure reliability is expected to continue. Electric System capital expenditures were \$110 million in 2021 and \$130 million in 2020.

Key projects in 2021 included completion of the new Twin City substation. This project serves new or growing customer loads in the Stanwood area of north Snohomish County. Other significant work included transformer replacements completed at the North Marysville and Paine Field substations, the replacement of aging equipment at nine additional substations, and system reliability upgrades at eight other substations. Facility relocations and new services were completed in support of the Sound Transit Lynnwood Link Light Rail extension, as well as preliminary work in coordination of the Everett Link extension. The PUD continued its ongoing replacement of aging poles. In 2021, approximately 528 distribution poles, 54 transmission poles, and 26.6 miles of underground distribution cables were replaced.

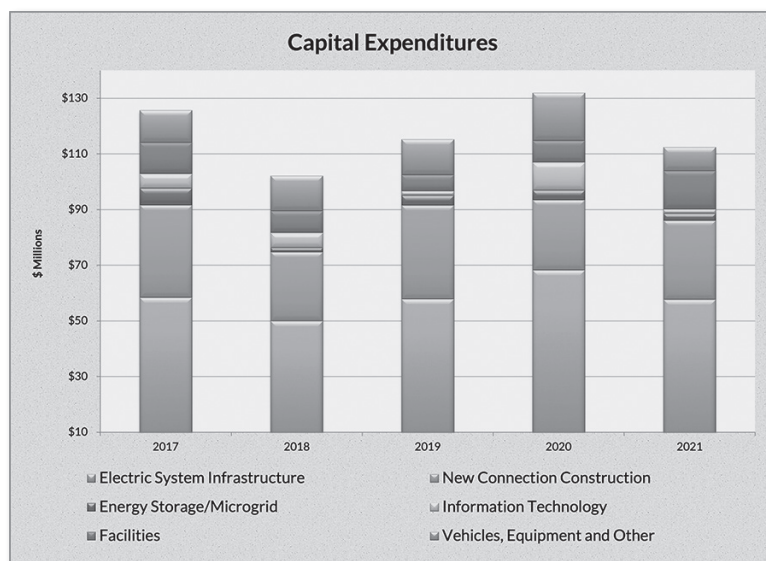


Figure 2

Capital Funding and Debt Levels

The PUD utilizes a combination of revenues, cash reserves, grants, and revenue bonds to fund investments in the electric distribution and transmission system infrastructure. In addition, the PUD receives capital contributions from developers to fund infrastructure construction directly related to growth.

In June 2021, the Electric System issued \$79 million of Series 2021A Revenue bonds, the first sale of new money tax-exempt bonds since 2015. The new bonds, which have a final maturity of 2051, were sold at an average interest rate of 1.5% as the PUD benefitted from a historically low long-term interest rate environment and strong bond ratings. The bond proceeds of the bond sale are currently being used to fund qualifying additions, replacements, and improvements to the Electric System, including construction and upgrades relating to the electric distribution system, the Connect Up smart meter project, and development of the PUD's North County community office.

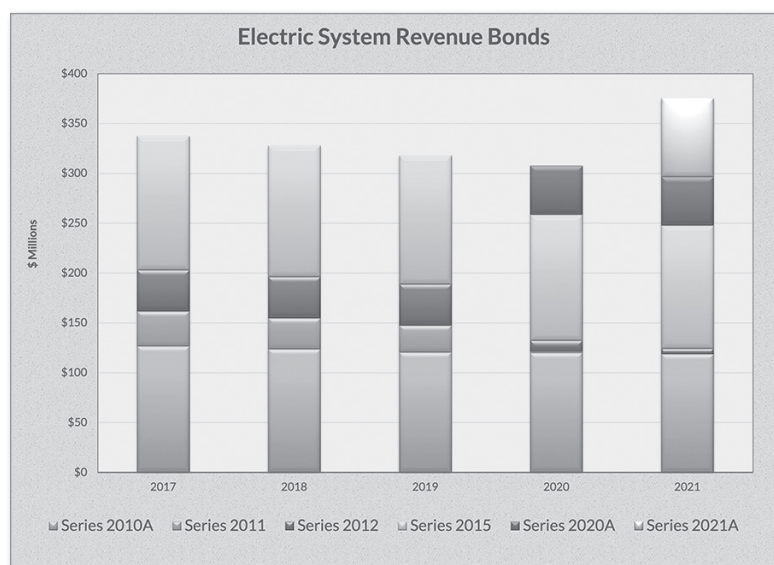


Figure 3

In conjunction with the bond sale, Fitch and Moody's, two major bond rating agencies, affirmed the PUD's bond ratings. Fitch Rating rated the PUD AA-, while Moody's provided a favorable Aa2 rating.

In October 2020, the PUD issued \$49.1 million of Series 2020A Electric System Revenue Refunding Bonds to partially advance refinance the Series 2011 and 2012 Electric System Revenue Bonds at lower long-term interest rates. This transaction resulted in \$5.5 million of net present value savings and will lower annual debt service costs by an average of \$1.2 million per year from 2021 to 2028.

Long-term debt for the Electric System, including current maturities, totaled \$375 million as of December 31, 2021, compared to \$308 million in 2020 and \$318 million in 2019.

Modular Energy Storage Architecture 2 (MESA 2) Project Disposition

The PUD has two different Modular Energy Storage Architecture (MESA) battery energy storage systems that were classified as experimental projects. MESA 1 utilizes a lithium-ion battery technology, while MESA 2 uses a vanadium electrolyte technology in a flow battery system. In 2014, the PUD received a grant from the Clean Energy Fund (CEF) through the Washington State Department of Commerce to develop the use of the flow battery system. At that time, the flow battery systems were considered an emerging technology and not widely available. The MESA 2 project at the Everett substation was installed in 2016, and the flow battery containers were filled with vanadium electrolyte. After commissioning and testing began in 2017, several leak incidents were noted and reported. In August 2018, a spill occurred which had greater impact and required significant effort to mitigate, causing the PUD to discontinue the MESA 2 operation. The MESA 2 system was not viable for long-term reliability.

Due to inherent risk of potential vanadium electrolyte spills and lack of system reliability, the MESA 2 equipment was decommissioned, and as a result, the Electric System recorded a \$2.0 million asset write-off in the 2021 financial statements and an \$8.5 million asset write-off in the 2020 financial statements. Since this project was deemed to be emerging technology the PUD is not required to reimburse the Washington State Department of Commerce for the grant funds previously received.

Connect Up Project

In 2020, the PUD's Board of Commissioners approved the utility's Connect Up program. This infrastructure and technology project includes installation of new meters capable of two-way communication. The project's installation process is scheduled to take two years as every PUD customer is slated to receive a new meter. The initial network will consist of 140 base stations dispersed throughout the service territory on existing or new poles or towers. Upon completion of the project the PUD will have deployed more than 350,000 new electric meters and 22,000 water meters.

Benefits for the Electric System include improved system visibility, improved outage responses, and improved system efficiency. The PUD's Water System customers will be able to identify leaks, track hourly and daily consumption, and better manage water usage more easily.

The total project costs are currently estimated at \$93 million and will be primarily funded by bond proceeds. As of December 31, 2021, the PUD has expended \$6.8 million on this project.

Arlington Microgrid

In 2021 the PUD completed construction of the Arlington Microgrid project. The project consists of a community solar array of 8,100 panels, a 1 MW/1.4 MWh lithium-ion battery energy storage system, and a pair of Vehicle-to-Grid (V2G) bi-directional chargers, and the Clean Energy Technology Center and Modular Data Center, which will support the larger microgrid project. This will allow the PUD to study and demonstrate the effectiveness of battery energy storage, solar power, and vehicle-to-grid charging technology.

Completed construction costs were \$12 million, \$3 million below initial estimates. The PUD received a Clean Energy Fund Grant of \$3.5 million to help fund the project.

Approximately 500 PUD customers purchased rights to the 8,100 solar panel units to receive rebates from the Washington State Renewable Energy System Incentive program. The incentive is based on electricity generated by the solar array. During the first year of the program, the community solar array produced 613,280 kWh.

GENERATION SYSTEM

Lower Generation System Debt Levels

In October 2020, the PUD issued \$19.7 million of Series 2020A Generation System Revenue Refunding Bonds to refinance the Series 2010A Generation System Revenue Bonds at lower long-term interest rates. This transaction resulted in a \$2.5 million net present value savings, and will lower annual debt service costs by an average of \$747,000 per year from 2021 to 2024.

Debt levels in the Generation System have been declining in recent years. Long-term debt for the Generation System, including current maturities, totaled \$68 million as of December 31, 2021, compared to \$73 million in 2020, and \$81 million in 2019.

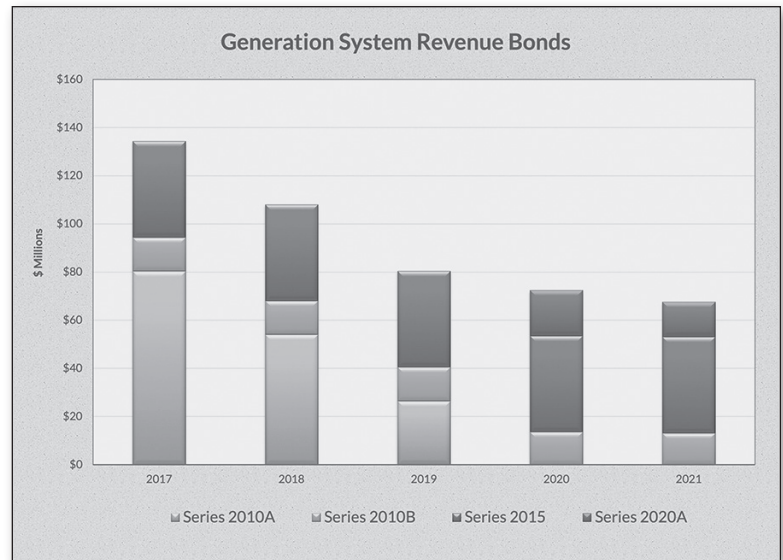


Figure 4

Generation System Wholesale Sales Revenue

The Generation System wholesale sales revenue remained stable in 2021 at \$23.7 million as compared to \$23.1 million in 2020. Wholesale sales decreased \$13.4 million in 2020 from \$36.5 million in 2019. The Jackson Hydro project paid off two intercompany loans in November 2019, which resulted in a \$12.7 million reduction in 2020. The Generation System paid \$15.0 million less in principal payments on bonds in 2020 as compared to 2019. The Generation System received \$13.7 million less in intercompany loan repayments in 2020 as compared to 2019.

WATER SYSTEM

Water System Operating Results

Retail sales revenue for the Water System increased to \$13.9 million in 2021 from \$13.1 million in 2020, following an increase from \$12.7 million in 2019. The revenue increases in all three years were due to an increased customer base. The Water System has not had an overall retail rate increase since January 2018.

Operating expenses increased slightly from \$12.6 million in 2020 to \$12.7 million in 2021, following an increase of \$1.0 million in 2019. The 2021 increase was primarily due to higher purchased water of \$0.3 million, and lower operations and maintenance costs of \$0.3 million.

Water System capital contributions were \$6.1 million in 2021, slightly lower than the \$6.4 million in 2020 and \$2.3 million lower than the \$8.4 million in 2019 reflecting slower developer activity in the central Snohomish County area the Water System serves, due to the COVID-19 pandemic.

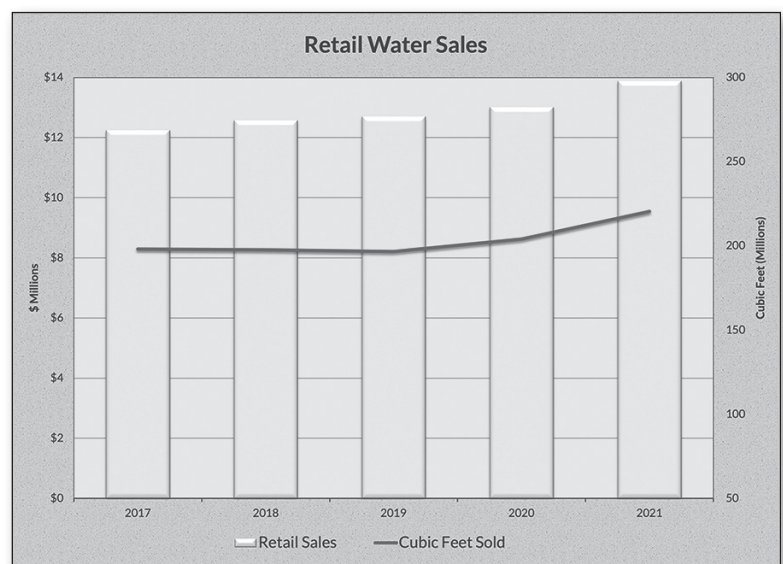


Figure 5

Capital Funding and Debt Levels

The PUD utilizes State of Washington grants and loans, revenue bonds, revenues, and cash reserves to fund capital infrastructure improvements. In addition, the Water System receives capital contribution fees from developers to address growth in the Water System service area.

Strong operating results over the past several years have provided adequate cash for the funding of capital projects in the short-term. In 2021, the Water System initiated a draw of \$3.1 million from the Drinking Water State Revolving Fund in support of on-going capital improvements of the Warm Beach Water Association project. Long-term debt for the Water System, including current maturities, totaled \$13.2 million as of December 31, 2021, compared to \$11.6 million as of December 31, 2020.

Warm Beach Water Association Transfer

In September 2018, ownership of the Warm Beach Water Association's (the Association) water distribution system was transferred to the PUD at the request of the Association's membership after a multi-year process of study and public outreach. The transfer added approximately 600 new customers to the PUD's Water System.

Improvements to the Association's system will be funded by a combination of \$6.3 million of federal and state grants and loans through the Drinking Water State Revolving Fund, \$0.8 million contributed by the Association, and approximately \$1.2 million from the PUD's Water System operating reserve. Customers of the PUD's Warm Beach water system will pay a capital improvement surcharge to reimburse the operating reserve. Due to COVID-19 pandemic, many Warm Beach improvement projects were on hold in 2020 with construction resuming in 2021.

The PUD initiated a drawdown of \$3.1 million and \$0.3 million from the Drinking Water State Revolving Fund in 2021 and 2020, respectively.

In January 2021, the PUD's Water Utility celebrated its 75th anniversary. It now serves over 23,000 customers around Snohomish County.

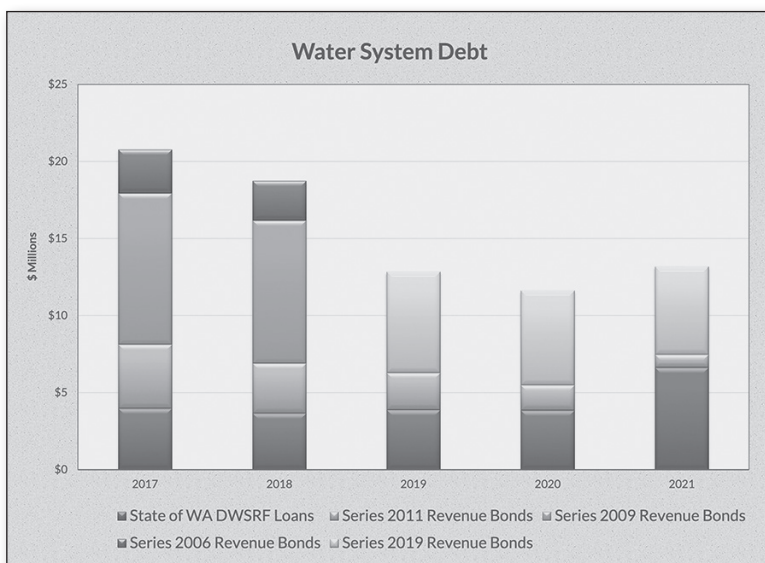


Figure 6

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements

The Combined Statements of Net Position present the PUD's net position as the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The Combined Statements of Net Position provide information about the nature and amount of investments in resources (assets), the consumption of net assets in one period that are applicable to future periods (deferred outflows of resources), the obligations to creditors (liabilities), and the acquisition of net assets that are applicable to future periods (deferred inflows of resources).

The Combined Statements of Revenues, Expenses, and Changes in Net Position report the revenues and expenses during the periods indicated and identify operating activity separately from non-operating activity.

The Combined Statements of Cash Flows provide information about the PUD's cash flows from operating activities, capital, and related financing activities, investing activities, and non-capital financing activities, and presents a reconciliation of net operating income to net cash provided by operating activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the figures provided in the basic financial statements.

Financial Analysis

Analysis of the comparative financial information is provided in the following table.

Condensed Combined Financial Information
(In millions)

	2021	2020	2019
Current Assets, Investments, and Special Funds	\$ 677	\$ 585	\$ 589
Net Utility Plant	1,686	1,638	1,608
Other Assets	140	20	19
<i>Total Assets</i>	<u>2,503</u>	<u>2,243</u>	<u>2,216</u>
Deferred Outflows of Resources	25	25	20
Current Liabilities	127	119	117
Long-Term Debt	485	400	430
Other Liabilities	94	127	124
<i>Total Liabilities</i>	<u>706</u>	<u>646</u>	<u>671</u>
Deferred Inflows of Resources	137	30	38
Net Investment in Capital Assets	1,271	1,226	1,168
Restricted	295	174	173
Unrestricted	119	192	186
Net Position	<u>\$ 1,685</u>	<u>\$ 1,592</u>	<u>\$ 1,527</u>
Operating Revenues	\$ 723	\$ 693	\$ 685
Operating Expenses	650	650	643
<i>Net Operating Income</i>	<u>73</u>	<u>43</u>	<u>42</u>
Interest Charges	(16)	(19)	(23)
Other Income and Expense	2	6	21
<i>Net Income (Loss) before Capital Contributions</i>	<u>59</u>	<u>30</u>	<u>40</u>
Capital Contributions	34	35	42
Net Income	<u>93</u>	<u>65</u>	<u>82</u>
Net Position – beginning of year	1,592	1,527	1,445
Net Position	<u>\$ 1,685</u>	<u>\$ 1,592</u>	<u>\$ 1,527</u>

Assets

Current assets, investments, and special funds increased \$92 million in 2021 and decreased \$4 million in 2020 as a result of a construction bond issuance in June 2021 and planned utilization of reserve funds in 2020.

The PUD had between \$1.6 billion and \$1.7 billion invested in a broad range of net utility capital assets as of December 31, 2021, 2020, and 2019. Utility capital assets include five operating hydroelectric power generation plants, electric transmission and distribution lines, and substations, water transmission and distribution pipes, storage and pump station facilities, buildings, and equipment. Utility plant additions were \$120 million in 2021 and \$137 million in 2020, reflecting investments in the distribution and transmission systems, including construction associated with growth and general facilities of the PUD. The increase in utility plant was offset by \$14 million and \$92 million due to routine retirements in 2021 and 2020, respectively. Accumulated depreciation increased \$58 million and \$16 million related to routine plant asset activity in 2021 and 2020, respectively.

Other assets increased \$120 million in 2021 and \$1 million in 2020 due primarily to the recording of a net pension asset as well as a grant receivable from the Federal Emergency Management Administration (FEMA) related to restoration work associated with declared major storm events in January 2021 and January 2020.

Deferred Outflows of Resources

Deferred outflows of resources were \$25 million in 2021. This resulted from a \$1 million decrease in Unamortized Losses on Debt and increases of \$2 million in the OPEB and net pension liability deferrals in 2021.

Deferred outflows of resources increased \$5 million in 2020. Changes to the net pension liability increased deferred outflows of resources by \$6 million in 2020.

Liabilities

Current liabilities increased \$8 million in 2021 resulting from higher vendor payable balances, an increase in the current portion of long-term debt principal payments, and a decrease in customer deposits. Current liabilities increased \$2 million in 2020 due to increases in accrued employee benefits and an increase in the current portion of long-term debt.

Long-term debt increased \$85 million in 2021 and decreased \$30 million in 2020 as a result of an Electric System revenue bond issuance in 2021, scheduled principal repayments, and refunding of Electric and Generation System bonds in 2020.

Other liabilities decreased \$33 million in 2021 and increased \$3 million in 2020 primarily due to actuarial valuation changes in post-employment liabilities.

Deferred Inflows of Resources

Deferred inflows increased \$107 million in 2021 and decreased \$8 million in 2020 as the result of changes in the valuation of the net pension plan deferrals.

Net Position

Net investment in capital assets increased \$45 million and \$58 million in 2021 and 2020, respectively, reflecting the growth in net utility plant. The PUD added 5,934 and 5,638 Electric System customer connections in 2021 and 2020, respectively. The Water System added 519 and 579 customer connections in 2021 and 2020, respectively.

Restricted net position represents resources that are subject to external restrictions, such as bond covenants or third-party contractual agreements, and resources restricted by the Board of Commissioners' resolution. Restricted net position increased \$121 million due to the recording of the net pension asset. Restricted net position increased \$1 million in 2020.

Unrestricted net position is available to finance day-to-day operations without constraints established by covenants, legal requirements, or board resolutions. Unrestricted net position decreased \$73 million in 2021 and increased \$6 million in 2020 due to the change in recognition of post-employment liabilities and lower cash reserves.

Operating Revenues

Operating revenues increased \$723 million in 2021, from \$693 million in 2020. Retail revenues increased \$26 million in 2021 due to increases in both billed and unbilled residential and commercial revenues. Wholesale revenues increased \$4 million due to an overall increase in power available for sale in the wholesale market.

Operating revenues increased \$8 million, from \$685 million in 2019 to \$693 million in 2020. Retail revenues decreased \$6 million while other operating revenues increased \$4 million due to a higher level of BPA energy conservation program reimbursements. Wholesale revenues increased \$10 million due to an overall increase in power available for sale in the wholesale market.

Operating Expenses

Operating expenses were comparable in both 2021 and 2020. The PUD recorded a \$43 million reduction in the net pension liability while other costs increased by a similar amount. During 2021, purchased power costs increased by \$21 million as a result of significant weather events that led to higher market power prices. Operating and maintenance costs increased due to changes in supply chain costs, as well as \$12 million attributed to repairs resulting from significant weather events and emergency work.

Operating expenses increased \$7 million in 2020 to \$650 million from \$643 million in 2019. The PUD's response to the COVID-19 pandemic and the impact of two significant weather events in the first quarter of 2020 were the primary contributors to this increase.

Interest Charges

Interest charges decreased \$3 million from 2020 to 2021 and \$4 million from 2019 to 2020 as a result of declining debt levels.

Other Income and Expense

Other income and expense decreased \$4 million in 2021 due to a decrease of \$11 million in interest income reflecting unfavorable market conditions. This was offset by an increase of \$6 million in other deductions as a result of the final decommissioning of the MESA 2 battery energy storage system assets.

Other income and expense decreased \$15 million in 2020 due to the recognition of \$8 million remaining depreciable value of the decommissioned MESA 2 battery energy storage system assets, a \$4 million decrease in interest income reflecting unfavorable market conditions, and a \$3 million decrease in grant income.

Capital Contributions

Capital contributions decreased \$1 million in 2021 and \$7 million in 2020. Capital contributions are collected from property developers when they request to connect to the PUD's electric or water distribution systems or request engineering or construction services. The decreases in 2021 and 2020 reflect decreased property development activity due to the COVID-19 pandemic.

Requests for Information

The basic financial statements, notes, and management's discussion and analysis are designed to provide a general overview of the PUD's finances. Questions concerning any of the information provided in this report should be directed to the PUD at 2320 California Street, Everett, WA 98201.

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Combined Statements of Net Position

December 31, 2021 and 2020

(In thousands)

	2021				2020
	Electric System	Generation System	Water System	Combined	Combined
Assets					
Current Assets:					
Cash and temporary investments:					
Cash and cash equivalents	\$ 40,306	\$ 7,126	\$ 1,862	\$ 49,294	\$ 71,338
Temporary investments	72,171	3,011	3,757	78,939	75,929
Total Cash and Temporary Investments	112,477	10,137	5,619	128,233	147,267
Accounts and other receivables, net	108,395	187	2,015	110,597	95,248
Intersystem loans receivable	3,488	—	—	—	—
Materials and supplies	33,121	—	366	33,487	28,712
Prepayments and other	6,442	270	158	6,870	9,888
Total Current Assets	263,923	10,594	8,158	279,187	281,115
Long-Term Investments & Special Funds:					
Long-term investments	92,277	2,496	2,736	97,509	93,214
Special funds – bond funds and other	267,921	13,407	19,152	300,480	210,646
Total Long-Term Investments & Special Funds	360,198	15,903	21,888	397,989	303,860
Utility Plant:					
Plant in service	2,066,276	350,748	170,915	2,587,939	2,508,359
Construction work in progress	124,606	5,123	4,560	134,289	107,707
Total utility plant	2,190,882	355,871	175,475	2,722,228	2,616,066
Accumulated depreciation	(834,374)	(157,303)	(44,257)	(1,035,934)	(978,438)
Net Utility Plant	1,356,508	198,568	131,218	1,686,294	1,637,628
Other Assets:					
Conservation loans and other receivables, net	8,800	—	309	9,109	5,165
Intersystem loans and receivables	30,973	—	—	—	—
FERC licenses	—	14,511	—	14,511	15,051
Net pension assets	110,623	2,967	3,056	116,646	—
Other assets	28	111	—	139	493
Total Other Assets	150,424	17,589	3,365	140,405	20,709
Total Assets	2,131,053	242,654	164,629	2,503,875	2,243,312
Deferred Outflows of Resources					
Unamortized loss on refunding debt	1,118	2,916	52	4,086	5,385
Net pension and OPEB deferrals	19,871	526	517	20,914	19,453
Total Deferred Outflows of Resources	20,989	3,442	569	25,000	24,838
Total Assets and Deferred Outflows	\$2,152,041	\$ 246,096	\$ 165,198	\$2,528,874	\$2,268,150

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

Combined Statements of Net Position

December 31, 2021 and 2020

(In thousands)

	2021				2020
	Electric System	Generation System	Water System	Combined	Combined
Liabilities					
Current Liabilities:					
Accounts payable	\$ 55,230	\$ 779	\$ 436	\$ 56,445	\$ 48,930
Accrued taxes	17,577	107	107	17,791	18,248
Accrued interest	1,460	289	41	1,790	1,605
Other accrued liabilities	29,542	2	7	29,551	28,504
Customer deposits	3,352	—	8	3,360	4,165
Current maturities of long-term debt	11,510	5,120	1,806	18,436	17,551
Intersystem loans payable	—	3,488	—	—	—
Total Current Liabilities	118,671	9,785	2,405	127,373	119,003
Long-Term Debt:					
Revenue bonds	403,283	68,515	6,548	478,346	395,971
Other notes payable	—	—	6,127	6,127	3,495
Total Long-Term Debt	403,283	68,515	12,675	484,473	399,466
Other Liabilities:					
Intersystem loans and payables	—	30,973	—	—	—
FERC license obligations	—	14,511	—	14,511	15,051
Net pension liability	10,759	244	282	11,285	43,767
Other liabilities	65,779	1,233	1,413	68,425	68,345
Total Other Liabilities	76,538	46,961	1,695	94,221	127,163
Total Liabilities	598,492	125,261	16,775	706,067	645,632
Deferred Inflows of Resources					
Unearned FERC license contributions	—	4,500	—	4,500	5,000
Net pension deferrals	115,596	3,052	3,164	121,812	14,302
Other deferred inflows	6,606	4,251	162	11,019	10,756
Total Deferred Inflows of Resources	122,202	11,803	3,326	137,331	30,058
Net Position					
Net investment in capital assets	1,026,565	127,849	116,788	1,271,202	1,225,996
Restricted:					
Reserve funds	649	6,710	813	8,172	8,698
Rate stabilization	116,353	—	1,543	117,896	119,364
Net pension assets	19,454	560	542	20,556	—
Debt service and other	28,955	6,409	16,748	52,112	46,247
Unrestricted	239,371	(32,496)	8,663	215,538	192,155
Total Net Position	1,431,347	109,032	145,097	1,685,476	1,592,460
Total Liabilities, Deferred Inflows and Net Position	\$2,152,041	\$ 246,096	\$ 165,198	\$2,528,874	\$2,268,150

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

Combined Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2021 and 2020

(In thousands)

	2021				2020
	Electric System	Generation System	Water System	Combined	Combined
Operating Revenues:					
Retail sales	\$ 633,113	\$ –	\$ 13,896	\$ 647,009	\$ 620,748
Wholesale sales	42,692	23,734	731	43,423	39,470
Other	32,334	282	362	32,978	32,726
Total Operating Revenues	708,139	24,016	14,989	723,410	692,944
Operating Expenses:					
Purchased power	334,427	–	–	310,693	289,075
Purchased water	–	–	3,217	3,217	2,925
Operations	186,312	4,316	3,692	194,320	222,216
Maintenance	29,324	2,441	1,755	33,520	30,232
Depreciation	58,988	5,806	3,269	68,063	66,192
Taxes	39,534	107	784	40,424	39,403
Total Operating Expenses	648,585	12,670	12,717	650,238	650,043
Net Operating Income	59,554	11,346	2,272	73,172	42,901
Interest Charges:					
Interest	16,045	5,144	424	20,156	20,505
Amortization of debt related costs	(2,115)	(1,211)	(158)	(3,484)	(1,331)
Total Interest Charges	13,930	3,933	266	16,672	19,174
Other Income and Expense:					
Interest income	558	25	34	(840)	10,261
Other income and expense, net	3,095	251	(27)	3,319	(3,873)
Total Other Income and Expense	3,653	276	7	2,479	6,388
Net Income Before Capital Contributions	49,277	7,689	2,013	58,979	30,115
Capital Contributions	27,800	99	6,138	34,037	34,907
Net Income	77,077	7,788	8,151	93,016	65,022
Net Position, Beginning of year	1,354,270	101,244	136,946	1,592,460	1,527,438
Net Position, End of year	\$ 1,431,347	\$ 109,032	\$ 145,097	\$ 1,685,476	\$ 1,592,460

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

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Combined Statements of Cash Flows

Years ended December 31, 2021 and 2020

(In thousands)

	2021				2020
	Electric System	Generation System	Water System	Combined	Combined
Cash Flows From Operating Activities:					
Cash received from customers	\$ 653,517	\$ 24,143	\$ 14,548	\$ 668,474	\$ 648,105
Cash payments to suppliers	(485,309)	(2,567)	(5,694)	(469,836)	(462,344)
Cash payments to employees	(97,466)	(4,897)	(4,051)	(106,414)	(101,906)
Cash payments for taxes	(35,959)	(121)	(796)	(36,876)	(39,023)
Other cash received (paid)	28,020	(611)	111	27,520	34,794
Net Cash Provided by Operating Activities	62,803	15,947	4,118	82,868	79,626
Cash Flows From Capital & Related Financing Activities:					
Capital construction	(97,581)	(3,952)	(6,106)	(107,639)	(87,957)
Proceeds from debt	104,606	—	3,139	107,745	71,558
Repayment of debt	(11,085)	(4,890)	(1,576)	(17,551)	(88,674)
Advance refunding costs	—	—	—	—	(3,984)
Debt issuance costs	(615)	—	—	(615)	(705)
Interest paid on debt	(15,837)	(5,165)	(426)	(19,971)	(20,796)
Capital contributions	23,470	99	3,425	26,994	26,569
Intercompany loans	3,451	(3,451)	—	—	—
Net Cash Provided by (Used for) Capital & Related Financing Activities	6,409	(17,359)	(1,544)	(11,037)	(103,989)
Cash Flows From Investing Activities:					
Sale of special funds and investment securities	247,287	25,489	15,897	288,673	211,975
Purchase of special funds and investment securities	(347,754)	(24,673)	(18,431)	(390,858)	(172,448)
Interest on investment securities	8,020	410	128	7,101	10,560
Net Cash Provided by (Used for) Investing Activities	(92,447)	1,226	(2,406)	(95,084)	50,087
Cash Flows From Non-Capital Financing Activities:					
Non-capital grants received	1,209	—	—	1,209	—
Net Cash Provided by Non-Capital Financing Activities	1,209	—	—	1,209	—
Net Increase (Decrease) in Cash & Cash Equivalents	(22,026)	(186)	168	(22,044)	25,724
Beginning of Year	62,332	7,312	1,694	71,338	45,614
Cash & Cash Equivalents – End of Year	\$ 40,306	\$ 7,126	\$ 1,862	\$ 49,294	\$ 71,338

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

Combined Statements of Cash Flows (continued)

Years ended December 31, 2021 and 2020

(In thousands)

	2021				2020
	Electric System	Generation System	Water System	Combined	Combined
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:					
Net Operating Income	\$ 59,554	\$ 11,346	\$ 2,272	\$ 73,172	\$ 42,901
Adjustments to net operating income:					
Depreciation	58,988	5,806	3,269	68,063	66,192
Pension and OPEB Related	(43,959)	(1,186)	(1,202)	(46,347)	(17,094)
Other cash received (paid)	(2,844)	–	(28)	(2,872)	(8,906)
(Increase) decrease in receivables	(16,786)	126	(229)	(16,889)	(6,846)
(Increase) decrease in other assets	(1,951)	(80)	(22)	(2,053)	(633)
Increase (decrease) in payables	7,047	417	52	7,516	(1,575)
Increase (decrease) in other liabilities	2,753	(482)	7	2,278	5,587
Total Adjustments	3,248	4,601	1,847	9,696	36,725
Net Cash Provided by Operating Activities	\$ 62,803	\$ 15,947	\$ 4,118	\$ 82,868	\$ 79,626
Non-cash Investing, Capital and Related Financing Activities:					
Non-cash contributions	\$ 6,376	\$ –	\$ 2,713	\$ 9,089	\$ 7,523
Changes in valuation of financial instruments	(4,857)	(103)	(86)	(5,046)	2,561
Amortization of debt-related costs	2,115	1,211	158	3,484	1,331

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

Notes to Combined Financial Statements

December 31, 2021 and 2020

Note 1

Summary of Significant Accounting Policies

GENERAL

Public Utility District No. 1 of Snohomish County, Washington, (the PUD) is a public electric and water utility serving Snohomish County and Camano Island in Island County, Washington. The PUD's operations consist of three systems: the Electric System, the Generation System, and the Water System. The PUD is governed by a three-member Board of Commissioners (the Commission), which is elected for staggered six-year terms. The legal responsibilities and powers of the PUD, including the establishment of rates and charges for services rendered, are exercised through the Commission.

The Electric System is made up of the PUD's electric transmission and distribution system. The Generation System is composed of the PUD's Henry M. Jackson Hydroelectric Project and four smaller hydroelectric projects. The Water System is made up of the PUD's water distribution system.

The accompanying financial statements for 2021 include the individual and combined statements of net position for the Electric System, Generation System, and Water System, and the statements of revenues, expenses, and changes in net position, and cash flows for each system. System columns presented in the financial statements and notes may not add to the combined totals due to the elimination of intercompany transactions, which consist of intersystem loans and routine intercompany transactions.

The PUD's financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred. Revenues and costs that are directly related to the generation, purchase, transmission, and distribution of electricity or water are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

The accompanying financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The PUD's other significant accounting and financial policies are described in the following sections.

Retail Sales

The PUD bills Electric and Water System customers for their consumption on a monthly basis. The accompanying financial statements include estimated unbilled revenues for electricity and water delivered to customers between the last billing date and the end of the year. Unbilled electric revenue was \$40.5 million and \$32.1 million as of December 31, 2021, and 2020, respectively. Unbilled water revenue was \$607 thousand and \$582 thousand as of December 31, 2021, and 2020, respectively. Power sales and purchase transactions are recognized over the duration of the contracts as a component of retail and wholesale revenue and purchased power operating expenses.

Capital Contributions

The PUD records capital contributions from customers and developers, primarily relating to expansions to the PUD's distribution facilities, as a separate category of non-operating revenue.

Cash Equivalents

The PUD considers highly liquid, short-term investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded when invoices are issued and are written off when they are determined to be uncollectible. A reserve is established for uncollectible accounts receivable based upon historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. The allowance for doubtful accounts was \$14.1 million and \$7.8 million as of December 31, 2021 and 2020, respectively.

Material and Supplies

Material and supplies are recorded at average cost and consist primarily of materials for construction and maintenance of utility plant.

Special Funds

Special funds are restricted or limited-use funds that have been established in accordance with Commission resolutions, bond resolutions, state law or other agreements. These funds, which consist of cash, cash equivalents, and investments, are restricted for specific purposes, including debt service, bond reserves, rate stabilization, qualifying capital expenditures, postemployment benefits, FERC license commitments, and other reserve requirements. It is the PUD's policy to use unrestricted funds prior to using restricted funds except for bond proceeds used for qualifying capital expenditures and funds set aside for debt service payments.

Utility Plant

Utility plant is stated at cost. The PUD's capitalization threshold for utility plant is \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from five to 77 years. When utility plant assets are retired, the original cost together with removal costs, less salvage, is charged to accumulated depreciation. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments is capitalized. See Table 1 for additional utility plant details.

The PUD periodically reviews the carrying value of its utility plant and other equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Unamortized Loss on Refunding Debt

The difference between the cost to defease outstanding debt and the carrying value of bonds defeased by refunding bonds is deferred and amortized over the shorter of the remaining term of the refunded bonds or the term of the refunding bonds, using the straight-line or effective-interest method. This difference for bonds defeased by operating funds is charged in the current period.

Net Position

Net position consists of the following components:

Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation reduced by the net outstanding debt balances related to capital assets, net of unamortized debt related costs.

Restricted – This component consists of assets and liabilities with constraints placed on use. Constraints include those imposed by bond covenants or third-party contractual agreements, and resources restricted by Board resolution.

Unrestricted – This component consists of assets and liabilities that do not meet the definition of “net investment in capital assets” or “restricted.”

Compensated Absences

Employees accrue paid time off (PTO) or vacation in varying amounts according to their years of service. Accrued liability for PTO and vacation was \$16.9 million and \$16.3 million at December 31, 2021 and 2020, respectively. These liabilities are presented as part of Other Accrued Liabilities.

Table 1
Utility Plant
(In thousands)

	2019	2020			2021		
	Ending Balance	Additions	Retirements & Transfers	Ending Balance	Additions	Retirements & Transfers	Ending Balance
Electric System							
Transmission	\$ 163,415	\$ 20,383	\$ (1,092)	\$ 182,706	\$ 4,395	\$ (802)	\$ 186,299
Distribution	1,264,985	84,273	(31,861)	1,317,397	72,529	(8,698)	1,381,228
General Plant & Other	421,417	21,779	(25,229)	417,967	8,972	(3,644)	423,295
Land & Non-Depreciable Assets	71,599	3,467	(260)	74,806	649	(1)	75,454
Plant in Service	1,921,416	129,902	(58,442)	1,992,876	86,545	(13,145)	2,066,276
Construction Work in Progress	134,504	–	(31,327)	103,177	21,430	–	124,607
Utility Plant	2,055,920	129,902	(89,769)	2,096,053	107,975	(13,145)	2,190,883
Less Accumulated Depreciation	(776,851)	(21,617)	13,954	(784,514)	(56,383)	6,523	(834,374)
Net Utility Plant	\$1,279,069	\$ 108,285	\$ (75,815)	\$ 1,311,539	\$ 51,592	\$ (6,622)	\$1,356,509
Generation System							
Generation/Production	\$ 294,595	\$ 550	\$ (120)	\$ 295,025	\$ 1,413	\$ (331)	\$ 296,107
Transmission	2,811	–	–	2,811	–	–	2,811
Distribution	6,416	404	–	6,820	15	–	6,835
General Plant & Other	29,806	581	–	30,387	786	–	31,173
Land & Non-Depreciable Assets	13,822	–	–	13,822	–	–	13,822
Plant in Service	347,450	1,535	(120)	348,865	2,214	(331)	350,748
Construction Work in Progress	2,670	–	630	3,300	1,823	–	5,123
Utility Plant	350,120	1,535	510	352,165	4,037	(331)	355,871
Less Accumulated Depreciation	(145,985)	(5,843)	86	(151,742)	(5,600)	39	(157,303)
Net Utility Plant	\$ 204,135	\$ (4,308)	\$ 596	\$ 200,423	\$ (1,563)	\$ (292)	\$ 198,568
Water System							
Generation/Production	\$ 9,356	\$ –	\$ –	\$ 9,356	\$ 45	\$ (4)	\$ 9,397
Transmission & Distribution	133,455	5,929	(383)	139,001	4,550	(398)	143,153
General Plant & Other	14,096	111	–	14,207	–	–	14,207
Land & Non-Depreciable Assets	4,054	–	–	4,054	104	–	4,158
Plant in Service	160,961	6,040	(383)	166,618	4,699	(402)	170,915
Construction Work in Progress	3,481	–	(2,251)	1,230	3,330	–	4,560
Utility Plant	164,442	6,040	(2,634)	167,848	8,029	(402)	175,475
Less Accumulated Depreciation	(39,306)	(2,958)	82	(42,182)	(3,239)	1,164	(44,257)
Net Utility Plant	\$ 125,136	\$ 3,082	\$ (2,552)	\$ 125,666	\$ 4,790	\$ 762	\$ 131,218

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The PUD has used estimates in determining reported amounts including unbilled revenue, allowance for doubtful accounts receivable, accrued liability for injuries and damages, depreciable lives of utility plant, pensions, and other contingencies. Actual results could differ from these estimates.

Accounting Changes and Reclassifications

Governmental Accounting Standards Board (GASB) Statement No. 90, Majority Equity Interests, defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This statement has no impact on the financial results of the PUD.

In 2020, GASB issued *Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB statement No. 32)*. It established exemptions for defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and other employee benefit plans when evaluating if the plan meets the component unit criteria. The District adopted these provisions of GASB 97 for the year ended December 31, 2020. Based on the revised guidance, the three defined contribution benefit plans reported in the 2019 financial statements as fiduciary funds were determined to no longer meet the criteria for fiduciary activity reporting.

As a result of the early implementation of GASB Statement No. 97, the Combined Statements of Fiduciary Net Position, Pension Funds and Combined Statements of Changes in Fiduciary Net Position, Pension Funds have been eliminated from reporting in the financial statements as of December 31, 2020 and 2019. Disclosures for the above-mentioned defined contribution benefit plans are included in Note 7 following the requirements of GASB No. 68.

In addition, GASB No. 97 required governmental entities to classify its Section 457 plan as either a pension plan or an other employee benefit plan. A Section 457 plan that does not meet the definition of a pension plan is an other employee benefit for accounting and financial reporting purposes. The District early adopted this provision of GASB 97 for the year ended December 31, 2020. The Section 457 plan of the PUD meets the criteria of an Other Employee Benefit plan; however, as the plan is a defined contribution plan, it also meets the exception criteria from reporting it as a fiduciary activity under provisions of GASB 84, as amended. With the adoption of GASB No. 97, no fiduciary activity was reported for the Section 457 plan as of December 31, 2020.

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation.

Note 2

Special Funds and Cash and Temporary Investments

The PUD's investment policy authorizes the investment of funds in U.S. Treasury, federal and state agency obligations, interest-bearing demand or time deposits, repurchase agreements, bankers' acceptances, and certain other investments. Interest-bearing demand or time deposits with a qualified public depository of the State of Washington are protected and collateralized under the Washington State Public Deposit Protection Act. In all instances, the PUD evaluates the creditworthiness of the financial institutions with which it invests.

All PUD investments are in compliance with the State of Washington statutes and PUD bond resolutions. Substantially all PUD investments are recorded at fair value based on quoted market prices. The relative type of PUD's investments at December 31, 2021 and 2020 are summarized in Table 2.

Table 2
Special Funds and Cash and Temporary Investments

	Electric System		Generation System		Water System	
	2021	2020	2021	2020	2021	2020
U.S. Treasury Securities	53%	43%			50%	35%
U.S. Agency Obligations						
Federal Home Loan Bank	12%	14%	—	6%	4%	4%
Federal Farm Credit Bank	7%	10%	—	2%	17%	12%
Federal National Mortgage Association	5%	8%	—	3%	2%	23%
Federal Home Loan Mortgage Corporation	6%	2%	—	—	—	—
Private Export Funding Corporation	1%	1%	—	—	—	—
Cash and Interest-bearing Demand or Time Deposits	3%	6%	—	—	1%	2%
Washington State Local Government Investment Pool	13%	16%	56%	53%	26%	24%

The PUD invests funds consistent with the following objectives: conform with state and local statutes, preserve principal, maintain adequate liquidity, and maximize yield. The PUD's investments are purchased with the objective of holding the security until maturity.

Investment securities owned by the PUD are registered in the PUD's name and held in trust by banks or trust companies. Repurchase agreements are fully collateralized by eligible securities registered in the PUD's name. Other PUD investments are insured by federal depository insurance or protected against loss since they are on deposit with financial institutions recognized as qualified public depositories of the State of Washington.

The Washington State Local Government Investment Pool (LGIP) is an investment vehicle operated by the Washington State Treasurer, offering governmental agency investors the economies of scale available from a multi-billion-dollar pooled fund investment portfolio. As of December 31, 2021, LGIP investments include primarily U.S. Agency Securities, U.S. Treasury Securities, Repurchase Agreements, and Interest-Bearing Bank Deposits. Assets held in the LGIP are invested in a manner consistent with the U.S. Securities and Exchange Commission's rule 2a-7 of the Investment Company Act of 1940. The PUD records these investments at amortized cost.

The PUD must give notice to the LGIP if the PUD plans to withdraw over \$1.0 million on the same day. The LGIP may suspend withdrawals or liquidate if the difference between the amortized cost per share and the market net asset value per share results in material dilution or other unfair results. The LGIP may suspend redemptions if the New York Stock Exchange suspends trading or closes, if the US bond markets are closed, and if the Securities and Exchange Commission declares an emergency.

In order to address custodial credit risk, all investments except cash, interest-bearing demand or time deposits, and funds held in the LGIP, which are not evidenced by securities, are held in the PUD's name by a third-party custodian. The PUD addresses concentration of credit risk by investing in a diversified portfolio.

The PUD manages its exposure to decreases in the fair value of its investments arising from increasing interest rates by setting maturity limits for its investments. While some bond reserves are invested in U.S. agency obligations that approximate the term of the related bonds, all other funds are invested in instruments with maturities of less than five years, with the weighted average duration of the invested portfolio remaining below three years. The PUD's investment policy specifies that the investment portfolio be structured so maturing investments match projected cash flow needs in order to mitigate interest rate risk. Investment maturities for combined special funds and cash and temporary investments as of December 31, were as follows:

	2021		2020	
Term	Amount Invested (in thousands)	Percent of Invested Fund	Amount Invested (in thousands)	Percent of Invested Fund
Less than 30 days	\$ 88,520	17%	\$85,015	19%
30 to 90 days	35,555	7%	34,116	8%
90 days to 1 year	155,510	29%	91,416	20%
1 year to 5 years	221,938	42%	219,816	48%
Bond reserves invested to bond maturity	24,698	5%	20,764	5%
	<u>\$ 526,221</u>	<u>100%</u>	<u>\$ 451,127</u>	<u>100%</u>

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The PUD's investments, at fair value, can be categorized by valuation techniques into two levels. Level 1 investments are traded on a national securities exchange and are valued at the last reported sales price on the last business day of the year. Level 2 investments are valued using pricing models maximizing the use of observable inputs for similar securities.

The table below shows the fair value hierarchy for each system's investments subject to fair value measurement, as of December 31 (in thousands):

	2021						2020	
	Electric		Generation		Water		Combined	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
U.S. Treasury Notes	\$ 251,633	\$ –	\$ 11,487	\$ –	\$ 13,854	\$ –	\$ 192,465	\$ –
Federal Home Loan								
Mortgage Corporation	–	27,954	–	–	–	–	–	8,222
Federal Farm Credit Bank	–	31,957	–	–	–	4,544	–	43,390
Federal Home Loan Bank	–	56,357	–	–	–	1,000	–	57,796
Federal National								
Mortgage Association	–	25,994	–	–	–	500	–	40,281
Private Export Funding Corp.	–	2,421	–	–	–	–	–	2,486
Assets Valued at Fair Value	<u>\$ 251,633</u>	<u>\$ 144,683</u>	<u>\$ 11,487</u>	<u>\$ –</u>	<u>\$ 13,854</u>	<u>\$ 6,044</u>	<u>\$ 192,465</u>	<u>\$ 152,175</u>

Note 3 Long-Term Debt

Debt service (principal and interest) payments on the PUD's revenue bonds and other notes payable to maturity, excluding intersystem borrowing, are set forth in Table 3.

Table 3
Debt Service (Principal & Interest)
(In thousands)

	Electric System		Generation System		Water System	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 11,510	\$ 17,474	\$ 5,120	\$ 3,463	\$ 1,806	\$ 389
2023	11,985	17,000	5,355	3,205	933	329
2024	12,815	16,804	5,610	2,936	958	300
2025	13,365	16,713	1,410	2,655	983	269
2026	12,705	16,280	1,480	2,583	1,008	238
2027-2031	69,475	73,801	8,665	11,661	5,078	674
2032-2036	86,640	53,810	11,180	9,141	1,307	91
2037-2041	97,620	27,624	14,420	5,900	933	37
2042-2046	17,985	13,507	14,410	1,845	187	2
2047-2051	41,340	6,403	–	–	–	–
Total	<u>\$ 375,440</u>	<u>\$ 259,416</u>	<u>\$ 67,650</u>	<u>\$ 43,389</u>	<u>\$ 13,193</u>	<u>\$ 2,329</u>

The Electric, Generation and Water Systems' revenues, net of specified operating expenses, are pledged as security for the systems' revenue bonds until their respective bonds are defeased or repaid. Principal and interest paid for 2021 and 2020 were \$37.1 million and \$32.2 million, respectively. Total revenues available for debt service as defined for the same periods were \$129.5 million and \$133.3 million. On December 31, 2021, annual principal and interest payments are expected to require between 25% and 29% of revenues.

Tax-exempt revenue bonds make up the majority of the PUD's long-term debt and are subject to Internal Revenue Service Code (the Code) requirements for arbitrage rebate. Rebates are calculated based on earnings on gross proceeds of the bonds that are in excess of the amount prescribed by the Code. The estimated arbitrage liability as of December 31, 2019, was \$1.3 million. The actual arbitrage liability of \$1.5 million was fully accrued and paid in December of 2020.

Electric System

A summary of principal outstanding on Electric System long-term debt follows:

	December 31,	
	2021	2020
	(In thousands)	
Series 2021A Revenue bonds, 5.0%, due 2026-2051, earliest call 2031	\$ 78,685	\$ —
Series 2020A Revenue Refunding bonds, 0.433-1.467%, due 2022-2028	48,755	49,020
Series 2015 Revenue bonds, 5.0%, due 2022-2040, earliest call 2025	123,625	126,215
Series 2012 Revenue Refunding bonds, 4.0%, due 2022	5,610	11,005
Series 2011 Revenue Refunding bonds, 4.0%, due 2021	—	1,665
Series 2010A Revenue bonds, 4.8-5.6%, due 2022-2035, currently callable	118,765	119,935
Total Principal Outstanding on Long-Term Debt	\$375,440	\$307,840

In June 2021, the PUD issued \$78.6 million of Series 2021A Electric System Revenue bonds at a premium of \$25.9 million with an average interest rate of 1.5%. The proceeds from the bonds will be used to finance additions, betterments and improvements to and renewals, replacements and extensions of the Electric System.

In October 2020, the PUD issued \$49.1 million of Series 2020A Electric System Revenue Refunding bonds at par value with an average interest rate of 1.1%. These proceeds, along with \$5.3 million from the PUD's reserves, were used to partially advance refund the Series 2011 and Series 2012 Electric System Revenue bonds which had a net carrying value of \$24.7 million and \$28.1 million and an average interest rate of 3.4% and 2.7%, respectively, at the time of refunding. The costs of issuance of \$0.5 million were paid out of the bond proceeds, with the remaining proceeds used to purchase U.S. Treasury Securities – State and Local Government Series. These securities were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on all callable maturities of the 2011 and 2012 series through their respective call dates of December 1, 2021, and December 1, 2022. As a result, the callable portion of the 2011 and 2012 Series were considered to be defeased and the liability for those bonds were removed from the Statements of Net Position in 2020. On December 1, 2021, the outstanding Series 2011 bonds were called and fully repaid by the irrevocable trust.

In 2020, the difference between the funds required to refund the outstanding debt, \$53.9 million, and the net carrying amount of the outstanding debt, \$52.8 million, was recognized as a deferred outflow of resources to be amortized over the remaining life of the new debt. The economic gain on the refunding is calculated as the difference between the present value of the outstanding debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid. The net present value savings, or economic gain, from the 2011 and 2012 Electric System Revenue bond refunding was \$5.5 million at the time of refunding in 2020.

Changes in the Electric System long-term debt during the years ended December 31, 2021, and 2020, follow (in thousands):

	2019	2020			2021		
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance
Revenue bonds, face amount	\$ 318,205	\$ 49,085	\$ (59,450)	\$ 307,840	\$ 78,685	\$ (11,085)	\$ 375,440
Unamortized bond premium	22,211	—	(5,381)	16,830	—	22,590	39,420
Unamortized bond discount	(76)	—	4	(72)	—	5	(67)
Total Debt	340,340	49,085	(64,827)	324,598	78,685	11,510	414,793
Less: Current maturities	(10,335)			(11,085)			(11,510)
Total Long-Term Debt	\$ 330,005			\$ 313,513			\$ 403,283

The PUD is obligated as part of its bond resolution to purchase for use in its Electric System all power available to the Electric System from the Generation System. The PUD is also unconditionally obligated by the bond resolution to set aside revenues in amounts sufficient to pay, to the extent not otherwise paid, all the debt service on the Generation System bonds on a parity of lien with the Electric System Senior bonds.

The PUD is required to maintain a cash reserve for certain Electric System bonds. At December 31, 2021 and 2020, the PUD held the reserve requirement of \$18.3 million and \$14.4 million, respectively, in the Electric System.

The fair value of the Electric System's long-term debt was \$458.7 million and \$384.6 million, respectively, at December 31, 2021 and 2020. The fair value of the Electric System's long-term debt is estimated based on quoted market prices for the same or similar issues.

Generation System

A summary of principal outstanding on Generation System long-term debt follows:

	December 31,	
	2021	2020
	<i>(In thousands)</i>	
Series 2020A Revenue Refunding bonds, 5.0%, due 2022-2024	\$ 14,550	\$ 18,965
Series 2015 Revenue bonds, 5.0%, due 2025-2045, earliest call 2025	39,985	39,985
Series 2010B Revenue bonds, 5.3-5.7%, due 2022-2040, currently callable	13,115	13,590
Total Principal Outstanding on Long-Term Debt	\$ 67,650	\$ 72,540

In October 2020, the PUD issued \$19.7 million of Series 2020A Generation System Revenue Refunding bonds at a premium of \$2.4 million and an average interest rate of 0.4%. These proceeds, along with \$5 million from the PUD's reserves, were used to refund the Series 2010A Generation System Revenue bonds at a net carrying value of \$32.4 million and an average interest rate of 3.2% at the time of refunding. The costs of issuance of \$0.3 million were paid out of the residual bond proceeds. The difference between the funds required to refund the outstanding debt, \$26.5 million, and the net carrying amount of the outstanding debt, \$32.4 million, was recognized in 2020 as a deferred inflow of resources to be amortized over the remaining life of the new debt.

The economic gain on the refunding is calculated as the difference between the present value of the outstanding debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid. The net present value savings, or economic gain, from the 2010A Generation System Revenue bond refunding was \$2.5 million at the time of refunding in 2020.

Changes in the Generation System long-term debt during the years ended December 31, 2021, and 2020, follow (in thousands):

	2019	2020			2021		
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance
Revenue bonds, face amount	\$ 80,500	\$ 19,725	\$ (27,685)	\$ 72,540	\$ –	\$ (4,890)	\$ 67,650
Unamortized bond premiums	11,615	2,435	(7,291)	6,759	–	(766)	5,993
Unamortized bond discounts	(9)	–	–	(9)	–	1	(8)
Total Debt	92,106	22,160	(34,976)	79,290	–	(5,655)	73,635
Less: Current maturities	(5,310)			(4,890)			(5,120)
Total Long-Term Debt	\$ 86,796			\$ 74,400			\$ 68,515

The PUD is required to maintain a cash reserve for certain Generation System bonds. At December 31, 2021 and 2020, the PUD maintained the reserve requirement of \$6.0 million in the Generation System.

At December 31, 2020, the Series 1989 Generation System Revenue bonds and the Series 1986A Generation System Revenue Refunding bonds defeased in prior years were fully matured and paid.

The fair value of the Generation System's long-term debt was \$79.3 million and \$87.9 million, respectively, at December 31, 2021 and 2020. The fair value of the Generation System's long-term debt is estimated based on quoted market prices for the same or similar issues.

Water System

A summary of principal outstanding on Water System long-term debt follows:

	December 31,	
	2021	2020
	(In thousands)	
Series 2019 Revenue Refunding bonds, 5.0%, due 2022-2031, not callable	\$ 5,715	\$ 6,145
Series 2011 Revenue Refunding bonds, 4.0-5.0%, due 2022, currently callable	845	1,635
State of Washington Drinking Water Revolving Fund loans:		
equal principal payments plus 1.0% interest due annually through 2042	3,921	819
equal principal payments plus 1.0% interest due annually through 2034	1,619	1,744
equal principal payments plus 1.5% interest due annually through 2029	661	744
equal principal payments plus 1.5% interest due annually through 2027	384	448
equal principal payments plus 2.5% interest due annually through 2023	48	96
Total Principal Outstanding on Long-Term Debt	\$ 13,193	\$ 11,631

Changes in the Water System long-term debt during the years ended December 31, 2021, and 2020, follow (in thousands):

	2019	2020			2021		
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance
Revenue bonds, face amount	\$ 8,975	\$ —	\$ (1,195)	\$ 7,780	\$ —	\$ (1,220)	\$ 6,560
Unamortized bond premiums	1,707	—	(209)	1,498	—	(210)	1,288
Unamortized bond discounts	—	—	—	—	—	—	—
Other notes payable	3,882	313	(344)	3,851	3,139	(357)	6,633
Total Debt	14,564	313	(1,748)	13,129	3,139	(1,787)	14,481
Less: Current maturities	(1,537)			(1,576)			(1,806)
Total Long-Term Debt	\$ 13,027			\$ 11,553			\$ 12,675

The Water System periodically enters into low-interest loan agreements with the Washington State Public Works Trust Fund and the State of Washington Drinking Water Revolving Fund. These funds have provided various loans to the PUD for the repair, replacement, rehabilitation, and reconstruction of water facilities. In 2021 and 2020, the PUD initiated drawdowns of \$3.1 million and \$0.3 million respectively, to pay costs associated with acquiring and improving the Warm Beach Water System which was transferred to the PUD in 2018.

The PUD is required to maintain a cash reserve for certain Water System bonds. At December 31, 2021 and 2020, the PUD maintained the reserve requirement of \$0.4 million.

The fair value of the Water System's long-term debt was \$7.8 million and \$9.5 million, respectively, at December 31, 2021 and 2020. The fair value for the Washington State Public Works Trust Fund loan and the State of Washington Drinking Water Revolving Fund loans approximate the carrying amounts since such loans are exclusive and have no market.

Note 4

BPA Power Purchase Agreement

The PUD is a preference customer of the Bonneville Power Administration (BPA), from which it acquired approximately 80% and 82% of its energy purchases in 2021 and 2020 respectively.

The PUD purchases power from BPA under power supply contracts offered pursuant to the Pacific Northwest Electric Planning and Conservation Act. These contracts provide the PUD with the ability to purchase power in excess of its declared resources on an as-needed basis. The PUD entered into contracts with BPA to purchase approximately 75-85% of its power requirements from the federal agency through 2028.

Energy Northwest Nuclear Projects Nos. 1, 2 and 3

The PUD entered into participation agreements in Energy Northwest's Nuclear Projects Nos. 1, 2 and 3. The PUD, Energy Northwest and BPA have entered into separate Net Billing Agreements with respect to Energy Northwest's Project No. 1, Project No. 2 and 70% ownership share of Project No. 3. The PUD is obligated to purchase from Energy Northwest, and

BPA is obligated to purchase from the PUD, a maximum of approximately 20%, 15%, and 19%, respectively, of the capacity of Project Nos. 1 and 2 and Energy Northwest's 70% ownership share of Project No. 3. BPA is unconditionally obligated to pay Energy Northwest the PUD's pro rata share of the total annual costs of the projects, including debt service on revenue bonds issued to finance the projects. The effect of these net billing agreements is that the cost of power sold by BPA to all of its customers, including the PUD, includes the cost of these projects.

Notwithstanding the assignment of the PUD's share of the capability of a net billed project to BPA, the PUD remains unconditionally obligated to pay to Energy Northwest its share of the total annual costs of the projects to the extent payment is not received by Energy Northwest from BPA. The PUD has not made payments under this contract.

Note 5

Generation System Projects

The Generation System consists of the PUD's Henry M. Jackson Hydroelectric Project (Jackson Project) and four smaller hydroelectric projects. In 2021 and 2020, these projects supplied 6%, of the PUD's energy needs.

Henry M. Jackson Hydroelectric Project

The Jackson Project is a multipurpose hydroelectric project with a capacity of 111.8 megawatts.

The project is currently operating under a 45-year license issued by the Federal Energy Regulatory Commission (FERC) that will expire in 2056. The license agreement includes requirements for fish, wildlife, and recreation enhancement in the Jackson Project area. The PUD has also negotiated settlement agreements with the cities of Everett and Sultan, Washington Department of Fish and Wildlife, United States Forest Service, and the Tulalip Tribes that call for funding commitments over the course of the 45-year license.

Small Hydroelectric Projects

The Generation System owns four small hydroelectric projects. Two of these, the Youngs Creek Hydroelectric Project (Youngs Creek) and the Woods Creek Hydroelectric Project (Woods Creek) are located near Sultan, in Snohomish County. Completed in 2011, Youngs Creek has a capacity of 7.5 megawatts, and its FERC license expires in 2042. Woods Creek was purchased by the PUD in 2008, has a capacity of 650 kilowatts, and was upgraded by the PUD to meet current operating standards.

The PUD's other two projects, Calligan Creek Hydroelectric Project (Calligan Creek) and Hancock Creek Hydroelectric Project (Hancock Creek), were completed and began operations in 2018. These 6.0 megawatt run-of-the-river hydroelectric projects are situated near North Bend, in King County. The 50-year FERC licenses for each project will expire in 2065.

The PUD has committed the Electric System to purchase the output of its Generation System projects at the cost of the power produced.

Note 6

Related Party Transactions

The Generation System sells power to the Electric System at the cost of power produced including debt service and any other cash transactions. The Generation System sold \$23.7 million and \$23.1 million of power in 2021 and 2020, respectively, to the Electric System.

The Electric and Generation Systems periodically enter into loan transactions between the systems for various purposes including to defease bonds, to fund energy generation project construction, and to fund energy generation project studies, including the purchase and development of small hydroelectric projects. These loans are assigned terms consistent with the associated asset acquired, and interest rates are set at tax-exempt bond market rates at the time of the loan.

Electric System loans to the Generation System were \$34.5 million and \$37.9 million at December 31, 2021 and 2020, respectively. The Generation System recorded interest expense on these loans of \$1.4 million in 2021 and \$1.6 million in 2020.

Note 7

Retirement and Deferred Compensation Plans

DEFINED BENEFIT PENSION PLANS

The Public Employee Retirement System (PERS) is a cost-sharing multiple-employer retirement system comprised of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans and PERS Plan 3 is a defined benefit plan with a defined contribution component. PERS members include elected officials, state employees, and employees of governmental agencies in the State of Washington.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined after that date are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

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

General Benefits Provided

PERS provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of the Washington State Department of Retirement Systems (DRS). Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they terminated their public service.

Substantially all full-time and qualifying part-time PUD employees participate in PERS which is administered by DRS. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

Both the PUD and the employees made the required contributions. The PUD's required contributions for the years ended December 31, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
		(In thousands)	
2021	\$ 83	\$ 14,081	\$ 2,811
2020	91	14,560	2,898
2019	81	13,105	2,535

PERS Plan 1 Description

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring

from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

The PERS Plan 1 member contribution rate is established by State statute at six percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

<i>Actual Contribution Rates</i>	<i>Employer</i>	<i>Employee</i>
September 2018 through August 2020	12.83%	6.00%
September 2020 through June 2021	12.97%	6.00%
July 2021 through December 2021	10.25%	6.00%

The PUD's contributions as reported by PERS to the plan were \$6.4 million, and \$6.5 million for the years ended December 31, 2021, and 2020, respectively.

PERS Plan 2/3 Description

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months, and there is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI) capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of five percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL) and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) were as follows:

<i>Actual Contribution Rates</i>	<i>Employer Plan 2/3</i>	<i>Employee Plan 2</i>	<i>Employee Plan 3</i>
July 2019 through August 2020	12.83%	7.90%	varies
September 2020 through June 2021	12.97%	7.90%	varies
July 2021 through December 2021	10.25%	6.36%	varies

The PUD's contributions as reported by PERS to the plan were \$10.8 million, and \$10.9 million for the years ended December 31, 2021, and 2020, respectively.

Pension Financial Statement Balances

At June 30, 2021, the PUD reported total pension assets of \$105.3 million for its proportionate share of the net pension assets and liabilities. The pension liability was \$11.3 million for PERS Plan 1 and the pension asset was \$116.6 million for PERS Plan 2/3.

At June 30, 2020, the PUD reported a total pension liability of \$43.8 million for its proportionate share of the net pension liabilities. The pension liability was \$29.9 million for PERS Plan 1 and \$13.9 million for PERS Plan 2/3.

The PUD's proportionate share of the net pension plan for PERS Plan 1 was 0.92% and 0.85% for June 30, 2021, and 2020 respectively. The PUD's proportionate share of the PERS Plan 2/3 was 1.17% and 1.08% for June 30, 2021, and 2020 respectively.

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the Schedules of Employer and Non-employer Allocations for all plans.

The collective net pension liability was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2020, with update procedures used to roll forward the total pension liability to the measurement date.

For the years ended December 31, 2021, and 2020, the PUD recognized a pension credit of \$5.8 million and \$6.4 million, respectively, for PERS Plan 1 and a pension credit of \$37.0 million and \$9.5 million, respectively, for PERS Plan 2/3.

At December 31, the PUD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	2021				2020			
	PERS 1		PERS 2/3		PERS 1		PERS 2/3	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ —	\$ —	\$ 5,665	\$ 1,430	\$ —	\$ —	\$ 4,963	\$ 1,737
Net difference between projected and actual investment earnings on pension plan investments	—	12,522	—	97,488	—	166	—	704
Changes of assumptions	—	—	170	8,284	—	—	198	9,471
Changes in proportion and differences between contributions and proportionate share of contributions	—	—	2,545	2,087	—	—	992	2,224
Contributions subsequent to the measurement date	<u>2,867</u>	<u>—</u>	<u>4,820</u>	<u>—</u>	<u>3,320</u>	<u>—</u>	<u>5,388</u>	<u>—</u>
	<u>\$ 2,867</u>	<u>\$ 12,522</u>	<u>\$ 13,200</u>	<u>\$ 109,289</u>	<u>\$ 3,320</u>	<u>\$ 166</u>	<u>\$ 11,541</u>	<u>\$ 14,136</u>

Deferred outflows of resources related to pensions resulting from the PUD's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension (credit) expense as follows (in thousands):

Year ended December 31:	PERS 1	PERS 2/3
2021	\$ —	\$ (26,725)
2022	(3,317)	(24,974)
2023	(3,040)	(23,893)
2024	(2,874)	(25,602)
2025	(3,291)	(107)
2026 - 2027	<u>—</u>	<u>330</u>
Total	<u>\$ (12,522)</u>	<u>\$ (100,971)</u>

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the Washington Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, assumed interest and actual benefit payments. A variation of the Entry Age Normal (EAN) cost method is used for funding Plan 1. The aggregate actuarial cost method is used to calculate contribution rates for Plan 2/3. Other assumptions included:

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.40%

Mortality rates were based on the H-2010 Mortality rates, which vary by member status (that is, active, retiree, or survivor), published by the Society of Actuaries. OSA applied age offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using MP-2017 generational improvement scale, developed by the Society of Ac-

tuaries. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

The discount rate used to measure the total pension liability for all DRS plans was 7.4%. To determine that rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with the long-term expected rate of return, a 7.4% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% was used to determine the total pension liability.

The long-term expected rate of return on DRS pension plan investments of 7.4% was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected annual return, standard deviation of the annual return, correlations between the annual returns of each asset class with every other asset class) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%

The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation

Sensitivity of Net Pension Liability

The table below presents the PUD's proportionate share of the net pension liability/(asset) calculated using the current discount rate, as well as the PUD's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	(\$ Millions)					
	2021			2020		
	1% Decrease (6.4%)	Discount Rate (7.4%)	1% Increase (8.4%)	1% Decrease (6.4%)	Discount Rate (7.4%)	1% Increase (8.4%)
PERS Plan 1	\$ 19.2	\$ 11.3	\$ 4.4	\$ 37.5	\$ 29.9	\$ 23.3
PERS Plan 2/3	(33.2)	(116.6)	(185.3)	86.3	13.9	(45.8)

Pension Liability Allocation

The pension liability has been allocated to the Electric, Generation and Water Systems, based on percentages of staffing levels between the systems. The PUD's proportionate share of net pension liability for each plan, as of December 31, is as follows (in thousands):

	December 31, 2021		December 31, 2020	
	PERS Plan 1	PERS Plan 2/3	PERS Plan 1	PERS Plan 2/3
Electric System	\$ 10,760	\$ (110,623)	\$ 28,419	\$ 13,164
Generation System	243	(2,966)	720	372
Water System	281	(3,056)	764	328

Pension Plan Fiduciary Net Position

The pension plans' fiduciary net position has been determined on the same basis used by the pension plan accounted for in pension trust funds using the flow-of-economic-resources measurement focus and the accrual basis of accounting. Investments are reported at fair value. Unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position. The net assets of the retirement funds are valued using the publicly traded securities, limited partnerships, private equity limited partnerships and real estate limited partnerships.

Detailed information about each defined benefit pension plans' fiduciary net position is available in the separately issued DRS 2021 ACFR financial report. The DRS ACFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia WA 98504-8380.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The PUD implemented GASB No. 75 to recognize net liability related to OPEB and its disclosure requirements. There are two OPEB plans, healthcare and life insurance. They are a single-employer defined benefit OPEB plan administered by the PUD. There are no stand-alone financial statements presented for either of these plans.

Plan Descriptions

Healthcare Plan

The PUD administers retiree self-insured medical and vision insurance and Health Reimbursement arrangement (HRA) benefits for eligible retirees hired before July 1, 2009, and their dependents. Retiree benefit provisions are established by Commission resolution.

In general, the PUD pays a contribution toward the retiree's PUD group health plan premiums or to a Health Reimbursement Arrangement (HRA). For retirees and their dependents under age 65 who elect a PUD group medical plan, the PUD contribution is based on 75% of the premium for the most commonly elected retiree health plan during the prior year. Retirees and their dependents under age 65 who waive PUD group medical plan coverage receive a \$180 monthly contribution into their HRA. When a retiree or dependent becomes eligible for Medicare at age 65, the retiree is no longer eligible for the group medical plan; however, the PUD contributes \$180 a month to the retiree's HRA. This OPEB plan is closed to employees hired after July 1, 2009. In 2021 and 2020, the PUD contributed \$2.9 million and \$2.4 million, respectively, to the plans. Plan members receiving benefits contributed \$0.4 million in 2021 and \$0.6 million in 2020.

Retiree Life Insurance

The PUD administers life insurance benefits related to a term life insurance plan terminated in 1986 for eligible retirees. The retiree life insurance benefit provisions were established by Commission resolution.

Employees who were covered by the PUD's group term life insurance prior to November 1986 may reinstate this insurance at the time of retirement subject to a \$60,000 maximum benefit. Retiree insurance premium contribution amounts are established by the Commission. The PUD entered into an insurance contract to fully insure the life insurance obligation, and contributed \$354 thousand and \$355 thousand towards the premium in 2021 and 2020, respectively.

Valuation Date, Measurement Date and Reporting Date

The Valuation Date of OPEB liability is December 31, 2020. This is the date as of which the census data is gathered, and the actuarial valuation is performed. The Measurement Date is December 31, 2020. This is the date as of which the total OPEB liability is determined and rolled forward to the reporting date of December 31, 2021. The reporting date is December 31, 2021, the PUD's fiscal year-end. GASB Statement No. 75 allows a lag of up to one year between the measurement date and the reporting date. There have been no significant changes between the valuation date and fiscal year ends. No adjustment is required between the measurement date and the reporting date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0% based on Actuary's capital market expectations.
Salary increases	2.75% for which the assumption above inflation is based upon the most recent pension valuation for Plan 2 of the Public Employees Retirement System (PERS), a subset of the Washington State Retirement Systems.
Discount rate	2.74%
Healthcare cost trend rates	6.5 % for 2020, decreasing to an ultimate rate of 4.5 % for 2040 and later years.
Retirees' share of health benefit-related costs	25% of projected health insurance premiums for retirees.
Life insurance cost trend rates	4.5% for 2021.
Retirees' share of life benefit-related costs	25% of projected life insurance premiums for retirees in 2021 and after.

The discount rate was based on 20-Year Tax-Exempt Municipal Bond Yield, as required by GASB Statement No. 75.

Mortality rates were based on the RP-2000 Healthy Mortality Table for Males or Females, as appropriate, with 100% of Scale BB fully generational offset one year.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the December 31, 2021, valuation were based on the results of an actuarial experience study for the period ended December 31, 2020.

OPEB Liability

As of December 31, 2021, the PUD's total OPEB liability for retiree healthcare was \$41.9 million, and \$5.7 million for retiree life benefits, recorded in other accrued and other liabilities. The annual payroll of active employees covered by the plan was \$74.1 million in 2021, compared to \$71.8 million in 2020.

The following census of membership was used in the actuarial valuation:

	Healthcare	Life
Retirees (and beneficiaries for healthcare)	643	209
Active employees	469	3
	<u>1,112</u>	<u>212</u>

The following table shows the changes in the PUD's net OPEB liability (in thousands):

HEALTHCARE	2021			2020
	Electric	Generation	Water	Combined
Net OPEB liability – beginning of year	\$ 44,110	\$ 1,074	\$ 1,118	\$ 41,733
Changes for the year:				
Service Cost	1,488	40	41	1,198
Interest on total OPEB liability	1,208	33	33	1,704
Effect of economic/demographic gains/(losses)	(858)	(23)	(23)	–
Effect of assumptions changes or inputs	(3,416)	(92)	(93)	4,442
Expected benefit payments	<u>(2,598)</u>	<u>(70)</u>	<u>(71)</u>	<u>(2,775)</u>
Net Changes	<u>(4,176)</u>	<u>(113)</u>	<u>(114)</u>	<u>4,569</u>
Net OPEB liability – end of year	<u>\$ 39,934</u>	<u>\$ 961</u>	<u>\$ 1,004</u>	<u>\$ 46,302</u>

LIFE	2021			2020
	Electric	Generation	Water	Combined
Net OPEB liability – beginning of year	\$ 4,697	\$ 122	\$ 123	\$ 4,405
Actuarial beginning of year adjustment				
Changes for the year:				
Service Cost	11	0	0	7
Interest on total OPEB liability	125	3	3	176
Effect of economic/demographic gains/(losses)	838	23	23	–
Effect of assumptions changes or inputs	36	1	1	653
Expected benefit payments	<u>(285)</u>	<u>(8)</u>	<u>(8)</u>	<u>(299)</u>
Net Changes	<u>726</u>	<u>20</u>	<u>20</u>	<u>537</u>
Net OPEB liability – end of year	<u>\$ 5,423</u>	<u>\$ 141</u>	<u>\$ 143</u>	<u>\$ 4,942</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.74 percent in 2020 to 2.12 percent in 2021. The schedule of changes in the PUD's total OPEB liability and related ratios is included in the Required Supplementary Information.

Sensitivity Analysis

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the PUD, calculated using the discount rate of 2.12 percent, as well as what the PUD's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.12%) or one percentage point higher (3.12%) than the current rate (in millions):

	2021		
	1% Decrease (1.12%)	Current Discount Rate (2.12%)	1% Increase (3.12%)
Healthcare	\$ 46.3	\$ 41.9	\$ 38.1
Life	6.4	5.7	5.2

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability of the PUD, calculated using the current healthcare cost trend rates as well as what the PUD's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates (in millions):

	2021		
	1% Decrease 5.50% Graded Down to 3.50%	Current Trend Rate 6.50% Graded Down to 4.50%	1% Increase 7.50% Graded Down to 5.50%
Healthcare	\$ 40.5	\$ 41.9	\$ 43.5

OPEB Financial Statement Balances

For the year ended December 31, 2021, and 2020, the PUD recognized OPEB healthcare expense of \$1.9 million and \$3.2 million, respectively. For OPEB life insurance, the PUD recognized OPEB expense of \$0.2 million and \$0.8 million for the year ended December 31, 2021, and 2020, respectively. At December 31, 2021, the PUD reported deferred outflows of resources and deferred inflows of resources related to OPEB healthcare from the following sources (in thousands):

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 276	\$ (654)
Changes of assumptions or other inputs	2,987	(4,211)
Total	\$ 3,263	\$ (4,865)

There were no deferred outflows and deferred inflows of resources related to OPEB life plan.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other post-employment benefits will be recognized in OPEB credit (expense) as follows (in thousands):

Measurement Period Ending December 31:	
2022	\$ (929)
2023	(810)
2024	137
2025	—
Thereafter	—
	<u>\$ (1,602)</u>

POSTEMPLOYMENT DEFINED CONTRIBUTION AND HEALTHCARE PLANS

The PUD offers several defined contribution plans and a healthcare plan to employees.

Employees hired after July 1, 2009, are not eligible for the postemployment defined benefit healthcare plan but are instead eligible for a defined contribution healthcare plan. This plan is also known as the Retirement Health Savings (RHS) Plan. Under this plan, the PUD contributed \$54.00 per month into an employee's individual HRA account in January through March 2021. Effective April 2021, the PUD contributed \$55.08 each month into the plan. This amount will be adjusted by two percent (2%) annually, on April 1 of each calendar year. These funds are available to the employee for qualified health care costs upon separation from employment from the PUD.

The PUD administers a Non-PERS 401(a) Plan and Trust effective October 1, 1998. Participation in this profit-sharing plan is offered to eligible employees of the PUD as defined in the plan document. The Plan provides certain Employer Contributions to Participants equal to the employer contributions that would have been made to Plan 2 of PERS if Participants in the plan had been eligible to participate in PERS. The PUD recorded as pension expense contributions to the 401(a) Plan of \$17 thousand and \$19 thousand in 2021 and 2020, respectively. These funds are available to the Participant following a settlement date as defined in the plan document.

The PUD administers an Internal Revenue Code Section 457 deferred compensation program, covering eligible employees as defined in the plan document. Participants may contribute and defer, up to defined limits, a portion of their current year's salary. There is no contribution to this plan from the PUD. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. All plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

The PUD administers a 401(k) Savings Plan effective May 1, 1985. Participation in the Plan is offered to eligible employees of the PUD as defined in the plan document. The Plan is a defined contribution plan, which provides that participants may make voluntary salary deferral contributions, on a pretax basis, up to a maximum amount as indexed for cost-of-living adjust-

ments. In 2021, the contribution limit for employees was \$19,500. The catch-up contribution limit for employees aged 50 and over was \$6,500. Employee contributions are fully vested. Employer contributions are vested after 3 years of employment. Effective July 2020, the PUD makes matching contributions in an amount equal to 100% of the first two percent of a participant's compensation contributed as a salary deferral. The PUD recorded as pension expense for matching contributions to the 401(k) Savings Plan of \$2.3 million and \$2.1 million in 2021 and 2020, respectively.

Note 8

Self-Insurance Fund

The PUD maintains a comprehensive insurance program that includes liability insurance coverage of \$50 million in excess of a \$2 million self-insured retention per occurrence. This coverage insures against certain losses arising from property damage or bodily injury damage claims filed by third parties against the PUD. At December 31, 2021, the PUD's \$2 million self-insured retention was fully funded. Self-insurance funds are included in special funds at market value, with a balance of \$10 million as of December 31, 2021 and 2020.

Note 9

Contingencies

The PUD is involved in various claims arising in the normal course of business. The PUD does not believe that the ultimate outcome of these matters will have a material adverse impact on its financial position or results of operations.

The PUD has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – PERS

As of June 30 (In thousands)

PERS 1	2021	2020	2019	2018	2017
Employer's proportion of the net pension liability (asset)	0.92%	0.85%	0.88%	0.87%	0.87%
Employer's proportionate share of the net pension liability	\$ 11,285	\$ 29,903	\$ 33,889	\$ 38,769	\$ 41,111
Employer's covered employee payroll	\$ 773	\$ 649	\$ 642	\$ 608	\$ 768
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	1,459.90%	4,607.55%	5,278.66%	6,376.48%	5,352.03%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%	63.22%	61.24%
PERS 2/3	2021	2020	2019	2018	2017
Employer's proportion of the net pension liability (asset)	1.17%	1.08%	1.12%	1.10%	1.10%
Employer's proportionate share of the net pension liability	\$ (116,645)	\$ 13,864	\$ 10,915	\$ 18,707	\$ 38,094
Employer's covered employee payroll	\$ 140,052	\$ 126,542	\$ 122,155	\$ 114,293	\$ 107,494
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(83.29)%	10.96%	8.94%	16.37%	35.44%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	97.22%	97.77%	95.77%	90.97%

Notes to Schedule:

Factors that significantly affect trends in the amounts reported in the schedule include changes in benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions such as the discount rate. DRS allocates a portion of contributions from the PERS 2/3 to PERS 1 in order to fund its unfunded actuarially accrued liability.

SCHEDULE OF EMPLOYER CONTRIBUTIONS – PERS

As of December 31 (in thousands)

PERS 1	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contributions	\$ 83	\$ 91	\$ 81	\$ 81	\$ 71	\$ 98	\$ 124	\$ 155	\$ 152	\$ 158
Contributions in relation to the contractually required contributions	(83)	(91)	(81)	(81)	(71)	(98)	(124)	(155)	(152)	(158)
Contribution deficiency (excess)	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Covered employer payroll	\$ 696	\$ 705	\$ 632	\$ 632	\$ 594	\$ 879	\$ 1,221	\$ 1,611	\$ 1,854	\$ 2,196
Contributions as a percentage of covered employee payroll	11.93%	12.91%	12.82%	12.82%	11.95%	11.15%	10.14%	9.62%	8.20%	7.19%
PERS 2/3										
Contractually required contributions	\$ 16,892	\$ 17,458	\$ 15,640	\$ 15,239	\$ 13,267	\$ 11,925	\$ 10,581	\$ 8,989	\$ 7,668	\$ 6,619
Contributions in relation to the contractually required contributions	(16,892)	(17,458)	(15,640)	(15,239)	(13,267)	(11,925)	(10,581)	(8,989)	(7,668)	(6,619)
Contribution deficiency (excess)	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Covered employer payroll	\$ 146,019	\$ 135,327	\$ 121,760	\$ 119,564	\$ 110,945	\$ 106,716	\$ 103,383	\$ 97,703	\$ 93,277	\$ 92,171
Contributions as a percentage of covered employee payroll	11.57%	12.90%	12.84%	12.75%	11.96%	11.17%	10.23%	9.20%	8.22%	7.18%

SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS

As of December 31 (in thousands)

	2021 Post-Employment		2020 Post-Employment		2019 Post-Employment	
	Health	Life	Health	Life	Health	Life
Total OPEB Liability						
Service cost	\$ 1,569	\$ 12	\$ 1,198	\$ 7	\$ 1,151	\$ 7
Interest on total OPEB liability	1,274	132	1,704	175	1,565	163
Effect on economic/demographic gains/ (losses)	(906)	884	—	—	794	(14)
Effect of assumption changes or inputs	(3,602)	38	4,442	653	(4,629)	(312)
Expected benefit payments	(2,739)	(301)	(2,775)	(298)	(2,954)	(321)
Net change in total OPEB liability	\$ (4,404)	\$ 765	\$ 4,569	\$ 537	\$ (4,073)	\$ (477)
Total OPEB liability, beginning	46,302	4,942	41,733	4,405	45,806	4,882
Total OPEB liability, ending	\$ 41,898	\$ 5,707	\$ 46,302	\$ 4,942	\$ 41,733	\$ 4,405
Covered employee payroll	\$ 74,130	N/A	\$ 71,826	N/A	\$ 70,291	N/A
Total OPEB liability as a % of covered employee payroll	56.52%	N/A	64.46%	N/A	59.37%	N/A

Notes to Schedule:

There are no changes of benefit terms.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate, election, demographic, and health assumptions each period. Discount rate used in 2021: 2.12%, 2020: 2.74%; 2019: 4.10%.

The PUD has established a fund to address the unfunded portion of future post-employment benefits. The balance of this account was \$36.3 million and \$34.9 million as of December 31, 2021 and 2020, respectively, and is included in special funds on the statements of net position. Since these funds have not been placed in an irrevocable trust, the PUD has not reduced the unfunded actuarial liability by these funds. Effective January 1, 2015, the PUD has entered into an insurance product that is expected to fund the remaining life insurance liability.

Electric System

Statements of Revenues, Expenses, and Debt Service Coverage (Unaudited)

(In thousands)

Years Ended December 31,	2017	2018	2019	2020	2021
Operating Revenues:					
Sale of electric energy	\$ 643,121	\$ 647,228	\$ 645,833	\$ 651,763	\$ 667,405
Other operating revenues	28,685	36,878	28,451	32,088	32,334
Unbilled revenues	1,500	(1,921)	(2,700)	(5,300)	8,400
Total Operating Revenues	673,306	682,185	671,584	678,551	708,139
Operating Expenses:					
Purchased power	333,338	333,705	349,909	312,131	334,427
Operations and maintenance	219,526	221,225	211,571	239,235	215,636
Depreciation	53,191	53,624	55,493	57,202	58,988
Taxes	37,994	38,668	38,710	38,525	39,534
Total Operating Expenses	644,049	647,222	655,683	647,093	648,585
Net Operating Income (Loss)	29,257	34,963	15,901	31,458	59,554
Interest Charges	13,959	14,455	15,966	15,401	13,930
Other Income and Expense:					
Interest income	5,781	9,679	11,895	8,577	5,415
Net increase (decrease) in the fair value of investments	(456)	1,002	2,078	2,513	(4,857)
Other income and expense, net	3,954	(7,090)	6,731	(4,262)	3,095
Total Other Income and Expense	9,279	3,591	20,704	6,828	3,653
Capital Contributions:					
Cash contributions	17,338	18,053	24,645	23,003	21,424
Non-cash contributions	5,010	6,598	9,098	5,442	6,376
Total Capital Contributions	22,348	24,651	33,743	28,445	27,800
Net Income	46,925	48,750	54,382	51,330	77,077
Non-cash contributions	(5,010)	(6,598)	(9,098)	(5,442)	(6,376)
Interest charges	13,959	14,455	15,966	15,401	13,930
Depreciation	53,191	53,624	55,493	57,202	58,988
Pension & OPEB liability actuarial adjustments	(6,889)	(12,964)	(13,747)	(16,207)	(43,297)
Net increase (decrease) in the fair value of investments	456	(1,002)	(2,078)	(2,513)	4,857
Project termination charge	–	9,637	–	8,465	–
Balance Available for Debt Coverage	102,632	105,902	100,918	108,236	105,179
Parity Debt Service Costs:					
Interest	17,774	17,358	16,937	16,179	15,762
Principal	9,080	9,495	9,918	10,400	11,085
Total Parity Debt Service Costs	\$ 26,854	\$ 26,853	\$ 26,855	\$ 26,579	\$ 26,847
Parity Debt Service Coverage	3.8x	3.9x	3.8x	4.1x	3.9x

Electric System Revenue and Statistical Data (Unaudited)

Years Ended December 31,	2017	2018	2019	2020	2021	% Change From 2020
Retail Customers (average)						
Residential	314,323	318,421	322,225	327,475	332,746	1.6%
Commercial	31,357	31,712	32,443	33,317	34,071	2.3%
Industrial	81	80	81	82	76	-7.3%
Other	221	205	204	202	203	0.5%
<i>Retail Customers</i>	345,982	350,418	354,953	361,076	367,096	1.7%
Megawatt-Hours Billed						
Residential	3,642,117	3,566,731	3,603,089	3,724,600	3,788,553	1.7%
Commercial	2,371,339	2,363,415	2,373,169	2,226,949	2,311,513	3.8%
Industrial	553,544	528,244	527,237	472,618	466,812	-1.2%
Wholesale	2,227,442	2,016,038	1,401,511	2,060,403	1,512,879	-26.6%
Other	27,137	29,000	27,728	28,465	26,892	-5.5%
<i>Megawatt-Hours Billed</i>	8,821,579	8,503,428	7,932,734	8,513,035	8,106,649	-4.8%
Revenues Billed (in thousands)						
Residential	\$ 360,906	\$ 362,924	\$ 366,804	\$ 379,219	\$ 384,362	1.4%
Commercial	205,652	208,405	209,058	196,880	204,048	3.6%
Industrial	37,762	36,729	36,611	32,972	32,564	-1.2%
Wholesale	34,947	34,985	29,317	38,783	42,693	10.1%
Other	3,854	4,185	4,043	3,909	3,739	-4.3%
<i>Revenues Billed</i>	\$ 643,121	\$ 647,228	\$ 645,833	\$ 651,763	\$ 667,406	2.4%
Average Retail Rate per kWh:						
Residential	\$ 0.099	\$ 0.102	\$ 0.102	\$ 0.102	\$ 0.101	-1.0%
Commercial	\$ 0.087	\$ 0.088	\$ 0.088	\$ 0.088	\$ 0.088	0.0%
Industrial	\$ 0.068	\$ 0.07	\$ 0.069	\$ 0.07	\$ 0.07	0.0%
Number of Employees	1,004	1,005	1,046	1,028	1,025	-0.3%
Electric Line Miles	6,439	6,496	6,547	6,581	6,608	0.4%
New Electric Service Connections	5,132	4,341	4,339	5,638	5,934	5.3%

Water System

Statements of Revenues, Expenses, Debt Service Coverage, and Statistical Data (Unaudited)

(In thousands)

Years Ended December 31,	2017	2018	2019	2020	2021
Operating Revenues:					
Sale of water	\$ 12,753	\$ 13,133	\$ 13,361	\$ 13,755	\$ 14,626
Other operating revenues	344	397	403	368	362
Total Operating Revenues	13,097	13,530	13,764	14,123	14,988
Operating Expenses:					
Purchased water	2,585	2,438	2,596	2,925	3,217
Operations and maintenance	5,180	5,091	5,239	5,764	5,447
Depreciation	2,875	2,932	3,028	3,191	3,269
Taxes	641	688	726	754	784
Total Operating Expenses	11,281	11,149	11,589	12,634	12,717
Net Operating Income	1,816	2,381	2,175	1,489	2,271
Interest Charges	705	614	743	312	266
Other Income and Expense:					
Interest income	246	418	610	377	120
Net increase (decrease) in the fair value of investments	(26)	46	55	(14)	(86)
Other income and expense, net	945	—	28	(22)	(27)
Total Other Income and Expense	1,165	464	693	341	7
Capital Contributions:					
Cash contributions	2,120	3,441	4,286	4,273	3,425
Non-cash contributions	1,609	2,277	4,158	2,081	2,713
Total Capital Contributions	3,729	5,718	8,444	6,354	6,138
Net Income	6,005	7,949	10,569	7,872	8,150
Non-cash contributions	(1,609)	(2,277)	(4,158)	(2,081)	(2,713)
Interest charges	705	614	743	312	266
Depreciation	2,875	2,932	3,028	3,191	3,269
Settlement amortization (1)	(927)	—	—	—	—
Pension and OPEB liability actuarial adjustments	(178)	(348)	(354)	(446)	(1,184)
Net increase (decrease) in the fair value of investments	26	(46)	(55)	14	86
Balance Available for Debt Coverage	6,897	8,824	9,773	8,862	7,874
Parity Debt Service Costs:					
Interest	755	695	617	418	381
Principal	1,705	1,706	1,621	1,195	1,220
Total Parity Debt Service Costs	2,460	2,401	2,238	1,613	1,601
Less: Assessment payments received	(90)	(65)	(32)	(15)	(5)
Debt Service Paid from Revenues	\$ 2,370	\$ 2,336	\$ 2,206	\$ 1,598	\$ 1,596
Parity Debt Service Coverage	2.9x	3.8x	4.4x	5.5x	4.9x
Number of Water Customers (average)	20,293	20,808	21,635	22,161	22,774
Water Sales & Purchases (thousand cubic feet)					
Retail Cubic Feet Sold	198,117	197,606	196,688	204,000	220,504
Wholesale Cubic Feet Sold	22,189	24,003	26,837	29,373	31,499
Total Cubic Feet Sold	220,306	221,609	223,525	233,373	252,003
Average Retail Water Rates (thousand cubic feet)					
Residential	\$3.46	\$3.52	\$3.52	\$3.52	\$3.52
Commercial	\$3.12	\$3.24	\$3.24	\$3.24	\$3.24

¹ Annexation settlement with the City of Marysville was amortized over 5 years, 2013-2017.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION

The following summary is an outline of certain provisions of the Electric System Bond Resolution, is not to be considered a full statement thereof and is qualified by reference to the complete Electric System Bond Resolution. All capitalized words or phrases (other than those conventionally capitalized) used in this summary are defined in the Electric System Bond Resolution. Certain of those definitions are summarized below. For purposes of this Appendix, “Bonds” means Electric System Bonds and “Revenues” means Electric System Revenues.

Certain Definitions

“Annual Debt Service” for any Fiscal Year means the sum of the amounts required to be paid in such Fiscal Year to pay: (a) the interest due in such Fiscal Year on all Outstanding Bonds, excluding interest to be paid from the proceeds of sale of Bonds or other bonds; and (b) the principal of all Outstanding Serial Bonds due in such Fiscal Year; and (c) the Sinking Fund Requirement, if any, for such Fiscal Year. The Electric System Bond Resolution specifies how debt service is calculated for Capital Appreciation Bonds, Deferred Income Bonds, Tender Option Bonds and Variable Interest Rate Bonds.

“Code” means the Internal Revenue Code of 1986 as amended, and applicable regulations.

“Electric System” means the electric utility properties, rights and assets, real and personal, tangible and intangible, now owned and operated by the District and used or useful in the generation, transmission, distribution or conservation of power and energy and all properties, rights and assets, real and personal, tangible and intangible, hereafter constructed or acquired by the District as additions, betterments, improvements or extensions to said electric utility properties, rights and assets and declared by the Commission to be included in the Electric System, but shall not include the Generation System or any other properties, rights or assets, real or personal, tangible or intangible that hereafter may be purchased, constructed or otherwise acquired by the District as a system that is declared by the Commission to be separate from the Electric System, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire or expand such separate system or otherwise may be pledged to the payment of the bonds of another such separate system of the District.

The District may, by resolution, combine the Generation System and the Electric System into a single system. Upon consolidation of the Electric System and Generation System, the Bonds shall have a lien on revenues of the consolidated System equal to the lien thereon of any then outstanding senior lien revenue bonds of the Generation System and subject to the lien thereon of the costs of operation and maintenance of the consolidated System. Prior to consolidating the Electric System and the Generation System, the District must obtain confirmation from each rating agency then rating the Bonds that the consolidation will not adversely impact the then current rating(s) on the Bonds. In addition, the District must obtain an opinion of bond counsel that the consolidation will not adversely affect the tax-exempt status of any Outstanding Bonds.

“Electric System Costs” means costs of additions, betterments, extensions, renewals, repairs, replacements and extraordinary operating expenses of the Electric System and all costs incident thereto, including but not limited to engineering, financing, or legal costs.

“Net Revenues” means, for any period, the excess of Revenues over Operating Expenses for such period excluding from the computation of Operating Expenses any expenses paid from insurance proceeds and excluding from the computation of Revenues (a) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets of the Electric System, or resulting from the early extinguishment of debt; and (b) any other extraordinary, nonrecurring income or donation other than the proceeds of insurance intended to replace Revenues.

“Operating Expenses” means all the District’s expenses for operation and maintenance of the Electric System, including all operation and maintenance expenses as defined by generally accepted accounting principles and shall include, without limiting the generality of the foregoing, (a) all amounts required to be paid to the United States with respect to the Bonds pursuant to Section 148 of the Code; (b) Resource Obligations for any month in which any power and energy or other goods and services from such Resource Obligation were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from the Resource Obligation during such month); and (c) so long as any Generation System Bond is Outstanding, the amounts covenanted in the Generation System Resolution to be paid into the Generation System Revenue Fund with respect to Generation System Power Costs on or prior to the last day of any month during which any power and energy or other goods and services from the Generation System were made available to the Electric System during such month (regardless of whether or not the Electric System actually scheduled or received energy from the Generation System during such month). Operating Expenses shall not include any extraordinary, nonrecurring expenses of the Electric System, any judgments or amounts to be paid in settlement of claims against the Electric System, any costs or expenses for new construction for the Electric System, interest on bonds or other obligations of the Electric System, amortization or any allowance for depreciation.

“Outstanding” when used with respect to Bonds means, as of any date, Bonds theretofore or thereupon issued pursuant to the Electric System Bond Resolution except: (i) any Bonds cancelled by the Registrar or paid at or prior to such date; (ii) Bonds for which other Bonds have been substituted; and (iii) Bonds that have been defeased.

“Parity Lien Obligations” means all charges and obligations against Revenues ranking on a parity of lien with the Bonds, including but not limited to Generation System Power Costs or Resource Obligations for any month such Costs or such Obligations are not eligible for payment as Operating Expenses. “Parity Lien Obligations” does not include Bonds.

“Permitted Investments” means the following to the extent the same are legal for investments of funds of the District: (a) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States, including obligations of any of the federal agencies set forth in clause (b) below to the extent unconditionally guaranteed by the United States; (b) obligations of the Export-Import Bank of the United States, the Government National Mortgage Association, the Federal National Mortgage Association to the extent guaranteed by the Government National Mortgage Association, the Federal Financing Bank, the Farmers Home Administration, the Federal Housing Administration, the Private Export Funding Corporation, the Federal Home Loan Bank, and the Federal Home Loan Mortgage Bank, or any agency or instrumentality of the Federal Government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (c) new housing authority bonds issued by the public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement

with the United States; (d) direct and general obligations of any State within the territorial United States, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided, that at the time of their purchase, such obligations are rated in one of the two highest rating categories by either Moody's Investors Service ("Moody's") or Standard & Poor's Ratings Services ("S&P") or in the event each of such rating agencies rates such obligations, by each of them; (e) certificates of deposit, whether negotiable or nonnegotiable, issued by any bank, savings and loan association, or trust company, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (ii) issued by a recognized qualified public depository of the State of Washington under RCW Chapter 39.58, as amended, or (iii) continuously and fully secured by such securities as are described above in clauses (a) or (b), which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit or (iv) certificates of deposit with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's; (f) any written repurchase agreement with any bank, savings institution or trust company which is insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or with any brokerage dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured by direct obligations of the United States of America, and provided further that (i) such collateral is held by the District or its agent or trustee during the term of such repurchase agreement, (ii) such collateral is not subject to liens or claims of third parties, (iii) such collateral has a market value (determined at least once weekly) at least equal to 100% of the amount invested in the repurchase agreement, (iv) the District or its agent or trustee has a perfected first security interest in the collateral, (v) the agreement shall be for a term not longer than 270 days and (vi) the failure to maintain such collateral at the level required in (iii) above will require the District or its agent or trustee to liquidate the collateral; (g) Refunded Municipals; (h) banker's acceptances with commercial banks that have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1 +" by S&P or "P-1" by Moody's, or in the event each of such rating agencies rates such obligations, by each of them, and that mature no more than 360 days after the date of purchase; and (i) any investments or investment agreements permitted under the laws of the State of Washington as amended from time to time.

"Qualified Insurance" means any municipal bond insurance policy or surety bond issued by a licensed insurance company that at the time of issuance of the policy or surety bond is rated in one of the two highest rating categories by Moody's Investors Service or Standard & Poor's Ratings Services, or if rated by both, by each of them.

"Reserve Account Requirement" means (a) with respect to a series of Bonds, the lesser of (i) 10% of the proceeds of such series of Bonds and recalculated as of the date of issuance of any obligation of the District issued to refund any Bonds or (ii) the maximum amount of interest due in any Fiscal Year on such series of Bonds, calculated as of their date of issuance and (b) with respect to all Bonds, the sum of the Reserve Account Requirements for all series of Bonds. A Supplemental Resolution may establish a separate reserve account for Bonds or provide that Bonds be secured by a common reserve account other than the Reserve Account, in either of which case such Bonds shall not be secured by the Reserve Account created under the Electric System Bond Resolution. If the District establishes a separate reserve account for a series of Bonds, "Reserve Account Requirement" means with respect to a series of Bonds, an amount set forth in the Supplemental Resolution authorizing such Bonds. The Electric System Bond Resolution specifies how interest is calculated for Variable Interest Rate Bonds.

"Resource Obligation" has the meaning set forth in the provisions of the Electric System Bond Resolution summarized in "Additional Indebtedness—Separate System Bonds; Resource Obligation."

“Revenues” means all income, revenues, receipts and profits derived by the District through the ownership and operation of the Electric System together with the proceeds received by the District directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Electric System and together with the investment income earned on money held in any fund or account of the District, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Electric System, exclusive of insurance proceeds compensating the District for the loss of a capital asset and income derived from investments irrevocably pledged to the payment of any Bonds defeased or other bonds defeased, or the payment of which is provided for, under any similar provision of any other bond resolution of the District, and exclusive of investment income earned on money in any fund or account created for the purpose of complying with the rebate provision of Section 148 of the Code.

“Serial Bonds” means Bonds falling due by their terms in specified years, for which no Sinking Fund Requirements are mandated.

“Sinking Fund Requirement” means, for any Fiscal Year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed or paid at maturity or paid into any sinking fund account for such Fiscal Year as established by the Supplemental Resolution authorizing the issuance of such Term Bonds.

“Term Bonds” means Bonds of any principal maturity that are subject to mandatory redemption or for which Sinking Fund Requirements are mandated.

Funds and Accounts

Revenue Fund

The District has pledged to pay all Revenues into the Revenue Fund except as specifically provided in the Electric System Bond Resolution. The Revenue Fund consists of the General Account and the Rate Stabilization Account. All Electric System Revenues paid into the Electric System Revenue Fund are first to be credited to the General Account and applied as follows:

First, to pay Operating Expenses of the Electric System;

Second, to pay amounts as follows equally and without priority: (i) to deposit in the interest account, principal account and reserve account in the bond fund for the Electric System the amounts required by the Electric System Bond Resolution in the order of priority established by the Electric System Bond Resolution; (ii) to pay all Parity Lien Obligations (as defined in the Electric System Bond Resolution) including, so long as any Generation System Bond is outstanding, the obligation to deposit in the Revenue Fund the amounts required by the Generation System Resolution to be paid on or prior to the last day of each month with respect to Generation System Power Costs; and (iii) in the event the District has entered into a reimbursement agreement pursuant to the Electric System Bond Resolution that ranks on a parity of lien with the Bonds, to make all payments required to be made pursuant to such reimbursement agreement in connection with a qualified letter of credit, qualified insurance, or other credit facility, provided that if there is not sufficient money to make all payments under more than one reimbursement agreement, the payments shall be made on a pro rata basis;

Third, to make all payments required to be made into any junior lien fund or account in the order of priority, if any, set forth in the resolution of the Commission creating such junior lien fund or account; and

Fourth, to make additions, betterments, extensions, renewals, replacements and other capital improvements to the Electric System.

To the extent that Electric System Revenues remain after the payments required to be made out of the General Account in the Electric System Revenue Fund, the District may credit the full amount of such surplus to the Rate Stabilization Account in the Electric System Revenue Fund to be applied as set forth in the Electric System Bond Resolution.

After all the above payments and credits have been made, amounts remaining in the Electric System Revenue Fund may be used for any other lawful purpose of the District, including the purchase of outstanding Bonds for retirement only.

Bond Fund

The District has covenanted, as long as any Bonds are Outstanding, to make payments as follows:

(1) Into the Interest Account, not later than the day prior to the day on which any installment of interest falls due, an amount sufficient to pay such installment of interest falling due.

(2) Into the Principal Account, not later than the day prior to the day on which any installment of principal on Serial Bonds or any Sinking Requirement on Term Bonds falls due, an amount sufficient to pay such installment of principal or such Sinking Fund Requirement.

(3) Into the Reserve Account from money received upon the delivery of each series of Bonds (but not to exceed the amount permitted by the Code), the amount that together with other money meets the Reserve Account Requirement. The District has reserved the rights to substitute Qualified Insurance or a Qualified Letter of Credit (as defined in the Electric System Bond Resolution) to satisfy the Reserve Account Requirement for any Bonds provided that the letter of credit or insurance is not cancelable on less than five years notice. If the amount in the Reserve Account is less than the Reserve Account Requirement, the District shall have 12 months to restore the Reserve Account to the Reserve Account Requirement. Money in the Reserve Account is to be applied to make up a deficiency in the Interest Account or the Principal Account.

Money in the Bond Fund shall be invested in Permitted Investments (as defined in the Electric System Bond Resolution).

Construction Fund

The proceeds from the sale of the Bonds (other than any accrued interest received and amounts deposited into the Reserve Account) issued to pay Electric System Costs or to repay advances for Electric System Costs are to be deposited in the Construction Fund.

Additional Indebtedness

Additional Bonds

The Electric System Bond Resolution provides that additional series of Bonds may be issued for a lawful corporate purpose of the District only if at the time of the delivery of each series of Bonds to the initial purchasers:

(1) There is no deficiency in the Bond Fund or in any of the accounts therein, provision has been made to meet the Reserve Account Requirement with respect to such series of Bonds and no Event of Default has occurred and is continuing; and

(2) One of the two following certificates has been filed with the Secretary of the Commission;

(a) a certificate of the Treasurer stating that Net Revenues in any 12 consecutive months out of the most recent 24 months preceding the delivery of the Bonds then proposed to be issued (the "Base Period"), after deducting amounts paid in the Base Period to satisfy all Parity Lien Obligations and, for so long as the Reserve Policy is in effect, to pay all Policy Costs, were not less than 125% of maximum Annual Debt Service in any future Fiscal Year on all Outstanding Bonds and the Bonds then proposed to be issued (provided that (i) in the event that any adjustment in the rates, fees and charges for the services of the Electric System will be effective at any time on or prior to the date of delivery of the Bonds then proposed to be issued or within 60 days subsequent to the delivery, the Treasurer shall reflect in his or her certificate the Net Revenues he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period and (ii) with respect to any Variable Interest Rate Bonds Outstanding on the date such certificate is delivered, the Treasurer must estimate the debt service on such Bonds in accordance with the Electric System Bond Resolution); or

(b) a certificate of the Professional Utility Consultant setting forth:

(i) the amount of the Adjusted Net Revenues computed as provided in the Electric System Bond Resolution, after deducting amounts paid from Revenues in the Base Period to satisfy all Parity Lien Obligations; and

(ii) the amount of maximum Annual Debt Service in any Fiscal Year thereafter on account of all Bonds to be Outstanding in such Fiscal Year, including the Bonds proposed to be issued, and stating that the amount shown in (i) above is not less than 125% of the amount shown in this paragraph (ii).

The District may contract with the entity providing a Qualified Letter of Credit or Qualified Insurance for the Reserve Account that the District's reimbursement obligation to such entity ranks on a parity of lien with the Bonds. In the event that the District elects additionally to secure any issue of Variable Interest Rate Bonds or Tender Option Bonds through the use of a letter of credit or other credit enhancement device, the District may contract with the entity providing such credit enhancement device that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Bonds; provided that the payments due under such reimbursement obligation are such that if such reimbursement obligation were a series of additional Bonds and assuming that such credit enhancement device were to be drawn upon for the full amount available, such Bonds could be issued in compliance with the provisions described above for issuing additional Bonds.

Refunding Bonds

The District may issue Refunding Bonds if it complies with the requirements set forth in paragraph (2) above or if there is on file a certificate of the Treasurer of the District stating that immediately after the issuance of such Refunding Bonds the Annual Debt Service in any Fiscal Year that Bonds (other than such Refunding Bonds) are then Outstanding shall not be increased by more than \$5,000 by the issuance of such Refunding Bonds.

Junior Lien Bonds

The District may issue bonds, notes, certificates or other evidences of indebtedness for any corporate use or purpose of the District payable from Revenues subordinate to the payments required to be made from the Revenue Fund into the Bond Fund for the Bonds.

Generation System Bonds

The District may issue Generation System Bonds in accordance with the requirements of the Generation System Resolution. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION—Additional Indebtedness.”

Separate System Bonds; Resource Obligations

The Electric System Bond Resolution provides, that upon compliance with the conditions of the Electric System Bond Resolution summarized below, the District by resolution may declare that the following constitute a “Resource Obligation” of the Electric System:

- (1) costs for the purchase of energy, capacity, capability, or reserves pursuant to a contract; or
- (2) costs for a facility or facilities for the generation of power and energy acquired or constructed by the District as a separate system of the District, which such costs shall include but are not limited to costs of operation and maintenance, renewals and replacements, additions and betterments and debt service on bonds or other evidences of indebtedness payable from the revenues of such separate system issued or incurred by the District, but shall exclude costs paid or to be paid from the proceeds of such bonds or other evidences of indebtedness.

The Electric System Bond Resolution provides that the District may declare such costs to be a Resource Obligation of the Electric System provided that the requirements summarized below have been met at the time of such declaration:

- (i) No Event of Default has occurred and is continuing.
- (ii) There shall have been filed with the Secretary of the Commission a certificate of the Professional Utility Consultant to the effect that the acquisition of the power and energy from such Resource Obligation is consistent with prudent utility practice.
- (iii) There shall have been filed with the Secretary of the Commission a report of the Professional Utility Consultant to the effect that estimated annual Net Revenues for the second full Fiscal Year after the date of commercial operation of such facilities, or after the date of first delivery of energy, capacity, capability or reserves pursuant to such contract, as the case may be, shall be at least equal to 125% of maximum Annual Debt Service in any future Fiscal Year. The Professional Utility Consultant shall base such estimate on factors the Professional Utility Consultant deems to be reasonable; provided, that the Professional Utility Consultant shall for purposes of such estimate include all Generation System Power Costs and Resource Obligations in Operating Expenses.
- (iv) In the event that the Resource Obligation is a contract to purchase energy, capacity, capability or reserves, there shall have been filed with the Secretary of the Commission opinions of counsel to the District and each other party to the contract, respectively, to the effect that such party has all requisite

right, power and authority to execute and deliver the contract and to perform its obligations thereunder and that such contract constitutes a legally valid and binding obligation of such party thereto.

Except as permitted by the provisions of the Electric System Bond Resolution summarized under this subsection, the District is not permitted to enter into a contract or other similar arrangement with a third party for the purchase of energy, capacity, capability or reserves from a new or existing generating facility, payments under which contract or arrangement are payable as Operating Expenses of the Electric System, if: (a) such payments are pledged directly to secure the payment of bonds or other indebtedness issued or incurred to finance such facility, and (b) such payments are due regardless of whether the District takes delivery of any power or such facility or resource is producing or is capable of producing any power.

Defeasance of Bonds

The District may refund or defease all or a portion of the then Outstanding Bonds by setting aside in a special fund money, Government Obligations and/or Refunded Municipals sufficient, together with known earned income, to accomplish the refunding or defeasance. In that case all rights of the owners of the defeased or refunded Bonds in the benefit or security of the Electric System Bond Resolution will cease, except that such owners will have the right to receive payment of the principal of, premium, if any, and interest on their Bonds.

Certain Covenants

Rate Covenants

General. The District has covenanted to establish, maintain and collect rates and charges for services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System that shall be adequate to provide Revenues sufficient for the proper operation and maintenance of the Electric System, including payment of all Generation System Power Costs required by the Generation System Resolution to be paid as an Operating Expense of the Electric System and all Resource Obligations required to be paid as an Operating Expense of the Electric System and all necessary repairs, replacements and renewals of the Electric System, including the payment of all taxes, assessments or other governmental charges lawfully imposed on the Electric System or the revenues therefrom, or payment in lieu thereof, for the punctual payment of the principal of, premium, if any, and interest on the Bonds for which payment has not otherwise been provided, for all other payments that the District is obligated to make into the Bond Fund, for the payment of Parity Lien Obligations, for the payment of amounts required to repay draws under the Reserve Policy and related expenses for so long as the Reserve Policy is in effect and for the payment of all other amounts that the District may now or hereafter become obligated to pay from the Revenues by law or contract.

Debt Service Coverage. The District has also covenanted to establish, maintain and collect rates and charges that shall be adequate to provide in each Fiscal Year Net Revenues (after deducting therefrom amounts paid in such Fiscal Year to satisfy all Parity Lien Obligations and amounts transferred to the Rate Stabilization Account from the General Account and adding thereto amounts transferred to the General Account from the Rate Stabilization Account during such Fiscal Year) in an amount equal to at least 1.25 times the Annual Debt Service on the then Outstanding Bonds in such Fiscal Year.

Maintenance and Repair of Electric System

The District has covenanted in the Electric System Bond Resolution to operate the properties and business of the Electric System in an efficient manner and at reasonable cost; to

maintain, preserve, and keep the properties of the Electric System in good repair, working order and condition; and to make all necessary and proper repairs, renewals, replacements, additions, improvements, betterments and extensions of and to the Electric System.

No Free Service; Enforcement of Accounts Owing

Except as permitted by statute, the District will not supply electric power or energy free of charge to any other system of the District or to any person or entity and the District will promptly enforce the payment of all accounts owing to the District by reason of the Electric System.

Disposition of All or Part of the Electric System

The District will not, nor will it permit others to, sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Electric System except:

(1) The District may dispose of all or substantially all of the Electric System, provided that simultaneously the District shall cause all of the Bonds to be, or deemed to be, no longer Outstanding.

(2) Except as provided below, the District will not dispose of any part of the Electric System in excess of 5% of the value of the net utility plant of the District in service unless prior to such disposition

(a) there has been filed with the Secretary of the Commission a certificate of the Professional Utility Consultant stating that such disposition will not impair the ability of the District to comply with the rate covenants previously set forth under this heading; or

(b) provision is made for the payment, redemption or other retirement of a principal amount of Bonds equal to the greater of the following amounts:

(i) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding (defined as the total principal amount of Bonds then Outstanding less the amount of cash and investments in the Bond Fund) that the Revenues attributable to the part of the Electric System sold or disposed of for the 12 preceding months bears to the total Revenues for such period; or

(ii) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding that the book value of the part of the Electric System sold or disposed of bears to the book value of the entire Electric System immediately prior to such sale or disposition.

(3) The District may dispose of any portion of the Electric System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for use in the operation of the Electric System.

(4) If the ownership of all or part of the Electric System is transferred from the District through the operation of law, the District shall reconstruct or replace the portion using any proceeds of the transfer unless the Commission determines that such reconstruction or replacement is not in the best interests of the District and the Bondowners, in which case any proceeds shall be used to retire Bonds prior to maturity.

Insurance

The District will either insure or self-insure the Electric System against risks, accidents or casualties, at least to the extent that insurance is usually carried by municipal corporations operating like properties; provided, however, that the District may, if deemed advisable by the Commission, institute or continue a self-insurance program with respect to any or all of the aforementioned risks.

Books of Account

The District will keep proper books of account, which will be audited annually by a Certified Public Accountant or by the Washington State Auditor's office. Any Bondowner may obtain at the office of the District copies of the District's balance sheet and statement of income and retained earnings showing in reasonable detail the financial condition of the Electric System as of the close of each Fiscal Year.

To Make Economically Sound Improvements and Extensions

The District will not expend any of the revenues derived by it from the operation of the Electric System or the proceeds of Bonds for any renewals, replacement, capital additions, improvements, betterments or extensions that are not economically sound or that will not properly and advantageously contribute to the conduct of the business of the Electric System in an efficient and economical manner unless required to do so by or pursuant to law so as to permit the continued operation of the Electric System. Nothing in this section shall prohibit or be construed to prohibit the District from transferring revenues of the Electric System to any fund or account created by the Generation System Resolution or by any resolution creating any other separate system of the District in accordance with the provisions thereof.

To Pay Principal, Premium and Interest on Bonds

The District will duly and punctually pay, or cause to be paid, solely from the Revenues and other moneys pledged in the Electric System Bond Resolution to the payment thereof, the principal, premium, if any, and interest on each and every Bond on the date and at the places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Bonds and in the Electric System Bond Resolution.

Protection of Security

The Revenues and other moneys, securities and funds pledged by the Electric System Bond Resolution are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Electric System Bond Resolution, except as otherwise expressly provided in the Electric System Bond Resolution, and all corporate action on the part of the District to that end has been duly and validly taken. The Bonds and the provisions of the Electric System Bond Resolution are and will be valid and legally enforceable obligations of the District in accordance with their terms and the terms of the Electric System Bond Resolution. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues, other moneys, securities and funds pledged under the Electric System Bond Resolution and all the rights of the Bondowners under the Electric System Bond Resolution against all claims and demands of all persons whomsoever.

Authority of District to Provide for the Operation and Maintenance of the Electric System and to Fix and Collect Rates and Charges

The District has good, right and lawful power to provide for the operation and maintenance of the Electric System and to fix, establish, maintain and collect rates and charges for the power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System.

Payment of Taxes, Assessments and Other Governmental Charges and Payments in Lieu Thereof; Payment of Claims

The District shall, from time to time, duly pay and discharge, or cause to be paid or discharged, all taxes, assessments or other governmental charges, or payments in lieu thereof, lawfully imposed upon the Electric System, or on the revenues, income, receipts, profits or other moneys derived by the District therefrom when the same shall become due, and all lawful claims for labor and materials and supplies that, if not paid, might become a lien or charge upon such properties, or any part thereof, or upon the Revenues and other moneys derived by the District directly or indirectly from the Electric System, or that might in any way impair the security of the obligations issued by the District payable from the Revenues and other moneys, except those assessments, charges or claims that the District shall in good faith contest by proper legal proceedings.

Merger, Consolidation or Dissolution

The District shall use its best efforts to avoid dissolution, termination of its existence, or consolidation with another entity without paying or providing for the payment of all Outstanding Bonds.

Trustee

U.S. Bank Trust Company, National Association is appointed to act as Trustee for the owners of all Bonds for the purposes set forth in the Electric System Bond Resolution. The Trustee may resign upon 45 days' notice mailed to each bondowner or published once. Such resignation shall take effect upon the appointment of a new Trustee. The Trustee may be discharged by the District as long as an Event of Default has not occurred and is continuing or by the owners of a majority of the Outstanding Bonds. If the Trustee resigns or is discharged the District shall appoint a new Trustee. At any time within one year after such appointment, the owners of a majority in principal amount of the Bonds then Outstanding may appoint a successor Trustee, which shall supersede any Trustee appointed by the District.

The Electric System Bond Resolution provides that recitals of fact contained in the Electric System Bond Resolution and in the Bonds shall be taken as the statements of the District and the Trustee assumes no responsibility for the correctness of the same and that the Trustee makes no representations as to the validity or sufficiency of the Electric System Bond Resolution or of any Bonds or in respect of the security afforded by the Electric System Bond Resolution, and the Trustee shall not incur any liability in respect thereof. The Electric System Bond Resolution provides further that the Trustee shall not be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof, except to the extent that proceeds are paid to the Trustee, or the application of any moneys paid to the District, or for any losses incurred upon the sale or redemption of any securities purchased for or held in any Fund or Account under the Electric System Bond Resolution.

The Electric System Bond Resolution provides that the Trustee may exercise any powers under the Electric System Bond Resolution and perform any duties required of it through its attorneys, agents, officers or employees, and shall be entitled to advice of counsel (which may be Bond Counsel) concerning all questions under the Electric System Bond Resolution. The Electric System Bond Resolution provides further that the Trustee shall not be answerable for the exercise of any discretion or power under the Electric System Bond Resolution nor for anything whatever in connection with the trust under the Electric System Bond Resolution, except only its own willful misconduct or gross negligence, including but not be limited to failure to make a debt service payment when due if the Trustee has sufficient funds on hand with which to make such payment.

The Electric System Bond Resolution provides that the duties and obligations of the Trustee appointed by or pursuant to the provisions of the Electric System Bond Resolution prior to the occurrence of an Event of Default, and subsequent to the waiving or curing of such Event of Default, shall be determined solely by the express provisions of the Electric System Bond Resolution, and the Trustee shall not be liable except for the performance of its duties and obligations as specifically set forth in the Electric System Bond Resolution and to act in good faith in the performance thereof, and no implied duties or obligations shall be incurred by the Trustee other than those specified in the Electric System Bond Resolution, and the Trustee shall be protected and shall have no liability when acting or omitting to act in good faith upon the advice of counsel, who may be counsel to the District. The Electric System Bond Resolution provides further that in case an Event of Default has occurred which has not been waived or cured, the Trustee shall exercise such of the rights and powers vested in it by the Electric System Bond Resolution and use the same degree of care and skill in the exercise thereof as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Subject to the provisions of the Electric System Bond Resolution, the Trustee may conclusively rely, as to the correctness of the statements, conclusions and opinions expressed therein, upon any certificate, report, opinion or other document furnished to the Trustee pursuant to any provision of the Electric System Bond Resolution. Except as otherwise expressly provided in the Electric System Bond Resolution, any request, consent, certificate, demand, notice, order, appointment or other direction made or given by the District to the Trustee are to be deemed to have been sufficiently made or given by the proper party or parties if executed on behalf of the District by an Authorized Officer.

None of the provisions contained in the Electric System Bond Resolution shall require the Trustee appointed by or pursuant to the provisions of the Electric System Bond Resolution to take any action or exercise any remedies, including but not limited to spending or risking its own funds or otherwise incurring individual financial responsibility in the performance of any of its duties or in the exercise of any of its rights or powers if in the Trustee's judgment there are reasonable grounds for believing that the prompt repayment thereof is not reasonably assured to it under the terms of the Electric System Bond Resolution.

Events of Default and Remedies

Events of Default

The following constitute "Events of Default" under the Electric System Bond Resolution:

(1) Default in the due and punctual payment of the principal of any of the Bonds within five days when the same becomes due;

(2) Default in the due and punctual payment of interest on any of the Bonds within five days when the same becomes due;

(3) Failure to provide for any required Sinking Fund Requirements within five days when the same becomes due;

(4) Default under any agreement with respect to a Qualified Letter of Credit or Qualified Insurance or other credit enhancement device providing security for the Bonds, which results in suspension, expiration or termination of the payment obligation of the issuer of the device and the District within ten days of such suspension, expiration or termination of payment obligations fails to obtain a substitute credit enhancement device or take other measures to remedy such default;

(5) Default in the observance of any other of the covenants, conditions and agreements in the Electric System Bond Resolution and such default continues for 90 days after the District receives from the Trustee or from the owners of not less than 66% in principal amount of any series of Bonds Outstanding a written notice specifying and demanding the cure of such default; or

(6) If the District shall admit in writing its inability to pay its debts as they become due, file a petition in bankruptcy, make an assignment for the benefit of its creditors, or consent to the appointment of a receiver for the Electric System.

Payment of Funds to Trustee

If an Event of Default is not remedied, the District, upon demand of the Trustee, shall pay to the Trustee only to the extent necessary to cure the Event of Default all funds held by the District and pledged under the Electric System Bond Resolution and Revenues upon receipt. The Trustee shall apply the funds in accordance with the Electric System Bond Resolution.

Application of Funds by Trustee

During the continuance of an Event of Default the Revenues received by the Trustee pursuant to the Payment of Funds to Trustee provisions above shall be applied by the Trustee, first, to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Trustee (including the cost of securing the services of any engineer or firm of engineers selected for the purpose of rendering advice with respect to the operation, maintenance, repair and replacement of the necessary to prevent any loss of Revenues, and with respect to the sufficiency of the rates and charges for power and energy sold, furnished or supplied by the Electric System), and second, in accordance with the provisions of this section concerning Application of Funds by Trustee.

In the event that at any time the funds held by the Trustee and the Paying Agent for the Bonds shall be insufficient for the payment of the principal of, premium, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and all Revenues and other moneys received or collected for the benefit or for the account of owners of the Bonds by the Trustee shall be applied as follows: First, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, earliest maturities first, and, if the amount available shall not be sufficient to pay in full any installment or installments or interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and Second, to the payment to the persons entitled thereto of the unpaid principal

and premium, if any, of any Bonds that shall have become due, whether at maturity or by call for redemption, in the order of their due dates, earliest maturities first, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

Remedies

The Trustee may, if an Event of Default is not remedied, take such steps and institute such proceedings as it deems appropriate to collect all sums owing and to protect the rights of bondowners. The owners of the Bonds shall be deemed to irrevocably appoint the Trustee as the lawful trustee of the bondowners. The owners of at least 66% of the Outstanding Bonds may, in certain circumstances, direct the time, method and place of conducting any proceedings for any remedy available to the Trustee or exercising any power conferred upon the Trustee.

No bondowner may institute any proceeding for the enforcement of the Electric System Bond Resolution unless an Event of Default is continuing and the owners of not less than 66% of the Outstanding Bonds have given the District and the Trustee written notice to institute such proceeding and the Trustee has refused to comply.

Supplemental Resolutions

Supplemental Resolutions Without Consent of Bondowners

The District may adopt a supplemental resolution authorizing the issuance of additional Bonds or a resolution amending or supplementing the Electric System Bond Resolution (1) to add to the covenants and agreements of the District in the Electric System Bond Resolution which will not adversely affect the interest of the bondowners or (2) to cure any ambiguities or correct any defective provisions in the Electric System Bond Resolution or any supplemental resolution which shall not adversely affect the bondowners' interest.

Supplemental Resolutions With Consent of Bondowners

With the consent of the owners of not less than 66% of the Outstanding Bonds, the District may adopt a resolution amending or supplementing the Electric System Bond Resolution; provided, that, without the specific consent of the owner of each Bond that would be affected, no such supplemental resolution shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the date for the payment of interest or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the redemption price (or the redemption premium) payable upon the redemption or prepayment thereof; (2) reduce the percentage of Bonds the owners of which are required to consent to any Supplemental Resolution; (3) give to any Bond any preference over any other Bond; (4) create any pledge of the Revenues superior or equal to the pledge of and lien and charge for the payment of the Bonds; or (5) deprive any owner of the Bonds of the security afforded by the Electric System Bond Resolution.

Rights of Insurer

Upon an Event of Default, the insurer for any series of Bonds shall be considered a Bondowner of all outstanding Bonds that it insures for purposes of the amendment provisions and remedies provisions of the Electric System Bond Resolution so long as the bond insurance policy is in effect and the Insurer is not in default.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION

The following summary is an outline of certain provisions of the Generation System Bond Resolution (the “Resolution”), is not to be considered a full statement thereof and is qualified by reference to the complete Resolution. Many of the capitalized words or phrases (other than those conventionally capitalized) used in this summary and elsewhere in this Official Statement are defined in the Resolution. Certain of those definitions are summarized below. For purposes of this Appendix, “Bonds” means Generation System Bonds and “Revenues” means Generation System Revenues.

Certain Definitions

“Annual Debt Service” for any Fiscal Year means the sum of the amounts required in such Fiscal Year to pay: (a) the interest due in such Fiscal Year on all Outstanding Bonds, excluding interest to be paid from the proceeds of sale of Bonds or other bonds; (b) the principal of all Outstanding Serial Bonds due in such Fiscal Year; (c) the sinking fund installment for Term Bonds, if any, for such Fiscal Year; and (d) any regularly scheduled District Payments adjusted by any regularly scheduled Reciprocal Payments during such Fiscal Year (See “Additional Indebtedness—Derivative Products” in this Appendix C). The Resolution specifies how debt service is calculated for Capital Appreciation Bonds, Deferred Income Bonds, Tender Option Bonds and Variable Interest Rate Bonds.

“Annual Debt Service of the Electric System” means “Annual Debt Service” as such term is defined in the Electric System Bond Resolution. (See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.”)

“Code” means the Internal Revenue Code of 1986, as amended, and applicable regulations.

“Debt Service Reserve Requirement” means, for the Bonds of all Series secured by the Reserve Account, the lesser of (i) ten percent (10%) of the principal amount of such Bonds, (ii) maximum Annual Debt Service on the Bonds in any Fiscal Year, and (iii) 125% of average Annual Debt Service on the Bonds in any Fiscal Year, in each case as determined from time to time. Any future Series of Bonds may be secured by the Reserve Account if specified in the Supplemental Resolution authorizing the issuance of such Series of Bonds. In the case of Variable Interest Rate Bonds, the interest rate thereon shall be calculated on the assumption that such Bonds will bear interest at a rate equal to a rate reported within the previous 30 days by “The Bond Buyer” as the Bond Buyer’s Municipal Bond or 40-Bond Index, or its successor index; provided that in no event shall such assumed Series of Variable Interest Rate exceed the Maximum Interest Rate for such series of Variable Interest Rate bonds. In the case of Capital Appreciation Bonds, the maximum amount of interest thereon shall be calculated to be the maximum annual accretion in value of such Capital Appreciation Bonds from the date of calculation until the final maturity thereof. In the case of Deferred Income Bonds, the maximum amount of interest thereon shall be calculated to be equal to the higher of (a) the maximum annual accretion in value of such Deferred Income Bonds from the date of calculation until the Interest Commencement Date, and (b) the maximum annual interest from the Interest Commencement Date to the final maturity thereof. In the case of a Derivative Product, the maximum amount of interest shall be calculated to include the amount of any regularly schedule District Payments adjusted by any regularly scheduled Reciprocal Payments.

“Generation System” means (i) the electric utility properties, rights and assets, real and personal, tangible and intangible, of the “Jackson Hydroelectric Project of Public Utility District No. 1 of

Snohomish County, Washington,” and additions, improvements, betterments and extensions thereof and thereto, and (ii) any facilities or resources for the generation, transmission or conservation of power and energy including any incidental properties to be constructed or acquired in connection therewith, which facilities or resources are designated by resolution of the Commission as a part of the Generation System, and addition, improvements, betterments and extensions thereof and thereto. The Generation System shall not include any properties or assets of the Electric System except as heretofore or hereafter transferred and sold to the Generation System by resolution of the Commission or of any generating, conservation, transmission or distribution facilities acquired by the District as a separate electric utility system, the revenues of which are pledged to the payment of notes, bonds or other obligations issued to purchase, construct or otherwise acquire such separate electric utility system. The District may, by resolution, consolidate the Electric System and Generation System into a single system. Prior to consolidating the Electric System and Generation System, the District must obtain confirmation from each rating agency then rating the Bonds that the consolidation will not adversely impact the then current rating(s) on the Bonds. In addition, the District must obtain an opinion of bond counsel that the consolidation will not adversely affect the tax-exempt status of any Outstanding Bonds.

“Generation System Power Costs” has the meaning set forth under “SECURITY FOR THE 2022A BONDS —Payment of Generation System Power Costs.”

“Investment Securities” means the following to the extent the same are legal, from time to time, for investments of funds of the District: (a) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States, including obligations of any of the federal agencies set forth in clause (b) below to the extent unconditionally guaranteed by the United States; (b) obligations of the Export-Import Bank of the United States, the Government National Mortgage Association, the Federal National Mortgage Association to the extent guaranteed by the Government National Mortgage Association, the Federal Financing Bank, the Farmers Home Administration, the Federal Housing Administration, the Private Export Funding Corporation, the Federal Home Loan Bank, and the Federal Home Loan Mortgage Bank, or any agency or instrumentality of the Federal Government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (c) new housing authority bonds issued by the public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States; (d) direct and general obligations of any State within the territorial United States, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided, that at the time of their purchase, such obligations are rated in one of the two highest rating categories by Moody’s and S&P (in the event S&P rates such obligations); (e) certificates of deposit, whether negotiable or nonnegotiable, issued by any bank, savings and loan association, or trust company, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or (ii) issued by a recognized qualified public depository of the State of Washington under RCW Chapter 39.58, as amended, or (iii) continuously and fully secured by such securities as are described above in clauses (a) or (b), which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit or (iv) certificates of deposit with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s; (f) any written repurchase agreement with any bank, savings institution or trust company which is insured by the Federal Deposit Insurance Corporation, or with any brokerage dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured by direct obligations of the United States of America, or any agency thereof and provided further that (i) such collateral is held by the District or its agent or

trustee during the term of such repurchase agreement, (ii) such collateral is not subject to liens or claims of third parties, (iii) such collateral has a market value (determined at least once weekly) at least equal to 100% of the amount invested in the repurchase agreement, (iv) the District or its agent or trustee has a perfected first security interest in the collateral, (v) the failure to maintain such collateral at the level required in (iii) above will require the District or its agent or trustee to liquidate the collateral; (g) Refunded Municipals rated Aaa by Moody's; (h) banker's acceptances with commercial banks that have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P or "P-1" by Moody's, or in the event each of such rating agencies rates such obligations, by each of them, and that mature no more than 360 days after the date of purchase; and (i) notwithstanding any of the foregoing provisions any investments permitted under the laws of the State of Washington as amended from time to time.

"Net Revenues of the Electric System" means "Net Revenues" as such term is defined in the Electric System Bond Resolution. (See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.")

"Operating Expenses" means (i) all the District's expenses for operation and maintenance of the Generation System, and ordinary repairs, replacements and reconstruction of the Generation System not constituting a unit of property (as prescribed in the Uniform System of Accounts of FERC), including all costs of producing and delivering electric power and energy from the Generation System and payments (other than payments out of Bond proceeds) into reasonable reserves in the Revenue Fund for items of Operating Expenses and other costs without limiting the generality of the foregoing the payment of which is not immediately required, and shall include costs of transmission service, generating capacity reserve service and scheduled, emergency, economy or other interchange service, all other costs of purchased power (except costs under any purchased power contracts which secure the payment of debt issued to finance the facilities providing such power), rents, administrative and general expenses, engineering expenses, legal and financial advisory expenses, required payments to pension, retirement, health and hospitalization funds, insurance premiums and any taxes or payments in lieu of taxes, all to the extent properly allocable to the Generation System, (ii) any current expenses or obligations required to be paid by the District under the provisions of the Resolution or by law, all to the extent properly allocable to the Generation System, and (iii) the fees and expenses of the Trustee and Registrar. Operating Expenses shall not include District Payments (as hereinafter defined), any costs or expenses for new construction or any allowance for depreciation and there shall be included in Operating Expenses of the Generation System only that portion of the total administrative and general expenses of the District that are properly allocable to the Generation System.

"Outstanding" when used with respect to Bonds means, as of any date, Bonds theretofore or thereupon issued pursuant to the Resolution except (i) any Bonds canceled by the Registrar or paid at or prior to such date; (ii) Bonds in lieu of or in substitution for which Bonds have been delivered; and (iii) Bonds deemed to be no longer Outstanding under the Resolution.

"Parity Lien Obligations" means such term as it is defined in the Electric System Bond Resolution. (See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.")

"Qualified Insurance" means any noncancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, are currently rated in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Ratings Services or their comparably recognized business successors.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by a financial institution for the account of the District on behalf of the owners of the Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is currently rated in one of the two highest rating categories by Moody’s Investors Service and Standard & Poor’s Ratings Services or their comparably recognized business successors.

“Resource Obligation” means such term as defined in the Electric System Bond Resolution. (See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION—Certain Definitions.”)

“Revenues” means the income, revenues, and receipts derived by the District through the ownership and operation by it of the Generation System, but, except as provided in the Resolution, shall not include any income derived by the District through the ownership and operation by it of the Electric System or of any other generation, transmission and distribution facilities that may hereafter be purchased, constructed or otherwise acquired by the District as a separate electric utility system, or any Reciprocal Payments (as hereinafter defined). Federal and state grant moneys received by the District in any Fiscal Year to pay or reimburse all or a portion of periodic payments of principal of and/or interest or redemption premium on the Bonds shall constitute Revenues if designated as such by the District.

“Serial Bonds” means Bonds that are not Term Bonds.

“Series” or “Series of Bonds” or “Bonds of a Series” means all Bonds designated as being of the same series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Resolution.

“Term Bonds” means Bonds the retirement or the redemption of which shall be provided from money credited to the Term Bond Principal Account in the Bond Fund.

“Treasurer” means the Treasurer of the District as designated, from time to time, by resolution of the Commission.

“Value of Investment Securities” means the total market value of such Investment Securities (inclusive of any accrued interest not subject to rebate to the United States Treasury) except for securities that mature within six months from their date, which shall be valued at the par value thereof.

Authorization of Issuance of Bonds

The Resolution continues and confirms an issue of Bonds of the District to be issued in series and provides for the issuance of the initial Series of Bonds subsequent to the adoption of the Resolution. The Bonds of each Series issued under the Resolution are to be equally and ratably payable and secured under the Resolution without priority by reason of date of adoption of the Supplemental Resolution providing for their issuance or by reason of their series, number or date of sale, issuance, execution or delivery, and by the liens, pledges, charges, trusts, assignments and covenants made by the Resolution, except as otherwise expressly provided or permitted by the Resolution and except as to insurance which may be obtained by the District to insure the repayment of one or more Series or maturities within a Series.

Additional Indebtedness

Additional Bonds

The Resolution provides that additional Bonds (other than Refunding Bonds) may be issued in one or more Series to pay the Generation System Costs (as defined in the Resolution) or the costs of the reconstruction or replacement of the Generation System, or any portion thereof, to the extent any money received as a result of any transfer by operation of law or any insurance proceeds received as a result of any loss or damage thereto are insufficient for such purpose or for any other lawful purpose only if at the time of the delivery of each Series of Bonds:

(1) There shall have been adopted by the Commission a Supplemental Resolution authorizing the issuance of such Series of Bonds and providing for compliance with the requirements of the Resolution with respect to the Debt Service Reserve Account;

(2) There shall have occurred no default in the payment of debt service on any Bond nor shall the District be in default in performance of any covenants in the Resolution or if such default exists, an opinion of Bond Counsel shall be provided that any such default does not deprive any Bondowner of the security provided by the Resolution in any material respect; and

(3) There has been filed with the Secretary of the Commission either:

(a) a certificate of the Treasurer stating that Net Revenues of the Electric System in any 12 consecutive months out of the most recent 24 months preceding the delivery of the Bonds then proposed to be issued (the "Base Period"), after deducting therefrom amounts paid in the Base Period to satisfy all Parity Lien Obligations (including projected maximum Annual Debt Service on the Bonds then proposed to be issued), were not less than 125% of maximum Annual Debt Service of the Electric System in any future Fiscal Year on all Outstanding Electric System Bonds (provided that (i) in the event that any adjustment in the rates, fees and charges for the services of the Electric System shall be effective at any time on or prior to the date of delivery of the Bonds then proposed to be issued or within sixty days subsequent to the delivery of such Bonds, the Treasurer shall reflect in his or her certificate the Net Revenues of the Electric System he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period and (ii) with respect to any Variable Interest Rate Bonds of the Electric System or Generation System Outstanding on the date such certificate is delivered, the Treasurer shall estimate the debt service on such Bonds in accordance with the Resolution), or

(b) a certificate of a Professional Utility Consultant stating that

(i) (taking into consideration such adjustments as he or she deems appropriate) the issuance of the additional Bonds then proposed to be issued will not result in the District's inability to comply with its rate covenants in the Resolution; and

(ii) if such additional Bonds are being issued to pay Generation System Costs incurred or to be incurred for additions, improvements, betterments and extensions to the Generation System which will increase the total installed capacity thereof or the total energy output thereof, the plan for such additions, improvements, betterments and extensions is consistent with sound utility power supply planning and will not materially adversely interfere with operation of the Generation System.

The District may contract with the entity providing a Qualified Letter of Credit or Qualified Insurance or other equivalent credit enhancement device for the Reserve Account that the District's reimbursement obligation to such entity ranks on a parity of lien with the Bonds. In the event that the District elects additionally to secure any issue of Variable Interest Rate Bonds or Tender Option Bonds through the use of a letter of credit or other credit enhancement device, the District may contract with the entity providing such credit enhancement device that the District's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Bonds; provided that the payments due under such reimbursement obligation are such that if such reimbursement obligation were a series of additional Bonds and assuming that such credit enhancement device were to be drawn upon for the full amount available, such Bonds could be issued in compliance with the provisions described above for issuing additional Bonds.

Obligations Payable From Electric System Revenues

The District may issue bonds or other evidences of indebtedness, other than bonds or other evidences of indebtedness issued in anticipation of permanent financing, for any lawful purpose of the District, payable from Electric System Revenues on a parity with the payment of Generation System Power Costs, if the District complies with the provisions summarized in paragraph number three in the preceding section entitled "Additional Bonds."

Refunding Bonds

The District may issue one or more Series of Bonds for the purpose of refunding any Bonds then outstanding if there is on file with the Secretary of the Commission either (1) a certificate of the chief financial officer of the District that immediately after the issuance of such Bonds the aggregate amount of principal and interest becoming due in any Fiscal Year with respect to all Series of Bonds Outstanding shall not be greater than that becoming due immediately prior to such issuance or (2) a certificate of the Professional Utility Consultant that the issuance of such Bonds will not result in a reduction of the Revenues and Electric System Revenues below the amount covenanted in the Resolution to be maintained by the District. In the event that simultaneously with the issuance of such Bonds, the District is also issuing Bonds for other purposes, the computations referred to immediately above are to be made without reference to such Bonds issued for other purposes.

Subordinate Lien Obligations Payable from Revenues

The District may incur indebtedness and issue bonds or other evidences of indebtedness for any corporate use or purpose of the District payable from Revenues subject and subordinate to the payments required to be made from the Revenue Fund for Operating Expenses and the deposits from the Revenue Fund into the Bond Fund and may secure such bonds or other evidences of indebtedness and the payment thereof by a lien and pledge on the Revenues junior and inferior to the lien and pledge on the Revenues created by the Resolution.

Subordinate Lien Obligations Payable from Electric System Revenues

The District may incur indebtedness and issue bonds or other evidences of indebtedness for any corporate use or purpose of the District payable from Electric System Revenues subject and subordinate to the deposits and payments required to be made from the Electric System Revenues into the Revenue Fund for the payment of Generation System Power Costs and may secure such bonds or other evidences of indebtedness and the payment thereof by a lien and pledge on Electric System Revenues junior and inferior to the lien and pledge on Electric System Revenues created by the Resolution.

Separate System Bonds

Nothing in the Resolution will prevent the District from issuing bonds or other evidences of indebtedness, other than Bonds, to acquire or construct facilities or resources for the generation of power and energy, or for the conservation, transformation or transmission of power and energy, which facilities shall be a separate system and which bonds or other evidences of indebtedness shall be payable solely from the revenues or other income derived from the ownership or operation of such separate utility system.

Derivative Products

To the extent permitted by state law the District may enter into Derivative Products on a parity with the Bonds subject to the conditions set forth in the Resolution and summarized below. The following terms have the following meanings:

(1) “Derivative Facility” means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for the District’s obligations under one or more Derivative Products.

(2) “Derivative Payment Date” means any date specified in the Derivative Product on which a District Payment is due and payable under the Derivative Product.

(3) “Derivative Product” means a written contract or agreement between the District and a third party that has or whose obligations are unconditionally guaranteed by a party that has (as of the date of the Derivative Product) at least an investment grade rating from a rating agency (the “Reciprocal Payor”) (who, if the District’s Bonds are rated by Moody’s Investors Service, must have a rating as high as that of the District), which provides that the District’s obligations thereunder will be conditioned on the performance by the Reciprocal Payor of its obligations under the agreement, and

(a) under which the District is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the District Payments in exchange for the Reciprocal Payor’s obligation to pay or to cause to be paid to the District, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;

(b) for which the District’s obligations to make District Payments may be secured by a pledge of and lien on the Revenues on an equal and ratable basis with the Outstanding Bonds;

(c) under which Reciprocal Payments are to be made directly into the Bond Fund;

(d) for which the District Payments are either specified to be one or more fixed amounts or are determined as provided by the Derivative Product; and

(e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined as set forth in the Derivative Product.

(4) “District Payment” means any payment (designated as such by a Supplemental Resolution) required to be made by or on behalf of the District under a Derivative Product and which is determined according to a formula set forth in the Derivative Product.

(5) “Reciprocal Payment” means any payment (designated as such by a Supplemental Resolution) to be made to, or for the benefit of, the District under a Derivative Product by the Reciprocal Payor.

(6) “Reciprocal Payor” means a party to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.

The following are conditions precedent to the use of any Derivative Product on a parity with any Bonds under the Resolution:

(1) General Parity Tests. The Derivative Product must satisfy the requirements for additional Bonds described in the Resolution, taking into consideration regularly scheduled District Payments and regularly scheduled Reciprocal Payments under the Derivative Product.

(2) Opinion of Bond Counsel. The District shall obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by the Resolution or the applicable provisions of any Supplemental Resolution and will not adversely affect the excludability for federal income tax purposes of the interest on any Outstanding Bonds.

(3) Payments. Each Derivative Product shall set forth the manner in which the District Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

(4) Supplemental Resolutions to Govern Derivative Products. Prior to entering into a Derivative Product, the District shall adopt a Supplemental Resolution, which shall:

(a) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and

(b) set forth such other matters as the District deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of the Resolution.

Application of Bond Proceeds

The proceeds derived from each Series of Bonds issued to pay Generation System Costs are required to be deposited:

(1) to the Interest Account in the Bond Fund in an amount equal to the accrued interest on such Series of Bonds paid by the initial purchasers thereof and such additional amount as the Commission determines in the Supplemental Resolution authorizing such Series of Bonds to be credited thereto to provide for the payment of interest on Bonds which is defined as a Generation System Cost;

(2) to the Debt Service Reserve Account in the Bond Fund, in an amount which, together with amounts insured by Qualified Insurance or guaranteed by a Qualified Letter of Credit, shall equal the Debt Service Reserve Requirement, as defined above;

(3) in the Revenue Fund such amount, if any, as the Commission determines in the Supplemental Resolution authorizing such Series of Bonds to be deposited thereto to provide a working capital reserve; and

(4) in the Construction Fund the balance of such Bond proceeds to be applied to the payment of Generation System Costs.

The District is authorized and directed to make disbursements from the Construction Fund to pay Generation System Costs. The District is required to prepare and keep in its files in respect of each disbursement from the Construction Fund a written requisition signed by the General Manager or by another Authorized Officer with respect to each payment made or to be made.

In the event a Series of Bonds is issued to pay the costs of additions, improvements, repairs, renewals and replacements to the Generation System which are not Operating Expenses, if the Construction Fund no longer exists, the District is required to create a new construction fund, to be held and administered by the District substantially in accordance with the Resolution.

Revenues and Flow of Funds

To secure the payment of the Bonds, the Resolution continues in existence the previously created Revenue Fund and Construction Fund to be held and administered by the District and creates the Bond Fund, which is comprised of the Interest Account, the Serial Bond Principal Account, the Term Bond Principal Account and the Debt Service Reserve Account, to be held and administered by the District.

Revenue Fund

The Resolution provides that the District will pay into the Revenue Fund all of the Revenues and other money required to be paid into the Revenue Fund (other than the Revenues and other amounts expressly required or permitted to be credited to, or deposited in, any other fund or account). The District shall make monthly payments into the Revenue Fund in an amount, together with amounts then on deposit in the Revenue Fund and available for such purpose, which is equal to Generation System Power Costs for that month then unpaid plus estimated Generation System Power Costs for the next month provided power or energy or other goods and services from the Generation System was made available to the Electric System during such month pursuant to the Resolution. In any month in which no power and energy or other goods or services of the Generation System were made available to the Electric System, the District shall pay into the Revenue Fund out of Electric System Revenues, after payment of operation and maintenance expenses of the Electric System, an amount sufficient to pay estimated Generation System Power Costs for the next succeeding month and to pay any deficiencies in the payment of Generation System Power Costs for the then current or any prior month. The District will apply money in the Revenue Fund first to the payment of Operating Expenses for such month and second to the deposit in the Bond Fund of the amounts required, if any, and, in the event that any Derivative Product exists on a parity of lien with the Bonds, to make regularly scheduled District Payments as adjusted by regularly scheduled Reciprocal Payments and to make payments required by a reimbursement agreement which is on a parity of lien with the Bonds. There will be retained in the Revenue Fund, after amounts are applied to Operating Expenses and the amounts required to be deposited in the Bond Fund have been so deposited, any balance of the Revenues. Such money may, in the discretion of the District, be used (1) to pay principal, premium, if any, and interest on the Bonds; (2) for transfer to any other fund or account created by the Resolution; (3) for the purchase or redemption of any Bonds; (4) to pay any subordinated indebtedness of the Generation System; or (5) for any lawful corporate purpose of the District.

Bond Fund

At the times provided below, after payment of Operating Expenses the District is required under the Resolution to withdraw from the Revenue Fund and transfer to the Bond Fund, amounts as follows and in the following order of priority:

(1) Interest Account. In the case of all Bonds other than Variable Interest Rate Bonds, not later than the day prior to the date on which an installment of interest falls due on the Bonds of a Series, the District shall transfer to the Interest Account an amount equal to the installment of interest then falling due on all Bonds of such Series. In the case of Variable Interest Rate Bonds, the District shall make transfers to the Interest Account at such times and in such amounts as shall be specified in the Supplemental Resolution authorizing the Series of Variable Interest Rate Bonds. Any amounts credited to the Interest Account representing accrued interest received on the sale of Bonds, interest capitalized from the proceeds of the Bonds of a Series and any other transfers and credits otherwise made or required to be made to the Interest Account shall be taken into consideration and allowance made with respect to the full amount of such transfers and credits.

(2) Serial Bond Principal Account and Term Bond Principal Account. Not later than the day prior to the date upon which an installment of principal on Serial Bonds or Term Bonds falls due, the District shall transfer to the Serial Bond Principal Account or the Term Bond Principal Account, as appropriate, an amount equal to such installment.

Not later than the day prior to the date upon which a sinking fund installment on Term Bonds falls due, the District is to transfer to the Term Bond Principal Account an amount equal to such installment.

The District is required to apply the money credited to the Term Bond Principal Account as sinking fund installments to the retirement of the Term Bonds of such Series by redemption in accordance with the Supplemental Resolution providing for the issuance of such series of Bonds (a) on each date upon which a sinking fund installment is due with respect to a particular series of Bonds, or (b) on the first day of any month prior to such date, in respective principal amounts credited to the Term Bond Principal Account on such dates for such Term Bonds, so that the aggregate amounts so applied will equal the respective principal amounts required to be credited to the Term Bond Principal Account on such sinking fund installment dates by the Supplemental Resolution providing for their issuance; provided that if the last sinking fund installment for such Term Bonds falls due on the stated maturity date thereof, the amount of such installment shall be applied to the payment thereof at such maturity date. The District shall apply the money credited to the Term Bond Principal Account as sinking fund installments for the retirement of the Term Bonds of a particular Series to the purchase of such Bonds, at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the redemption price then applicable upon the redemption of such Bonds from sinking fund installments, plus accrued interest, in which event the principal amount of such Bonds required to be redeemed on the next sinking fund installment date shall be reduced by the principal amount of the Bonds so purchased; provided, however, that no Bonds of such Series shall be purchased during the interval between the date on which notice of redemption of such Bonds from sinking fund installments is given and the date of redemption set forth in such notice, unless the Bonds so purchased are Bonds called for redemption in such notice or are purchased from money other than that credited to the Term Bond Principal Account with respect to such sinking fund installments. Money in the Term Bond Principal Account, other than money credited thereto as sinking fund installments, may be applied to the purchase or redemption of a Series of Bonds. The price payable on any such purchase shall not exceed the highest redemption price applicable at the time or any time thereafter with respect to such Series of Bonds.

In the event of the purchase or redemption of Term Bonds of a particular Series, except from money credited to the Term Bond Principal Account as sinking fund installments, the principal amount of Term Bonds of such Series so purchased or redeemed are to be credited to future sinking fund installments for the Term Bonds of such Series in such manner as the District shall determine.

Any purchase of Bonds may be made with or without tenders of Bonds and at either public or private sale, as shall be determined by the District. The accrued interest to be paid on the purchase or redemption of such Bonds is to be paid from the Interest Account.

(3) Debt Service Reserve Account. The Resolution requires that, to the extent permitted under the Code, there shall be deposited from the proceeds of each Series of Bonds into the Bond Fund for credit to the Debt Service Reserve Account an amount so that there will be on deposit therein money and Value of Investment Securities equal to the Debt Service Reserve Requirement. If with respect to any Series of Bonds the amount of proceeds of such Series of Bonds permitted by the Code to be deposited into the Bond Fund for credit to the Debt Service Reserve Account is less than the Debt Service Reserve Requirement allocable to such Series of Bonds, the Supplemental Resolution providing for the issuance of such Series of Bonds shall provide for further and additional payments into the Bond Fund for credit to the Debt Service Reserve Account from money in the Revenue Fund in such amounts and at such times so that by no later than five years from the date of issuance of such additional Series of Bonds or by the final maturity thereof, whichever occurs first, there will be credited to the Debt Service Reserve Account an amount equal to the Debt Service Reserve Requirement. Notwithstanding the foregoing provisions, any Supplemental Resolution authorizing the issuance of Bonds may provide for the District to obtain Qualified Insurance or a Qualified Letter of Credit for specific amounts required by the Resolution to be paid out of the Debt Service Reserve Account. The face amount of any such Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Debt Service Reserve Account to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than three years notice. In the event of any cancellation, the Debt Service Reserve Account shall be funded in accordance with the provisions of the Resolution providing for payments to the Debt Service Reserve Account in the event of a deficiency therein, provided that the deficiency shall be funded in equal monthly installments over the period remaining until such cancellation becomes effective.

A determination as to the money and Value of Investment Securities in the Debt Service Reserve Account is to be made by the District as of January 1 and July 1 of each year and immediately following any withdrawal of amounts in the Debt Service Reserve Account as required by the Resolution. If the money and Value of Investment Securities in the Debt Service Reserve Account shall be less than the Debt Service Reserve Requirement as of the date of any valuation thereof, the District shall so notify any insurer of Bonds and shall then, beginning with last day of the month next succeeding such date, after paying Operating Expenses and making the transfers to the Bond Fund for credit to the Interest Account, the Serial Bond Principal Account and the Term Bond Principal Account, make monthly transfers from the Revenue Fund to the Bond Fund for credit to the Debt Service Reserve Account equal to one-sixth of the amount as originally determined by which the money and Value of Investment Securities in the Debt Service Reserve Account is less than the Debt Service Reserve Requirement, until there shall be on deposit in the Debt Service Reserve Account money and Value of Investment Securities equal to the Debt Service Reserve Requirement based upon the most recent valuation of that account; provided that if a Series of Bonds is issued during a period in which a deficiency exists in the Debt Service Reserve Account, to the extent permitted under the Code, the District shall deposit proceeds of such Series in the Bond Fund for credit to the Debt Service Reserve Account sufficient to make up any of the deficiency in the Debt Service Reserve Account at the time of such issuance, based upon the most recent valuation of that account.

If, as of the first business day of any Fiscal Year or as of a date upon which there is a withdrawal from the Debt Service Reserve Account (other than earnings on Investment Securities), the money and Value of Investment Securities as of the last date of calculation thereof, in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, the amount of such excess may be transferred as of such date to the Revenue Fund.

When a Series of Bonds is refunded in whole or in part, money may be withdrawn from the Debt Service Reserve Account to provide for the payment of refunded Bonds; provided that after such withdrawal there shall be on credit to the Debt Service Reserve Account money and Value of Investment Securities in an amount equal to the Debt Service Reserve Requirement.

The Resolution provides that in the event amounts in the Interest Account, the Serial Bond Principal Account or the Term Bond Principal Account shall be insufficient for the purposes of such payment, the District shall promptly make up such deficiency from the Debt Service Reserve Account by the withdrawal of cash therefrom and by the sale or redemption of Investment Securities held in the Debt Service Reserve Account, if necessary, in such amounts as will provide cash in the Debt Service Reserve Account sufficient to make up any such deficiency. If a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the District shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the Resolution and the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Any deficiency created in the Debt Service Reserve Account by reason of any withdrawal therefrom for payment into the Interest Account, the Serial Bond Principal Account or the Term Bond Principal Account shall be made up from money in the Revenue Fund first available after providing for the required payments into such Interest, Serial Bond Principal and Term Bond Principal Accounts and after providing for payments under a reimbursement agreement entered into by the District pursuant to the Resolution.

The Resolution provides that whenever the amount in the Debt Service Reserve Account, together with the amount in the Interest Account, the Serial Bond Principal Account and the Term Bond Principal Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms, the funds on deposit in the Debt Service Reserve Account shall be transferred to the Interest Account, the Serial Bond Principal Account and the Term Bond Principal Account as appropriate, and that prior to the transfer, investments held in the Debt Service Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal or redemption price of and interest on Bonds.

Anything in the Resolution to the contrary notwithstanding, references in this subsection to "Bonds" shall refer only to the Bonds of those Series secured by the Debt Service Reserve Account.

Notwithstanding any provision of the Resolution requiring the deposit of any earnings or other money in the Bond Fund, any such earnings that are subject to any rebate or other payment requirement pursuant to applicable provisions of the Code and applicable regulations thereunder may be withdrawn from the Bond Fund for deposit into a separate fund or account created for that purpose. Any amounts required at any time to be withdrawn from the Debt Service Reserve Account or other accounts in the Bond Fund in order to preserve the tax-exempt status of the Bonds are to be withdrawn and deposited in the Revenue Fund.

Investment of Money in Funds

Money on deposit in the Construction Fund and the Revenue Fund are required to be invested by the District, to the fullest extent reasonable and practicable, in Investment Securities (as defined in the Resolution) maturing in such amounts and at such times as is anticipated by the District that such money will be required to pay the Generation System Costs to be satisfied from the Construction Fund and to make the payments contemplated to be made from the Revenue Fund, as the case may be.

Money in the Bond Fund are required to be invested by the District to the fullest extent reasonable and practicable, in Investment Securities maturing in such amounts and at such times as the District determines so that payments required to be made from the Bond Fund may be made when due, provided that the money on credit to the Debt Service Reserve Account shall be invested in Investment Securities maturing no later than the final maturity date of all Bonds then Outstanding.

All earnings and income derived from investment of money in the funds, other than earnings and income required by the Resolution to be segregated to protect the federal tax exemption of interest in the Bonds, shall, at the option of the District, be deposited in the Construction Fund or the Revenue Fund, provided that all earnings and income derived from investment of money in the Debt Service Reserve Account shall be retained in such account to the extent necessary to satisfy the Debt Service Reserve Requirement.

Covenants To Purchase Electric Power and Energy of the Generation System

The District covenants that the Generation System will sell, and the Electric System will purchase, and by the terms of the Resolution the Generation System does thereby sell and the Electric System does thereby purchase, in each month all of the electric power and energy or other goods and services of the Generation System available in such month for use in the Electric System.

Additional Covenants

The District has covenanted as follows:

To Maintain the Generation System

The District will (1) at all times operate the properties of the Generation System and the business in connection therewith in an efficient manner and at reasonable cost, (2) maintain, preserve and keep the properties of the Generation System in good repair, working order and condition, and (3) make all necessary and proper repairs, renewals, replacements, additions, improvements and betterments thereto and extensions thereof, so that the business carried on in connection therewith shall be properly and advantageously conducted. The District will take all lawful measures required to issue and sell Bonds to the extent required to enable the District to pay Generation System Costs.

To Comply With Licenses

The District will use its best efforts to comply with the terms and conditions of any federal, state or local governmental permit or license for the Generation System and with any federal, state or local law or regulation applicable to the operation, maintenance and repair of the Generation System, including the FERC License for the Jackson Project; provided that the District may, in good faith, contest by appropriate proceedings, duly prosecuted, the applicability or validity of any such permit, license, law, regulation or approval, if and so long as such contest or proceeding does not impair the security for or the payment of the Bonds.

Not to Render Service Free of Charge; Enforcement of Accounts Owning

Except as required or expressly permitted by statute, so long as any Bonds are Outstanding, the District will not furnish or supply electric power or energy or any other commodity, service or facility furnished by or in connection with the Generation System free of charge to any other system of the District or to any person, firm or corporation, public or private, and the District will promptly enforce the payment of any and all accounts owing to the District by reason of the Generation System.

Disposition of All or Part of the Generation System

The District will not sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Generation System except that:

(1) The District may sell, lease or otherwise dispose of all or substantially all of the Generation System, provided that simultaneously with such sale, lease or other disposition, the District shall cause all of the Bonds to be, or deemed to be, no longer Outstanding.

(2) Except as provided below, the District will not dispose any part of the Generation System in excess of 5% of the value of the net utility plant of the District in service unless prior to such disposition

(a) there has been filed with the Secretary of the Commission a certificate of a Professional Utility Consultant stating that such disposition will not impair the ability of the District to comply with the rate covenants set forth in the Resolution; or

(b) provision is made for the payment, redemption or other retirement of a principal amount of Bonds equal to the greater of the following amounts:

(i) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding (defined as the total principal amount of Bonds then Outstanding less the amount of cash and investments in the Bond Fund) that the Revenues attributable to the part of the Generation System sold or disposed of for the 12 preceding months bears to the total Revenues for such period; or

(ii) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding that the book value of the part of the Generation System sold or disposed of bears to the book value of the entire Generation System immediately prior to such sale or disposition.

(3) The District may dispose of any portion of the Generation System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for the use in the operation of the Generation System.

(4) In the event that the ownership of the properties of the Generation System, or any part thereof, shall be transferred from the District through the operation of law, the District shall proceed to reconstruct or replace the portion of the Generation System so transferred and any money received by the District as a result of such transfer shall be applied to the payment of the costs of such reconstruction or replacement, unless the Commission shall determine by resolution that the same is not in the best interests of the District and the Bondowners. Pending the application of any money received by the District as a result of such transfer to the payment of the costs of such reconstruction or replacement, such money shall be held by the District in a special account and invested in Investment Securities

maturing no later than such times as is anticipated by the District that such money will be required to pay the costs of such reconstruction or replacement. The earnings on any money held in such special account shall be credited thereto. Any money received by the District as a result of such transfer or the balance in any such special account not required to be applied to reconstructing or replacing the portion of the Generation System so transferred shall be deposited in the Revenue Fund.

The above provisions with respect to the disposition of part or all of the Generation System shall also be applicable to any disposition of part or all of the Electric System.

Insurance

The District shall either self-insure in such manner and to such extent as the District shall determine to be necessary and appropriate or, as needed, and, to the extent available at reasonable cost, shall keep the Generation System and the operation thereof insured with responsible insurers with policies payable to the District against risks of direct physical loss, damage to or destruction of such properties, and against accidents, casualties or negligence, including liability and employer's liability insurance, at least to the extent that similar insurance is usually carried by electric utilities operating like properties. In the event of any loss or damage to the properties of the Generation System covered by such insurance, the District shall reconstruct or replace the portion of the Generation System suffering such loss or damage and any such insurance proceeds received by the District as a result of such loss or damage shall be applied to pay the costs of such reconstruction or replacement unless the Commission shall determine by resolution that such reconstruction or replacement is not in the best interests of the District and the Bondowners. Any insurance proceeds received as a result of such loss or damage not required to be applied to reconstructing or replacing the portion of the Generation System suffering such loss or damage shall be deposited in the Revenue Fund for use and application to the purchase or redemption of Bonds. In the case of loss, including the loss of revenue, caused by delay in completion of, or by suspension or interruption of generation or transmission of power and energy by the Generation System, the proceeds of any insurance covering such loss shall be paid into the Revenue Fund.

Books of Account; Annual Audit

The District will keep proper books of account, which will be audited annually by a Certified Public Accountant or by the Washington State Auditor's office. Any Bondowner may obtain at the office of the District copies of the District's balance sheet and statement of income and retained earnings showing in reasonable detail the financial condition of the Electric System as of the close of each Fiscal Year.

Professional Utility Consultant

The District shall retain, as Professional Utility Consultant, independent persons or firms (which may but need not be engineering firms) having a favorable reputation for skill and experience in analyzing the operations of electric utility systems, preparing rate analyses, forecasting the loads and revenues of electric utility systems, and the marketing of power and energy therefrom who shall be available to advise the District upon request and render opinions to the District upon request on matters relating to electric power generation, transmission, power supply, electric utility operations, rates and charges, electric utility economics and financing, and budgets, and to make such investigations and determinations as may be necessary under the Resolution.

To Make Economically Sound Improvements and Extensions

The District will not expend any Revenues or the proceeds of Bonds for any renewals, replacements, capital additions, improvements, betterments or extensions which are not economically sound or which will not properly and advantageously contribute to the conduct of the business of the Generation System in an efficient and economical manner unless required to do so by or pursuant to law so as to permit the continued operation of the Generation System.

To Pay Principal, Premium and Interest on Bonds

The District will duly and punctually pay, or cause to be paid, solely from the Revenues, Electric System Revenues and other moneys pledged in the Resolution to the payment thereof, the principal, premium, if any, and interest on each and every Bond on the date and at the places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Bonds and in the Resolution.

Protection of Security

The District is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Revenues, amounts of Electric System Revenues and other moneys, securities and funds purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Revenues, amounts of Electric System Revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, except as otherwise expressly provided therein, and all corporate action on the part of the District to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be valid and legally enforceable obligations of the District in accordance with their terms and the terms of the Resolution. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues, amounts of Electric System Revenues and other moneys, securities and funds pledged under the Resolution and all the rights of the Bondowners under the Resolution against all claims and demands of all persons whomsoever.

Authority of District to Acquire and Construct the Generation System, to Provide for the Operation and Maintenance of the Generation System and to Fix and Collect Rates and Charges

The District has good, right and lawful power to acquire and construct the Generation System and to provide for the operation and maintenance of the Generation System and to fix, establish, maintain and collect rates and charges for the Generation System electric power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Generation System.

Payment of Taxes, Assessments and Other Governmental, Charges and Payments in Lieu Thereof; Payment of Claims

The District shall, from time to time, duly pay and discharge, or cause to be paid or discharged, all taxes, assessments or other governmental charges, or payments in lieu thereof, lawfully imposed upon the Generation System, or on the revenues, income, receipts, profits or other moneys derived by the District therefrom when the same shall become due, and all lawful claims for labor and materials and supplies that, if not paid, might become a lien or charge upon such properties, or any part thereof, or upon the Revenues and other moneys derived by the District directly or indirectly from the Generation System, or that might in any way impair the security of the obligations issued by the District payable from the Revenues and other

moneys, except those assessments, charges or claims that the District shall in good faith contest by proper legal proceedings.

Taking Any Further Action Necessary

The District shall, at any and all times, insofar as it may be authorized to do so by law, pass, adopt, make, do, execute, acknowledge, deliver, register, file and record all and every such further resolutions, acts, deeds, conveyances, assignments, recordings, filings, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys pledged or assigned to the payment of Bonds or intended so to be.

Employees' Fidelity Bonds

The District shall require of agents of the District, and shall obtain for employees of the District collecting or handling money, fidelity bonds with a responsible surety company or companies as surety in reasonable amounts usually obtained by public agencies operating like properties, to protect the District from loss.

Non-Acceleration of Certain Obligations

The District shall not enter into any contract, obligation or evidence of indebtedness requiring the payment of money, described in the provisions of the Electric System Bond Resolution regarding "Separate System Bonds; Resource Obligations" or described in the provisions of the Resolution regarding "Additional Indebtedness—Separate System Bonds" pursuant to which the obligation of the District to make payments of money may be accelerated (upon occurrence of a default) from the regularly scheduled dates of such payments.

Compliance with Electric System Bond Resolution; Amendment Thereof

Until the obligations of the District under the Electric System Bond Resolution have been discharged in accordance with the terms thereof, the District shall comply with the provisions, covenants and agreements contained in the Electric System Bond Resolution. The District will not consent to or agree to any amendment or modification of the Electric System Bond Resolution which would impair the ability of the District to comply with the covenants set forth in the Resolution.

Amendments

The District, without the consent or concurrence of any owner of any Bond, may adopt a resolution amending or supplementing the Resolution (1) to provide for the issuance of Bonds; or (2) if the provisions of such Supplemental Resolution shall not adversely affect the rights of the owners of the Bonds then Outstanding, to make any changes or corrections in the Resolution as to which the District shall have been advised by its Counsel that the same are technical wording corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Resolution, or to insert provisions clarifying matters or questions arising under the Resolution as are necessary or desirable; to add additional covenants and agreements of the District to further secure the payment of the Bonds; to surrender any right, power or privilege reserved to or conferred upon the District by the terms of the Resolution; to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the Resolution; to grant to or confer upon the owners of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or confer upon the Trustee for the benefit of the holders of the Bonds any additional rights, duties, remedies, power

or authority; and to modify any of the provisions of the Resolution in any other respects; provided that if such modification materially adversely affects the owners of any Bonds, such modification shall not be effective until after the Bonds Outstanding at the time such Supplemental Resolution is adopted shall cease to be Outstanding, in which case any Bonds issued subsequent to any such modification shall contain a specific reference to the modifications contained in such Supplemental Resolution, or until the owners of the Bonds Outstanding at the time such Supplemental Resolution is adopted shall consent thereto.

With the consent of the owners of not less than 60% in aggregate principal amount and Accreted Value, if any, of the Bonds then Outstanding, the District may adopt a resolution amending or supplementing the Resolution to add any provisions to, or change in any manner or eliminate any of the provisions of, the Resolution, or modify or amend the rights and obligations of the District and the Trustee thereunder, or modify in any manner the rights of the owners of the Bonds and coupons then Outstanding; provided that, without the specific consent of the owner of each such Bond which would be affected thereby, no such Supplemental Resolution shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the date for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the redemption price (or the redemption premium) payable upon the redemption or prepayment thereof, (2) reduce the aforesaid percentage of Bonds, the owners of which are required to consent to any Supplemental Resolution amending or supplementing the provisions of the Resolution; (3) give to any Bond or Bonds any preference over any other Bond or Bonds; (4) authorize the creation of any pledge of the Revenues and other money prior, superior or equal to the pledge of and lien and charge for the payment of the Bonds; or (5) deprive any owner of the Bonds of the security afforded by the Resolution.

Trustee

U.S. Bank Trust Company, National Association or its successor is appointed to act as Trustee (the "Trustee") for the owners of all Bonds. The Trustee may resign by notice in writing to be given to the District and mailed to each Bondowner by the Trustee or published once by the Trustee, in a daily newspaper of general circulation or a financial journal published in New York, New York, not less than 45 days before such resignation is to take effect. Such resignation shall take effect immediately upon the appointment of a new Trustee, if such new Trustee is appointed and accepts the trust before the time stated in such notice.

The Trustee may be discharged by the District at any time as long as an Event of Default has not occurred and is not continuing or at any time by the owners of a majority in aggregate principal amount of the Bonds then Outstanding.

If at any time the Trustee resigns, is discharged, or if the position of Trustee becomes vacant for any other reason, the District must appoint a Trustee to fill such vacancy. The District shall mail notice of any such appointment to each Bondowner or shall publish notice thereof once, in a daily newspaper of general circulation or a financial journal published in New York, New York, within 20 days after such appointment. At any time within one year after such appointment, the owners of a majority in aggregate principal amount of the Bonds then Outstanding may appoint a successor Trustee, which shall supersede any Trustee theretofore appointed by the District.

The Resolution provides that the recitals of fact contained in the Resolution and in the Bonds shall be taken as the statements of the District and the Trustee does not assume any responsibility for the correctness of the same. The Resolution provides further that the Trustee does not make any representations as to the validity or sufficiency of the Resolution or of any Bonds or in respect of the security afforded by the Resolution, and the Trustee shall not incur any liability in respect thereof, and

that the Trustee shall not be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof, except to the extent that proceeds are paid to the Trustee, or the application of any moneys paid to the District, or for any losses incurred upon the sale or redemption of any securities purchased for or held in any Fund or Account under the Resolution.

The Resolution provides that the Trustee may exercise any powers under the Resolution and perform any duties required of it through its attorneys, agents, officers or employees, and shall be entitled to advice of counsel (which may be Bond Counsel) concerning all questions under the Resolution. The Resolution provides further that the Trustee shall not be answerable for the exercise of any discretion or power under the Resolution nor for anything whatever in connection with the trust under the Resolution, except only its own willful misconduct or negligence, which shall include but not be limited to failure to make a debt service payment when due if the Trustee has sufficient funds on hand with which to make such payment.

The Resolution provides that the duties and obligations of the Trustee appointed by or pursuant to the provisions of the Resolution prior to the occurrence of an Event of Default, and subsequent to the waiving or curing of such Event of Default, shall be determined solely by the express provisions of the Resolution, and the Trustee shall not be liable except for the performance of its duties and obligations as specifically set forth in the Resolution and to act in good faith in the performance thereof, and no implied duties or obligations shall be incurred by the Trustee other than those specified in the Resolution, and the Trustee shall be protected and shall have no liability when acting or omitting to act in good faith upon the advice of counsel, who may be counsel to the District. The Resolution provides further that in case an Event of Default has occurred which has not been waived or cured, the Trustee shall exercise such of the rights and powers vested in it by the Resolution and use the same degree of care and skill in the exercise thereof as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Resolution provides that none of the provisions contained in the Resolution shall require the Trustee to take any action or exercise any remedies, including but not limited to spending or risking its own funds or otherwise incurring individual financial responsibility in the performance of any of its duties or in the exercise of any of its rights or powers if in the Trustee's judgment there are reasonable grounds for believing that the prompt repayment thereof is not reasonably assured to it under the terms of the Resolution.

Events of Default and Remedies

Under the Resolution, each of the following constitutes an "Event of Default": (1) if payment of the principal and premium, if any, on any Bond is not made when due and payable, whether at maturity or by proceedings for redemption or otherwise; or (2) if payment of any installment of interest on any Bond is not made when due and payable; or (3) if the provisions of any Supplemental Resolution with respect to mandatory sinking fund installments or the retirement of Term Bonds is not complied with at the time and in the manner specified in such Supplemental Resolution; or (4) default under any agreement executed by the District with respect to a Qualified Letter of Credit or Qualified Insurance, or any letter of credit or other credit enhancement device providing additional security for any Variable Interest Rate Bonds which default results in the suspension, expiration or termination of the payment obligations of the issuer thereof; or (5) the occurrence of an Event of Default as defined in the Electric System Bond Resolution; or (6) if the District violates or fails to perform any of its other obligations under the Resolution or any Supplemental Resolution for 60 days after written notice of default is given to the District by the Trustee or by the owners of not less than 66% in aggregate principal amount and Accreted Value, if any, of the Bonds then Outstanding, provided the violation by the District of any provision of, or the failure of the District to perform any of its obligations (other than a failure constituting an Event of

Default described in clauses (1) through (3) above) under the Resolution or any Supplemental Resolution shall not constitute an Event of Default if, prior to or within such 60-day period, the District commences appropriate action in good faith to cure such violation or failure and diligently prosecutes such action to completion, notwithstanding that the period required to effect such cure shall extend beyond such 60-day period, or (7) if a court having jurisdiction enters a decree or order for relief adjudging the District a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the District under any applicable bankruptcy, insolvency or other similar law, and such decree or order continues undischarged or unstayed for 40 days, or if a court having jurisdiction enters a decree or order appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator of the District or any substantial part of its property, or ordering the winding-up or liquidation of the District, and such decree or order remains undischarged or unstayed for 60 days; or (8) if the District institutes voluntary proceedings to be adjudicated insolvent or bankrupt under any applicable bankruptcy, insolvency or other similar law or consents to the filing of a bankruptcy proceeding against it, or to the entry of an order for relief in an involuntary proceeding against it under any such law, or files a petition or answer or consent seeking reorganization or arrangement under any such law, or consents to the filing of any such petition, or consents to the appointment of a receiver, liquidator, trustee, assignee, custodian or sequestrator of the District or any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its insolvency or inability to pay its debts generally as they become due, or takes any action in furtherance of any of the foregoing.

If an Event of Default shall have happened and shall not have been remedied, the District upon demand of the Trustee shall pay over, and the District covenants that upon demand of the Trustee it shall pay over, to the Trustee only to the extent necessary to cure such Event of Default (i) forthwith, all moneys, securities and funds then held by the District and pledged under the Resolution, and (ii) as promptly as practicable after receipt thereof, all Revenues.

During the continuance of an Event of Default as defined under the Resolution or of any other Event of Default resulting in an Event of Default as defined in the Resolution, the Revenues received by the Trustee shall be applied by the Trustee, first, to the payment of all necessary and proper Operating Expenses and all other proper disbursements or liabilities made or incurred by the Trustee and, second, to the then due and overdue payments into the Bond Fund, including the making up of deficiencies therein.

In the event that at any time the funds held by the Trustee pursuant to the Resolution shall be insufficient for the payment of the principal (including any mandatory sinking fund installments), premium, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds) and all Revenues shall be applied as follows: first, to the payment of all necessary and proper Operating Expenses and all other proper disbursements or liabilities made or incurred by the Trustee; second, to the payment, pro rata, to the persons entitled thereto of all installments of interest then due (including any interest on overdue principal) or any District Payments; third, to the payment, pro rata, to the persons entitled thereto of the principal (including any mandatory sinking fund installments) and premium, if any, due and unpaid upon the Bonds at the time of such payment; fourth, to the payment pro rata, to the persons entitled thereto by reason of a pledge of Revenue subordinate to the lien of the Bonds, and fifth, for any other lawful purpose as provided in the Resolution concerning the application of any balance of the Revenues in the Revenue Fund.

If an Event of Default happens and is not remedied, the Trustee, either in its own name or as trustee of an express trust, or as attorney-in-fact for the owners of the Bonds is empowered to proceed forthwith to institute such suits, actions and proceedings at law or in equity for the collection of all sums due in connection with the Bonds and to protect and enforce its rights and the rights of the owners of the Bonds under the Resolution for the specific performance of any covenant contained in the Resolution, or in aid of the execution of any power granted in the Resolution, or for an accounting against the District

as trustee of any express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, deems most effectual to enforce any of its rights, or to perform any of its duties, under the Resolution. The owners of not less than 66% in aggregate principal amount and Accreted Value, if any, of the Bonds at the time Outstanding shall be authorized and empowered (1) to direct the time, method, and place of conducting any proceeding for any remedy available to the owners of the Bonds or to the Trustee therefor, or of exercising any trust or power conferred upon the Trustee under the Resolution or (2) on behalf of the owners of the Bonds then Outstanding, to consent to the waiver of any Event of Default except an Event of Default defined in clauses (1) through (3) of the definition of "Events of Default" above or its consequences, and the Trustee shall waive any Event of Default and its consequences upon the written request of the owners of such 66%; provided that the Trustee shall be provided with adequate security and indemnity. No waiver shall extend to any subsequent or other default, or impair any right consequent thereon. The Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners not party to such direction.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the owners of the Bonds is intended to be exclusive of any other remedy given thereunder to the Trustee or to the owners of the Bonds or now or thereafter existing at law or in equity or by statute.

Defeasance; Discharge of Liens and Pledges

The Resolution provides that obligations of the District and the liens, pledges, charges, trusts, assignments, covenants and agreements of the District made or provided for in the Resolution shall be fully discharged and satisfied as to any Bond and such Bond shall be deemed to be no longer Outstanding under the Resolution: (1) when such Bond shall have been cancelled, or shall have been surrendered for cancellation or is subject to cancellation or; (2) when payment of the principal of and premium, if any, on such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption through the application of mandatory sinking fund installments or optional redemption or prepayment or otherwise), either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by depositing with the Escrow Trustee, in a special trust account, and appropriating and setting aside exclusively for such payment, either (i) money sufficient to make such payment or (ii) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to make such payment, or (iii) a combination of both such money and such Governmental Obligations, whichever the District deems to be in its best interest.

At such time as a Bond shall be deemed to be no longer Outstanding, such Bond, except for the purpose of any such payment from such money or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Resolution. In the case of a Bond which is to be redeemed or otherwise prepaid prior to its stated maturity, no deposit described under clause (2)(b) above shall constitute such payment, discharge and satisfaction as aforesaid until such Bond shall have been irrevocably designated for redemption or prepayment. If money or Governmental Obligations have been deposited with the Escrow Trustee for the payment of a specific Bond and such Bond shall be deemed to have been paid and be no longer Outstanding, but such Bond shall not have in fact been actually paid in full, no amendment to the provisions summarized above shall be made without the consent of the owner of each Bond affected thereby.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

July __, 2022

Public Utility District No. 1 of
Snohomish County, Washington
Everett, Washington

\$ _____
Public Utility District No. 1 of Snohomish County, Washington
Electric System Revenue Bonds, Series 2022A (Tax-Exempt)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Public Utility District No. 1 of Snohomish County, Washington (the “District”) in connection with issuance of \$ _____ aggregate principal amount of Public Utility District No. 1 of Snohomish County, Washington Electric System Revenue Bonds, Series 2022A (Tax-Exempt) (the “2022A Bonds”). The 2022A Bonds are being issued pursuant to Resolution No. 3602, adopted by the Commission of the District (the “Commission”) on May 16, 1991 (the “Master Resolution”), as supplemented and amended, including as supplemented by Resolution No. _____, adopted by the Commission on July 5, 2022 (the “Twelfth Supplemental Resolution”). The Master Resolution as amended and supplemented, including as supplemented by the Twelfth Supplemental Resolution is referred to herein as the “Resolution.” The District has appointed U.S. Bank Trust Company, National Association, to serve as trustee, registrar and paying agent (the “Trustee”) for the 2022A Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Tax Certificate of the District relating to the 2022A Bonds, dated the date hereof (the “Tax Certificate”), an opinion of counsel to the District, certificates of the District, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the 2022A Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the 2022A Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Tax Certificate, including (without limitation)

covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2022A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2022A Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public utility districts in the State of Washington. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2022A Bonds and express no opinion or conclusion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2022A Bonds constitute the valid and binding special limited obligations of the District.

2. The Resolution has been duly adopted by, and constitutes the valid and binding obligation of, the District. The Resolution creates a valid pledge, to secure the payment of the principal of and interest on the 2022A Bonds, of the Revenues and certain other funds and accounts as provided by the Resolution, subject to the provisions of the Resolution permitting the application thereof for the purposes, in the order of priority, and on the terms and conditions set forth in the Resolution.

3. Interest on the 2022A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2022A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2022A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX E

BOOK-ENTRY SYSTEM

The following information (except for the final paragraph) has been provided by The Depository Trust Company, New York, New York (“DTC”). The District makes no representation regarding the accuracy or completeness thereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2022A Bonds. The 2022A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each series of the 2022A Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2022A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2022A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2022A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2022A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2022A Bonds, except in the event that use of the book entry system for the 2022A Bonds is discontinued.

To facilitate subsequent transfers, all 2022A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2022A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2022A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2022A Bonds are credited,

which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2022A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2022A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents relating to the 2022A Bonds. For example, Beneficial Owners of 2022A Bonds may wish to ascertain that the nominee holding the 2022A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Certificate Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2022A Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2022A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2022A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the 2022A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2022A Bonds at any time by giving reasonable notice to the State or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

To the extent permitted by law, the State may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The above information concerning DTC and DTC's book entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof. Neither the State nor the Fiscal Agent will have any responsibility or obligation to Participants or the persons for whom they act as nominees or Beneficial Owners with respect to DTC's record keeping, payments by DTC or Participants, notices to be delivered by DTC, or any other action taken by DTC as Registered Owner of the 2022A Bonds.

So long as Cede & Co. is the registered owner of the 2022A Bonds, as nominee for DTC, references herein to the holders or registered owners of the 2022A Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the

2022A Bonds. When reference is made to any action, which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given the State or the Fiscal Agent shall send them to DTC only.

For every transfer and exchange of the 2022A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered as of July __, 2022, by Public Utility District No. 1 of Snohomish County, Washington (the “District”) for the benefit of the Owners and Beneficial Owners of the Bonds (each as defined below), in connection with the issuance of \$_____ aggregate principal amount of Electric System Revenue Bonds, Series 2022A (Tax-Exempt) (the “Bonds”).

WITNESSETH:

WHEREAS, pursuant to Resolution No. 3602, adopted by the Commission of the District (the “Commission”) on May 16, 1991 (the “Master Resolution”), as amended and supplemented, including as supplemented by Resolution No. [____], adopted by the Commission on July 5, 2022 (the “Twelfth Supplemental Resolution” and together with the Master Resolution, the “Resolution”), the District has provided for the issuance of the Bonds;

WHEREAS, the underwriters with respect to the Bonds (the “Underwriter”) are required to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended (the “1934 Act”);

NOW THEREFORE, the District covenants and agrees for the benefit of the Owners and Beneficial Owners of the Bonds as follows:

SECTION 1. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person that (a) has or shares the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, or otherwise make investment decisions concerning ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bond Register” shall have the meaning provided in the Resolution.

“Business Day” shall mean a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of Washington or the State of New York are closed.

“Dissemination Agent” shall mean the District, or any successor Dissemination Agent designated in writing by the District and that has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii)

guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement with respect to the Bonds dated ____, 2022.

“Owner,” whenever used herein with respect to a Bond, shall mean the Person in whose name the ownership of such Bond is registered on the Bond Register.

“Person” shall mean an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Rule” shall mean Rule 15c2 12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Washington.

“Trustee” shall have the meaning provided in the Resolution.

SECTION 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Owners and the Beneficial Owners, and in order to assist the Underwriter in complying with the Rule.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of each fiscal year of the District, commencing with the fiscal year of the District ending December 31, 2022, provide to the MSRB copies of an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, the District shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than fifteen (15) Business Days prior to the date specified in Section 3(a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent (if the Dissemination Agent is other than the District). If by 15 Business Days prior to such date, the Dissemination Agent (if the Dissemination Agent is other than the District) has not received

a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with Section 3(a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in Section 3(a), the Dissemination Agent shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (if the Dissemination Agent is other than the District) shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

- (a)
 - (i) The audited financial statements of the Electric System and the Generation System prepared in accordance with generally accepted accounting principles applicable to government entities, with regulations prescribed by FERC and substantially in accordance with the system prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute); provided, that if the audited financial statements of the Electric System and Generation System are not yet available by the time the Annual Report is required to be provided to the Repository pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the Repository in the same manner as the Annual Report when they become available;
 - (ii) The outstanding indebtedness of the Electric System, the Generation System and any other system of the District that provides power or capacity to either of these systems, to the extent not already included in the audited financial statements;
 - (iii) Electric System retail customers, energy sales, peak demand and revenues substantially in the form of the table "Electric System Customers, Energy Sales, and Peak Demand" (excluding partial year statistics), to the extent not already included in the audited financial statements;
 - (iv) Electric System income statements, operating results and debt service coverage on the outstanding Electric System Bonds substantially in the form of the table "Electric System Operating Results" (excluding partial year statistics), to the extent not already included in the audited financial statements;
 - (v) Electric System energy requirements, resources and purchased power costs substantially in the form of the tables "Electric System Purchased Power Costs" (excluding partial year statistics) and "Electric System Energy Resources" (excluding partial year statistics), to the extent not already included in the audited financial statements;

(vi) The aggregate amount and percentage of total energy sold and of retail revenues provided by the Electric System's ten largest customers, to the extent not already included in the audited financial statements; and

(vii) Generation System annual production and costs substantially in the form of the table under the caption "Generation System Annual Costs", to the extent not already included in the audited financial statements.

(b) Any or all of the items listed in Section 4(a) may be set forth in one or a set of documents or may be incorporated by specific reference from other documents, including official statements of debt issues of the District, that have been submitted to the MSRB or the SEC and made available to the public on the MSRB's website. The District shall clearly identify each such other document so incorporated by reference.

The contents, presentation and format of the Annual Report may be modified from time to time as determined in the judgment of the District to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the District or to reflect changes in the business, structure, operations, legal form of the District or any mergers, consolidations, acquisitions or dispositions made by or affecting the District; provided, that any such modifications shall comply with the requirements of the Rule; provided further, that if the respective Annual Report is modified to conform to changes in accounting or disclosure principles, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting or disclosure principles and those prepared on the basis of the former accounting or disclosure principles.

SECTION 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties.

(iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).

(vi) Tender offers.

(vii) Defeasances.

(viii) Rating changes.

(ix) Bankruptcy, insolvency, receivership or similar event of the District.

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) Non-payment related defaults.

(ii) Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.

(iii) Modifications to rights of Bond holders.

(iv) Bond calls.

(v) Release, substitution, or sale of property securing repayment of the Bonds.

(vi) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(viii) Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) The Dissemination Agent (if other than the District) shall, promptly upon obtaining actual knowledge at the address listed in Section 13 of this Disclosure Certificate of the occurrence of any of the Listed Events, contact the District, inform the District of the event and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event (if such event is described in Section 5(b)) pursuant to subsection (g).

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b), whether because of a notice from the Dissemination Agent pursuant to subsection (c) or otherwise, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(e) If the District obtains knowledge of the occurrence of a Listed Event described in Section 5(a), or if the District determines that knowledge of the occurrence of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (g).

(f) If in response to a request under subsection (c), the District determines that the Listed Event described in Section 5(b) would not be material under applicable federal securities laws, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to Section 5(g).

(g) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in Section 5(a)(7) and 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Resolution, and notice of any other Listed Event is required only following the actual occurrence of the Listed Event.

(h) The Dissemination Agent may conclusively rely on an opinion of counsel that the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Format for Filings with the MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The District's and the Dissemination Agent's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(g).

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent. Upon such discharge, however, a new Dissemination Agent must be appointed within 60 days. The Dissemination Agent may resign by providing 60 days' written notice to the District. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent. The initial Dissemination Agent shall be the District.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Owners (other than amendments requiring the consent of every Owner affected), or (ii) does not, in the opinion of the Dissemination Agent or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice in addition to that which is expressly required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of the Underwriter or the Owners of at least 25% of aggregate principal amount of the Bonds then Outstanding, shall), or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in a Washington State Court sitting in Snohomish County or in U.S. District Court for the Western District of Washington. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance, and no Person shall be entitled to recover monetary damages under this Disclosure Certificate.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, or the employees and agents of the Dissemination Agent, harmless against any loss, expense and liabilities which the Dissemination Agent or such employees or agents may incur arising out of or in the exercise or performance of the Dissemination Agent's powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the

Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

To the District:

Public Utility District No. 1 of Snohomish County, Washington
ATTN: Treasurer
2320 California Street
Everett, Washington 98201

To the initial Dissemination Agent:

Public Utility District No. 1 of Snohomish County, Washington
ATTN: Treasurer
2320 California Street
Everett, Washington 98201

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and the Owners and Beneficial Owners from time to time, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of Washington determined without regard to the principles of conflict of law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the District has caused this Disclosure Certificate to be executed by its proper officer thereunto duly authorized, as of the day and year first above written.

PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Public Utility District No. 1 of Snohomish County, Washington

Name of Bond Issue: Electric System Revenue Bonds, Series 2022A (Tax-Exempt)
Dated ____ __, 2022.

Notice is hereby given that Public Utility District No. 1 of Snohomish County, Washington (the "District") has not provided an Annual Report with respect to the above-referenced bonds (the "Bonds") as required by Section 3 of the Continuing Disclosure Certificate, dated ____ __, 2022, entered into by the District for the benefit of the Owners and Beneficial Owners of the Bonds. The District anticipates that the Annual Report will be filed by ____.

Dated: ____

TREASURER OF PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON,
as Dissemination Agent

By _____

cc: Public Utility District No. 1 of Snohomish County, Washington

**PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON**

**\$[_____]
ELECTRIC SYSTEM REVENUE BONDS, SERIES 2022A
(TAX-EXEMPT)**

PURCHASE CONTRACT

July 14, 2022

PUBLIC UTILITY DISTRICT NO. 1
OF SNOHOMISH COUNTY, WASHINGTON
2320 California Street
Everett, Washington 98201

Ladies and Gentlemen:

Citigroup Global Markets Inc. (the “Representative”), acting on behalf of itself and as representative of RBC Capital Markets, LLC (together with the Representative, the “Underwriters”), offers to enter into this Purchase Contract (the “Purchase Contract”) with Public Utility District No. 1 of Snohomish County, Washington (the “District”). The offer made hereby is subject to acceptance by the District by execution and delivery of this Purchase Contract to the Representative at or prior to 6:00 p.m., Pacific Daylight Time, on the date first above written. If not so accepted, the offer made hereby will be subject to withdrawal by the Underwriters upon notice delivered to the District by the Representative at any time prior to the acceptance hereof by the District. Upon acceptance of this offer by the District in accordance with the terms hereof, this Purchase Contract will be binding upon the District and upon the Underwriters. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Preliminary Official Statement or the Resolution (each as defined herein).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties, covenants, and agreements hereinafter set forth, the Underwriters hereby agree, jointly and severally, to purchase from the District, and the District hereby agrees to sell to the Underwriters, all (but not less than all) of the \$[_____] aggregate principal amount of the District’s Electric System Revenue Bonds, Series 2022A (the “Bonds”). The Bonds shall be dated their date of delivery to the Underwriters, shall bear interest payable December 1, 2022, and thereafter semiannually on each June 1 and December 1, until maturity or prior redemption, at the rates and shall mature on December 1 in the years and principal amounts and be subject to redemption, all as set forth in Exhibit A. The purchase price of the Bonds shall be \$[_____] , representing the aggregate principal amount of the Bonds, plus/less a [net] original issue premium/discount of \$[_____] , less an underwriters’ discount of \$[_____] . The District acknowledges and agrees that (a) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the District and the Underwriters; (b) in connection with the purchase and sale of the Bonds pursuant to this Purchase Contract,

each of the Underwriters is acting solely as a principal and not as an agent or fiduciary of the District or as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), (c) each of the Underwriters has financial and other interests that differ from those of the District, and (d) the District has consulted with its own legal, accounting, tax, financial, and other advisors, as applicable, to the extent it has deemed appropriate.

2. The Bonds. The Bonds shall be issued in accordance with Chapter 1 of the Laws of Washington, 1931, as amended and supplemented, constituting Title 54 of the Revised Code of Washington, and Chapter 167 of the Laws of Washington, 1983, as amended and supplemented, constituting Chapter 39.46 of the Revised Code of Washington (together, the “Act”), and pursuant to and in accordance with Resolution No. 3602, adopted by the Commission of the District (the “Commission”) on May 16, 1991, as supplemented and amended (the “Master Electric System Bond Resolution”), including as amended and supplemented by Resolution No. [____], adopted by the Commission on July 5, 2022 (the “Twelfth Supplemental Resolution”). The Master Electric System Bond Resolution, as amended and supplemented, including as supplemented by the Twelfth Supplemental Resolution, is referred to as the “Resolution.” The proceeds of the Bonds will be used to (a) finance additions, betterments, and improvements to and renewals, replacements, and extensions of the Electric System, (b) fund a deposit to the Debt Service Reserve Account with respect to the Bonds, and (c) pay costs of issuing the Bonds. The Bonds shall otherwise be as described in the Preliminary Official Statement of the District relating to the Bonds dated July 5, 2022 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto accepted by the Representative, the “Preliminary Official Statement”).

3. Official Statement. The District hereby ratifies, approves, and confirms the distribution of the Preliminary Official Statement in connection with the public offering and sale of the Bonds by the Underwriters prior to the availability of the Official Statement (defined herein). The District represents and warrants that the Preliminary Official Statement was deemed final by the District as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings, and other terms of the Bonds depending on such matters. Within seven business days after the date of this Purchase Contract and in any event prior to the delivery of the Bonds, the District shall deliver or cause to be delivered to the Representative:

(a) A reasonable number of copies of the Official Statement, as requested by the Representative, executed on behalf of the District by its Treasurer or other Authorized Officer; and

(b) A copy of the Resolution (authorizing the execution and delivery of this Purchase Contract and the Official Statement), including the proceedings of the Commission with respect thereto, certified by an Authorized Officer of the District to have been duly adopted and to be in full force and effect, in the form previously provided to the Representative, with only such changes thereto as have been accepted by the Representative.

The Official Statement shall be dated the date of this Purchase Contract, and shall be in the form of the Preliminary Official Statement, with the addition only of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings, and other terms of the Bonds depending on such matters, the number and date of the Twelfth Supplemental Resolution, and any amendments or supplements thereto accepted by the Representative (together with the appendices thereto and any documents incorporated therein by reference, the “Official Statement”). The District hereby authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the public offering and sale of the Bonds.

4. Representations, Covenants, and Agreements. The District represents, covenants, and agrees to and with the Underwriters that, as of the date hereof:

(a) The District is duly organized and validly existing as a municipal corporation of the State of Washington (the “State”) and under the Constitution and laws of the State has the legal right, power, and authority to acquire, construct, own, operate, maintain, improve, and finance the Generation System and the Electric System.

(b) The District has the legal right, power, and authority to enter into this Purchase Contract, to execute the Continuing Disclosure Certificate substantially in the form attached to the Preliminary Official Statement as Appendix F (the “Continuing Disclosure Certificate”), to adopt the Resolution, to observe, perform, and consummate the covenants, agreements, and transactions contemplated by this Purchase Contract, the Continuing Disclosure Certificate, and the Resolution and to execute, issue, sell, and deliver the Bonds to the Underwriters as provided herein; by all necessary official action of the District prior to or concurrently with the acceptance hereof, the District has duly adopted the Resolution in accordance with the Act and authorized and approved the Preliminary Official Statement and the Official Statement and the distribution thereof by the Underwriters; the Resolution is in full force and effect and has not been amended, modified, or rescinded (except as set forth in Section 2); and the District has duly authorized and approved the execution and delivery by the District of the Bonds, this Purchase Contract, and the Continuing Disclosure Certificate; the District has duly authorized and approved the observance and performance by the District of its covenants, agreements, and obligations contained in the Resolution and the Continuing Disclosure Certificate and the consummation by it of all other transactions contemplated by this Purchase Contract to have been performed or consummated at or prior to the date of the Closing (defined herein); and at the Closing, the District will be in compliance in all material respects with the obligations in connection with the issuance of the Bonds on its part contained in the Resolution, the Bonds, and this Purchase Contract and will not be in violation of any provision of the Act, which violation would have a material adverse effect on the business, operations, or financial condition of the Generation System or the Electric System.

(c) As of the date thereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company (“DTC”) and its book-entry only system and information under the heading “ELECTRIC SYSTEM POWER SUPPLY – Bonneville Power Administration” with respect to Bonneville and not the District (the

“Bonneville Information”) and information under the heading “THE DISTRICT – Pension and Other Post-Employment Benefits” with respect to the State Department of Retirement Systems and not the District (the “State Pension Information”), as to which no representation is made in this sentence) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The District obtained the Bonneville Information and the State Pension Information from sources it believes to be reliable, and as of the date of the Preliminary Official Statement, the District did not believe the Bonneville Information or the State Pension Information was inaccurate or incomplete in any material respect for the purposes for which it is provided.

(d) As of the date thereof and at all times subsequent thereto up to and including 25 days after the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system, the Bonneville Information, and the State Pension Information, as to which no representation is made in this sentence), as supplemented and amended, does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of the date hereof, the District does not believe the Bonneville Information or the State Pension Information is inaccurate or incomplete in any material respect for the purposes for which it is provided. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the date of the Closing, unless the Representative shall notify the District in writing to the contrary on or prior to such date, in which event the end of the underwriting period shall be deemed to be the date the Representative delivers written notice of such to the District.

(e) If the Official Statement is supplemented or amended pursuant to Section 4(f), at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the end of the underwriting period, the Official Statement (except for information regarding DTC and its book-entry only system, the Bonneville Information, and the State Pension Information, as to which no representation is made in this sentence) as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Bonneville Information or the State Pension Information is supplemented or amended pursuant to Section 4(f), the District shall obtain each supplement or amendment to the Bonneville Information or the State Pension Information, as applicable, from sources it believes to be reliable, and at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the end of the underwriting period, the District shall not believe the Bonneville Information or the State Pension Information, as so supplemented or amended, is inaccurate or incomplete in any material respect for the purposes for which it is provided.

(f) If between the date of this Purchase Contract and 25 days after the end of the underwriting period (i) any event shall occur or any fact or condition shall become

known to the District which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall notify the Representative thereof, and (ii) in the reasonable opinion of the Representative such event, fact, or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the District will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Representative.

(g) The District is not in material violation of or in material breach of or in material default under any applicable Constitutional provision, law, or administrative order, rule, or regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the District is a party or to which the District or any of its properties is otherwise subject, which violation, breach, or default would have a material adverse effect on the business, operations, or financial condition of the Generation System or the Electric System, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a material default or event of default under any such agreement or instrument; and the adoption of the Resolution, the execution and delivery of the Bonds, this Purchase Contract, and the Continuing Disclosure Certificate, and the compliance with the provisions of the Resolution, the Bonds, this Purchase Contract, and the Continuing Disclosure Certificate will not conflict with or constitute a material violation or breach of or material default under any Constitutional provision, law, administrative order, rule, or regulation, or any judgment, decree, license, permit, loan agreement, indenture, bond, note, resolution, agreement, or other instrument with respect to the Generation System or the Electric System to which the District is subject, or by which it or any of its properties is bound, which violation, breach, or default would have a material adverse effect on the business, operations, or financial condition of the Generation System or the Electric System, nor will any such execution, delivery, adoption, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation, or instrument, except as provided by the Bonds and the Resolution.

(h) Except as disclosed in the Preliminary Official Statement or otherwise in writing to the Representative, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, government agency, public board, or body, pending or, to the knowledge of the District, threatened (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) in any way affecting, contesting, or seeking to prohibit, restrain, or enjoin the issuance or delivery of any of the Bonds, or the payment, collection, or application of Revenues pledged or to be pledged to pay the principal of and interest on the Bonds or Electric System Revenues or of any amounts to be deposited into the Revenue Fund or the Bond Fund pursuant to the Resolution, or the application of the proceeds of the Bonds, or in any way contesting or affecting the validity of the pledge of or lien on the Revenues or funds and accounts pursuant to the Resolution or the

validity of the Bonds, the Resolution, this Purchase Contract, or the Continuing Disclosure Certificate, or to the knowledge of the District, the Act, or contesting the powers of the District or its authority to issue the Bonds, or the adoption of the Resolution, or the execution and delivery by the District of this Purchase Contract and the Continuing Disclosure Certificate; (iii) in any way contesting or affecting the power and authority of the District to establish, maintain, and collect rates and charges for electric power and energy and other services, facilities, and commodities sold, furnished, or supplied through the facilities of the Generation System or the Electric System; (iv) which likely would result in any material adverse change relating to the business, operations, or financial condition of the Generation System or the Electric System or the ability of the District to pay the Bonds; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and to the best knowledge of the District there is no reasonable basis for any action, suit, proceeding, inquiry, or investigation of the nature described in clauses (i) through (v) of this sentence.

(i) The District will furnish such information, execute such instruments, and take such other action not inconsistent with law in cooperation with the Representative as the Representative may request (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Representative may designate, and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) The Bonds, when executed, issued, and delivered in accordance with the Resolution and sold to the Underwriters as provided herein and the Continuing Disclosure Certificate will be, and the Resolution, and this Purchase Contract are, legal, valid, and binding obligations of the District, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally, and the holders of the Bonds will be entitled to the benefits of the Resolution; and upon execution, issuance, and delivery of the Bonds, the Resolution will provide, for the benefit of the holders from time to time of the Bonds, a legal, valid, and binding pledge of and lien on the funds and accounts pledged to the Bonds under the Resolution and the revenues pledged to such funds and accounts under the Resolution, as provided and contemplated therein.

(k) Except as described in the Preliminary Official Statement, all material authorizations, approvals, licenses, permits, consents, and orders of or filings with any governmental authority, legislative body, court, board, agency, or commission having jurisdiction over the matter which are required for the due authorization of, which would

constitute a condition precedent to, or the absence of which would materially and adversely affect the due performance by the District of its respective obligations under the Resolution, the Bonds, this Purchase Contract, or the Continuing Disclosure Certificate, or which are necessary to permit the District to operate and maintain the Generation System or the Electric System, have been duly obtained or made, or where required for future performance are expected to be obtained, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(l) Between the date hereof and the Closing, except as described in the Preliminary Official Statement, as then supplemented or amended, the District will not without the prior written consent of the Representative (which consent shall not be unreasonably withheld) offer or issue any bonds, notes, or other obligations for borrowed money payable from revenues of the Generation System or the Electric System, or enter into any material transaction with respect to the Generation System or the Electric System other than in the ordinary course of business, and there shall not have been any material adverse change in the condition, physical or financial, of the Generation System or the Electric System.

(m) The financial statements of the District with respect to the Generation System and the Electric System set forth as Appendix A to the Preliminary Official Statement fairly present the financial position of the Generation System and the Electric System as of the dates indicated and the results of the District's operations, the sources and uses of its cash, and the changes in its fund balances for the periods therein specified to the extent included therein, and are in conformity with generally accepted accounting principles applicable to government entities applied on a consistent basis, and, except as expressly set forth in the Preliminary Official Statement, there has been no material adverse change in the financial condition or results of operations of the Generation System or the Electric System since the date of such financial statements.

(n) Any certificate signed by any Authorized Officer of the District and delivered to the Representative in connection with the issuance of the Bonds and identified as issued in connection with the Bonds shall be deemed to be a representation by the District to the Underwriters as to the statements made therein as if set forth herein.

(o) The District has not defaulted in the payment of principal of or interest on any of its publicly-offered obligations.

(p) The District will undertake, pursuant to the Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material, pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. The District covenants and agrees to observe and perform its obligations and undertakings set forth in the Continuing Disclosure Certificate. Except as otherwise described in the Preliminary Official Statement and the Official Statement, the District has not failed during the previous five years to comply in

all material respects with any previous undertakings in a written continuing disclosure contract or agreement.

5. Offering. It shall be a condition to the District's obligation to sell and to deliver the Bonds to the Underwriters that the entire \$[_____] principal amount of the Bonds shall be purchased, accepted, and paid for by the Underwriters at the Closing, and it shall be a condition to the Underwriters' obligation to purchase, accept, and pay for the Bonds that the entire \$[_____] principal amount of the Bonds shall be sold and delivered to the Underwriters by the District. The Underwriters will provide, consistent with the requirements of MSRB Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases a Bond prior to 25 days after the end of the underwriting period. The Underwriters further agree that they will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

6. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District on the date of the Closing an issue price certificate substantially in the form attached hereto as Exhibit B, together (if applicable) with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the District, and Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the District under this Section to establish the issue price of the Bonds may be taken on behalf of the District by the District's municipal advisor and any notice or report to be provided to the District may be provided to the District's municipal advisor.

(b) Except as otherwise set forth in Exhibit A, the District will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity. Exhibit A sets forth the price or prices at which the Underwriters have sold to the public each maturity of the Bonds. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) The Representative confirms that the Underwriters have offered the Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the District and the Representative, on behalf of the Underwriters, agree that (i) the Representative will retain the unsold Bonds of each maturity for which the 10% test has not been satisfied and not allocate any such Bonds to any other Underwriter and (ii) the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of

the Bonds, the Representative will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (i) the close of the fifth business day after the sale date; or (ii) the date on which the Underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public. The Representative will advise the District promptly after the close of the fifth business day after the sale date whether the Underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Representative confirms that:

(1) any agreement among underwriters, any selling group agreement, and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable: (A) (I) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the date of the Closing has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Representative; and (II) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires; (B) to promptly notify the Representative of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each as defined herein); and (C) to acknowledge that, unless otherwise advised by the Underwriter, dealer, or broker-dealer, the Representative shall assume that each order submitted by the Underwriter, dealer, or broker-dealer is a sale to the public; and

(2) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to: (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the date of the Closing has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such Underwriter or dealer that the 10% test has been satisfied as to the Bonds of that maturity; provided, that the reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or dealer; and (B) comply with the hold-the-

offering-price rule, if applicable, if and for so long as directed by the Representative or such Underwriter or dealer and as set forth in the related pricing wires.

(e) The District acknowledges that, in making the representations set forth in this Section, the Representative will rely on: (i) the agreement of each Underwriter to comply with the requirements for establishing issue price of the Bonds, including its agreement to comply with the hold-the-offering price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires; (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires; and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including its agreement to comply with the hold-the-offering price rule, if applicable to the Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(f) The Underwriters acknowledge that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public shall not constitute sales to the public for purposes of this Section. For purposes of this Section:

(1) “public” means any person other than an underwriter or a related party;

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public; and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “sale date” means the date of execution of this Purchase Contract by all parties.

(g) Subject to the foregoing provisions of this Section, the Underwriters reserve the right to change the initial public offering prices or yields as the Underwriters deem necessary or desirable, in their discretion, in connection with the marketing of the Bonds, and may offer and sell the Bonds to certain dealers, unit investment trusts, and money market funds, certain of which may be sponsored or managed by the Underwriters, at prices lower than the public offering prices or with yields greater than the yields set forth herein.

7. Closing. At 8:30 a.m., Pacific Daylight Time, on July 28, 2022, or at such other date and/or time as shall have been mutually agreed upon by the District and the Representative, the District will deliver or cause to be delivered through the facilities of DTC, for the account of the Representative, the Bonds in definitive form duly executed by the District, together with the other documents hereinafter mentioned; and the Underwriters will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 by delivering to the District immediately available funds on the date of the Closing in an amount equal to such purchase price.

Payment for the Bonds and delivery of the documents hereinafter mentioned shall be made at the offices of Bond Counsel in Seattle, Washington, or at such other place as shall have been mutually agreed upon by the District and the Representative. Delivery of the Bonds shall be to or to the order of DTC in New York, New York, or at such other place as shall have been mutually agreed upon by the District and the Representative. Such payment and delivery is called the “Closing.” The Representative shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract. The Bonds will be delivered as a single fully-registered Bond for each maturity, registered in the name of Cede & Co., as nominee of DTC, and will be made available to the Representative for inspection not less than 48 hours prior to the Closing at such place as may be agreed to by the Representative and the District.

8. Closing Conditions. The obligations of the Underwriters hereunder shall be subject to the performance by the District of its obligations hereunder at or prior to the Closing and are also subject to the following additional conditions:

(a) The representations of the District contained herein shall be true, complete, and correct on the date hereof and on and as of the date of the Closing as if made on the date of the Closing.

(b) At the time of the Closing, (i) the Resolution shall have been duly adopted by the Commission, and the Resolution shall not have been amended, modified, or supplemented since the date hereof, except as shall have been agreed to in writing by the Representative; (ii) the District shall perform or have performed its obligations required under this Purchase Contract and the Resolution to be performed at or prior to the Closing; and (iii) the Official Statement shall not have been supplemented or amended, except pursuant to Section 4(f) or as otherwise may have been accepted by the Representative.

(c) Moody's Investors Service and S&P Global Ratings shall have given and the Bonds shall have ratings of "[____]" and "[____]," respectively, and such ratings shall be in effect at the time of the Closing.

(d) At or prior to the Closing, the Representative shall receive the following documents, in each case reasonably satisfactory in form and substance to the Representative and to Foster Garvey PC ("Underwriters' Counsel"):

(1) The Official Statement and each supplement or amendment thereto, if any, executed on behalf of the District by its Treasurer or other Authorized Officer;

(2) A copy of the Resolution, certified by an Authorized Officer of the District as having been duly adopted by the District and as being in full force and effect, in the form previously provided to the Representative, with such changes or amendments as may have been agreed to by the Representative, and the Delivery Certificate authorized by an Authorized Officer;

(3) A Certificate of the District, dated the date of the Closing, executed by the Treasurer and General Counsel, in substantially the form attached hereto as Exhibit C;

(4) The opinion of Bond Counsel, dated the date of the Closing and addressed to the District, substantially in the form attached to the Preliminary Official Statement as Appendix D;

(5) The opinion of Bond Counsel, dated the date of the Closing and addressed to the Underwriters, substantially in the form attached hereto as Exhibit D;

(6) An opinion of Underwriters' Counsel, dated the date of the Closing and addressed to the Underwriters, to the effect that (i) the offer and sale of the Bonds by the Underwriters are exempt from the registration requirements of the Securities Act of 1933, as amended; (ii) the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; (iii) the Continuing Disclosure Certificate and this Purchase Contract together provide a suitable basis for the Underwriters to reasonably determine, pursuant to paragraph (b)(5)(i) of Rule 15c2-12, that the District has undertaken, in a written agreement or contract for the benefit of the holders of the Bonds, to provide the annual financial information and notices required by paragraph (b)(5)(i) of Rule 15c2-12; and without undertaking to determine independently or assuming any responsibility for the accuracy, completeness, or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, a statement to the effect that no information came to the attention of the attorneys in that firm rendering legal services in connection with the issuance of the Bonds that caused those attorneys to believe that the Preliminary Official Statement (except for information permitted to be excluded therefrom under Rule 15c2-12), as of its date, or the Official Statement, as of its date and as of the date of the Closing (except in either case any financial, economic, or statistical data contained therein, any information contained therein regarding DTC or how interest on the Bonds is treated for federal income tax purposes, and the information contained in Appendices A, D, and E thereto, as to all of which no opinion or belief need be expressed), contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading;

(7) A copy of the duly executed tax certificate of the District in form satisfactory to Bond Counsel;

(8) A DTC Letter of Representations, executed by the District and accepted by DTC;

(9) The Continuing Disclosure Certificate signed by an Authorized Officer; and

(10) Such additional legal opinions, certificates, resolutions, instruments, and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing of the District's representations contained in Section 4 of this Purchase Contract and the due performance or satisfaction by the District at or prior to such time of all covenants and agreements then to be performed and all conditions then to be satisfied by the District pursuant to this Purchase Contract.

The District shall provide the Underwriters with a transcript of all proceedings relating to the authorization and issuance of the Bonds certified by an Authorized Officer of the District promptly following the Closing.

If the District shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Contract to purchase, to accept delivery of, and to pay for the Bonds or if the obligations of the Underwriters to purchase, to accept delivery of, and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and neither the Underwriters nor the District shall be under any further obligation hereunder.

9. Termination. The Underwriters may terminate this Purchase Contract, without liability therefor, by notification to the District by the Representative if at any time subsequent to the date of this Purchase Contract and at or prior to the Closing any of the following shall have occurred and be continuing as of the date of termination and, in the reasonable judgment of the Representative, the same would materially and adversely affect the marketability or market price of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds at the contemplated offering prices set forth in the Official Statement:

(a) Legislation is (i) enacted by the Congress of the United States of America or the legislature of the State or introduced by amendment or otherwise or passed by either House of the Congress, (ii) recommended to the Congress for passage or presented for consideration by the President of the United States of America or by the Treasury Department of the United States of America, the Internal Revenue Service, or the staff of the Joint Committee on Taxation of the Congress, or (iii) proposed by any member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or any decision of any court of the United States of America or the State or any order, ruling, regulation (final, temporary, or proposed), or official statement by or on behalf of the Treasury Department of the United States of America, the Internal Revenue Service, or any other authority of the United States of America or the State, is announced, in any such case affecting the federal tax status or state tax consequences of the interest on the Bonds or securities of the general character of the Bonds;

(b) Legislation shall be enacted, or a decision of a court of the United States of America shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction over the subject matter, which, in the opinion of Underwriters' Counsel, has the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Exchange Act, or the Resolution to be qualified under the Trust Indenture Act of 1939, as amended;

(c) The New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force or being enforced, or increase materially those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, underwriters;

(d) A general suspension of trading or other restrictions not in force as of the date hereof are placed in force on the New York Stock Exchange or other national securities exchange;

(e) The declaration of a general banking moratorium by any authority of the United States of America or the State of New York or the State;

(f) A general disruption in securities settlement, payment or clearing services;

(g) A declaration of war by the United States of America, any new outbreak of hostilities or any escalation in existing hostilities, or any new or escalation in any other existing national or international calamity or crisis;

(h) Any underlying rating of the bonds of the Generation System or the Electric System (including without limitation the Bonds) shall have been downgraded, suspended, or withdrawn, or the possibility of such a downgrading, suspension, or withdrawal shall have been publicly announced, by Moody's Investors Service or Fitch Ratings; or

(i) Any event, fact, or condition described in Section 4(f).

10. Expenses. The Underwriters shall be under no obligation to pay, and the District shall pay or cause to be paid, the expenses incident to the performance of the District's obligations hereunder, including but not limited to (a) the cost of printing the definitive Bonds, and the cost of the registration of ownership thereof in accordance with Section 7, (b) the fees and disbursements of PFM Financial Advisors LLC, Bond Counsel, and any other experts or consultants retained by the District; (c) the cost of preparation and printing of the Preliminary Official Statement and the Official Statement and any supplements or amendments thereto; and (d) charges of rating agencies for rating the Bonds. The District shall pay for reasonable and necessary expenses (included in the expense component of the Underwriters' discount) incurred on behalf of District employees solely for business purposes and which are incidental to implementing this Purchase Contract, including without limitation meals, transportation, and lodging. The Underwriters shall pay (from the expense component of the Underwriters' discount) and the District shall be under no obligation to pay (1) any costs with respect to the Blue Sky and legal investment memoranda to be used by them, including without limitation any filing fees, legal fees, or other expenses of the Underwriters in connection therewith, (2) any advertising expenses incurred by them in connection with the public offering of the Bonds, (3) the fees of any continuing disclosure undertaking compliance review, and (4) any other expenses incurred by them in connection with their public offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel.

11. Notices. Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing to the Treasurer, Public Utility District No. 1 of Snohomish County, 2320 California Street, Everett, Washington 98201; any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to Citigroup Global Markets Inc., Public Finance Division, 601 Union Street, Suite 3705, Seattle, Washington 98101, Attention: Ben Selberg.

12. Governing Law. This Purchase Contract shall be governed by the laws of the State.

13. Parties in Interest. This Purchase Contract when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriters and their respective successors and is solely for the benefit of the District and the Underwriters and their respective successors. No other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties, and agreements of the District in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriters, (b) delivery of and payment for the Bonds hereunder, and (c) any termination of this Purchase Contract.

14. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Treasurer of the District, and shall be valid and enforceable at the time of such acceptance.

15. Headings. The headings of the Sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

[Signature page follows]

16. Execution in Counterparts. This Purchase Contract may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and all of which together shall constitute one and the same agreement.

CITIGROUP GLOBAL MARKETS INC.

By: _____
Director

PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY, WASHINGTON

By _____
Treasurer

EXHIBIT A

PRINCIPAL AMOUNTS, MATURITY DATES, INTEREST RATES, YIELDS, PRICES, AND REDEMPTION PROVISIONS

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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-
- (1) Hold-the-offering-price maturity.
 - (2) Bifurcated maturity.
 - (3) Priced to the par call date of [_____].
 - (4) Term bonds.

Optional Redemption. The Bonds maturing on or after December 1, [_____] are subject to redemption prior to their stated maturity dates at the option of the District, in whole or in part, in authorized denominations, at any time on or after [_____] at a redemption price equal to 100% of the principal amount thereof, plus accrued but unpaid interest thereon, if any, to the date fixed for redemption.

Mandatory Redemption. The Bonds stated to mature on December 1, [_____] are term bonds subject to mandatory sinking fund redemption, in part, at a redemption price equal to 100 percent of the principal amount to be redeemed, plus accrued interest, if any, to the date fixed for redemption, on December 1 in the years and in the amounts as set forth below:

<u>Year (December 1)</u>	<u>Sinking Fund Redemption</u>
------------------------------	------------------------------------

* Final maturity.

EXHIBIT B

FORM OF ISSUE PRICE CERTIFICATE

Public Utility District No. 1 of Snohomish County, Washington
\$[_____] Electric System Revenue Bonds, Series 2022A (Tax-Exempt)

The undersigned, on behalf of Citigroup Global Markets Inc. (the “Representative”), on behalf of itself and RBC Capital Markets, LLC (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. *Sale of the General Rule Maturities.* As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

[2. *Initial Offering Price of the Hold-the-Offering-Price Maturities.*

(a) The Underwriting Group offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Purchase Contract, the members of the Underwriting Group have each agreed in writing that: (1) the Representative would retain the unsold Bonds of each Hold-the-Offering-Price Maturity and not allocate any such Bonds to any other Underwriter; (2) for each Maturity of the Hold-the-Offering-Price Maturities, the Representative would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (3) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Representative has not offered or sold unsold Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity during the Holding Period for that Maturity.] *[If needed, renumber the following paragraphs.]*

2. *Defined Terms.*

(a) *District* means Public Utility District No. 1 of Snohomish County, Washington.

(b) *General Rule Maturities* means the Maturities of the Bonds listed in Schedule A as the “General Rule Maturities.”

[(c) *Hold-the-Offering-Price Maturities* means the Maturities of the Bonds listed in Schedule A as the “Hold-the-Offering-Price-Maturities.”

(d) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (July 21, 2022), or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for that Hold-the-Offering-Price Maturity.] [If needed, renumber the following subparagraphs.]

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(g) *Related Party* means an entity that shares with another entity (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 14, 2022.

(i) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the interpretation by the Representative of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Issuer's tax certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [Date of the Closing].

CITIGROUP GLOBAL MARKETS INC.

By: _____

Title: _____

Schedule A

Sale Prices of the General Rule Maturities
[and Initial Offering Prices of the Hold-the-Offering-Price Maturities]

(Attached)

Schedule B
Pricing Wire or Equivalent Communication
(Attached)

EXHIBIT C

CERTIFICATE OF DISTRICT

We, James Herrling, Treasurer of Public Utility District No. 1 of Snohomish County, Washington (the “District”), and Anne Spangler, General Counsel of the District, hereby certify as follows:

1. Capitalized terms used but not otherwise defined in this Certificate shall have the meanings given thereto in the Purchase Contract, dated July 14, 2022, relating to the \$[_____] aggregate principal amount of the District’s Electric System Revenue Bonds, Series 2022A (the “Bonds”), between the District and Citigroup Global Markets Inc., acting on behalf of itself and as representative of RBC Capital Markets, LLC.

2. The representations of the District contained in the Purchase Contract were and are true and correct in all material respects, and the District has complied with all agreements and covenants and satisfied (or the Underwriter has waived) all conditions contemplated by the Purchase Contract, the Bonds, and the Resolution on its part to be performed or satisfied at or prior to the date of the Closing.

3. Insofar as the District and its affairs, including its financial affairs, are concerned, the Official Statement (except for information regarding DTC and its book-entry only system, information under the heading “ELECTRIC SYSTEM POWER SUPPLY – Bonneville Power Administration” with respect to Bonneville and not the District, and information under the heading “THE DISTRICT – Pension and Other Post-Employment Benefits” with respect to the State Department of Retirement Systems and not the District, as to which no representation is made in this paragraph) did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. Insofar as the descriptions, statements, and data, including financial data, of or pertaining to entities other than the District and their activities contained in the Official Statement are concerned, including information under the heading “ELECTRIC SYSTEM POWER SUPPLY – Bonneville Power Administration” with respect to Bonneville and not the District and under the heading “THE DISTRICT – Pension and Other Post-Employment Benefits” with respect to the State Department of Retirement Systems and not the District, the District has obtained such descriptions, statements, and data from sources that the District believes to be reliable, and the District has no reason to believe that they contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Dated: [Date of the Closing].

Treasurer

General Counsel

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Date of the Closing]

Citigroup Global Markets Inc.
Seattle, Washington

RBC Capital Markets, LLC
Seattle, Washington

\$[_____]
Public Utility District No. 1 of Snohomish County, Washington
Electric System Revenue Bonds, Series 2022A (Tax-Exempt)
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriters pursuant to Section 8(d)(5) of the Purchase Contract, dated July 14, 2022 (the “Purchase Contract”), between Citigroup Global Markets Inc. (the “Representative”), acting on behalf of itself and as representative of RBC Capital Markets, LLC (together with the Representative, the “Underwriters”), and Public Utility District No. 1 of Snohomish County, Washington (the “District”), providing for the purchase of \$[_____] principal amount of Public Utility District No. 1 of Snohomish County, Washington Electric System Revenue Bonds, Series 2022A (Tax-Exempt) (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 3602, adopted by the Commission of the District (the “Commission”) on May 16, 1991 (the “Master Resolution”), as supplemented and amended, including as supplemented by Resolution No. [____], adopted by the Commission on July 5, 2022 (the “Twelfth Supplemental Resolution”). The Master Resolution as amended and supplemented, including as supplemented by the Twelfth Supplemental Resolution, is referred to herein as the “Resolution.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution, or, if not defined in the Resolution, in the Purchase Contract.

We have delivered our final legal opinion (the “Bond Opinion”) as bond counsel to the District concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the District. You may rely on such opinion as though the same were addressed to you.

In connection with our role as bond counsel and disclosure counsel to the District, we have reviewed the Purchase Contract, the Resolution, the Generation System Resolution, the Delivery Certificate, dated July 28, 2022, setting forth certain terms of the Bonds, the Preliminary Official Statement, dated July 5, 2022, with respect to the Bonds (the “Preliminary Official Statement”), the Official Statement, dated July 14, 2022, with respect to the Bonds (the “Official Statement”), the Tax Certificate, dated the date hereof with respect to the Bonds (the

“Tax Certificate”), opinions of counsel to the District and the Trustee, certificates of the District, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth herein.

The opinions and conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Bonds on the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Resolution, the Tax Certificate, and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public utility districts in the State of Washington. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinions with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Purchase Contract has been duly executed and delivered by, and is a valid and binding agreement of, the District.

3. The statements contained in the Official Statement under the captions “DESCRIPTION OF THE 2022A BONDS,” “SECURITY FOR THE 2022A BONDS,” “TAX MATTERS,” “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM BOND RESOLUTION,” “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERATION SYSTEM BOND RESOLUTION,” and “APPENDIX D—PROPOSED FORM OF OPINION OF BOND COUNSEL,” excluding any material that may be treated as included under such captions by cross-reference or reference to

other documents or sources, insofar as such statements expressly summarize certain provisions of the Bonds, the Resolution, the Generation System Bond Resolution, the Continuing Disclosure Certificate, or set out the form and content of our Bond Opinion, are accurate in all material respects.

We are not passing upon and do not assume any responsibility for the accuracy, completeness, or fairness of any of the statements contained in the Preliminary Official Statement or (except as explicitly stated in paragraph 3 above) in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. We do not assume any responsibility for any electronic version of the Preliminary Official Statement or the Official Statement, and assume that any such version is identical in all respects to the printed version. In our capacity as bond counsel and disclosure counsel to the District in connection with issuance of the Bonds, we participated in conferences with your representatives, your counsel, representatives of the District, its counsel, municipal advisors, and others, during which the contents of the Preliminary Official Statement or the Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences (which, with respect to the Preliminary Official Statement, did not extend beyond the date of the Purchase Contract, and with respect to the Official Statement did not extend beyond its date), and in reliance thereon, on oral and written statements and representations of the District and others and on the records, documents, certificates, opinions, and matters herein mentioned, subject to the limitations on our role as bond counsel and disclosure counsel to the District, we advise you as a matter of fact and not opinion that (a) no facts had come to the attention of the attorneys in our firm rendering legal services with respect to the Preliminary Official Statement which caused us to believe that as of the date of the Preliminary Official Statement and as of the date of the Purchase Contract, based on the documents, drafts, and facts in existence and reviewed as of such dates that the Preliminary Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except any information marked as preliminary or subject to change, any information permitted to be omitted by Securities and Exchange Commission Rule 15c2-12 or otherwise left blank, and any other differences with the information in the Official Statement), and (b) no facts had come to the attention of the attorneys in our firm rendering legal service with respect to the Official Statement which caused us to believe as of the date of the Official Statement and as of the date hereof that the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, we expressly exclude from the scope of this paragraph and express no view or opinion, with respect to both the Preliminary Official Statement and the Official Statement, about any CUSIP numbers, financial, accounting, statistical, or economic, engineering, or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions, or expressions of opinion, any information about litigation pending by or against the District, any management discussion and analysis, any statements about compliance with prior continuing disclosure undertakings, any information about book-entry, DTC, Cede & Co., the Bonneville Information, ratings, rating agencies, the Underwriters, the information under the headings "UNDERWRITING" or "MUNICIPAL ADVISOR," and the information contained in Appendices A and E, included or referred to therein or omitted therefrom. No responsibility is undertaken or view expressed with respect to any other disclosure

document, materials, or activity, or as to any information from another document or source referred to by or incorporated by reference in the Preliminary Official Statement or the Official Statement.

This letter is furnished by us as bond counsel and disclosure counsel to the District. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriters of the Bonds, is solely for your benefit as such Underwriters in connection with the original issuance of the Bonds on the date hereof, and is not to be used, circulated, quoted, or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP



BUSINESS OF THE COMMISSION

Meeting Date: July 5, 2022

Agenda Item: 4C

TITLE

Consideration of a Resolution Authorizing the Discharge of the Current Trustee, Registrar and Paying Agent for the Currently Outstanding Generation System Revenue Bonds of the District and the Appointment of a Successor Trustee, Registrar and Paying Agent for Such Bonds; Approving the Execution and Delivery of Certain Documents and Agreements; and Providing for Certain Other Matters Related Thereto

SUBMITTED FOR: Items for Individual Consideration

Finance	Jim Herrling	8303
Department	Contact	Extension
Date of Previous Briefing:		
Estimated Expenditure:		Presentation Planned <input type="checkbox"/>

ACTION REQUIRED:

- | | | |
|--|-------------------------------------|--|
| <input checked="" type="checkbox"/> Decision Preparation | <input type="checkbox"/> Incidental | <input type="checkbox"/> Monitoring Report |
| <input type="checkbox"/> Policy Discussion | (Information) | |
| <input type="checkbox"/> Policy Decision | | |
| <input checked="" type="checkbox"/> Statutory | | |

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Ends Policy 5: Utilities are provided at the lowest possible cost consistent with sound business principles

On June 21, 2022, the Board received a presentation on a financing plan that, in part, included issuing Electric System bonds in order to fund capital improvements in the District's Electric System.

In connection with that set of transactions, the District has been informed that the current Trustee for the District's outstanding Electric System and Generation System bonds, U.S. Bank National Association, is transferring substantially all of its corporate trust business to its wholly-owned subsidiary, U.S. Bank Trust Company, National Association. At the request of and for the convenience of the current Trustee, and with the assistance of bond counsel, staff is recommending that the Board approve a resolution discharging the current Trustee, and appointing the successor organization as the New Trustee.

Similar language has been included in the Electric System bond resolution along with the terms for the issuance of the Electric System Revenue Bonds, Series 2022 but a separate resolution is necessary to accomplish this change for the outstanding Generation System bonds.

The attached resolution approves discharge and appointment.

List Attachments:
Resolution

RESOLUTION NUMBER _____

A RESOLUTION AUTHORIZING THE DISCHARGE OF THE CURRENT TRUSTEE, REGISTRAR AND PAYING AGENT FOR THE CURRENTLY OUTSTANDING GENERATION SYSTEM REVENUE BONDS OF THE DISTRICT AND THE APPOINTMENT OF A SUCCESSOR TRUSTEE, REGISTRAR AND PAYING AGENT FOR SUCH BONDS; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

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RESOLUTION NO. _____

**ELEVENTH SUPPLEMENTAL GENERATION SYSTEM
REVENUE BOND RESOLUTION**

A RESOLUTION AUTHORIZING THE DISCHARGE OF THE CURRENT TRUSTEE, REGISTRAR AND PAYING AGENT FOR THE CURRENTLY OUTSTANDING GENERATION SYSTEM REVENUE BONDS OF THE DISTRICT AND THE APPOINTMENT OF A SUCCESSOR TRUSTEE, REGISTRAR AND PAYING AGENT FOR SUCH BONDS; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO

WHEREAS, Public Utility District No. 1 of Snohomish County, Washington (the “District”) is authorized by Sections 54.16.020 and 54.16.040 of the Revised Code of Washington (the “RCW”) to construct, purchase, acquire, lease, maintain and operate plants, facilities and systems for generating electric energy by water power, steam or other methods; and

WHEREAS, the Commission by Resolution No. 2994 adopted on September 26, 1986, established an issue of bonds of the District to be issued in series and known as the Public Utility District No. 1 of Snohomish County, Washington, Generation System Revenue Bonds (the “Bonds”); and

WHEREAS, the Commission by Resolution No. 3902 adopted on January 28, 1993 (as supplemented and amended from time to time, the “Resolution”), resolved to continue and confirm the issue of Bonds originally established by Resolution No. 2994 and amended and restated in its entirety Resolution No. 2994; and

WHEREAS, at the request of and for the convenience of U.S. Bank National Association, as trustee, registrar and paying agent for the outstanding Bonds (the “Current Trustee”), in connection with the transfer of substantially all of the Current Trustee’s corporate trust business to its wholly-owned subsidiary, U.S. Bank Trust Company, National Association, pursuant to the terms of the Resolution, the District desires to discharge the Current Trustee from its capacity as trustee, registrar, and paying agent for the District’s outstanding Bonds and appoint U.S. Bank Trust Company, National Association, as trustee, registrar and paying agent for the District’s outstanding Bonds; and

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON, AS FOLLOWS:

ARTICLE I
DEFINITIONS; STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Supplemental Resolution. This Eleventh Supplemental Resolution is supplemental to Resolution Nos. 2994, 3902, 3903, 4033, 4216, 4251, 4979, 5078, 5494, 5496 5721 and 5974 and is adopted in accordance with Article X of the Resolution (as defined herein).

Section 1.02. Definitions.

(a) All terms that are defined in Sections 1.1 and 1.2 of the Resolution shall have the same meanings, respectively, in this Eleventh Supplemental Resolution as such terms are given in said Sections 1.1 and 1.2 of the Resolution, as amended and supplemented hereby and heretofore.

(b) In this Eleventh Supplemental Resolution:

“Authorized Officer” means the President or the Vice President of the Commission or the General Manager or the Treasurer of the District.

“Current Trustee” means U.S. Bank National Association, as trustee, registrar and paying agent for the Outstanding Bonds.

“New Trustee” means U.S. Bank Trust Company, National Association, as the successor trustee, registrar and paying agent for the Outstanding Bonds.

“Resolution” means Resolution No. 3902, adopted by the Commission on January 28, 1993, as amended and supplemented, including as supplemented by this Eleventh Supplemental Resolution.

“Eleventh Supplemental Resolution” means this Resolution No. ____, adopted by the District’s Commission on July 5, 2022, and any amendments, modifications or supplements hereto.

Section 1.03. Authority for this Eleventh Supplemental Resolution. This Eleventh Supplemental Resolution is adopted pursuant to the provisions of the laws of the State of Washington and the Resolution.

ARTICLE II

DISCHARGE OF U.S. BANK NATIONAL ASSOCIATION AS TRUSTEE, REGISTRAR
AND PAYING AGENT FOR OUTSTANDING BONDS

Section 2.01. Discharge of Current Trustee and Appointment of New Trustee for the District’s Outstanding Bonds. Pursuant to Section 6.3 of the Resolution, the District hereby discharges the Current Trustee from its capacity as trustee, paying agent and registrar for the outstanding Bonds, and pursuant to Section 6.4 of the Resolution, the District hereby appoints the New Trustee as trustee, registrar and paying agent for the outstanding Bonds.

ARTICLE III

MISCELLANEOUS

Section 3.01. Severability of Invalid Provisions. If any one or more of the provisions contained in this Eleventh Supplemental Resolution shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Eleventh Supplemental Resolution, such invalidity, illegality or unenforceability shall not affect any other provision of this Eleventh

Supplemental Resolution, and this Eleventh Supplemental Resolution shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 3.02. Further Action. The Authorized Officers, each acting singly, and the other officers, agents and employees of the District shall be and each of them is hereby authorized, empowered and directed to execute and deliver such documents and agreements and to take such other actions as they deem necessary or advisable in order to carry out and perform the purposes of this Eleventh Supplemental Resolution. All actions taken by the Authorized Officers and the other officers, agents and employees of the District pursuant to or anticipation of the adoption of this Eleventh Supplemental Resolution but prior to its effective date are hereby ratified, confirmed and approved.

Section 3.03. Effective Date. This Eleventh Supplemental Resolution shall become effective upon its adoption.

Adopted by the Commission of Public Utility District No. 1 of Snohomish County,
Washington this 5th day of July 2022.

PUBLIC UTILITY DISTRICT NO. 1 OF
SNOHOMISH COUNTY

President

Vice President

Secretary

CLERK'S CERTIFICATE

I, the undersigned, Clerk of the Commission of the Public Utility District No. 1 of Snohomish County, Washington, and keeper of the records of said Commission (herein called the "Commission"), DO HEREBY CERTIFY:

1. That the attached Resolution No. ____ (herein called the "Resolution") is a true correct copy of a resolution of the Commission, as finally adopted at a regular meeting of the Commission held on the 5th day of July 2022 and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the adoption of said Resolution; that all other requirements and proceedings incident to the proper adoption of said Resolution have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of July 2022.

Clerk of the Commission



BUSINESS OF THE COMMISSION

Meeting Date: July 5, 2022

Agenda Item: 5

TITLE

CEO/General Manager's Report

SUBMITTED FOR: CEO/General Manager Report

CEO/General Manager	John Haarlow	8473
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing:		
Estimated Expenditure:		Presentation Planned <input type="checkbox"/>

ACTION REQUIRED:

- | | | |
|---|--|--|
| <input type="checkbox"/> Decision Preparation | <input checked="" type="checkbox"/> Incidental | <input type="checkbox"/> Monitoring Report |
| <input type="checkbox"/> Policy Discussion | (Information) | |
| <input type="checkbox"/> Policy Decision | | |
| <input type="checkbox"/> Statutory | | |

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

The CEO/General Manager will report on District related items.

List Attachments:
None



BUSINESS OF THE COMMISSION

Meeting Date: July 5, 2022

Agenda Item: 6B

TITLE:

Commissioner Event Calendar

SUBMITTED FOR: Commission Business

Commission

Department

Allison Morrison

Contact

8037

Extension

Date of Previous Briefing: _____

Estimated Expenditure: _____

Presentation Planned ☐

ACTION REQUIRED:

- ☒ Decision Preparation
- ☐ Policy Discussion
- ☐ Policy Decision
- ☐ Statutory

☐ Incidental
(Information)

☐ Monitoring Report

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

The Commissioner Event Calendar is enclosed for Board review.

List Attachments:

Commissioner Event Calendar

Commissioner Event Calendar – 2022

July 2022

July 13:

Economic Alliance – Port Report
Everett, WA 4:00 p.m. – 6:00 p.m.
(Logan/Olson)

July 2022

For Planning Purposes Only and Subject to Change at any Time

Commissioner Event Calendar – 2022

August 2022

August 3 - 5:

Public Power Council/PNUCC Meetings
Portland, OR

August 2022

Commissioner Event Calendar – 2022

September 2022

August 31 – September 2:

Public Power Council/PNUCC Meetings
Virtual

September 15:

Hopeworks EV Fast Chargers Ribbon Cutting
Everett, WA 3:00 p.m. – 5:00 p.m.
(Logan/Olson/Wolfe)

September 2022

Commissioner Event Calendar – 2022

October 2022

October 5 - 7:

Public Power Council/PNUCC Meetings

Virtual

October 2022

****For Planning Purposes Only and Subject to Change at any Time****

Commissioner Event Calendar – 2022

November 2022

November 16 - 18:

Public Power Council/PNUCC Annual Meetings
Portland, OR

November 2022

****For Planning Purposes Only and Subject to Change at any Time****

Commissioner Event Calendar – 2022

December 2022

December 2022

****For Planning Purposes Only and Subject to Change at any Time****

2022 Budget, Forecast, and Major Project Status

Update to Board of Commissioners

(\$000's)

YTD Budget through May	YTD Results through May
---------------------------	----------------------------

Operating Revenues

Energy Retail Sales	\$ 291,773	\$ 285,395
Energy Wholesale Sales	17,876	23,733
Other Operating Revenue	14,092	10,694
Total Operating Revenues	\$ 323,741	\$ 319,823

Operating Expenses

Purchased Power	\$ 139,982	\$ 147,959
Operations & Maintenance	106,358	109,201
Taxes	18,092	18,726
Depreciation	24,764	25,155
Total Operating Expenses	\$ 289,196	\$ 301,041
Net Operating Income	\$ 34,545	\$ 18,782

Interest Income & Other	2,808	(2,534)
Interest Charges	(7,353)	(2,521)
Contributions	13,695	10,885
Net Income	\$ 43,695	\$ 24,612

Capital Expenditures	\$ 67,065	\$ 45,512
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ELECTRIC SYSTEM HIGHLIGHTS THROUGH MAY

- Energy Retail Sales results appear lower than budget through May due to timing and adjustment to billings; actual consumption was higher than budget due to colder weather.
- Energy Wholesale Sales continue to be higher than budget as a result of surplus BPA Slice, Jackson generation and higher market prices.
- Purchased Power expenditures reflect significantly higher than budgeted volumes and prices for market power purchases.
- Operations & Maintenance expenses reflect continued increases in uncollectible customer payments as well as inflated costs on some materials and equipment.
- Interest Income and Charges are largely impacted by mark-to-market adjustments and a true-up related to debt amortization.
- Capital Expenditures are below budget through May due to the timing of project schedules. Spending is expected to increase in the coming months and reduce this budget variance.



2022 BUDGET AND PROJECTION EXPECTATIONS

- Energy Retail Sales are projected to be higher than budget, but weather uncertainty could impact results.
- Energy Wholesale Sales are expected to be over budget by the end of the year based on results through May and expected higher prices the remainder of the year.
- Purchased Power expenditures are expected to be higher than budget but are very dependent on unanticipated weather and extreme market conditions.
- Operations & Maintenance expenditures are expected to be over budget by the end of the year largely due to supply chain issues.
- Capital Expenditures are forecasted to be spent at budgeted levels. See pages 3-4 for additional information on selected projects.

(\$000's)

2022 Budget	2022 Projection
-------------	-----------------

Operating Revenues

Energy Retail Sales	\$ 624,652	\$ 633,274
Energy Wholesale Sales	45,931	51,788
Other Operating Revenues	36,622	31,001
Total Operating Revenues	\$ 707,204	\$ 716,063

Operating Expenses

Purchased Power	\$ 325,237	\$ 333,856
Operations & Maintenance	246,781	252,244
Taxes	38,901	39,536
Depreciation	59,433	59,825
Total Operating Expenses	\$ 670,352	\$ 685,461
Net Operating Income	\$ 36,853	\$ 30,602

Interest Income & Other	6,740	3,765
Interest Charges	(17,542)	(17,542)
Contributions	32,867	28,660
Net Income	\$ 58,918	\$ 45,485

Capital Expenditures	\$ 159,383	\$ 159,241
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FORECASTED STATUS OF SELECTED MAJOR PROJECTS AND PROGRAMS

Yellow Indicates Change from Previous Report

Distribution and Engineering

- **Substation, Metering, and Telecom Projects:** The new Twin City Substation has been completed. The Harbour Point substation upgrade has started. Seven other substation projects are scheduled for this year, with one complete and another recently started. Design is ongoing for the 2023 construction of seven system reliability projects (three of which are currently in construction), circuit switcher replacements, and the North Mountain new breaker. Also, other projects are in design and expected to start construction in late 2022 including the addition of a second transformer to Edgecomb to support new loads in North County and the new Sky Valley substation station in the Monroe area. Several fiberoptic projects are being built in 2022 to reduce the risk of a single point of failure. Fiber will also be extended from the Monroe office to Qualco to be used for a future substation.
- **Distribution Overhead and Underground Line Projects:** Material constraints in the first half of 2022 have hampered the release of non-critical underground system work. The Distribution group is focusing efforts on overhead construction including concentrating on the Bad Order (BO) pole program of which 184 BO poles were replaced in the first five months of the year. Other notable ongoing distribution projects include the City of Lynnwood 196th St SW undergrounding project, the Ballinger Substation 5th Feeder Circuit tie, the Twin City distribution feeder project, the Sky Valley Distribution feeder project, the SR 530 Franchise relocation project, the Stillaguamish Tribe's 236th St NE relocation project, the County's 43rd Ave SE and 36th Ave W relocation projects, and the Amazon commercial project in Arlington. The Distribution group also anticipates energizing the three Sound Transit/Lynnwood Link Traction Power Substations before the end of the year.
- **Hat Island Cable Replacement:** The design team, along with the support of a team of consultants, is reviewing alternate alignments. Engineering design and permitting of a new alignment is planned to occur in 2022.
- **Connect Up Program:** The Meter Deployment Project conducted Sensus training for Metering/AMI Technologies and placed additional orders for 50K Aclara meters for mitigation purposes. We continue to work with Sensus to mitigate the supply chain issue related to meter microprocessors. The Systems Integration Project approved all design documents on March 28, 2022. This project's Build and Configuration work is in progress but is behind schedule (Integration is about 6 weeks late), which will most likely impact the start of the Testing and Training stage. Integration is putting together a change order requesting the scheduling of these milestones. The AMI Network Project has installed 18 out of 141 Base Stations and is on schedule.
- **Transportation:** Projects and capital spend are on track to meet budget of about \$10M for 2022.

Facilities

- **North County Community Office:** Bids have been opened and are being reviewed before Commission Award. Construction is planned to begin this summer and will be completed by early 2024. The budget this year is \$14M.
- **Electric Building Phase 2 Roof Replacement:** Project has remobilized on site after wet weather and material delays in the winter months. Substantial completion is set for August 17, 2022. The project is within budget.

FORECASTED STATUS OF SELECTED MAJOR PROJECTS AND PROGRAMS CONTINUED

Generation

- **Jackson Powerhouse Tenant Improvements:** The public works contract award of \$2.3M was approved on May 17, 2022 to TRICO Companies LLC.
- **Qualco Biogas-Electric Generation Project:** The generator and most of the ancillary components have been installed; the project is still waiting on some parts and also completion of fiber optic communications to support system protection requirements. Projection completion is estimated to be at the end of August.



	(\$000's)	
	YTD Budget through May	YTD Results through May
Operating Revenues		
Water Retail Sales	\$ 5,473	\$ 5,126
Water Wholesale Sales	207	240
Other Operating Revenues	158	140
Total Operating Revenues	\$ 5,838	\$ 5,506
Operating Expenses		
Purchased Water	\$ 1,115	\$ 1,004
Operations & Maintenance	3,045	2,960
Taxes	272	277
Depreciation	1,389	1,397
Total Operating Expenses	\$ 5,821	\$ 5,638
Net Operating Income	\$ 17	\$ (132)
Interest Income & Other	38	(77)
Interest Charges	152	(146)
Contributions	2,145	1,128
Net Income	\$ 2,352	\$ 773
Capital Expenditures	3,467	3,002



WATER SYSTEM HIGHLIGHTS THROUGH MAY

- Water Retail Sales are running slightly behind budget due to cold, wet weather and a delayed, smaller rate increase than budgeted.
- Water Wholesale Sales reflect higher than budgeted sales to the cities of Arlington and Granite Falls through May.
- Interest Income and Charges reflect mark-to-market impacts and adjustments to debt amortization.
- Contributions are lower than budget due to less than usual developer activity in the service area.
- Capital Expenditures are aligned with budget expectations and has primarily included spending on two Warm Beach projects; capital spend is expected to be slightly under budget at year-end.



BUSINESS OF THE COMMISSION

Meeting Date: July 5. 2022

Agenda Item: 7A

TITLE

Governance Planning Calendar

SUBMITTED FOR: Governance Planning

Commission

Department

Allison Morrison

Contact

8037

Extension

Date of Previous Briefing:

Estimated Expenditure:

Presentation Planned ☐

ACTION REQUIRED:

- ☒ Decision Preparation
- ☐ Policy Discussion
- ☐ Policy Decision
- ☐ Statutory

☐ Incidental
(Information)

☐ Monitoring Report

SUMMARY STATEMENT:

Identify the relevant Board policies and impacts:

Governance Process, Agenda Planning, GP-4: To accomplish its job products with a governance style consistent with Board policies, the Board will follow an annual agenda.

The Planning Calendar is enclosed for Board review.

List Attachments:

Governance Planning Calendar

Governance Planning Calendar – 2022

To Be Scheduled

- Compensation Philosophy Discussion

To Be Scheduled

- Broadband

Governance Planning Calendar – 2022

July 5, 2022

Morning Session:

- Morning Session Cancelled

Afternoon Session:

- Monitoring Report:
 - Asset Protection Monitoring Report
- Public Hearing and Action:
 - Disposal of Surplus Property – 3rd Quarter
- Governance Planning Calendar

July 13, 2022

Special Meeting:

- DC Fast Chargers Ribbon Cutting

Governance Planning Calendar – 2022

July 19, 2022

Morning Session:

- Community Engagement
- Legislative
- North County Binding Site Plan Dedication of Utility Easements
- Customer Service Regulations Update
- Qualco and 3Degrees
- Everest Camano Site Lease Amendment

Afternoon Session:

- Governance Planning Calendar

Governance Planning Calendar – 2022

August 2, 2022

Morning Session:

- Board Training with Ann Macfarlane

Afternoon Session:

- Monitoring Report:
→ 2nd Quarter Financial Conditions and Activities Monitoring Report
- Public Hearing and Action:
→ North County Binding Site Plan Dedication of Utility Easements
- Governance Planning Calendar

August 16, 2022

Morning Session:

- Community Engagement
- Legislative
- Strategic Plan Review
- 2021 Reliability Data

Afternoon Session:

- 2023 Preliminary Budget – Report of Filing and Notice of Public Hearing
- Governance Planning Calendar

Governance Planning Calendar – 2022

September 6, 2022

Morning Session:

- Media
- Joint Ownership Pole Attachment Agreement with Ziply

Afternoon Session:

- Governance Planning Calendar

September 20, 2022

Morning Session:

- Community Engagement
- Legislative
- Connect Up Quarterly Update
- DEI Update

Afternoon Session:

- Public Hearing and Action:
 - Disposal of Surplus Property – 4th Quarter
- Governance Planning Calendar

Governance Planning Calendar – 2022

October 3, 2022

Morning Session:

- Media

Afternoon Session:

- Public Hearing:
 - Open 2023 Proposed Budget Hearing
- Governance Planning Calendar

October 5, 2022

Special Meeting:

- Arlington Microgrid and Clean Energy Center Ribbon Cutting

Governance Planning Calendar – 2022

October 18, 2022

Morning Session:

- Community Engagement
- Legislative
- Energy Risk Management Report
- Water Supply Update

Afternoon Session:

Governance Planning Calendar

Governance Planning Calendar – 2022

November 1, 2022

Morning Session:

- Media

Afternoon Session:

- Public Hearing:
 - Continue Public Hearing on the 2023 Proposed Budget
- Monitoring Report:
 - 3rd Quarter Financial Conditions and Activities Monitoring Report
- Governance Planning Calendar

November 15, 2022

Morning Session:

- Community Engagement
- Legislative

Afternoon Session:

- Public Hearing:
 - Continue Public Hearing on the 2023 Proposed Budget
- Adopt Regular Commission Meeting Dates for the Year 2023
- Governance Planning Calendar

Governance Planning Calendar – 2022

December 6, 2022

Morning Session:

- Media
- Finance Audit Activity
- Connect Up Quarterly Update

Afternoon Session:

- Public Hearing and Action:
 - Adopt 2023 Budget
- Monitoring Report:
 - Financial Planning and Budgeting Monitoring Report
- Elect Board Officers for the Year 2023
- Proposed 2023 Governance Planning Calendar

December 20, 2022

Morning Session:

- Community Engagement
- Legislative

Afternoon Session:

- Public Hearing and Action:
 - Disposal of Surplus Property - 1st Quarter
 - Confirm Final Assessment Roll for LUD No. 65
- Adopt 2023 Governance Planning Calendar

Governance Planning Calendar – 2022

2022 Year-at-a-Glance Calendar

January

S	M	T	W	T	F	S
						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					

February

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13	14	15	16	17	18	19
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27	28					

March

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20	21	22	23	24	25	26
27	28	29	30	31		

April

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May

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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

June

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July

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24	25	26	27	28	29	30
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August

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28	29	30	31			

September

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18	19	20	21	22	23	24
25	26	27	28	29	30	

October

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16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					


November

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		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			

December

S	M	T	W	T	F	S
				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

 Holiday

 # Commission Meetings

For Planning Purposes Only and Subject to Change at any Time