

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

**September 5, 2023**

**CONVENE REGULAR MEETING – 9:00 a.m. – Commission Meeting Room**

**Virtual Meeting Participation Information**

Join Zoom Meeting:

- Use link  
<https://us06web.zoom.us/j/89193201693?pwd=UjNlVG1Ec2NrK0NjQVZnNlQ2Z3FjQT09>
- Dial in: (253) 215-8782
- Meeting ID: 891 9320 1693
- Passcode: 641710

**1. CEO/GENERAL MANAGER BRIEFING AND STUDY SESSION**

- A. Updates
  - 1. [Media](#)
  - 2. Other
- B. [New Fiber Optics Agreement](#)
- C. [Connect Up Quarterly Update](#)
- D. [Organized Market Updates](#)

**RECONVENE REGULAR MEETING - 1:30 p.m. – Commission Meeting Room/Virtual Meeting Participation**

**2. RECOGNITION/DECLARATIONS**

- A. [Employee of the Month for September – David Fawcett](#)

**3. COMMENTS FROM THE PUBLIC**

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.”

**4. CONSENT AGENDA**

- A. [Approval of Minutes for the Regular Meeting of August 22, 2023, and the Special Meeting of August 24, 2023](#)
- B. [Bid Awards, Professional Services Contracts and Amendments](#)
- C. [Consideration of Certification/Ratification and Approval of District Checks and Vouchers](#)

**Continued →**

**5. ITEMS FOR INDIVIDUAL CONSIDERATION**

- A. [Consideration of a Resolution Authorizing the CEO/General Manager of Public Utility District No. 1 of Snohomish County to Execute an Interlocal Agreement With Snohomish County Regarding the Relocation of a Culvert in the Vicinity of 188<sup>th</sup> Street NW, Snohomish County, Washington](#)
- 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 Water System: Authorizing the Issuance and Sale of not to Exceed \\$20,000 Aggregate Principal Amount of Water System Revenue Bonds, Series 2023, in one or More Series; Providing for the Terms of the 2023 Bonds; Amending Sections 2.1 of Resolution No. 3825; Approving the Execution and Delivery of Certain Documents and Agreements; and Providing for Certain Other Matters Related Thereto](#)
- C. [Consideration of a Resolution Revising and Renaming the Salary Administration Program to Compensation Program for Non-Represented Employees, the Non-Represented Position Titles and Grades, and the Non-Represented Salary Structure Table](#)

**6. [CEO/GENERAL MANAGER REPORT](#)**

**7. COMMISSION BUSINESS**

- A. [Commission Reports](#)
- B. [Commissioner Event Calendar](#)
- C. [Consideration of a Motion Authorizing the General Counsel to Execute the Commissioners Electronic Communications Protocol Document](#)
- D. [Introduction of a Resolution Amending Resolution No. 5924 and Adopting Amendments to the Board of Commissioners Governance Policies Entitled Executive Limitations, Governance Process, Board-CEO/General Manager Linkage Policies, and Board Engagement Plan](#)

**8. GOVERNANCE PLANNING**

- A. [Governance Planning Calendar](#)

**ADJOURNMENT**

September 6 - 8, 2023:

Public Power Council (PPC)/Pacific Northwest Utilities Conference Committee (PNUCC) Meetings – Portland, OR

The next scheduled regular meeting is September 19, 2023

**Agendas can be found in their entirety on the Snohomish County Public Utility District No. 1 web page at [www.snopud.com](http://www.snopud.com). For additional information contact the Commission Office at 425.783.8611**

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**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 1

**TITLE**

CEO/General Manager’s Briefing and Study Session

**SUBMITTED FOR: Briefing and Study Session**

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:**

- Decision Preparation
- Policy Discussion
- Policy Decision
- Statutory
- Incidental (Information)
- Monitoring Report

**SUMMARY STATEMENT:**

Identify the relevant Board policies and impacts:

*Executive Limitations, EL-9, Communications and Support to the Board – the CEO/General Manager shall...marshal for the board as many...points of view, issues and options as needed for fully informed Board choices.*

*List Attachments:*

CEO/General Manager’s Briefing and Study Session attachments



SNOHOMISH  
**PUD**

*Energizing Life In Our Communities*

# Media Report

Aaron Swaney – Media & Public Relations Liaison

September 5, 2023



# Media Coverage

SNOHOMISH  
**PUD**  
*Energizing Life In Our Communities*

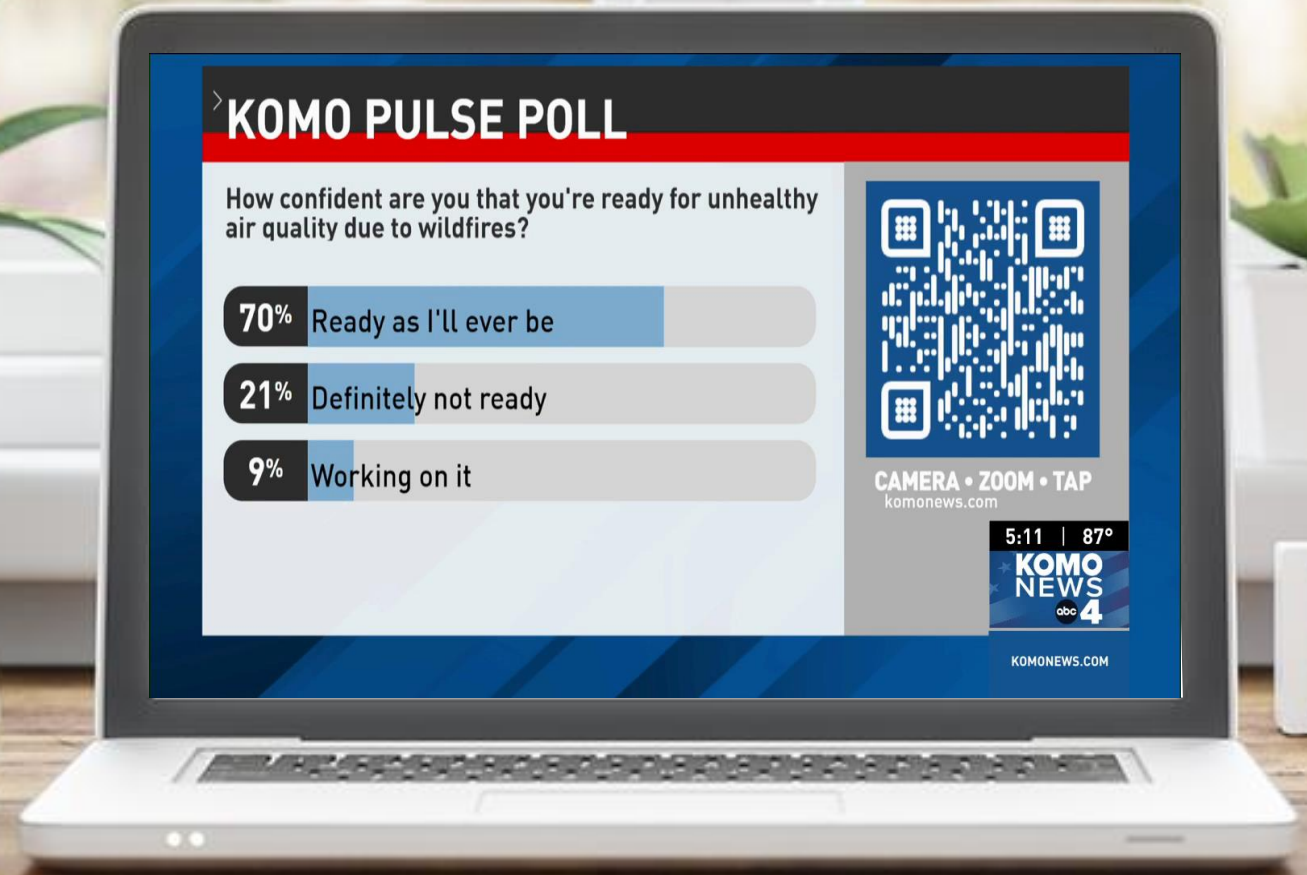
# MEDIA COVERAGE

## Storm Prep Media Day

Invited local and Seattle media to a media day event with our crews to talk storm season prep

FOX 13 morning clip

KOMO story ran multiple times that evening | [Watch](#)





# MEDIA COVERAGE

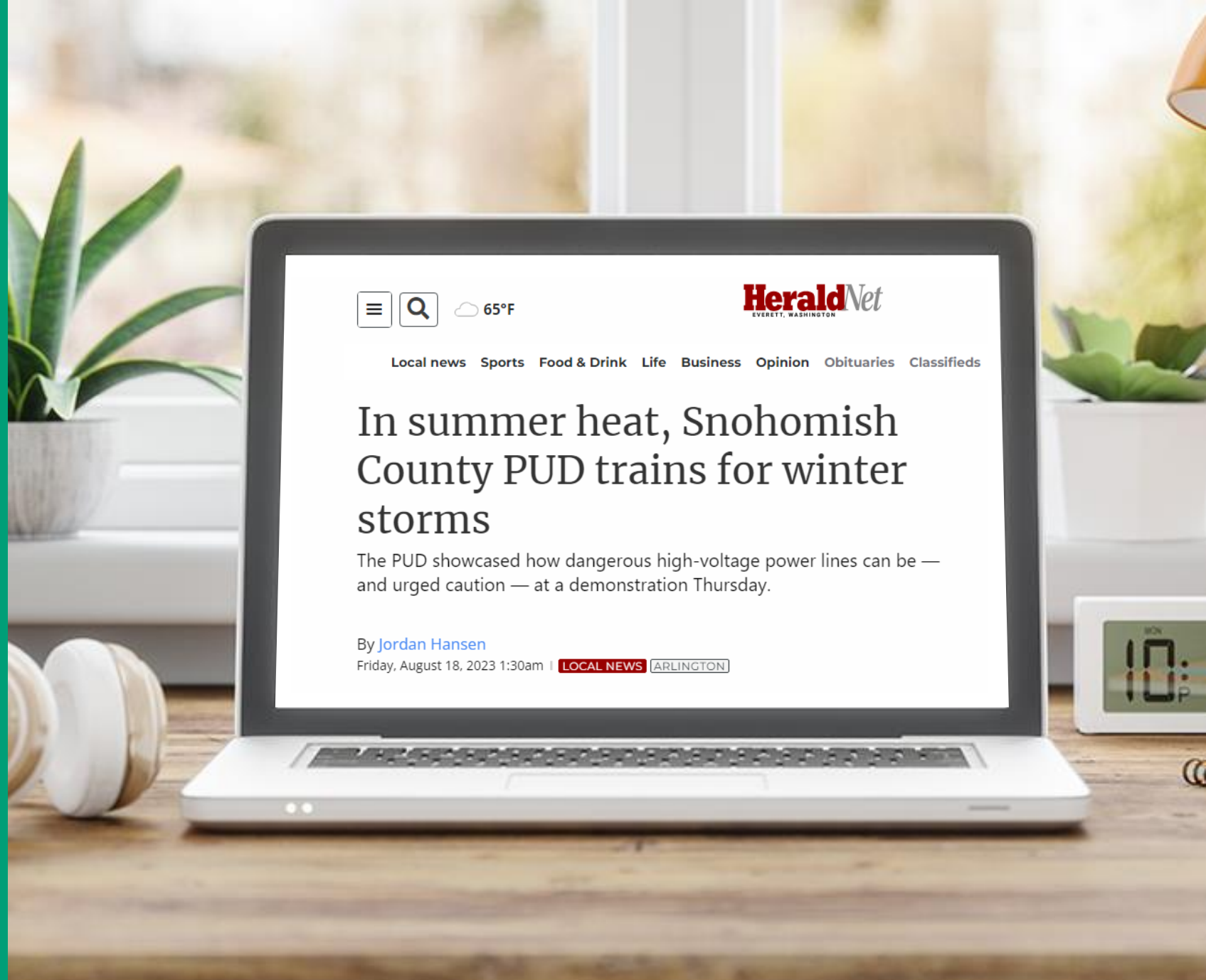
## Storm Prep Media Day

Local coverage

"In summer heat, Snohomish County PUD trains for winter storms" - Everett Herald | [Read](#)

"Storm season is right around the corner, here are some helpful PUD tips to keep you safe" - Everett Post | [Read](#)

"PUD details how it responds to power outages" - Mukilteo Beacon | [Read](#)

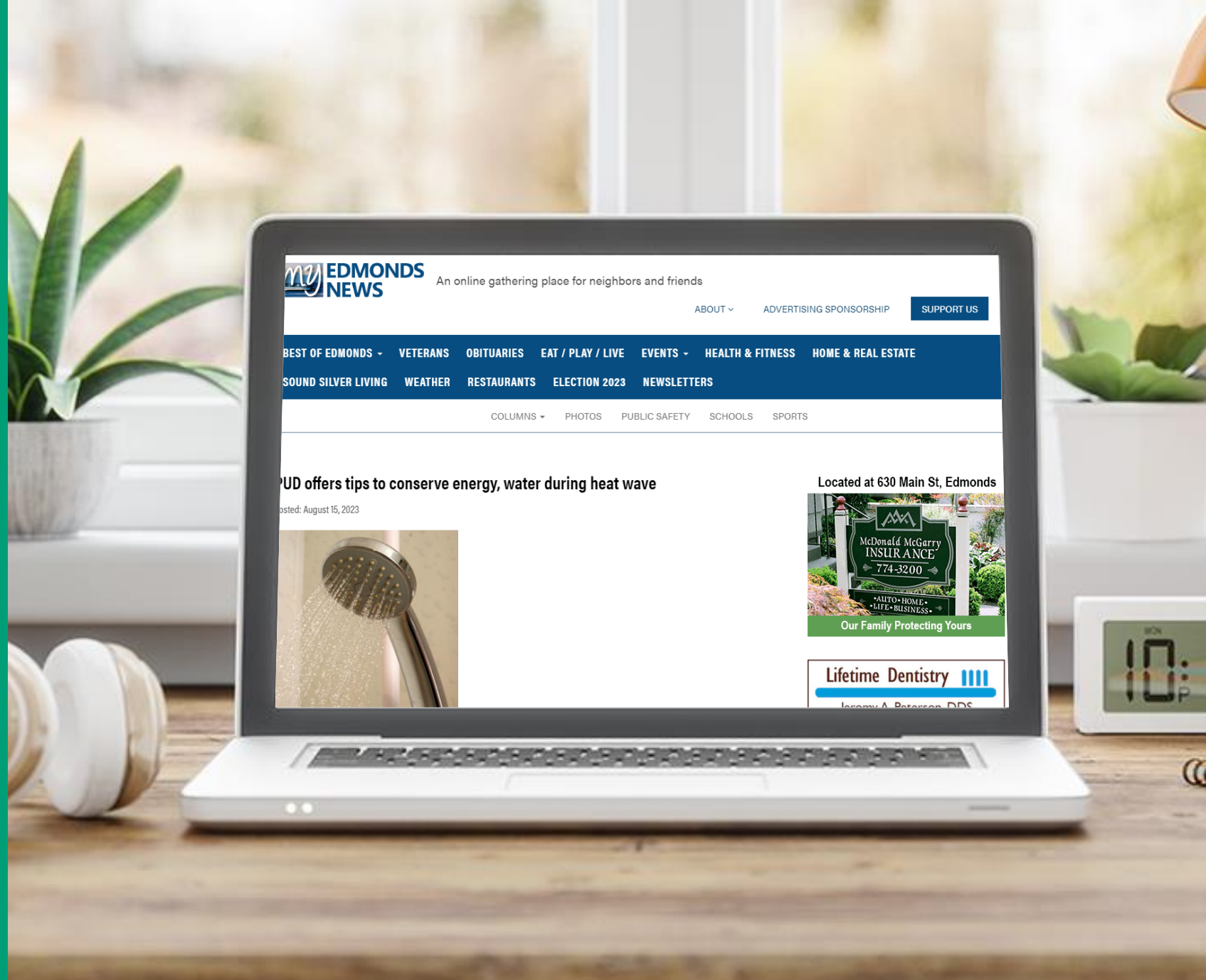


# MEDIA COVERAGE

## Extreme heat & conservation

Press release picked up by:

- My Edmonds News
- My Everett News
- Mukilteo Beacon



# MEDIA COVERAGE

## Connect Up

First local coverage as  
deployment begins:

"Smart meters being installed for  
Snohomish County PUD" - FOX13  
| [Watch](#)

"Snohomish PUD installing new  
meters on homes, businesses"  
Stanwood-Camano News | [Read](#)

Planning for a meter exchange  
demo for media later this month



# Media Coverage

## Everett Herald

Column: Focus on community events

September column:  
Prep for storm season and outages

## Future Demand

Worked with Clearing Up on battery storage story

Included in FOX 13 story on growing summer demand

## DEM Hazard Viewer

Worked with Snohomish County Department of Emergency Management (DEM) to update info on severe weather



# Publications

SNOHOMISH  
**PUD**  
*Energizing Life In Our Communities*

# PUBLICATION

# The Wire

Cover: Connect Up benefits

Also mentions:

- Run for Warmth
- Opt-in alerts on MySnoPUD
- Outage text alerts
- Carbon Solutions
- EV savings
- Employee profile: Robyn Kalina

**PUD**  
Energizing Life in Our Communities

# THE WIRE

SEPTEMBER 2023 / SNOPOD.COM

## Connecting with You!

**CONNECT UP**

Our Connect Up program will lead us boldly into the future! These new advanced meters have many benefits for our customers, for your PUD, for the environment and for the grid. Here's a look at some of those new benefits.

### Our Customers

Connect Up will give customers more detailed energy and water usage information, deliver a more dependable bill and provide on-demand services like real-time remote reconnects and disconnects.

### Your PUD

Once installed, advanced meters will communicate directly with the PUD, helping us save money by reducing transportation costs. Meters will also allow the PUD to offer new rate designs to better match peak energy demand.

### Our World

Remote meter reading and reconnect/disconnects means fewer PUD vehicles on the road emitting greenhouse gases. Advanced meters will also allow us to offer cheaper rates for EV charging, promoting more clean energy transportation.

### Our Grid

Connect Up will give our engineers more information to help them plan for the future and ensure we can meet growing energy and water demand. Eventually, advanced meters will alert us when customers lose power, improving our restoration response.

### Run for a Good Cause

The PUD is once again partnering with Snohomish Running Company to bring you the Run for Warmth 5K and 10K on Sunday, Oct. 15.

Head to [snopud.com/runforwarmth](https://snopud.com/runforwarmth) to register today – runners and walkers are welcome. Use the code **SNOPUD10** to save 10% on your registration and have a portion of your fee go toward our Project PRIDE, which helps neighbors in need with their energy bills.

View/report outages at [OUTAGEMAP.SNOPOD.COM](https://OUTAGEMAP.SNOPOD.COM) or report at 425-783-1001

THE WIRE SNOHOMISH COUNTY PUD SEPTEMBER 2023

### Robyn Kalina, Bridging the Gap

In her role, Robyn is fundamental to getting customers the services they need and assisting PUD engineers in Everett and beyond. Her day-to-day work includes inspecting customers' service for power, switching customers to solar power and ensuring data is up-to-date in PUD systems.

Recently, Robyn was key to implementing our private bridge tracking project. This project developed a system for the PUD to track and update information on the more than 200 private bridges across Snohomish County and Camano Island, and our employees remain safe while responding to emergency calls. Learn more about [snopud.com/spotlight](https://snopud.com/spotlight).

### Opt-in to Alerts on MySnoPUD App

MySnoPUD app gives customers the ability to sign up for billing text alerts. Use the app to set billing reminders to alert you when a bill has been issued, when it's due and a payment has been applied. The MySnoPUD app is free and available for download from the Apple App Store and Google Play Store.

Customers can sign up for outage text alerts through our outage map and self-service phone system. Report your outage on our outage map ([outagemap.snopud.com](https://outagemap.snopud.com)) and click the box to opt-in to outage text alerts. On the phone, call 425-783-1001 and opt-in to text alerts when you report your outage.

### Support Renewable Energy

Carbon Solutions program supports the production of clean energy through Renewable Energy Credits, or RECs. Every REC purchased means 1,000 kWh of energy generated by a renewable source has been sent to the grid. To enroll, visit [snopud.com/carbonsolutions](https://snopud.com/carbonsolutions).

Remember to set your home water heater no higher than 120 degrees. This reduces the risk of accidental scalding. It also saves energy and helps reduce your utility bill.

### Get a Charge Out of EV Savings!

Save up to \$350 on a qualified Level 2 EV charger at [marketplace.snopud.com](https://marketplace.snopud.com). If you bought an EV in the last 90 days, you may be eligible for a one-time charging credit! Visit [snopud.com/charging](https://snopud.com/charging) for details.

**SNOHOMISH COUNTY PUD**  
UTILITY DISTRICT NO. 1

Customer Service: 425-783-1000  
Monday-Friday, 8 am-5:30 pm  
1-877-783-1000 outside Everett and in Western Wa.  
Visit us online at [snopud.com](https://snopud.com)

Pay your bill:  
1-888-909-4628  
or online at [MYSNOPOD.COM](https://MYSNOPOD.COM)



# New Fiber Optics Agreement

## *Proposed Fiber Optic Cable Master License Agreement between PUD and WAVE Broadband*

Meeting Date: September 5, 2023

Nick Johnston, Telecommunications Manager

# Overview

- **Requested Commission Action:**
  - Approval of Resolution allowing PUD to continue leasing fiber to Wave Broadband under a new Fiber Optic Cable Master License Agreement (MLA)
- Replaces existing PUD agreement (Resolution No. 5285)
- 12 fibers x 3.74 miles = 44.88 fiber miles
- 5-year term with 5 auto renewals (25-year total)
- \$31,269 per year with 20% increase every 5 years  
(\$1,164,365 Total)





# Fiber Map



# Timeline

- 1997-1999 - Delta 288 fiber cable placed
- 2006 - Original license agreement signed with Black Rock Cable (Resolution No. 5285)
- 2008 - Amendment 1 extended agreement by 5 years (Resolution No. 5404)
- 2012 – SNO PUD discontinues third party use of District Owned Fiber (Resolution No. 5606)
- 2013 – Wave purchases Black Rock Cable
- 2015 – License agreement with WAVE expires
- 2022 – Commission Broadband report, SNO PUD currently working to revise Resolution No. 5606



# Summary

- Proposed MLA will not negatively impact SNOPUD
- Original 288 fiber cable was sized and placed to be leased to third party providers
- Agreement will provide significant benefit to Snohomish County Citizens by providing additional options for Broadband access
- **Recommendation:** Approve new MLA between SNOPUD and Wave Broadband



# Next Steps

- At the September 19, 2023, Commission meeting:
  - Commission consideration of resolution authorizing PUD to continue leasing fiber to Wave Broadband under a new Fiber Optic Cable Master License Agreement (MLA)



# Connect Up Program

## Commission Quarterly Update

Kevin Lavering - Program Manager

Tim Epp - Program Manager

September 5, 2023

Last Update – June 27, 2023



# Connect Up Program Quarterly Update

## Purpose of Presentation

- Provide the Commission a progress update of the program

## Expectations of the Board

- Remain updated on recent program activities and next steps

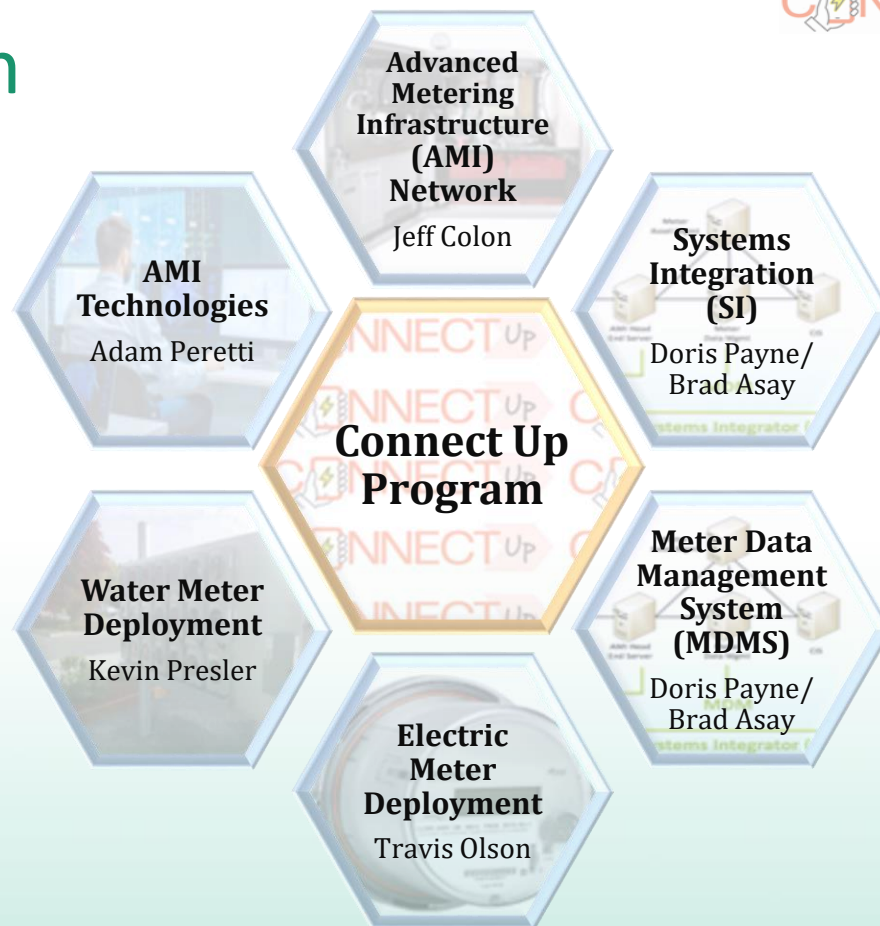


# Agenda

- Program Schedule and Budget Review
- Deployment Phase Progress Report
  - Meter Deployment
  - AMI Base Station Network Deployment
  - Internal/External Communications
  - Delivering and Planning New Benefits
- Next Steps

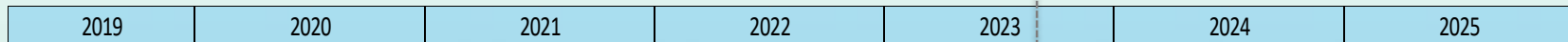
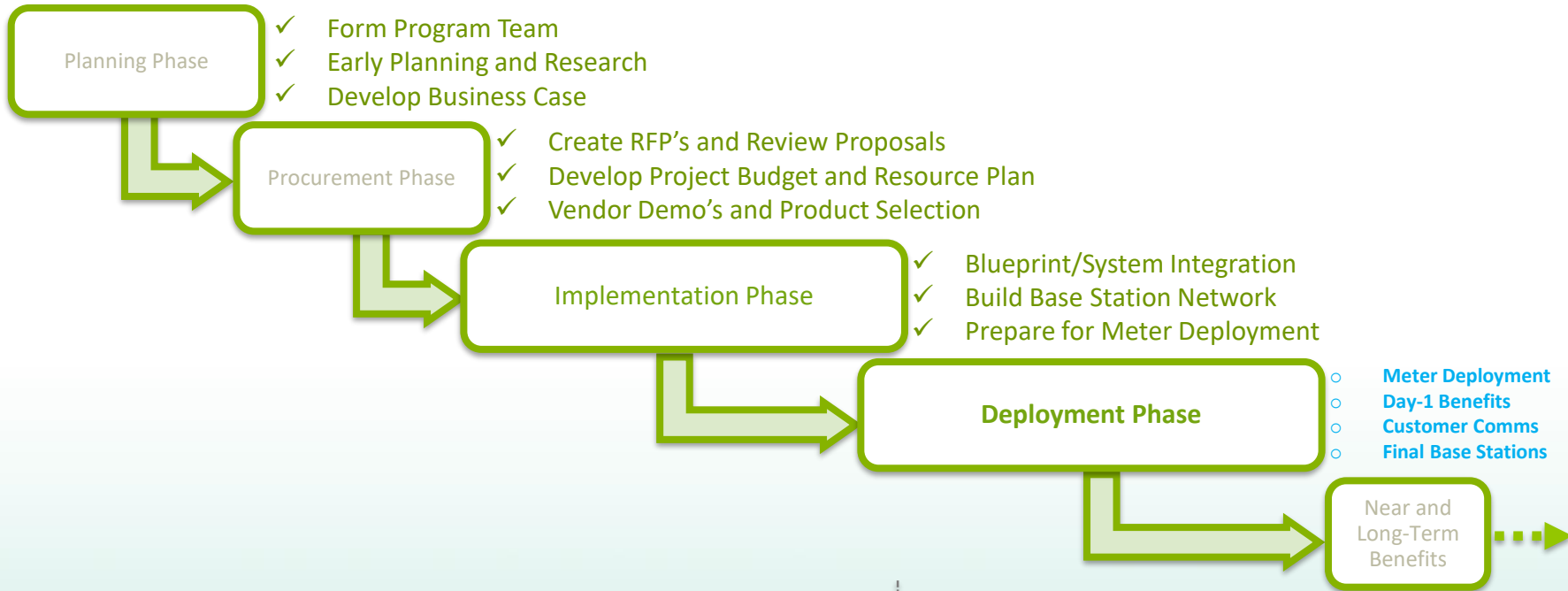


# Connect Up Program





# High Level Schedule



We are here



# Program Budget

Original Budget (Commission Approved 01/2021)	\$93.211M
Projected Cost Through End of 2025	\$91.136M
Over (Under)	(\$2.075M)



# Deployment Phase Progress



Meter Deployment



AMI Communications  
Network Deployment



Communicate AMI Benefits  
and Plans to Internal and  
External Stakeholders



Delivering and Planning  
New Benefits



# Deployment Phase



## Recent Accomplishments

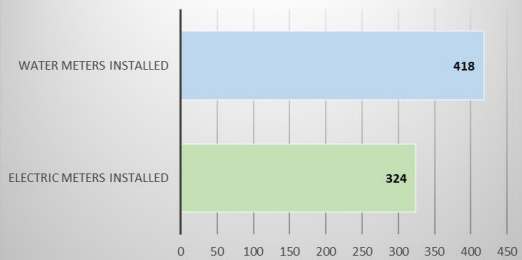
- Received 3,268 electric meters and 4,585/1413 water meters/modules to date
- Completed Friends & Family meters deployment
- Electric has hired Lead Meter Technicians and has received 70+ applications for Meter Technician
- Water has hired 5 employees for installations and box/lid replacements

## Upcoming Activities

- Award Public Works contract for Deployment Electrician services
- Meter Technician interviews and hiring activities
- Continue General Deployment for both Electric and Water meter exchanges

## Meter Deployment

Connect Up Meter Installations



## Risks and Challenges

- Meter supply chain – Continue to work with Sensus on the delivery of sustainable quantities of meters
- Potential inflationary pressures on Meter Exchanger costs
- Project Schedule risk due to slower ramp up of meter deliveries



# Deployment Big Wins – Meter Deployment

- Successful Friends & Family Deployment – Invaluable learning experience allowing for real time process improvements; overall very positive survey/feedback from participants
- Departmental Teamwork – Outstanding job by all the Departments supporting Deployment. This is an incredibly huge lift and could not be done without everyone stepping up and accomplishing their part
- Meter Exchange Opportunities – Locations difficult/challenging to read meters provides the opportunity to install AMI meter for better safety (i.e., WSDOT meter accessible only off of I-5)



# Deployment Big Wins – Meter Deployment

- The System and Processes Work – All installed meters were successfully provisioned, commissioned and billed
- During a power outage, AMI Technologies were able to detect the outage and restoration timing from Friends & Family meters installed in the area
- Monitoring and reporting tools are functioning as expected and we are now focusing on improvement iterations
- We were able to practice and establish a daily touchpoint with a core team (District and Vendor team) with an established review process. This enabled the team to quickly identify, analyze and resolve Critical and High-level defects



# Friends & Family Installations



PUD Customer Receiving New AMI Electric and Water Meter





# Deployment Phase

## Recent Accomplishments

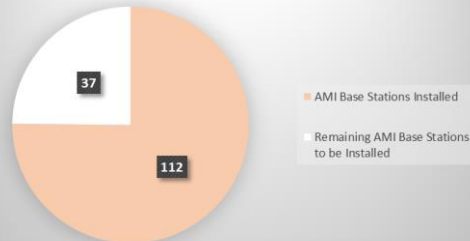
- 112 Base stations installed out of 149 (75%).
- Permits issued for 125 sites (83%). Applications submitted in Everett & Edmonds.
- AMI network operational for Friends & Family meter deployment areas and for current General deployment.
- All materials for remaining base station installations are in stock.

## Upcoming Activities

- Construction: Continue base station installations. Target production rate is three base stations per week.
- Permits: Continue outreach efforts with the City of Edmonds regarding seven outstanding AMI permits.

## AMI Base Station Network Deployment

AMI Base Station Installations



## Risks and Challenges

- The City of Edmonds has placed seven AMI permits on hold. This is temporarily delaying completion of the AMI network in the south county service area. The AMI Project Team, in coordination with Government Affairs, will continue outreach efforts with city officials for release of permits.





# Deployment Big Wins – AMI Base Station Network

- Great innovative work between the Telecom, Standards, and Line Dept. in the implementation of the District's AMI base station installations. Sensus (Meter and Base Station vendor) has recognized the District's implementation as, "best quality we've seen".
- All of the Friends and Family water and electric meters began communicating with the AMI network as soon as they were installed.
- General Installation Phase - All of the 324 AMI electric meters installed to date in the Bothell area, where AMI base stations are fully deployed, are successfully communicating with the AMI network.
- One Entire Rural Water System – PUD's Skylite Tracts (Sultan, WA) - All 153 water meters are communicating with the AMI Network.



# AMI Base Station Network Deployment



AMI site 19 has been installed at PUD's Granite Falls Reservoir site. This hilltop location will provide wide-reaching network coverage for water and electric meters in the Granite Falls area.





# Implementation Phase

## Recent Accomplishments

- District-wide letter ("John" letter) has gone out
- Deployment communications underway (3-month letter, 14-day postcard, 3-day)
- Evergreen State Fair booth
- Media interactions
- "Cribs" video of 75th St Warehouse

## Upcoming Activities

- Deployment communications continue
- Connect Up representatives participating in community fairs and festivals
- Monitor communications for effectiveness and adjust as necessary

## Internal and External Communications

## Key District Resources

- Communications and Change Management
- Customer Service
- Customer Experience

## Risks and Challenges

- Media inquiries
- Call volume increase in the Call Center



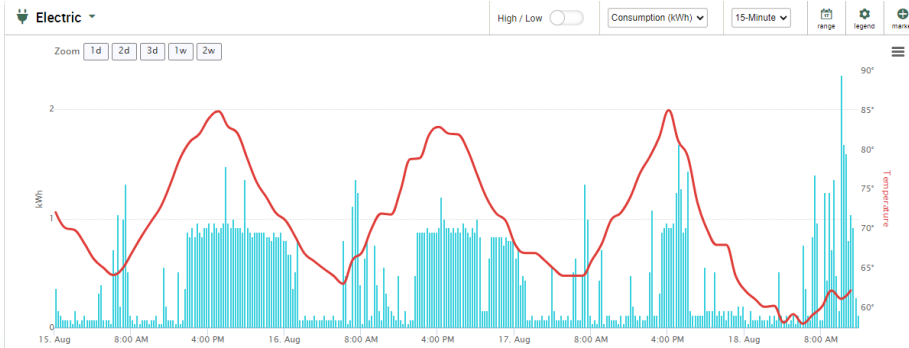
# Delivering and Planning New Benefits

- 15-minute electric interval data (1-hour for water) available in MySnopud
- Consistent days in billing cycle ("30-day billing")
- Choose billing due date ("flexible billing")
- Remote meter reading (reduced carbon emissions)
- No more estimated bills
- Remote Disconnect-Reconnect
- (Planning) Optional Time-of-Day rate
- (Planning) Integrate meter status verification into Outage Management



# Business and Customer Big Wins

## MySnopud.com



Electric - All Usage Day by Week Consumption (kWh)

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
8/14/2023	57.2	48.9	50.9	32	21.6		
8/7/2023	24.2	17	16.6	17.9	30.9	22.3	29.3
7/31/2023	24.6	27.6	17.1	17.7	32.6	18.7	18.8
7/24/2023	24	17	16.8	21.3	27.1	19.2	17
7/17/2023	27	18.1	17.2	20.8	33.5	18.8	17.9
7/10/2023		3.4	29.5	20.9	30.7	15	14.1

3.4 30.3 57.2

Electric - All Usage Hour by Day Consumption (kWh)

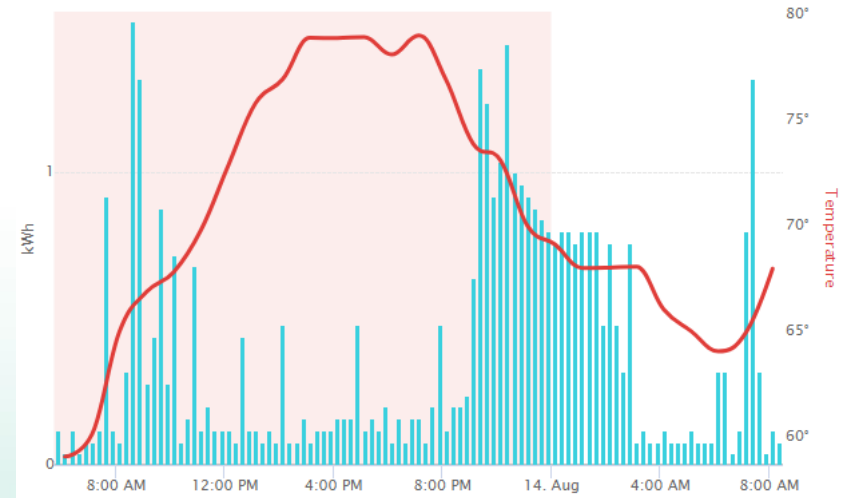
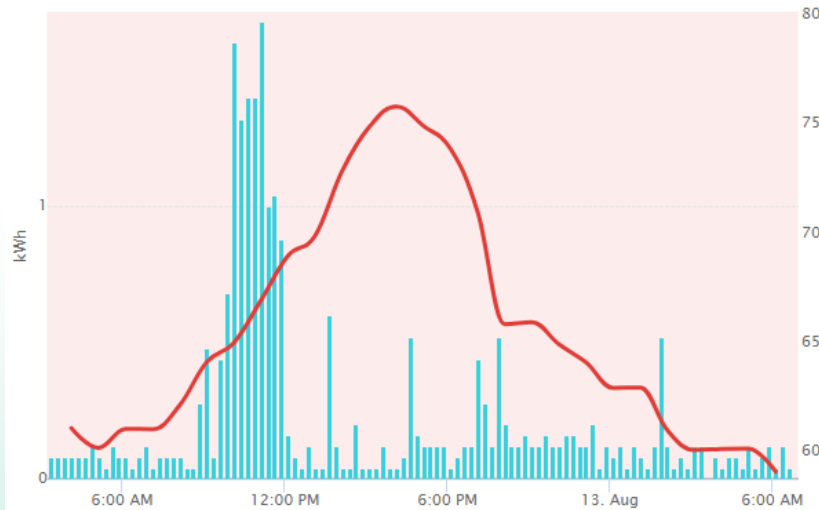
	12-1a	1-2a	2-3a	3-4a	4-5a	5-6a	6-7a	7-8a	8-9a	9-10a	10-11a	11-12p	12-1p	1-2p	2-3p	3-4p	4-5p	5-6p	6-7p	7-8p	8-9p	9-10p	10-11p	11-12a
8/16/2023	0.4	0.4	0.3	0.8	0.3	0.4	1.3	3.3	3	2.7	6.4	2.4												
8/17/2023	2.2	0.7	0.4	0.8	0.4	0.4	1.3	2.9	0.6	1	0.3	0.4	0.9	0.4	1.8	3.1	4	4.8	1.8	0.9	1	0.6	0.5	0.6
8/16/2023	2.5	1.5	0.4	0.4	0.4	0.4	1.4	4.1	1.6	1.4	1.2	0.8	0.3	1.5	3.6	3.5	4	3.6	3.7	3.5	2.2	2.5	3.3	3.2
8/15/2023	0.7	0.3	0.4	0.4	0.9	0.3	2.5	3	0.3	0.3	0.3	0.9	0.7	1.4	3.6	3.6	3.7	4.2	3.8	4.1	3.5	3.5	3.4	3.4
8/14/2023	3.1	2.9	2.3	0.4	0.4	0.4	0.8	2.5	1.7	4.9	1.6	0.3	0.8	0.4	2.6	3.5	3.6	4.2	3.6	3.5	3.5	4.1	3.5	2.7
8/13/2023	0.4	0.8	0.3	0.3	0.2	0.4	0.3	1.2	3.2	1.9	1.6	0.6	0.8	0.4	0.8	0.4	1	0.6	0.5	0.9	0.8	4.2	4.4	3.4
8/12/2023	0.8	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.4	1.7	5.7	4.6	0.4	0.8	0.3	0.2	0.8	0.5	0.4	1.4	0.6	0.5	0.6	0.5
8/11/2023	0.4	0.3	0.3	0.8	0.3	0.3	1.5	4	0.5	4.5	6.7	4	1	0.4	0.8	0.3	0.3	0.4	1.1	0.6	1	0.5	0.6	0.4
8/10/2023	0.4	0.3	0.3	0.3	0.3	0.8	2.4	1.3	0.4	0.5	1.1	0.4	0.5	0.4	0.8	0.4	0.4	0.4	2.4	1.5	0.8	0.6	1.1	0.5
8/9/2023	0.8	0.3	0.4	0.2	1.3	0.4	1.6	3.2	0.4	0.2	0.4	0.9	0.4	0.5	0.4	0.9	0.4	0.4	0.5	0.9	0.5	0.9	0.5	0.9
8/8/2023	0.4	0.3	0.3	0.4	0.7	0.3	1.3	3.7	1.6	0.4	0.8	0.3	0.4	0.4	0.4	0.3	0.9	0.6	0.6	1	0.7	0.5	0.5	0.4
8/7/2023	0.3	0.2	0.8	0.3	0.4	1.3	0.3	3.6	5	2.4	0.3	0.8	0.4	0.4	0.4	0.7	0.4	1.4	1.3	1.4	0.5	0.9	0.4	0.3

0.2 3.8



# Business and Customer Big Wins

## Cost of running heat pump during high heat days in August



# Business and Customer Big Wins

## Water leak detection/high use



# Next Steps

- Next Commission Quarterly Update December 2023
- Deployment Electrician Public Works Contract Commission Approval September/October 2023
- Other Program Next Steps Include:
  - Continue to receive regular meter delivery forecasts from Sensus
  - Continue the installation of the Base Station network
  - Continue General Meter Deployment through 2025
  - Start Onboarding Electric Meter Exchangers in November





# Questions?





# Organized Market Updates

Adam Cornelius, Principal Utility Analyst

Date: 9/5/2023

Prior Presentations: 3/7/23, 3/21/22, 8/17/21

# Agenda

- Refresher on regional organized market efforts and the PUD's engagement
- Update on organized market development progress
  - California Independent System Operator (CAISO): Extended Day Ahead Market (EDAM)
  - Southwest Power Pool (SPP): Markets+
- Outlook for next ~6 months



# REFRESHER ON REGIONAL ORGANIZED MARKETS EFFORTS



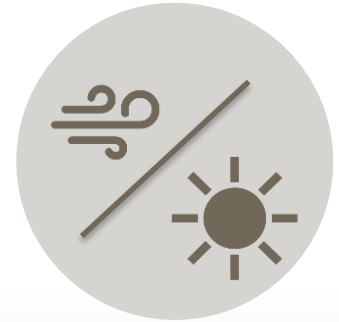
# Why a Regional Day-Ahead Market Focus?



New opportunities to market surplus power and purchase lower-cost power across bigger, more diverse footprint



Potential for more efficient use of transmission system



Potential for greater ability to integrate renewables



# Two Western Day-Ahead Markets Under Development

	CAISO EDAM	SPP Markets+
<b>Market Offering</b>	<ul style="list-style-type: none"> <li>- Full integration with CAISO's existing day-ahead and real-time markets</li> <li>- Participating Balancing Authority Areas (BAAs) must also be Energy Imbalance Market (EIM) Entities</li> </ul>	<ul style="list-style-type: none"> <li>- New standalone day-ahead &amp; real-time market offering</li> <li>- Potential future integration with existing SPP markets</li> <li>- Participants would leave EIM</li> </ul>
<b>Status</b>	<ul style="list-style-type: none"> <li>- August 2023: Tariff filed with Federal Energy Regulatory Commission (FERC)</li> <li>- Ongoing implementation activities</li> </ul>	<ul style="list-style-type: none"> <li>- Expedited timeline since prior update</li> <li>- April - December 2023: "Phase 1" development process</li> <li>- Q1 2024: Anticipated tariff filing with FERC</li> </ul>
<b>Go-live</b>	<ul style="list-style-type: none"> <li>- Expected Spring 2025</li> </ul>	<ul style="list-style-type: none"> <li>- Expected 2026/2027</li> </ul>



# PUD Engagement

- Internal cross-functional Organized Markets Team used to monitor developments and coordinate policy feedback to markets
- Participation in Markets+ and EDAM stakeholder processes
- Trade organizations: engagement with peers and leverage staff expertise
- BPA/Public Power forums on market development



# Why PUD Staff is Engaged in Discussions

- A seat at the table allows us to provide feedback on potential benefits and risks for our customers, influence design development
- Market expansion discussions will continue with or without the PUD at the table
- Support BPA assuming leadership role in regional conversations
- Enhance our ability to plan for the future





# SPP MARKETS+ UPDATES



# Markets+ Development Overview

## Phase 1

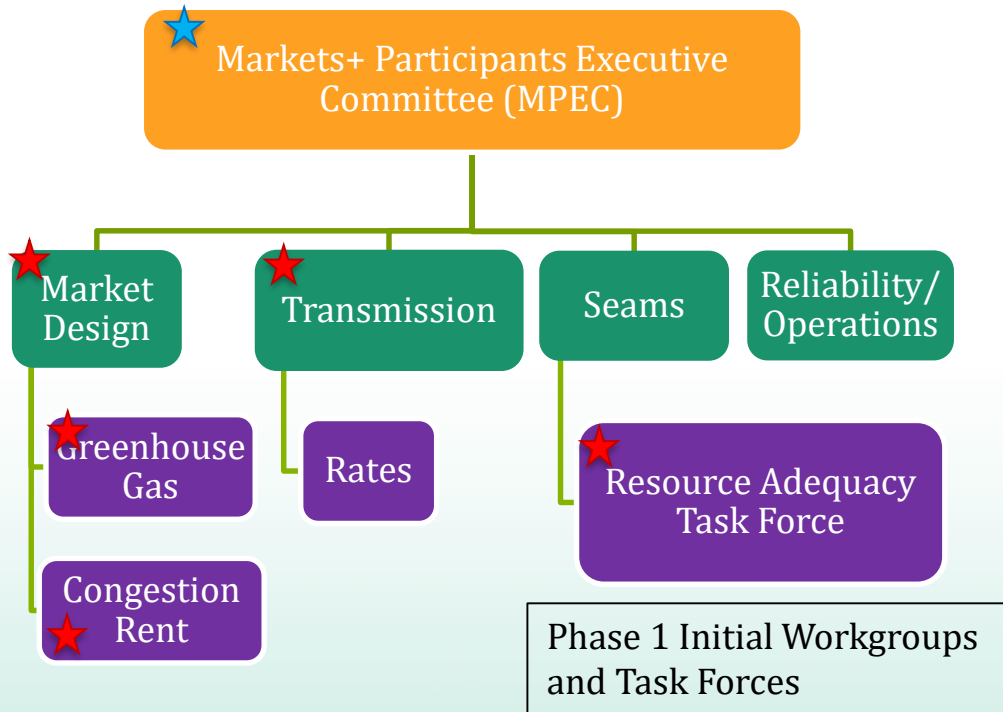
- April 2023 – December 2023 stakeholder process to develop tariff for filing expected Q1 2024
  - Accelerated from initial plan
- Protocol development expected following tariff filing
- PUD signed Phase 1 funding agreement and is active participant in Phase 1 workgroups and task forces

## Phase 2

- Implementation efforts to bridge the period from tariff approval to go-live
- Timeline TBD, expecting ~1-2 years



# PUD Phase 1 Participation



- Snohomish has voting members on starred Workgroups (WG) and task forces
  - Tracking all (WG)
- Utilize internal organized markets team to staff workgroups and develop PUD positions
- Coordinate with and leverage PGP, PPC, BPA, and similarly situated utilities
- Joe Fina chairing informal legal subgroup focusing on tariff language



# Markets+ key focus areas

- Greenhouse Gas (GHG) accounting and market compatibility with Climate Commitment Act
- Compatibility with Western Resource Adequacy Program
- Market usage of transmission rights and congestion rent allocation
- Flexible reserve products
- Market Seams



# CAISO EDAM UPDATES



# CAISO EDAM updates

- Tariff for EDAM and Day Ahead Market Enhancements (DAME) filed 8/22/2023
  - EDAM: extends CAISO's day-ahead market to Energy Imbalance Market (EIM) Entities
  - DAME: Flexibility and capacity products in CAISO's DA market
- Ongoing price formation workgroups
- CAISO stakeholder process improvements



# OTHER NOTABLE MARKET DEVELOPMENT TOPICS



# BPA Day-Ahead Market Policy Process

- July 2023 - March 2024
- Policy direction to include *indications* of whether BPA intends to join a day-ahead market and if so, which market option, supported by a high-level business case
  - PUD supportive of process
- Key issues:
  - Principles for evaluation
  - Impacts on BPA products and customers
  - Statutory rights of preference customers
  - Interaction with other processes, e.g., post-2028 Provider of Choice





# Additional Items



## STATE-LED MARKETS STUDY

Study on cost  
and benefit  
difference of  
different market  
outcomes and  
footprints



## STATE REGULATOR LETTER ON MARKET GOVERNANCE

Letter proposing  
creation of new,  
independent  
entity to govern  
west-wide  
market



# Timeline/Next Steps



Q4  
2023

- Markets + Phase 1 Development
- BPA Day Ahead Market Policy Process
- Post-2028 Policy Record of Decision

Q1  
2024

- Markets + Tariff Filing
- Markets + Phase 2
- EDAM FERC Approval?
- BPA Day Ahead Market Policy Process Conclusion

Beyond

- PUD Market Readiness efforts
- Announcements of market participation decisions
- CAISO EDAM Go-Live (2025?)
- Markets + Go-Live (2026?)



# QUESTIONS?



# APPENDIX



# Traditional market environment in the West

- 30+ Balancing Authority Areas (BAAs)
  - Bonneville Power Administration (BPA)
  - Some public power utilities
  - Vertically integrated Investor-Owned Utilities
  - Generation-only BAAs
  - California Independent System Operator (CAISO)
- Bilateral energy trading
  - Individual transactions between buyers and sellers
  - Requires transmission schedule(s) procured from one or more providers
  - Long-term, monthly, day-ahead, real-time (hourly)
  - Day-ahead trading in 16-hour (peak) or 8-hour (off-peak) blocks

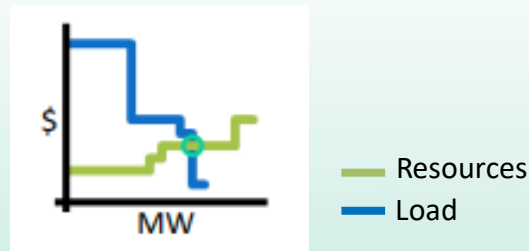


# Day-ahead and Real-time Organized Energy Markets

- Day-ahead market used to set up operating day based on forecast
- Real-time (imbalance) market used to balance any changes from day-ahead

Market Operator provides the following:

- Platform for resources to submit offers to supply energy and loads to submit energy bids
- Runs optimization model to determine least-cost set of resources to serve load across footprint



21

60/409



# Organized Market Structure Comparison

Organized Market Functions	Current environment for Snohomish	Imbalance Market (EIM)	Day-Ahead Market (EDAM, Markets+)	RTO
Real-Time/Imbalance Market	Bilateral Trades / EIM	X	X	X
Day-Ahead Market	Bilateral Trades		X	X
Resource Adequacy/ Resource Sufficiency	Western Resource Adequacy Program (WRAP) - currently non-binding	Resource Sufficiency Evaluation (RSE)	Markets+: WRAP EDAM: RSE	X
BAA consolidation	BPA			X
Single Transmission Service Provider	BPA			X
Shared Transmission Planning	BPA / NorthernGrid			X





**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 2A

**TITLE**

Employee of the Month for September – David Fawcett

**SUBMITTED FOR: Recognition/Declarations**

<u>Human Resources</u>	<u>Traci Brumbaugh</u>	<u>8626</u>
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing: _____		
Estimated Expenditure: _____		Presentation Planned <input checked="" type="checkbox"/>

**ACTION REQUIRED:**

- Decision Preparation
- Policy Discussion
- Policy Decision
- Statutory
- Incidental (Information)
- Monitoring Report

**SUMMARY STATEMENT:**

Identify the relevant Board policies and impacts:

David began his career with the PUD on March 6, 2000, as an Equipment Operator in the Distribution Department.

For the years between 2000 and 2018, David served as an Equipment Operator at both the Everett and Arlington locations.

In May of 2018, he was promoted to Equipment and Driver Trainer - 1. Then promoted again in 2020, to Assistant Equipment and Driver Trainer, which is the position he holds today.

This is not the first time David has been recognized by the Employee and Team of the Month Program. In January 2013, David was recognized as part of a team that was dispatched to New Jersey to assist restoring power to the state after Superstorm Sandy.

David will be presented by his manager Paul Kiss, Operations Superintendent.

*List Attachments:*  
Employee Profile



September's Employee of the Month has been driving us to be our best at the PUD for over 20 years; first as an Equipment Operator and for the last few years as Assistant Equipment and Driver Trainer. Dave Fawcett is responsible for training any one in need of their Commercial Drivers License (CDL) at the PUD. Whether it's a mini-excavator or a big line truck, Dave's great personality, incredible work ethic, and loads of experience will ensure they are confident and equipped to pass the test.

"Dave not only trains his drivers to pass the CDL test, but he also trains them to drive in a safe manner that aligns with the PUD's values," said Guy Payne, Assistant General Manager Distribution and Engineering. "Safety is our most important value, and driving is one of the biggest hazards that most of us confront on a daily basis, I'm grateful for Dave's efforts to make sure our CDL drivers have the tools and knowledge they need to pass the test and operate safely at the PUD."

In addition to his 23 years at the PUD, Dave has been in the Line Construction industry for a combined 45 plus years. In the last five years, he has successfully prepared approximately 75 members of Team PUD to pass the CDL test.

"Dave has always had a great attitude when it comes to his work," said Slade Wills, Assistant Lineman Training Coordinator. "His students' pass/fail rate when completing their final testing with the State shows he has ensured that PUD employees that require a CDL for their position are more than ready for this stressful testing procedure. His success rate is phenomenal."

Dave trains everyone at the PUD that needs a CDL, regardless of their department. He regularly trains employees from Line, Substation, Transportation, Water, Warehouse, and others. Employees have to complete a minimum 160 hours of CDL preparation with Dave to be able to pass their CDL test with the State. This includes classroom time and driving.

"Dave has a great personality that enables him to get along with everyone," said Carlos Tostado, Lineman Training Coordinator. "His ability to change his teaching style to work for different personalities and learning styles is amazing."

Dave takes pride in his training and is always staying up to date on the Washington State CDL training programs and requirements as they change year to year.

In addition to teaching his trainees, Dave is always willing to go the extra mile to assist with anything going on in the Line Training department, and he does it with a smile on his face.

"Dave makes the PUD a better place with his positive attitude and willingness to help anyone!" said Slade.

"He's done an exceptional job in training PUD employees for their CDL Driver License, but he also makes himself available to assist Billy Binckley (Equipment/Driver) and Slade Wills," said Carlos. "He's a good friend to everyone and very valuable in his current position. He deserves this recognition for staying with the PUD and not retiring. He's been a big asset to the Line Training and the PUD."

This is not the first time Dave has been recognized by the Employee and Team of the Month Program. In January 2013, Dave was recognized as part of a team that was dispatched to New Jersey to assist restoring power after Superstorm Sandy.

It's Dave's commitment to his work, his willingness to step up and lend a hand, and his positive attitude that have earned him this recognition. For Dave, it's all about the team and his drive to serve others.

"I like being part of our training team, it's a great place to be and we all work together with the same common goal to help employees achieve and gain valuable experience along with confidence in operating equipment," said Dave. "Our CDL program is a great success thanks to our team working together to make sure our students have all the knowledge and driving experience they need before they test. I want to thank my coworkers for nominating me for this recognition, it's truly an honor."

**COMMENTS FROM THE PUBLIC**



**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 4A

**TITLE**

Approval of the Minutes for the Regular Meeting of August 22, 2023, and the Special Meeting of August 24, 2023

**SUBMITTED FOR: Consent Agenda**

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

**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) ... 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**

**August 22, 2023**

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The Regular Meeting was convened by President Rebecca Wolfe at 9:00 a.m. Those attending were Sidney Logan, Vice-President; Tanya Olson, Secretary; CEO/General Manager John Haarlow; General Counsel Colin Willenbrock; Assistant General Managers Pam Baley (virtually), Guy Payne, Brant Wood, and Jason Zyskowski; Chief Financial Officer Scott Jones; Chief Information Officer Kristi Sterling; other District staff; members of the public; Commission & Executive Services Director Melissa Collins; Clerk of the Board Allison Morrison; 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. Community Engagement. Communications & Marketing Consultant Laura Zorick provided a presentation on District related Community Engagement activities.
2. Legislative. There were no questions regarding the report.
3. Other. There were no other updates.

B. Time of Day Rate Implementation AMI Customer Enablement

Senior Manager Strategic Partnership Shelley Pattison and Senior Customer & Energy Services Program Manager Cathy Patterson provided a presentation on the implementation of Time of Day rates.

The next steps included a Project Governance Board review of resources, formal project kick-off, formal rate proposal in Q4 of 2023, and developing internal and external engagement plans.

C. Interlocal Agreement with Snohomish County for Culvert Repair

Principal Engineer Brian Li provided a presentation on an Interlocal Agreement with Snohomish County for a culvert repair which included cost and final plan for repair.

The next step would be Board consideration of a resolution authorizing the Interlocal Agreement with Snohomish County at the September 5, 2023, Commission Meeting.

D. 2023 Water System Bond Issuance Update

Deputy Treasurer Lauren Way provided an update on the 2023 Water System Bond issuance, which covered the size and structure of the issuance.

The next step would be Board consideration of a resolution approving the 2023 Water System Bonds at the September 5, 2023, Commission Meeting.

The meeting recessed at 9:46 a.m. and reconvened at 9:51 a.m.

E. Job Description Project Compensation Philosophy Preview

Human Resources Consultant Christy Schmidt provided an update on the job description and compensation philosophy project, which included a preview of the compensation philosophy proposal.

The next steps included Board consideration of a resolution approving the Compensation Philosophy at the September 5, 2023, Commission Meeting, and a tentative implementation date of January 2024.

**EXECUTIVE SESSION**

The Regular Meeting recessed at 10:40 a.m. and reconvened at 10:45 a.m. into Executive Session to discuss legal risks of current practice or proposed action with legal counsel 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 Commissioners Rebecca Wolfe, Sidney Logan, and Tanya Olson; CEO/General Manager John Haarlow; General Counsel Colin Willenbrock; Chief Financial Officer Scott Jones; and Commission & Executive Services Director Melissa Collins. At 11:14 a.m. the Executive Session was extended 10 minutes. The Regular Meeting recessed immediately upon conclusion of the Executive Session at 11:24 a.m.

**RECONVENE REGULAR MEETING**

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

**\* Items Taken Out of Order****\*\*Non-Agenda Items****2. RECOGNITION/DECLARATIONS****A. Employee of the Month for August – Brenda Johns**

Brenda Johns was recognized as Employee of the Month for August.

**B. General Manager’s Life Saving Award – Lynnwood Line Crew**

Construction Superintendent Keith Ellison introduced Entry Helper-2 Justin Atkinson, Journeyman Lineman Kellan Bulman (absent), Journeyman Lineman Tre Harris, and Apprentice Lineman-5 Anthony Haugstad, who were presented the General Manager’s Life Saving Award.

**3. COMMENTS FROM THE PUBLIC**

The following public provided comments:

- Steven Keeler, Edmonds
- Suzanna McCarthy, Everett
- Lianne Shea, Marysville
- Shelley Mortinson, Marysville
- Ray Harker, Marysville
- Nancy Johnson, Edmonds
- Donald Miller, Arlington

**4. CONSENT AGENDA****A. Approval of Minutes for the Regular Meeting of August 8, 2023**

**B. Bid Awards, Professional Services Contracts and Amendments**

Public Works Contract Award Recommendations:

Invitation to Bid No. 23-1373-KS with Granite Construction Company

Recommend Rejection for Invitation to Bid No. 23-1406-KS

Formal Bid Award Recommendations \$120,000 and Over:

Recommend Rejection for Request for Quotation No. 23-1401-CS

Request for Quotation No. 23-1404-BP with American Wire Group LLC

Recommend Rejection for Request for Quotation No. 23-1360-CS

Professional Services Contract Award Recommendations \$200,000 and Over:

None

Miscellaneous Contract Award Recommendations \$200,000 and Over:

Recommend Rejection for Request for Proposal No. 23-1400-SF

Miscellaneous Contract No. CW2252516 with Cascade Energy, Inc.

Interlocal Agreements and Cooperative Purchase Recommendations:

Contracts:

Purchase Order No. 4500086039 with Pape Kenworth

Purchase Order No. 4500086015 with Harnish Group, Inc.

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:

Miscellaneous No. CW2234812 with Open Text, Inc.

Contract Acceptance Recommendations:

Public Works Contract No. CW2249278 with Laser Underground & Earthworks, Inc.

Public Works Contract No. CW2247792 with Kemp West, Inc.

Public Works Contract No. CW2251293 with Davey Tree Surgery Company

**C. Consideration of Certification/Ratification and Approval of District Checks and Vouchers**

A motion unanimously passed approving Agenda Items 4A – Approval of Minutes for the Regular Meeting of August 8, 2023; 4B – Bid Awards, Professional Services Contracts and Amendments; 4C – Consideration of Certification/Ratification and Approval of District Checks and Vouchers.



**5. ITEMS FOR INDIVIDUAL CONSIDERATION****A. 2024 Budget Notice of Public Hearing**

A motion unanimously passed approving the proposed Notice of Public Hearing for the 2024 Preliminary Budget as presented in the packet (October 2, 2023, November 7, 2023, November 21, 2023, and December 5, 2023).

**B. Consideration of a Resolution Amending District Water Utility Policies and Establishing Certain Charges for Water Utility**

A motion unanimously passed to remove the Resolution from the table for consideration.

A motion unanimously passed approving Resolution No. 6104 amending District Water Utility policies and establishing certain charges for Water Utility.

**C. Consideration of a Resolution Authorizing the CEO/General Manager of Public Utility District No. 1 of Snohomish County to Execute Amendment No. 3 to an Interlocal Agreement With Snohomish County Regarding Weatherization of Low-Income Residences**

A motion unanimously passed approving Resolution No. 6135 authorizing the CEO/General Manager of Public Utility No. 1 of Snohomish County to execute Amendment No. 3 to an Interlocal Agreement with Snohomish County regarding weatherization of low-income residences.

**D. Consideration of a Resolution Declaring a Portion of the Hat Island Submarine Cable Project to be “Special Facilities” for the Purposes of RCW 39.04.280**

A motion unanimously passed approving Resolution No. 6136 declaring a portion of the Hat Island Submarine Cable Project to be “Special Facilities” for the purposes of RCW 39.04.280.

**6. CEO/GENERAL MANAGER REPORT**

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

**7. COMMISSION BUSINESS**

A. Commission Reports

The Board discussed Elected Official visits and concurred that the opportunity to attend would be offered to the Commissioner in that voting district first.

The Commissioners reported on other Commission related activities and Board related topics.

B. Commissioner Event Calendar

There were no changes to the Commissioner Event Calendar.

C. 2023 Treasury, Budget, Forecast, and Major Project Status Report – July

There were no questions regarding the report.

D. July 2023 District Performance Dashboard

There were no questions on the July 2023 District Performance Dashboard.

**8. 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 August 22, 2023, adjourned at 2:46 p.m. An audio file of the meeting is on file in the Commission Office and available for review.

Approved this 5<sup>th</sup> day of September, 2023.

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
President

\_\_\_\_\_  
Vice President

**PRELIMINARY  
SNOHOMISH COUNTY PUBLIC UTILITY DISTRICT**

**Special Meeting**

**August 24, 2023**

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The Special Meeting was convened by President Rebecca Wolfe at 8:00 a.m. at the Headquarters Building. Those attending were Sidney Logan, Vice President; Senior Manager Generation Engineering & Maintenance Brad Spangler; Manager Natural Resources Keith Binkley; Manager Generation Operations & Engineering Scott Spahr; Senior Environmental Coordinator Dawn Presler; and Deputy Clerk of the Board Morgan Stoltzner.

**JACKSON HYDROELECTRIC PROJECT SITE VISIT**

The Special Meeting recessed at 8:00 a.m. and reconvened at 9:15 a.m. at the Henry M. Jackson Hydroelectric Project for site visits near Sultan, Washington.

**ADJOURNMENT**

The Special Meeting of August 24, 2023, adjourned at 3:25 p.m.

Approved this 5<sup>th</sup> day of September, 2023.

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
President

\_\_\_\_\_  
Vice President



**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 4B

**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**

<u>Contracts/Purchasing</u>	<u>Clark Langstraat</u>	<u>5539</u>
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing: _____		
Estimated Expenditure: _____		Presentation Planned <input type="checkbox"/>

**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) ... non-delegable, statutorily assigned Board duty – Contracts and Purchasing.*

The CEO/General Manager's Report of Public Works Contract Award Recommendations; 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 (Page 1);  
Recommend Rejection for Invitation to Bid No. 23-1393-HL

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 (Page 2);  
Contracts:  
Contract Number CW2252715 with ADT Security Corporation dba ADT Commercial  
LLC  
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 (Pages 3 - 4);  
Professional Services Contract No. CW2224420 with Wetland Resources, Inc.  
Miscellaneous No. CW2225685 with Tru-Check Inc.

Contract Acceptance Recommendations;  
None

*List Attachments:*  
September 5, 2023 Report

**Public Works Contract Award Recommendation(s)**  
**September 5, 2023**

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**ITB 23-1393-HL**  
PWC - Residential Electrician  
Unit Price Contact

No. of Bids Solicited:	24	
No. of Bids Received:	3	
Project Leader & Phone No.:	Travis Olson	Ext. 8216
Estimate:	\$ 1,900,504.00	

Work Description and Site: Provide all labor, equipment, tools, material and incidentals necessary to perform residential electrical service repairs in support of the AMI meter deployment project, commonly referred to as ConnectUP. Work will be performed in the District's service area in various locations throughout the Snohomish, Skagit and Island Counties.

<u>Contractor</u>	<u>Bid Amount (w/o tax)</u>
Dickson Electric LLC	\$ 833,055.00
Roddan Industrial	\$2,147,348.50
BlueSky Electrical Contracting & Design LLC	\$2,016,102.14

Summary Statement: All bidders failed to include a copy of a Bid Security document as required in Section 1.7 of the bid documents. In addition, the bid from Dickson Electric LLC was not submitted through Public Purchase as required in Section 1.2 of the bid documents. Therefore, Staff recommends rejection of all bids as non-responsive.

## **Cooperative Purchase Recommendations September 5, 2023**

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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 Contractor/Consultant/Supplier: ADT Security Corporation dba ADT Commercial LLC

Awarded Amount      \$650,000.00

Contract Number:      CW2252715 Security Systems District Wide Maintenance

Department of Enterprises (DES) Master Usage Agreement Number KK2295

Washington State Contract No. 24223

NASPO ValuePoint Master Agreement No NV23-16259 Security and Fire Protection Services

Description of Purchase

ADT will provide repair, replacement, maintenance and support for all District security systems through July 31, 2028. Systems include access control, cameras, and alarm systems for substations, generation sites and NERC restricted areas.

Project Lead: Matt Hoffman, Ext. 8190



**Formal Bid and Contract Amendment(s)**  
**September 5, 2023**

**PSC No. CW2224420**  
Permitting Services for the  
Stanwood to Camano 115kV  
Transmission Line Phase 2 Project

Contractor/Consultant/Supplier:	Wetland Resources, Inc.	
Project Leader & Phone No.:	Matt	Ext. 5627
	McReynolds	
Amendment No.:	5	
Amendment:	\$36,705.00	

Original Contract Amount: \$23,295.00  
Present Contract Amount: \$163,295.00  
Amendment Amount: \$36,705.00  
New Contract Amount: \$200,000.00

Original Start/End: 3/15/16 – 6/15/17  
Present Start/End: 3/15/16 – 10/15/25  
New End Date: 10/15/26

**Summary Statement:**

Staff recommends approval of Amendment No. 5 to increase the contract by \$36,705.00 and extend the contract term to 10/15/26, so that Consultant can continue archaeological monitoring for 2023/2024 construction and shoreline flood permitting for 2024/2025.

**Summary of Amendments:**

Amendment No. 4 dated October 18, 2022 increased contract by \$50,000.00 and extended the contract term to 10/15/25 to support additional scope of work.

Amendment No. 3 dated July 6, 2021 increased contract by \$90,000.00 and extended the contract term to 3/14/23 to support additional scope of work.

Amendment No. 2 dated January 3, 2019 extended contract term to 3/14/2022 due to postponement of construction.

Amendment No. 1 dated May 5, 2017 extended contract term to 7/15/2020 due to permit acquisition delays.

**Formal Bid and Contract Amendment(s)**  
**September 5, 2023**

**MISC No. CW2225685**  
Electric and Water  
Meter Reading Services

Contractor/Consultant/Supplier:	Tru-Check Inc.	
Project Leader & Phone No.:	Shari Akramoff	Ext. 8636
Amendment No.:	4	
Amendment:	\$ 5,900,000.00	

Approximate Original Contract Amount:	\$8,890,000.00		
Present Contract Amount:	\$23,740,000.00	Original Start/End:	7/18/2016 – 12/01/2019
Amendment Amount:	\$5,900,000.00	Present Start/End:	7/18/2016 --12/01/2023
Approximate New Contract Amount:	\$29,640,000.00	New End Date:	12/01/2024

Summary Statement: Staff recommends approval of Amendment No. 3 to increase the contract by an estimated amount of \$5,000,000.00. This amendment will allow for continued electric and water meter reading services through 2023.

Summary of  
Amendments:

Amendment No. 1 approved by Commission on September 10, 2019. Extended contract term to December 1, 2022, increased funding by \$9,850,000.00 and modified scope extending reading hours during the months April through September, increased the starting wage minimum, set standards and resolution expectations for managing access problems, and added that District will update Tru-Check, Inc. of Districts AMI plans at the end of 2021.

Amendment No. 2 executed September 21, 2021, Modify Scope, increased payment to accommodate increased minimum staff pay scale in an effort to improve the ability to recruit staff. Also add liquidated damages for consecutive estimated meter readings.

Amendment No. 3 approved by Commission October 3, 2022, Extended contract term to December 1, 2023, add \$5,000,000.00 and modified scope, increased payment of per meter reads, added fuel surcharge and changed late reads to not be more than two days from the scheduled reading date.



**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 4C

**TITLE**

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

**SUBMITTED FOR: Consent Agenda**

<u>General Accounting &amp; Financial Systems</u>	<u>Shawn Hunstock</u>	<u>8497</u>
<i>Department</i>	<i>Contact</i>	<i>Extension</i>

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 September 2023.

**CERTIFICATION:**

Certified as correct:

CEO/General Manager

*Shawn Hunstock*

Auditor

*Shari Akramoff*

Chief Financial Officer/Treasurer

**RATIFIED AND APPROVED:**

Board of Commissioners:

President

Vice-President

Secretary

TYPE OF DISBURSEMENT	PAYMENT REF NO.	DOLLAR AMOUNT	PAGE NO.
<b>REVOLVING FUND</b>			
Customer Refunds, Incentives and Other	1124532 - 1124740	\$42,098.33	2 - 8
Electronic Customer Refunds		\$9,704.77	9 - 11
<b>WARRANT SUMMARY</b>			
Warrants	8074813 - 8074988	\$2,365,901.23	12 - 17
ACH	6040141 - 6040425	\$3,098,689.63	18 - 26
Wires	7002955 - 7002972	\$21,239,648.37	27
Payroll - Direct Deposit	5300000874 - 5300000874	\$4,373,552.23	28
Payroll - Warrants	845008 - 845017	\$17,400.14	28
Automatic Debit Payments	5300000873 - 5300000878	\$3,486,010.13	29
	<b>GRAND TOTAL</b>	<b>\$34,633,004.83</b>	

### Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
8/14/23	1124532	DAVID NEUMAN	\$48.09
8/14/23	1124533	KOBE BAUMANN	\$133.78
8/14/23	1124534	BAIHONG WU	\$1,659.52
8/14/23	1124535	ELIZABETH JAMES	\$28.90
8/14/23	1124536	DAWNIELLE OWENS	\$40.91
8/14/23	1124537	ARTHUR DAVIS	\$2,200.00
8/14/23	1124538	MARLISA OWEN	\$69.68
8/14/23	1124539	JEFF SCHMIDT	\$2,200.00
8/14/23	1124540	TAYLOR LANG	\$116.60
8/14/23	1124541	JANET BROWN	\$18.47
8/14/23	1124542	JESSE VILLANUEVA	\$7.56
8/14/23	1124543	ELVIN WAGONER	\$50.00
8/14/23	1124544	EDGAR-RAUL CAMACHO PEREZ	\$75.58
8/15/23	1124545	JAN SANTORA-FARRAR	\$11.13
8/15/23	1124546	CESAR ESQUIVEL	\$20.73
8/15/23	1124547	STEPHEN GABLE	\$128.83
8/15/23	1124548	PEGGY RAY	\$867.16
8/15/23	1124549	CIGAR LAND	\$412.69
8/15/23	1124550	JUSTIN STANDFILL	\$179.68
8/15/23	1124551	NW POWER AND BULB LLC	\$215.61
8/15/23	1124552	TRAVIS CLARKE	\$15.90
8/15/23	1124553	JOSEPH BENNETT	\$114.86
8/15/23	1124554	SEASONS LYNNWOOD, LLC	\$16.43
8/15/23	1124555	VINCENT CICCARELLI	\$22.82
8/15/23	1124556	JANICE BRADFIELD	\$28.18
8/15/23	1124557	KATHERINE THAETE	\$60.88
8/15/23	1124558	VENKATESHWAR THOTA	\$85.56
8/15/23	1124559	HEAVEN BEKELE	\$87.08
8/15/23	1124560	KEVIN PARHAM	\$52.72
8/15/23	1124561	JESSICA BECKHAM	\$84.96
8/15/23	1124562	AVOGADRO INVESTMENTS LLC	\$20.99
8/15/23	1124563	RAHUL RAJ	\$66.42

**Detailed Disbursement Report**

<b>Revolving Fund - Customer Refunds, Incentives and Other</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/15/23	1124564	CORY WAHLEN	\$113.64
8/15/23	1124565	JACKSON KENT	\$129.09
8/15/23	1124566	RESG HOMES LLC	\$162.06
8/16/23	1124567	MONICA MATTSON	\$397.97
8/16/23	1124568	OLIVIA ALARCON	\$8.37
8/16/23	1124569	VOID	\$0.00
8/16/23	1124570	LGI HOMES - WASHINGTON, LLC	\$21.81
8/16/23	1124571	LGI HOMES - WASHINGTON, LLC	\$34.37
8/16/23	1124572	SAMANTHA DIXON	\$96.23
8/16/23	1124573	ALLA LUBENETS	\$112.41
8/16/23	1124574	JEROME CHIGBROW	\$153.46
8/16/23	1124575	DYLAN LIMBOCKER	\$518.22
8/16/23	1124576	ALLEGRO ASSOCIATES DE LLC	\$23.01
8/16/23	1124577	INLAND WASHINGTON LLC	\$163.29
8/16/23	1124578	TAYLOR MORRISON NORTHWEST LLC	\$22.71
8/16/23	1124579	CATHERINE EMPERADOR	\$23.77
8/16/23	1124580	VOID	\$0.00
8/16/23	1124581	ROBERT ADE	\$20.49
8/16/23	1124582	CONNIE BUCKINGHAM	\$42.98
8/16/23	1124583	VOID	\$0.00
8/16/23	1124584	SASHA GOGESHVILI	\$55.91
8/16/23	1124585	CONNER HATHAWAY	\$744.46
8/16/23	1124586	THE DOUGLAS LP	\$62.21
8/17/23	1124587	HENRY KARA	\$962.98
8/17/23	1124588	AMELIA QUIBA	\$95.40
8/17/23	1124589	MARK HAENLEIN	\$1,792.65
8/17/23	1124590	MARTIN KAISER	\$100.00
8/17/23	1124591	KANDI HENKEL	\$126.30
8/17/23	1124592	CHRISTOPHER LEWIS	\$81.51
8/17/23	1124593	JACOB BERNARDINI	\$122.65
8/17/23	1124594	RICHARD ZIMMERMAN	\$16.77
8/17/23	1124595	IAN POLL	\$108.70

**Detailed Disbursement Report**

<b>Revolving Fund - Customer Refunds, Incentives and Other</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/17/23	1124596	SABIHA KUCUKONER	\$159.24
8/17/23	1124597	CORNERSTONE HOMES	\$8.58
8/17/23	1124598	CULPEPPER COURT	\$139.31
8/17/23	1124599	CHASE CAMERON	\$79.98
8/17/23	1124600	ANTHONY ROMAN	\$140.34
8/17/23	1124601	MARC ANTOINE GOSSLEIN-LAVIGNE	\$117.44
8/17/23	1124602	WILLIAM MILLAR	\$51.27
8/17/23	1124603	GLORIA WILLIAMS	\$200.00
8/17/23	1124604	MIYAKO SPOONER	\$15.27
8/17/23	1124605	STEVENS PARK LLC	\$11.80
8/17/23	1124606	CODY KAMLLEY	\$95.51
8/18/23	1124607	LUDE ROCHE	\$428.46
8/18/23	1124608	YELENA DAGAEV	\$24.89
8/18/23	1124609	LAKE BRONSON ASSOCIATES INC	\$18.02
8/18/23	1124610	CORNERSTONE HOMES	\$74.20
8/18/23	1124611	JOYCE WALKER BREITHAAPT	\$273.42
8/18/23	1124612	GENEVIEVE STEMBERG	\$45.08
8/18/23	1124613	REZVANYE HERMANN	\$13.55
8/18/23	1124614	WEIDNER PROPERTY MANAGEMENT LLC	\$65.23
8/18/23	1124615	KD3 HOME SOLUTIONS LLC	\$946.66
8/18/23	1124616	DANIEL DAHILIG	\$159.34
8/18/23	1124617	CORNERSTONE HOMES	\$63.46
8/18/23	1124618	CORNERSTONE HOMES	\$58.76
8/18/23	1124619	KENNETH ZUKOWSKI	\$62.88
8/18/23	1124620	ROBERT JACKSON	\$143.21
8/18/23	1124621	PATRICIA PENROSE	\$7.88
8/18/23	1124622	JOHN MARTIN	\$62.56
8/18/23	1124623	EVERETT HOUSING AUTHORITY	\$31.27
8/18/23	1124624	IH6 PROPERTY WASHINGTON LP	\$9.60
8/18/23	1124625	RU LIN	\$43.82
8/18/23	1124626	MARK HOLLEY	\$11.36
8/18/23	1124627	JACKIE GILBERT	\$118.00

### Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
8/18/23	1124628	SERGIO ALEJANDRO EDGAR URIBE JIMINEZ	\$82.51
8/18/23	1124629	IH6 PROPERTY WASHINGTON LP	\$15.56
8/18/23	1124630	LESIA OLIVER	\$53.30
8/18/23	1124631	COLLINS SALIFU	\$2,200.00
8/18/23	1124632	SVETLANA SIMONYAN	\$49.96
8/18/23	1124633	ALLISON DEMPSTER	\$71.67
8/18/23	1124634	CHARLA APANA	\$218.80
8/18/23	1124635	MELISSA SHELLEY	\$51.24
8/18/23	1124636	BENJAMIN BENSON	\$185.25
8/21/23	1124637	MARK HAENLEIN	\$216.00
8/21/23	1124638	XIAONAN WEI	\$22.90
8/21/23	1124639	DENNIS WHITNEY	\$686.14
8/21/23	1124640	200XX ARLINGTON, LLC	\$212.54
8/21/23	1124641	MILL AT MC 1 LLC	\$9.08
8/21/23	1124642	MILL AT MC 1 LLC	\$100.39
8/21/23	1124643	SH DEV PROJECT LLC	\$11.25
8/21/23	1124644	MASK PROPERTIES LLC	\$6.99
8/22/23	1124645	JAMES PILON	\$5.65
8/22/23	1124646	KAARE TORJUSSEN	\$19.59
8/22/23	1124647	CLAYTON CORCORAN	\$32.37
8/22/23	1124648	WAKEFIELD ALDERWOOD LLC	\$21.59
8/22/23	1124649	WAKEFIELD ALDERWOOD LLC	\$7.87
8/22/23	1124650	ROBERTA SANFORD	\$216.41
8/22/23	1124651	ANNA HUDSON	\$658.49
8/22/23	1124652	NISHITH MODI	\$129.87
8/22/23	1124653	YING SHANG	\$127.46
8/22/23	1124654	VOID	\$0.00
8/22/23	1124655	SHUOJIAN ZHANG	\$66.05
8/22/23	1124656	NOAH BELHUMEUR	\$62.68
8/22/23	1124657	BRADEN BAKER	\$143.80
8/22/23	1124658	BILLY BUSSING	\$38.88
8/22/23	1124659	DEGA ABDILAH	\$24.55



**Detailed Disbursement Report**

<b>Revolving Fund - Customer Refunds, Incentives and Other</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/22/23	1124660	PETER SCHMIDT	\$9.83
8/22/23	1124661	DENITA ENOCKSEN	\$11.15
8/22/23	1124662	HEIDI LINDMAN	\$175.55
8/22/23	1124663	AMANDA MCCANN	\$8.04
8/22/23	1124664	MARGARET NGARACHU	\$316.03
8/22/23	1124665	PARK LANE APTS LLC	\$17.75
8/22/23	1124666	PARK LANE APTS LLC	\$136.29
8/22/23	1124667	NETTIE THOMPSON	\$492.49
8/22/23	1124668	MADELINE CAMPBELL-SHINAULT	\$153.77
8/22/23	1124669	EMMANUEL RUHORIMBERE	\$117.48
8/22/23	1124670	TIM MOORE	\$100.00
8/22/23	1124671	FIRDALE PARTNERS LLC	\$37.48
8/22/23	1124672	LGI HOMES - WASHINGTON, LLC	\$55.61
8/22/23	1124673	CONNIE CASTRO	\$46.80
8/22/23	1124674	KEVIN PERKINS	\$127.81
8/22/23	1124675	ARCELIA RODRIGUEZ ALVAREZ	\$21.52
8/23/23	1124676	JEFFREY BAKER	\$100.00
8/23/23	1124677	TANEEKAH FORTUNE	\$111.24
8/23/23	1124678	SRILEKHA MOVVA	\$54.66
8/23/23	1124679	KURT BARTELHEIMER	\$18.25
8/23/23	1124680	SSHI LLC	\$36.11
8/23/23	1124681	GOLDEN AGE GLGL LLC	\$42.11
8/23/23	1124682	SERGII KOPKIN	\$137.43
8/23/23	1124683	MARCUS LINTAULT	\$549.87
8/23/23	1124684	RAJMOHAN SREEKUMARAN	\$15.18
8/23/23	1124685	SSHI LLC	\$45.92
8/23/23	1124686	JUNIPER SANDERS-HOLLOWELL	\$62.91
8/23/23	1124687	GILBERTO AGUILAR	\$95.65
8/23/23	1124688	ROSANNE LINDBLOM	\$1,342.94
8/23/23	1124689	ARCHIE YOUNG	\$341.98
8/23/23	1124690	BERNADETTE POPE	\$108.37
8/23/23	1124691	SAMANTHA MORENO	\$97.49

### Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
8/23/23	1124692	BRANDEE BYERS	\$81.41
8/23/23	1124693	WHITNEY SMITH	\$365.98
8/23/23	1124694	JENIPHER HARRIMAN	\$154.24
8/23/23	1124695	PACIFIC RIDGE - DRH, LLC	\$7.31
8/23/23	1124696	RYLEE DRESSLER	\$389.78
8/23/23	1124697	THANH DANG	\$100.35
8/24/23	1124698	JR ARMAND GENDRON	\$96.07
8/24/23	1124699	GAYLE GITHENS	\$129.98
8/24/23	1124700	DIEGO SANCHEZ VARGAS	\$117.50
8/24/23	1124701	PENNY ORMSBEE	\$83.78
8/24/23	1124702	SUNI CHON	\$60.36
8/24/23	1124703	LOUIS WICK	\$277.28
8/24/23	1124704	FRANK NINGALA	\$72.40
8/24/23	1124705	BMCH WASHINGTON LLC	\$13.45
8/24/23	1124706	MASON USO	\$9.88
8/24/23	1124707	DARIN GUERTIN	\$974.29
8/24/23	1124708	MARY NELSON	\$17.58
8/24/23	1124709	GERHARD PRETORIUS	\$97.89
8/24/23	1124710	GLENN SINGLETON	\$546.42
8/24/23	1124711	BEVERLY LAVDAS	\$40.86
8/24/23	1124712	ANNA HAUKSDOTTIR	\$111.78
8/24/23	1124713	JOSEPH LAUGHLIN	\$42.44
8/24/23	1124714	GLENN CONNELLY	\$233.09
8/24/23	1124715	WINDY BARNETT	\$412.20
8/24/23	1124716	RANDALL RICHARD	\$66.84
8/25/23	1124717	KATIE RICE	\$46.38
8/25/23	1124718	TRAVIS HUNSTEAD	\$179.56
8/25/23	1124719	THOMAS OLSEN	\$145.95
8/25/23	1124720	ALEXIS NOKHAM	\$111.23
8/25/23	1124721	SEHIJA CIMPO	\$1,777.01
8/25/23	1124722	JOHN MARCHETTI	\$168.58
8/25/23	1124723	DARIN GABLE	\$149.23

### Detailed Disbursement Report

Revolving Fund - Customer Refunds, Incentives and Other			
Payment Date	Payment Ref Nbr	Payee	Amount
8/25/23	1124724	MICHAEL HOULE	\$154.18
8/25/23	1124725	KRISTINA HAMBERLIN	\$422.23
8/25/23	1124726	BORDEAUX VENTURE LLC	\$76.54
8/25/23	1124727	VANGUARD GT INVESTMENTS LLC	\$79.50
8/25/23	1124728	APRIL CAMPBELL	\$284.32
8/25/23	1124729	JESSICA MYSTAL	\$64.59
8/25/23	1124730	KIANNA JORDAN	\$96.06
8/25/23	1124731	EVERGREEN PROPERTY VENTURES LP	\$29.68
8/25/23	1124732	HOLLY DIXON	\$407.09
8/25/23	1124733	BRAMBLEMIRE INC	\$1,899.00
8/25/23	1124734	THELMA NIEMI	\$43.64
8/25/23	1124735	ACACIA TERRACE LLC	\$5.82
8/25/23	1124736	DNXT MERITAGE LLC	\$34.35
8/25/23	1124737	TARYN ATLEE	\$191.71
8/25/23	1124738	BARBARA BURNS	\$105.63
8/25/23	1124739	AMANDA SPOHNHOLTZ	\$1,177.65
8/25/23	1124740	ROBERT LUND	\$73.16

**Total: \$42,098.33**

**Detailed Disbursement Report**

<b>Revolving Fund - Electronic Customer Refunds</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/14/23	000525590254	FRED OCOM	\$88.05
8/14/23	000525590255	MAURICIO HERNANDEZ	\$132.05
8/14/23	000525590256	JUDAH WESSEL	\$119.31
8/14/23	000525590257	MAURICIO HERNANDEZ	\$132.05
8/14/23	000525590258	JEFFREY SMITH	\$18.06
8/14/23	000525590259	YUANQI LI	\$16.40
8/15/23	000525599846	LICHAO ZHANG	\$140.90
8/15/23	000525599847	CALEB LAY	\$136.98
8/15/23	000525599848	JEONG SONG	\$84.76
8/15/23	000525599849	SUNNY ALTANDUULGA	\$68.02
8/15/23	000525599850	KIANNA DAVIS	\$79.93
8/15/23	000525599851	JEONG SONG	\$51.66
8/15/23	000525599852	CHANDRIKA JAIN	\$128.50
8/15/23	000525599853	SUNNY ALTANDUULGA	\$68.02
8/15/23	000525599854	SHARATH NAVALPAKKAM KRISHNAN	\$23.03
8/16/23	000525608972	WAYNE NELSON	\$204.63
8/16/23	000525608973	SOPHIA LAURIEL ELSA-GORDON	\$524.17
8/16/23	000525608974	JUAN MANUEL CRUZALEY	\$122.06
8/16/23	000525608975	ISABELLA GATICA	\$61.10
8/16/23	000525608976	KATTY TOPETE	\$70.80
8/16/23	000525608977	CHLOE KLINGMAN	\$220.88
8/16/23	000525608978	CHLOE KLINGMAN	\$441.76
8/17/23	000525618384	JAMES HINKEN	\$45.05
8/17/23	000525618385	JOSEPH MESA	\$10.55
8/17/23	000525618386	JUSTIN GALLION	\$48.80
8/17/23	000525618387	ELVIRA ANDERSON	\$103.65
8/17/23	000525618388	YULIIA KLYMENKO	\$11.73
8/17/23	000525618389	SHAILIN DESAI	\$5.00
8/18/23	000525627452	MATTHEW CAVE	\$29.15
8/18/23	000525627453	MICHAEL SCHULTZ	\$15.00
8/18/23	000525627454	MARIBETH AHNE	\$78.96
8/18/23	000525627455	SAMUEL CHAFFIN	\$156.54

### Detailed Disbursement Report

Revolving Fund - Electronic Customer Refunds			
Payment Date	Payment Ref Nbr	Payee	Amount
8/18/23	000525627456	CORNELIUS ERSOZ	\$19.16
8/21/23	000525640828	ANDREW DUBAY	\$90.55
8/21/23	000525640829	DONG HOO LEE	\$140.55
8/21/23	000525640830	PAUL WHATLEY	\$113.89
8/21/23	000525640831	KAILA MAHONEY	\$102.52
8/21/23	000525640832	JONATHAN GLYNN	\$78.57
8/21/23	000525640833	JAMES CULPEPPER	\$51.78
8/21/23	000525640834	REANNA HERMANN	\$21.28
8/21/23	000525640835	JAMES CULPEPPER	\$136.00
8/21/23	000525640836	ALAIN HERNANDEZ ESCOBAR	\$39.14
8/21/23	000525640837	CAMERON MARTIN	\$107.49
8/21/23	000525640838	ALLEN LONGBRAKE	\$72.78
8/21/23	000525640839	ALAIN HERNANDEZ ESCOBAR	\$88.14
8/21/23	000525640840	ANDREW DUBAY	\$8.71
8/21/23	000525640841	REANNA HERMANN	\$40.01
8/21/23	000525640842	JOSE ZARAGOZA	\$84.04
8/21/23	000525640843	ROBERT DIEDRICH	\$56.88
8/21/23	000525640844	DANIEL EVANS	\$92.80
8/21/23	000525640845	SUMI KAWAGUCHI	\$200.99
8/21/23	000525640846	MERLE WILKERSON	\$17.57
8/21/23	000525640847	REANNA HERMANN	\$61.05
8/21/23	000525640848	ANTONIO MCCLOUD	\$14.42
8/21/23	000525640849	ALLEN DEATHERAGE	\$488.26
8/21/23	000525640850	CHARLES BARNES	\$95.00
8/21/23	000525640851	ANDREW DUBAY	\$99.26
8/22/23	000525652309	WILLIAM MCCLOY	\$47.79
8/22/23	000525652310	JUSTIN MILLER	\$11.72
8/22/23	000525652311	THAIS BARASUOL	\$101.21
8/22/23	000525652312	RASHMI SHARMA	\$154.54
8/22/23	000525652313	ERIC WILLIAMS	\$108.80
8/22/23	000525652314	SIMON HOLOWACH	\$16.52
8/22/23	000525652315	SPENCER BRONSON	\$5.99

### Detailed Disbursement Report

Revolving Fund - Electronic Customer Refunds			
Payment Date	Payment Ref Nbr	Payee	Amount
8/22/23	000525652316	JEANINE POTTS	\$16.96
8/22/23	000525652317	TERRY MAYES	\$14.38
8/22/23	000525652318	BRANDY TRUJILLO	\$26.35
8/22/23	000525652319	ARTHUR SMITH	\$217.32
8/23/23	000525658532	EDEN SELEMON	\$27.46
8/23/23	000525658533	ARIC PLUARD	\$81.94
8/23/23	000525658534	HEATHER TYMONY	\$150.00
8/23/23	000525658535	MIKE FORERO	\$158.40
8/23/23	000525658536	STEPHEN OKE	\$16.00
8/23/23	000525658537	XIAOBAO HAO	\$28.57
8/23/23	000525658538	RAVI VALLEGOWNI	\$18.55
8/23/23	000525658539	NW GAS PLUS LLC	\$894.49
8/23/23	000525658540	VIMAL ANAND RATHINASWAMI	\$697.94
8/23/23	000525658541	ROMAN KONCHENKO	\$103.07
8/23/23	000525658542	ROMAN KONCHENKO	\$1.00
8/25/23	000525675650	ABIGAIL MORENO	\$67.22
8/25/23	000525675651	FNU DHEERAJ KUMAR	\$90.59
8/25/23	000525675652	VIKTORIIA DARAGA	\$145.94
8/25/23	000525675653	JOSHUA PIERCE	\$127.90
8/25/23	000525675654	CHRISTOPHER HEARON	\$16.76
8/25/23	000525675655	MACKENZIE BOILEAU	\$102.57
8/25/23	000525675656	MODOU KUJABIE	\$43.29
8/25/23	000525675657	ABIGAIL MORENO	\$67.22
8/25/23	000525675658	XUAN CAO	\$108.33
8/25/23	000525675659	ORGIL JARGALSAIKHAN	\$159.34
8/25/23	000525675660	HOUSTON SCHMUTZ	\$28.37
8/25/23	000525675661	JAQUELINE URIBE	\$89.85

**Total: \$9,704.77**

**Detailed Disbursement Report**

<b>Accounts Payable Warrants</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/15/23	8074813	AT&T CORP	\$13,000.00
8/15/23	8074814	CDW LLC	\$299.94
8/15/23	8074815	CITY OF EVERETT	\$75.18
8/15/23	8074816	CITY OF GOLD BAR	\$175.00
8/15/23	8074817	HAT ISLAND COMMUNITY ASSN	\$100.00
8/15/23	8074818	CORE & MAIN LP	\$2,958.20
8/15/23	8074819	KENT D BRUCE	\$415.26
8/15/23	8074820	CITY OF MONROE	\$1,236.87
8/15/23	8074821	GENUINE PARTS COMPANY	\$1,209.48
8/15/23	8074822	OPEX CORPORATION	\$11,616.43
8/15/23	8074823	PITNEY BOWES INC	\$24,108.71
8/15/23	8074824	CITY OF ARLINGTON	\$1,761.93
8/15/23	8074825	REGIONAL DISPOSAL COMPANY	\$6,577.92
8/15/23	8074826	REPUBLIC SERVICES INC	\$2,420.39
8/15/23	8074827	RIVERSIDE TOPSOIL INC	\$275.00
8/15/23	8074828	SEAHURST ELECTRIC CO INC	\$384.65
8/15/23	8074829	SNOHOMISH COUNTY	\$10.00
8/15/23	8074830	SHI INTERNATIONAL CORP	\$5,090.63
8/15/23	8074831	TALLEY INC	\$2,222.00
8/15/23	8074832	OLDCASTLE PRECAST INC	\$11,790.08
8/15/23	8074833	STATE OF WASHINGTON	\$300.00
8/15/23	8074834	WAGNER SMITH EQUIPMENT CO	\$4,912.18
8/15/23	8074835	AAA OF EVERETT FIRE	\$422.02
8/15/23	8074836	BICKFORD MOTORS INC	\$555.63
8/15/23	8074837	CUMMINS INC	\$495.72
8/15/23	8074838	RYAN SCOTT FELTON	\$131.88
8/15/23	8074839	OAK HARBOR FREIGHT LINES INC	\$1,186.98
8/15/23	8074840	OMICRON ELECTRONICS CORP USA	\$57,911.81
8/15/23	8074841	PACIFIC PUBLISHING CO INC	\$730.80
8/15/23	8074842	RODLAND MOTOR COMPANY	\$98.50
8/15/23	8074843	SEVEN LAKES WATER ASSOC INC	\$63.00
8/15/23	8074844	SNOHOMISH COUNTY	\$1,211.90

### Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
8/15/23	8074845	TRUE SURVEY SUPPLY INC	\$2,373.84
8/15/23	8074846	WYNNE AND SONS INC	\$118.69
8/15/23	8074847	ANSERGY WECC INC	\$27,000.00
8/15/23	8074848	TRAVIS J MIRANDA	\$3,103.00
8/15/23	8074849	COMCAST CORPORATION	\$514.06
8/15/23	8074850	CSD ATTORNEYS AT LAW PS	\$96.00
8/15/23	8074851	KENDALL DEALERSHIP HOLDINGS LLC	\$129.13
8/15/23	8074852	CONCENTRIC LLC	\$291.02
8/15/23	8074853	THOMAS A LITTLE	\$2,000.00
8/15/23	8074854	PACIFIC GLASS & DOOR INC	\$2,007.44
8/15/23	8074855	MAD ANTHONYS INC	\$4,269.62
8/15/23	8074856	STERLING TELECOM & CONSTRUCTION INC	\$23,157.25
8/15/23	8074857	NATIONAL TRENCH SAFETY INC	\$530.95
8/15/23	8074858	CINTAS CORPORATION NO 2	\$745.98
8/15/23	8074859	DAVID V NATIONS	\$3,076.00
8/15/23	8074860	CHARLES CARLSON ESTATE	\$20,000.00
8/15/23	8074861	CAPITAL LIGHTING COMPANY INC	\$5,409.84
8/15/23	8074862	HOWARD D MCFARLAND	\$2,650.00
8/17/23	8074863	DANIEL J KLUSKIEWICZ	\$310.00
8/17/23	8074864	JOSIAH SKALSKY	\$310.00
8/17/23	8074865	AGM CONTAINER CONTROLS INC	\$649.78
8/17/23	8074866	CLATSKANIE PEOPLES UTILITY DISTRICT	\$1,500.00
8/17/23	8074867	CITY OF EDMONDS	\$662.61
8/17/23	8074868	CITY OF EVERETT	\$37.60
8/17/23	8074869	GLOBAL RENTAL COMPANY INC	\$6,813.80
8/17/23	8074870	ISLAND COUNTY	\$205.50
8/17/23	8074871	ISLAND COUNTY	\$205.50
8/17/23	8074872	KENT D BRUCE	\$4,799.77
8/17/23	8074873	GENUINE PARTS COMPANY	\$765.47
8/17/23	8074874	REPUBLIC SERVICES INC	\$1,241.81
8/17/23	8074875	TURLOCK IRRIGATION DIST	\$1,820.00
8/17/23	8074876	ALDERWOOD WATER & WASTEWATER DISTRI	\$230.29



**Detailed Disbursement Report**

<b>Accounts Payable Warrants</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/17/23	8074877	BICKFORD MOTORS INC	\$2,370.38
8/17/23	8074878	CUMMINS INC	\$213.41
8/17/23	8074879	ENGINUITY ADVANTAGE LLC	\$5,857.55
8/17/23	8074880	FITCH RATINGS INC	\$7,500.00
8/17/23	8074881	ROBINSON AND NOBLE INC	\$793.00
8/17/23	8074882	RUBATINO REFUSE REMOVAL INC	\$6,648.64
8/17/23	8074883	PUBLIC UTILITY DIST NO 1 OF	\$1,553.65
8/17/23	8074884	PUBLIC UTILITY DIST NO 1 OF	\$100.00
8/17/23	8074885	HDR ENGINEERING INC	\$2,255.75
8/17/23	8074886	FIBER MARKETING INTERNATIONAL INC	\$109.26
8/17/23	8074887	NORTHWEST FIBER LLC	\$7,627.57
8/17/23	8074888	WASHINGTON STATE DOT	\$478.00
8/17/23	8074889	RMA GROUP INC	\$11,542.00
8/17/23	8074890	GLASS BY LUND INC	\$1,400.00
8/17/23	8074891	SELECT AIR SERVICES INC	\$2,650.00
8/22/23	8074892	NW FIBER, LLC, DBA ZIPLY FIBER	\$550.16
8/22/23	8074893	MEGHAN L HANSON	\$188.75
8/22/23	8074894	CITY OF DARRINGTON	\$5,854.26
8/22/23	8074895	DAVIS WRIGHT TREMAINE LLP	\$5,130.00
8/22/23	8074896	EQUIFAX INFORMATION SERVICES LLC	\$9,350.47
8/22/23	8074897	CITY OF EVERETT	\$343.21
8/22/23	8074898	GLOBAL RENTAL COMPANY INC	\$4,945.50
8/22/23	8074899	CITY OF GOLD BAR	\$8,874.47
8/22/23	8074900	CITY OF GOLD BAR	\$587.61
8/22/23	8074901	CITY OF MARYSVILLE	\$160,465.35
8/22/23	8074902	CITY OF MARYSVILLE	\$825.60
8/22/23	8074903	CITY OF MOUNTLAKE TERRACE	\$53,650.45
8/22/23	8074904	BEACON PUBLISHING INC	\$660.00
8/22/23	8074905	GENUINE PARTS COMPANY	\$1,066.94
8/22/23	8074906	NW TANK & ENVIRONMENTAL SERVICES IN	\$425.00
8/22/23	8074907	CITY OF SEATTLE	\$24,842.00
8/22/23	8074908	SOUND PUBLISHING INC	\$91.14

**Detailed Disbursement Report**

<b>Accounts Payable Warrants</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/22/23	8074909	STEWART TITLE COMPANY	\$330.00
8/22/23	8074910	CITY OF SULTAN	\$26,029.67
8/22/23	8074911	UNIVERSAL LANGUAGE SERVICE INC	\$44.05
8/22/23	8074912	WILBUR-ELLIS HOLDINGS II INC	\$1,404.55
8/22/23	8074913	CITY OF ARLINGTON	\$107,989.36
8/22/23	8074914	ASTROF CONCRETE HARDWARE & RENTAL	\$69.46
8/22/23	8074915	BICKFORD MOTORS INC	\$1,296.77
8/22/23	8074916	CITY OF BOTHELL	\$101,784.99
8/22/23	8074917	CITY OF BRIER	\$13,819.03
8/22/23	8074918	CITY OF EDMONDS	\$116,428.01
8/22/23	8074919	EMERALD SERVICES INC	\$1,069.15
8/22/23	8074920	CITY OF INDEX	\$511.82
8/22/23	8074921	CITY OF LAKE STEVENS	\$98,596.11
8/22/23	8074922	CITY OF LAKE STEVENS	\$53,295.39
8/22/23	8074923	LAKE STEVENS SEWER DIST	\$125.40
8/22/23	8074924	CITY OF MONROE	\$73,921.47
8/22/23	8074925	RUBATINO REFUSE REMOVAL INC	\$881.21
8/22/23	8074926	CITY OF STANWOOD	\$25,635.81
8/22/23	8074927	WELLSPRING FAMILY SERVICES	\$2,950.12
8/22/23	8074928	WESTON SERVICES INC	\$375.00
8/22/23	8074929	TOWN OF WOODWAY	\$4,779.95
8/22/23	8074930	WYNNE AND SONS INC	\$247.28
8/22/23	8074931	CITY OF GRANITE FALLS	\$14,842.45
8/22/23	8074932	THE BANK OF NEW YORK MELLON TRUST	\$280.00
8/22/23	8074933	THE PAPE GROUP INC	\$2,591.44
8/22/23	8074934	CITY OF EVERETT	\$512,592.89
8/22/23	8074935	NORTHWEST FIBER LLC	\$1,200.00
8/22/23	8074936	WREN CONSTRUCTION INC	\$5,615.11
8/22/23	8074937	RADAR ENGINEERS INC	\$515.46
8/22/23	8074938	MOTION INDUSTRIES INC	\$4.81
8/22/23	8074939	RADIATE HOLDINGS LP	\$3,610.80
8/22/23	8074940	LEVEL 3 FINANCING INC	\$1,996.06

**Detailed Disbursement Report**

<b>Accounts Payable Warrants</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/22/23	8074941	TRAFFIC MANAGEMENT INC	\$1,418.20
8/22/23	8074942	AFL TELECOMMUNICATIONS INC	\$401.64
8/22/23	8074943	CITY OF LYNNWOOD	\$154,495.01
8/22/23	8074944	CITY OF MUKILTEO	\$73,704.58
8/22/23	8074945	CITY OF SNOHOMISH	\$34,591.02
8/22/23	8074946	MARY WICKLUND	\$20.70
8/24/23	8074947	NW FIBER, LLC, DBA ZIPLY FIBER	\$12,229.62
8/24/23	8074948	MIDDLE EARTH HOLDINGS LLC	\$3,406.35
8/24/23	8074949	COMCAST HOLDING CORPORATION	\$159.56
8/24/23	8074950	DISH NETWORK	\$87.79
8/24/23	8074951	CITY OF EDMONDS	\$65.00
8/24/23	8074952	EVERETT COMMUNITY COLLEGE	\$57,692.00
8/24/23	8074953	EVERETT ENGINEERING INC	\$56,450.62
8/24/23	8074954	GLOBAL RENTAL COMPANY INC	\$27,694.80
8/24/23	8074955	CORE & MAIN LP	\$6,269.79
8/24/23	8074956	LEXISNEXIS RISK DATA MANAGEMENT INC	\$439.60
8/24/23	8074957	CITY OF LYNNWOOD	\$326.58
8/24/23	8074958	CITY OF MOUNTLAKE TERRACE	\$372.30
8/24/23	8074959	GENUINE PARTS COMPANY	\$557.63
8/24/23	8074960	SKAGIT LAW GROUP PLLC	\$2,345.00
8/24/23	8074961	TALLEY INC	\$1,294.16
8/24/23	8074962	WAGNER SMITH EQUIPMENT CO	\$10,150.14
8/24/23	8074963	WESCO GROUP INC	\$1,055.60
8/24/23	8074964	WESTERN ENERGY INSTITUTE	\$24,014.61
8/24/23	8074965	AABCO BARRICADE CO INC	\$372.89
8/24/23	8074966	ALDERWOOD WATER & WASTEWATER DISTRI	\$565.06
8/24/23	8074967	BICKFORD MOTORS INC	\$8,558.17
8/24/23	8074968	ENGINUITY ADVANTAGE LLC	\$6,860.42
8/24/23	8074969	EDS MCDOUGALL LLC	\$375.00
8/24/23	8074970	CITY OF MONROE	\$817.54
8/24/23	8074971	PUBLIC UTILITY DIST NO 1 OF	\$5,849.39
8/24/23	8074972	PUBLIC UTILITY DIST NO 1 OF	\$100.00

### Detailed Disbursement Report

Accounts Payable Warrants			
Payment Date	Payment Ref Nbr	Payee	Amount
8/24/23	8074973	PUBLIC UTILITY DIST NO 1 OF	\$100.00
8/24/23	8074974	PUBLIC UTILITY DIST NO 1 OF	\$100.00
8/24/23	8074975	PUBLIC UTILITY DIST NO 1 OF	\$100.00
8/24/23	8074976	STURGEON ELECTRIC CO INC	\$22,039.32
8/24/23	8074977	CROWN CASTLE INTERNATIONAL CORP	\$7,188.64
8/24/23	8074978	PNG MEDIA LLC	\$708.64
8/24/23	8074979	OCCUPATIONAL HEALTH CENTERS OF WA P	\$149.00
8/24/23	8074980	BIO CLEAN INC	\$1,324.30
8/24/23	8074981	ACCESS INFO INTERMEDIATE HLDNG I LL	\$932.93
8/24/23	8074982	LIVEVIEW TECHNOLOGIES INC	\$18,323.41
8/24/23	8074983	SYNOPTIC DATA PBC	\$1,750.00
8/24/23	8074984	SCI NETWORKS USA	\$19,017.50
8/24/23	8074985	HOUGH BECK & BAIRD INC	\$2,921.06
8/24/23	8074986	PUBLIC SAFETY INSIGHT LLC	\$14,500.00
8/24/23	8074987	THE BARTELL DRUG COMPANY	\$31.05
8/24/23	8074988	FLUKE CORPORATION	\$9,417.83

**Total: \$2,365,901.23**

**Detailed Disbursement Report**

<b>Accounts Payable ACH</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/14/23	6040141	ASSN OF ENERGY SVCS PROF INC	\$1,000.00
8/14/23	6040142	DAVID EVANS & ASSOCIATES INC	\$321.20
8/14/23	6040143	DOBLE ENGINEERING CO	\$47,597.69
8/14/23	6040144	HOWARD INDUSTRIES INC	\$44,096.28
8/14/23	6040145	MR TRUCK WASH INC	\$967.12
8/14/23	6040146	NORTH COAST ELECTRIC COMPANY	\$2,987.82
8/14/23	6040147	PARAMETRIX INC	\$17,555.00
8/14/23	6040148	PETROCARD INC	\$6,406.36
8/14/23	6040149	PTC INC	\$630.60
8/14/23	6040150	RWC INTERNATIONAL LTD	\$241.86
8/14/23	6040151	SISKUN INC	\$612.19
8/14/23	6040152	PROLEC-GE WAUKESHA INC	\$6,492.29
8/14/23	6040153	STELLAR INDUSTRIAL SUPPLY INC	\$839.46
8/14/23	6040154	TESSCO INCORPORATED	\$1,054.60
8/14/23	6040155	TOPSOILS NORTHWEST INC	\$388.14
8/14/23	6040156	WETLAND RESOURCES INC	\$7,036.72
8/14/23	6040157	AARD PEST CONTROL INC	\$134.88
8/14/23	6040158	ANDERSON HUNTER LAW FIRM PS	\$1,443.33
8/14/23	6040159	BEACON ENGINEERS INC	\$2,400.00
8/14/23	6040160	BROOKS MANUFACTURING CO	\$4,195.98
8/14/23	6040161	COLEHOUR & COHEN INC	\$58,173.63
8/14/23	6040162	DESIGNER DECAL INC	\$4,329.67
8/14/23	6040163	EDGE ANALYTICAL INC	\$288.00
8/14/23	6040164	ENERGY NORTHWEST	\$6,994.48
8/14/23	6040165	GENERAL PACIFIC INC	\$111,925.64
8/14/23	6040166	LENZ ENTERPRISES INC	\$158.50
8/14/23	6040167	BEN-KO-MATIC CO	\$3,852.90
8/14/23	6040168	ROHLINGER ENTERPRISES INC	\$8,385.27
8/14/23	6040169	SOUND SAFETY PRODUCTS CO INC	\$2,145.20
8/14/23	6040170	TOTAL LANDSCAPE CORP	\$4,918.50
8/14/23	6040171	TYNDALE ENTERPRISES INC	\$2,127.86
8/14/23	6040172	ULINE INC	\$522.18

**Detailed Disbursement Report**

<b>Accounts Payable ACH</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/14/23	6040173	GRAYBAR ELECTRIC CO INC	\$2,955.37
8/14/23	6040174	ALTEC INDUSTRIES INC	\$3,117.50
8/14/23	6040175	ANIXTER INC	\$77,151.60
8/14/23	6040176	TRAFFIC CONTROL PLAN CO OF WA LLC	\$350.00
8/14/23	6040177	HARNISH GROUP INC	\$1,038.35
8/14/23	6040178	WESTERN STATES FIRE PROTECTION CO	\$752.82
8/14/23	6040179	QURIUS OR TEDIUS LLC	\$5,110.35
8/14/23	6040180	HARNISH GROUP INC	\$163,139.96
8/14/23	6040181	HARNISH GROUP INC	\$6,824.79
8/14/23	6040182	AMERICAN POWER SYSTEMS LLC	\$13,297.07
8/14/23	6040183	EIP COMMUNICATIONS I LLC	\$6,624.22
8/14/23	6040184	SHERELLE GORDON	\$5,265.21
8/14/23	6040185	WARANGKANA ZIMMERMAN	\$1,538.60
8/14/23	6040186	JERRY C DIXON	\$2,200.20
8/14/23	6040187	ADP INC	\$9,988.11
8/14/23	6040188	POKE ME LLC	\$1,725.43
8/14/23	6040189	TRIPLE 7S INC	\$4,338.85
8/14/23	6040190	RESOUND ENERGY LLC	\$1,286.00
8/14/23	6040191	AA REMODELING LLC	\$356.00
8/14/23	6040192	COHEN VENTURES INC	\$108,390.10
8/14/23	6040193	SUE FRESE	\$52.40
8/14/23	6040194	ANSLEY DANIEL	\$189.91
8/14/23	6040195	JASON COHN	\$954.19
8/15/23	6040196	ELECTRO-MECHANICAL CORP	\$107,465.72
8/15/23	6040197	HOWARD INDUSTRIES INC	\$19,680.89
8/15/23	6040198	ROMAINE ELECTRIC CORP	\$3.51
8/15/23	6040199	STELLAR INDUSTRIAL SUPPLY INC	\$1,002.09
8/15/23	6040200	TESSCO INCORPORATED	\$197.16
8/15/23	6040201	TOPSOILS NORTHWEST INC	\$129.38
8/15/23	6040202	TOYOTA TSUSHO MATERIAL HANDLING AME	\$3,946.81
8/15/23	6040203	WESTERN FACILITIES SUPPLY INC	\$942.76
8/15/23	6040204	LELAND R DART	\$900.00

**Detailed Disbursement Report**

<b>Accounts Payable ACH</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/15/23	6040205	DAVIS DOOR SERVICE INC	\$3,057.43
8/15/23	6040206	EDGE ANALYTICAL INC	\$288.00
8/15/23	6040207	TRIANGLE ASSOCIATES INC	\$3,948.47
8/15/23	6040208	HECTOR BRACERO	\$659.68
8/15/23	6040209	HSI WORKPLACE COMPLIANCE SOLUTIONS	\$54,785.15
8/15/23	6040210	HARMSSEN LLC	\$24,016.75
8/15/23	6040211	ARNETT INDUSTRIES LLC	\$1,338.36
8/15/23	6040212	FLEET SERVICE VEHICLE REPAIR LLC	\$279.93
8/15/23	6040213	CM AIR PROS LLC	\$10,250.00
8/15/23	6040214	HOME COMFORT ALLIANCE LLC	\$2,650.00
8/15/23	6040215	LIBERTY MUTUAL GROUP INC	\$29,234.03
8/16/23	6040216	CENTRAL WELDING SUPPLY CO INC	\$79.91
8/16/23	6040217	IIA LIFTING SERVICES INC	\$3,115.00
8/16/23	6040218	ELECTRO-MECHANICAL CORP	\$112,499.14
8/16/23	6040219	HOWARD INDUSTRIES INC	\$50,877.11
8/16/23	6040220	MR TRUCK WASH INC	\$2,846.41
8/16/23	6040221	NORTH COAST ELECTRIC COMPANY	\$3,587.14
8/16/23	6040222	NORTHWEST POWER POOL CORP	\$2,216.74
8/16/23	6040223	PACIFIC TOPSOILS INC	\$49.67
8/16/23	6040224	SUBURBAN PROPANE	\$1,092.15
8/16/23	6040225	TOPSOILS NORTHWEST INC	\$1,940.70
8/16/23	6040226	TRENCHLESS CONSTR SVCS LLC	\$15,834.84
8/16/23	6040227	UNITED PARCEL SERVICE	\$231.68
8/16/23	6040228	WW GRAINGER INC	\$156.22
8/16/23	6040229	CELLCO PARTNERSHIP	\$9,852.37
8/16/23	6040230	EDGE ANALYTICAL INC	\$2,105.00
8/16/23	6040231	GENERAL PACIFIC INC	\$47,663.75
8/16/23	6040232	LONGS LANDSCAPE LLC	\$1,367.50
8/16/23	6040233	MORGAN SOUND	\$19,766.94
8/16/23	6040234	RICHARDSON BOTTLING COMPANY	\$30.45
8/16/23	6040235	RICOH USA INC	\$4,505.14
8/16/23	6040236	LOUIS F MATHESON CONSTRUCTION INC	\$102.51

**Detailed Disbursement Report**

<b>Accounts Payable ACH</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/16/23	6040237	SOUND SAFETY PRODUCTS CO INC	\$2,865.95
8/16/23	6040238	WALTER E NELSON CO OF WESTERN WA	\$1,744.23
8/16/23	6040239	ZIPPER GEO ASSOCIATES LLC	\$1,917.75
8/16/23	6040240	UNITED RENTALS NORTH AMERICA INC	\$20,453.86
8/16/23	6040241	ALTEC INDUSTRIES INC	\$504.11
8/16/23	6040242	ANIXTER INC	\$353.43
8/16/23	6040243	REXEL USA INC	\$1,801.01
8/16/23	6040244	RESOURCE INNOVATIONS INC	\$16,400.00
8/16/23	6040245	HARNISH GROUP INC	\$246.59
8/16/23	6040246	K&D SERVICES INC	\$7,007.84
8/16/23	6040247	ENABLE NOW EXPERT LLC	\$371.25
8/16/23	6040248	SERIES SEVEN INC	\$2,979.73
8/16/23	6040249	GMES LLC	\$401.14
8/16/23	6040250	BREEZE FREE INC	\$500.00
8/16/23	6040251	CLEAN CRAWL INC	\$582.00
8/16/23	6040252	COZY HEATING INC	\$1,650.00
8/16/23	6040253	CM AIR PROS LLC	\$5,300.00
8/16/23	6040254	KAREN HENEGHAN	\$206.50
8/16/23	6040255	SUZANNE FREW	\$618.46
8/16/23	6040256	REBECCA WOLFE	\$400.88
8/16/23	6040257	LIBERTY MUTUAL GROUP INC	\$7,713.39
8/17/23	6040258	ASPLUNDH TREE EXPERT LLC	\$34,325.54
8/17/23	6040259	CONSOLIDATED ELECTRICAL DISTRIBUTOR	\$4,664.27
8/17/23	6040260	DAVID EVANS & ASSOCIATES INC	\$608.70
8/17/23	6040261	NORTH COAST ELECTRIC COMPANY	\$4,117.03
8/17/23	6040262	NORTHSTAR CHEMICAL INC	\$1,222.50
8/17/23	6040263	RWC INTERNATIONAL LTD	\$1,674.47
8/17/23	6040264	STAR RENTALS INC	\$2,894.72
8/17/23	6040265	STELLA-JONES CORPORATION	\$36,296.89
8/17/23	6040266	TOPSOILS NORTHWEST INC	\$258.76
8/17/23	6040267	WASHINGTON ST NURSERY & LANDSCAPE A	\$1,485.00
8/17/23	6040268	DICKS TOWING INC	\$247.28



**Detailed Disbursement Report**

<b>Accounts Payable ACH</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/17/23	6040269	HOGLUNDS TOP SHOP INC	\$274.75
8/17/23	6040270	KEMP WEST INC	\$35,484.30
8/17/23	6040271	QUALCO ENERGY	\$12,106.38
8/17/23	6040272	RICHARDSON BOTTLING COMPANY	\$106.13
8/17/23	6040273	ALTEC INDUSTRIES INC	\$757.89
8/17/23	6040274	RESOURCE INNOVATIONS INC	\$75,000.00
8/17/23	6040275	TARREN ACKERMANN	\$1,074.81
8/17/23	6040276	FLEET SERVICE VEHICLE REPAIR LLC	\$2,560.26
8/17/23	6040277	WELLNESS BY WISHLIST INC	\$1,521.38
8/17/23	6040278	BORDER STATES INDUSTRIES INC	\$431.12
8/17/23	6040279	PACHECOS LANDSCAPING LLC	\$618.80
8/17/23	6040280	ERIC LONGFELLOW	\$520.00
8/17/23	6040281	ELEVATOR SUPPORT COMPANY LLC	\$1,536.40
8/17/23	6040282	HOME COMFORT ALLIANCE LLC	\$7,950.00
8/17/23	6040283	ANDREW PARTINGTON	\$693.06
8/18/23	6040284	AVISTA CORPORATION	\$5,250.00
8/18/23	6040285	HOWARD INDUSTRIES INC	\$96,399.90
8/18/23	6040286	LAKESIDE INDUSTRIES INC	\$714.08
8/18/23	6040287	MR TRUCK WASH INC	\$1,677.13
8/18/23	6040288	NORTHSTAR CHEMICAL INC	\$1,454.00
8/18/23	6040289	SNOHOMISH COUNTY	\$203.50
8/18/23	6040290	STAR RENTALS INC	\$514.84
8/18/23	6040291	TFS ENERGY LLC	\$925.00
8/18/23	6040292	TULLETT PREBON AMERICAS CORP	\$1,000.00
8/18/23	6040293	POWER ENGINEERS INC	\$1,882.64
8/18/23	6040294	RICOH USA INC	\$1,336.38
8/18/23	6040295	LOUIS F MATHESON CONSTRUCTION INC	\$1,607.75
8/18/23	6040296	K&D SERVICES INC	\$1,863.69
8/18/23	6040297	TIMOTHY EPP	\$227.63
8/18/23	6040298	GIUSEPPE FINA	\$1,056.50
8/18/23	6040299	ANDREW PARTINGTON	\$300.00
8/18/23	6040300	REBECCA WOLFE	\$294.10

**Detailed Disbursement Report**

<b>Accounts Payable ACH</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/18/23	6040301	CLAUDIU LAZAR	\$107.42
8/21/23	6040302	ALS GROUP USA CORP	\$241.00
8/21/23	6040303	HOWARD INDUSTRIES INC	\$50,877.11
8/21/23	6040304	RWC INTERNATIONAL LTD	\$2,254.48
8/21/23	6040305	SCHWEITZER ENGINEERING LAB INC	\$309.32
8/21/23	6040306	STELLAR INDUSTRIAL SUPPLY INC	\$113.26
8/21/23	6040307	GORDON TRUCK CENTERS INC	\$747.77
8/21/23	6040308	COLEHOUR & COHEN INC	\$11,827.76
8/21/23	6040309	GREENSHIELDS INDUSTRIAL SUPPLY INC	\$31.74
8/21/23	6040310	DESIGNER DECAL INC	\$1,989.46
8/21/23	6040311	GENERAL PACIFIC INC	\$48,627.46
8/21/23	6040312	PACO VENTURES LLC	\$43,414.47
8/21/23	6040313	RASMUSSEN WIRE ROPE AND RIGGING CO	\$5,398.29
8/21/23	6040314	TECH PRODUCTS INC	\$6,581.25
8/21/23	6040315	WALTER E NELSON CO OF WESTERN WA	\$6,937.62
8/21/23	6040316	WESTERN SAFETY PRODUCTS INC	\$68.34
8/21/23	6040317	ANIXTER INC	\$74,701.63
8/21/23	6040318	SEATTLE NUT & BOLT LLC	\$64.84
8/21/23	6040319	THE GOODYEAR TIRE & RUBBER CO	\$2,700.87
8/21/23	6040320	MORSE DISTRIBUTION INC	\$595.92
8/21/23	6040321	LISTEN AUDIOLOGY SERVICES INC	\$2,127.00
8/21/23	6040322	USIC HOLDINGS INC	\$288.75
8/21/23	6040323	ELEVATOR SUPPORT COMPANY LLC	\$1,450.68
8/21/23	6040324	NICHOLAS BELISLE	\$52.40
8/21/23	6040325	IBEW LOCAL 77	\$82,037.31
8/21/23	6040326	OFFICE OF THE SECRETARY OF STATE	\$2,200.00
8/22/23	6040327	ALS GROUP USA CORP	\$474.00
8/22/23	6040328	CONSOLIDATED ELECTRICAL DISTRIBUTOR	\$6,796.29
8/22/23	6040329	HARGIS ENGINEERS INC	\$7,770.00
8/22/23	6040330	JACO ANALYTICAL LAB INC	\$2,493.10
8/22/23	6040331	PACIFIC TOPSOILS INC	\$27.87
8/22/23	6040332	PETROCARD INC	\$43,852.21

**Detailed Disbursement Report**

<b>Accounts Payable ACH</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/22/23	6040333	ROBERT HALF INTERNATIONAL INC	\$7,758.40
8/22/23	6040334	SISKUN INC	\$1,494.20
8/22/23	6040335	STELLAR INDUSTRIAL SUPPLY INC	\$2,698.52
8/22/23	6040336	TERRACON CONSULTANTS INC	\$645.00
8/22/23	6040337	TESSCO INCORPORATED	\$1,105.29
8/22/23	6040338	GORDON TRUCK CENTERS INC	\$467.05
8/22/23	6040339	WILLIAMS SCOTSMAN INC	\$283.15
8/22/23	6040340	DESIGNER DECAL INC	\$469.82
8/22/23	6040341	EDGE ANALYTICAL INC	\$480.00
8/22/23	6040342	GENERAL PACIFIC INC	\$43,602.83
8/22/23	6040343	LENZ ENTERPRISES INC	\$11,598.51
8/22/23	6040344	BEN-KO-MATIC CO	\$3,200.75
8/22/23	6040345	PACO VENTURES LLC	\$4,493.44
8/22/23	6040346	POWER ENGINEERS INC	\$4,812.33
8/22/23	6040347	LOUIS F MATHESON CONSTRUCTION INC	\$399.24
8/22/23	6040348	ROHLINGER ENTERPRISES INC	\$353.76
8/22/23	6040349	SOUND SAFETY PRODUCTS CO INC	\$1,302.37
8/22/23	6040350	TOTAL LANDSCAPE CORP	\$25.00
8/22/23	6040351	WESTERN ELECTRICITY COORDINATING CO	\$107.83
8/22/23	6040352	RESOURCE INNOVATIONS INC	\$200,000.00
8/22/23	6040353	ROLLUDA ARCHITECTS	\$23,287.46
8/22/23	6040354	THE ADT SECURITY CORPORATION	\$405.26
8/22/23	6040355	BORDER STATES INDUSTRIES INC	\$23,621.91
8/22/23	6040356	PACHECOS LANDSCAPING LLC	\$8,247.88
8/22/23	6040357	AA REMODELING LLC	\$475.00
8/22/23	6040358	JAMES HALE	\$150.00
8/22/23	6040359	HEIDIE WAXHAM	\$2,286.00
8/22/23	6040360	YULIYA SENNIKOV	\$313.75
8/22/23	6040361	ANGELA FORBES	\$939.18
8/22/23	6040362	CRAIG CORNELIUS	\$125.25
8/22/23	6040363	JEFFREY FEINBERG	\$340.16
8/22/23	6040364	CRESSA JOHNSON	\$1,194.50

### Detailed Disbursement Report

Accounts Payable ACH			
Payment Date	Payment Ref Nbr	Payee	Amount
8/22/23	6040365	ADAM CORNELIUS	\$1,788.71
8/22/23	6040366	JACOB MANLEY	\$226.33
8/23/23	6040367	DAVID EVANS & ASSOCIATES INC	\$7,020.49
8/23/23	6040368	MOTOR TRUCKS INTL & IDEALEASE INC	\$666.63
8/23/23	6040369	NELSON DISTRIBUTING INC	\$4,021.82
8/23/23	6040370	ROBERT HALF INTERNATIONAL INC	\$4,315.20
8/23/23	6040371	ROMAINE ELECTRIC CORP	\$1,107.65
8/23/23	6040372	RWC INTERNATIONAL LTD	\$2,079.08
8/23/23	6040373	SAUBER MANUFACTURING CO	\$1,026.70
8/23/23	6040374	S&C ELECTRIC COMPANY	\$163,366.35
8/23/23	6040375	SONSRAY MACHINERY LLC	\$5,820.27
8/23/23	6040376	STELLA-JONES CORPORATION	\$9,344.02
8/23/23	6040377	TACOMA SCREW PRODUCTS INC	\$148.08
8/23/23	6040378	CHAMPION BOLT & SUPPLY INC	\$288.57
8/23/23	6040379	GENERAL PACIFIC INC	\$1,513.54
8/23/23	6040380	LENZ ENTERPRISES INC	\$4,747.90
8/23/23	6040381	NORTHWEST CASCADE INC	\$350.74
8/23/23	6040382	SOUND SAFETY PRODUCTS CO INC	\$3,456.25
8/23/23	6040383	WESTERN SAFETY PRODUCTS INC	\$1,356.98
8/23/23	6040384	ZIPPER GEO ASSOCIATES LLC	\$5,646.44
8/23/23	6040385	ANIXTER INC	\$38,830.53
8/23/23	6040386	Z2SOLUTIONS LLC	\$29,287.50
8/23/23	6040387	WESTERN STATES FIRE PROTECTION CO	\$892.40
8/23/23	6040388	HARMSEN LLC	\$19,958.75
8/23/23	6040389	LUCI CREATIVE LLC	\$5,622.00
8/23/23	6040390	WENDY VLAHOVICH	\$92.82
8/23/23	6040391	BRIAN ROY	\$189.81
8/24/23	6040392	ASPLUNDH TREE EXPERT LLC	\$37,147.66
8/24/23	6040393	DAVID EVANS & ASSOCIATES INC	\$6,628.30
8/24/23	6040394	HOWARD INDUSTRIES INC	\$137,783.84
8/24/23	6040395	JACO ANALYTICAL LAB INC	\$583.20
8/24/23	6040396	NORTHSTAR CHEMICAL INC	\$991.00

**Detailed Disbursement Report**

<b>Accounts Payable ACH</b>			
<b>Payment Date</b>	<b>Payment Ref Nbr</b>	<b>Payee</b>	<b>Amount</b>
8/24/23	6040397	TK ELEVATOR CORPORATION	\$337.60
8/24/23	6040398	UNITED PARCEL SERVICE	\$513.34
8/24/23	6040399	WW GRAINGER INC	\$934.28
8/24/23	6040400	AARD PEST CONTROL INC	\$141.77
8/24/23	6040401	GENERAL PACIFIC INC	\$7,150.53
8/24/23	6040402	HOGLUNDS TOP SHOP INC	\$1,318.79
8/24/23	6040403	LENZ ENTERPRISES INC	\$2,440.07
8/24/23	6040404	NORTHWEST CASCADE INC	\$141.00
8/24/23	6040405	LOUIS F MATHESON CONSTRUCTION INC	\$199.62
8/24/23	6040406	SOUND SAFETY PRODUCTS CO INC	\$8,567.19
8/24/23	6040407	ALTEC INDUSTRIES INC	\$1,485.10
8/24/23	6040408	ANIXTER INC	\$5,862.73
8/24/23	6040409	ARC DOCUMENT SOLUTIONS LLC	\$608.78
8/24/23	6040410	WESTERN STATES FIRE PROTECTION CO	\$35,775.00
8/24/23	6040411	MCWANE INC	\$25,849.63
8/24/23	6040412	OPENSQUARE HOLDINGS LLC	\$2,455.45
8/24/23	6040413	QCL INC	\$1,859.00
8/24/23	6040414	DIAMOND VOGEL INC	\$730.36
8/24/23	6040415	MAPBOX INC	\$422.00
8/24/23	6040416	THE GORDIAN GROUP	\$4,208.09
8/24/23	6040417	ALAN L MONSON	\$369.26
8/24/23	6040418	SUNBELT RENTALS INC	\$2,748.79
8/24/23	6040419	LEROY GREENMAN	\$406.48
8/24/23	6040420	WYATT HAWTHORNE	\$134.00
8/24/23	6040421	JACOB DUNN	\$166.38
8/25/23	6040422	CAPITAL ARCHITECTS GROUP PC	\$11,832.50
8/25/23	6040423	AA REMODELING LLC	\$600.00
8/25/23	6040424	JOHN WATSON	\$189.91
8/25/23	6040425	APRIL SULLIVAN	\$376.39

**Total: \$3,098,689.63**

### Detailed Disbursement Report

Accounts Payable Wires			
Payment Date	Payment Ref Nbr	Payee	Amount
8/16/23	7002955	US DEPARTMENT OF ENERGY	\$27,815.23
8/18/23	7002956	US POSTAL SVC	\$48,250.17
8/21/23	7002957	PUBLIC UTILITY DIST NO 1 OF CHELAN	\$130,808.00
8/21/23	7002958	THE ENERGY AUTHORITY INC	\$38,575.00
8/21/23	7002959	PUGET SOUND ENERGY INC	\$410,975.00
8/21/23	7002960	CITY OF SEATTLE	\$265,533.93
8/21/23	7002961	TRANSALTA ENERGY MARKETING US INC	\$1,416,816.00
8/21/23	7002962	US DEPARTMENT OF ENERGY	\$15,103,327.00
8/21/23	7002963	CITY OF TACOMA WASHINGTON	\$32,500.00
8/21/23	7002964	HAMPTON LUMBER MILLS-WA INC	\$80,775.86
8/21/23	7002965	IDAHO POWER COMPANY	\$2,375.00
8/21/23	7002966	LL&P WIND ENERGY INC	\$330,073.06
8/21/23	7002967	AVANGRID RENEWABLES HOLDINGS INC	\$2,099,682.07
8/21/23	7002968	DYNASTY POWER INC	\$382,055.00
8/21/23	7002969	ICMA-RC	\$230,139.42
8/21/23	7002970	PUBLIC UTILITY DIST NO 1 OF SNOHOMI	\$32,342.87
8/21/23	7002971	ICMA-RC	\$606,541.45
8/25/23	7002972	PUGET SOUND ENERGY INC	\$1,063.31

**Total: \$21,239,648.37**

### Detailed Disbursement Report

Payroll			
Period End Date	Payment Ref Nbr	Payee	Amount
8/21/23	5300000874	PUD EMPLOYEES - DIRECT DEPOSIT	\$4,373,552.23
8/22/23	845008 - 845017	PUD EMPLOYEES - WARRANTS	\$17,400.14

### Detailed Disbursement Report

Automatic Debit Payments			
Payment Date	Payment Ref Nbr	Payee	Amount
8/18/23	5300000873	WELLNESS BY WISHLIST INC	\$9,573.78
8/21/23	5300000874	ADP INC	\$1,057,458.66
8/22/23	5300000875	WELLNESS BY WISHLIST INC	\$4,801.31
8/23/23	5300000876	STATE OF WA DEPT OF RETIR	\$178,741.20
8/25/23	5300000877	STATE OF WA DEPT OF REVEN	\$2,218,641.90
8/25/23	5300000878	WELLNESS BY WISHLIST INC	\$16,793.28
<b>Total:</b>			<b>\$3,486,010.13</b>





**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 5A

**TITLE**

Consideration of a Resolution Authorizing the CEO/General Manager of Public Utility District No. 1 of Snohomish County to Execute an Interlocal Agreement With Snohomish County Regarding the Relocation of a Culvert in the Vicinity of 188th Street NW, Snohomish County, Washington

**SUBMITTED FOR: Items for Individual Consideration**

<u>Transmission &amp; Distribution Eng. Services</u>	<u>Brian Li</u>	<u>5161</u>
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing:	<u>08/22/2023</u>	
Estimated Expenditure:	<u>\$19,000</u>	Presentation Planned <input type="checkbox"/>

**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) non-delegable, statutorily assigned Board Duty. Board action is required for an interlocal agreement by RCW 39.34.030(2) and RCW 39.34.080.*

During the installation of a utility pole along 188th Street NW, Snohomish County, Washington, the District inadvertently installed the pole through the middle of a culvert owned by Snohomish County. The County has offered to relocate the culvert as a more cost-effective alternative to the District relocating the utility pole. Representatives of the District and the County have reached tentative agreement on the terms and conditions of the relocation of the culvert as reflected in a proposed Interlocal Agreement.

District staff recommends that the Board of Commissioners pass the resolution authorizing execution of the Interlocal Agreement regarding the relocation of the County’s culvert.

*List Attachments:*  
Resolution  
Attachment 1

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION Authorizing the CEO/General Manager of Public Utility District No. 1 of Snohomish County to Execute an Interlocal Agreement With Snohomish County Regarding the Relocation of a Culvert in the Vicinity of 188<sup>th</sup> Street NW, Snohomish County, Washington

WHEREAS, during the installation of a utility pole along 188<sup>th</sup> Street NW, Snohomish County, Washington, the District inadvertently installed the pole through the middle of a culvert owned by Snohomish County (“County”); and

WHEREAS, the County has offered to relocate the culvert as a more cost-effective alternative to the District relocating the utility pole; and

WHEREAS, representatives of the District and the County have reached tentative agreement on the terms and conditions of the relocation of the culvert as reflected in the proposed Interlocal Agreement attached as Attachment 1; and

WHEREAS, District staff recommends that the District enter into said Interlocal Agreement regarding the relocation of the County’s culvert; and

WHEREAS, both the County and the District are authorized to enter into agreements for joint and cooperative action pursuant to the provisions of RCW Chapter 39.34.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Snohomish County that the CEO/General Manager, or his designee, is authorized to:

1. Execute, in the name of the District, an interlocal agreement with Snohomish County regarding the relocation of a Snohomish County culvert in substantially the form attached as Attachment 1;
2. Execute any other documents and take any other actions necessary to relocate said culvert.

PASSED AND APPROVED this 5<sup>th</sup> day of September, 2023.

\_\_\_\_\_  
President

\_\_\_\_\_  
Vice-President

\_\_\_\_\_  
Secretary

INTERLOCAL AGREEMENT BETWEEN SNOHOMISH COUNTY AND PUBLIC UTILITY DISTRICT  
NO. 1 OF SNOHOMISH COUNTY CONCERNING THE 188<sup>TH</sup> STREET NW CULVERT REPAIR  
PROJECT

This INTERLOCAL AGREEMENT (“Agreement”) is made and entered into by and between Public Utility District No. 1 of Snohomish County, a municipal corporation of the State of Washington (“District”), and Snohomish County, a political subdivision of the State of Washington (“County”). The District and the County are also referred to herein individually as “Party” and collectively as “Parties.”

**RECITALS**

- A. During location of a power pole, the District inadvertently installed the pole through the middle of a County culvert. The District has determined that it would be more cost effective to pay the County to move the culvert rather than to relocate the power pole.
- B. The County has agreed to move the culvert rather than to require the District to relocate the power pole. In order to move the culvert, the County will remove and replace the existing culvert at 188<sup>th</sup> Street NW (“Project”).
- C. The District has agreed to reimburse the County for the costs of the Project.

**AGREEMENT**

NOW, THEREFORE, in consideration of the respective agreements set forth below and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the County and the District agree as follows:

**1. Requirements of Interlocal Cooperation Act**

1.1 Purpose of Agreement. This Agreement is authorized by and entered into pursuant to the Interlocal Cooperation Act, chapter 39.34 RCW. The purpose and intent of this Agreement is to set forth the mutual obligations, responsibilities, and rights of the County and District in performance of the Project the location of which is depicted in Exhibit A and described in Exhibit B attached hereto and incorporated by this reference.

1.2 No Separate Entity Necessary. The Parties agree that no separate legal or administrative entities are necessary to carry out this Agreement.

1.3 Ownership of Property. The Parties agree that the County shall have ownership of the new culvert. Except as expressly provided to the contrary in this Agreement, any real

or personal property used or acquired by either party in connection with the performance of this Agreement will remain the sole property of such Party, and the other Party shall have no interest therein.

1.4 Administrators. Each Party to this Agreement shall designate an individual (“Administrator”), which may be designated by title or position, to oversee and administer such Party’s participation in this Agreement. The Parties’ initial Administrators shall be the following individuals:

County’s Initial Administrator:

Roland Maynard, PE,  
Snohomish County DPW  
3000 Rockefeller Avenue M/S 607  
Everett, Washington 98201  
425-530-8179  
Roland.maynard@snoco.org

District’s Initial Administrator:

Brian Li  
Snohomish County Public Utility District No. 1  
Mail: P.O. Box 1107 M/S O4  
Everett, WA 98206-1107  
425-783-5161  
bwli@snopud.com

Either Party may change its Administrator at any time by delivering written notice pursuant to Section 12 of this Agreement of such party’s new Administrator to the other party.

**2. Effective Date and Duration**

2.1 Effective Date. As provided by RCW 39.34.040, this Agreement shall take effect when it has: (i) been duly executed by both Parties, and (ii) either filed with the County Auditor or posted on the County’s Interlocal Agreements website.

2.2 Duration. This Agreement shall remain in effect until all obligations of the Parties are discharged, unless earlier terminated pursuant to the provisions of Sections 10 or 11 below; PROVIDED, that the Parties’ obligations after December 31<sup>st</sup> of the year in which this Agreement becomes effective, are contingent upon each Parties’ local legislative appropriation of necessary funds to fund this Agreement in accordance with applicable laws.

**3. County Responsibilities**

3.1 Lead Agency. Pursuant to WAC 197-11-926(1), the County shall serve as the lead agency for all aspects of planning, administration and construction, including SEPA, and to the extent applicable, NEPA review, for the Project, and shall perform the work associated with the Project described in Exhibit B. The County shall be responsible for compliance with the Local Agency Guidelines and the 2022 edition of the Standard Specifications for Road, Bridge, and Municipal Construction (as modified by the County for County projects) published

by the Washington State Department of Transportation (WSDOT), during the design and construction phases of the Project.

3.2 Invoicing. The County shall be responsible for invoicing the District for the reimbursement of all actual costs incurred by the County that are associated with the Project in accordance with the terms of Section 5 of this Agreement.

3.3 Project Records. The County will retain the original electronic plan sheets and all other Project records.

#### **4. District Responsibilities**

4.1 Pole Safety and Support. District shall provide safety and support of their pole during construction and is responsible for replacing the guide wire after the County's work has been completed.

4.2 Cooperation with the County's Contractor(s). The District shall make reasonable efforts to cooperate with the Contractor(s) in facilitating the Project and make necessary personnel available so as to not delay the Contractor(s)'s construction schedule. Except for reasonable and/or Excused Delays described in Subsections 4.4, the District shall be responsible for any costs to the County for delays to the Project resulting from delays caused by the District.

4.3 Reimbursement of County Costs. The costs shown in Exhibit B are estimated costs and the District shall be responsible for reimbursing the County for all actual costs associated with the Project in accordance with the terms of Section 5 of this Agreement.

#### **4.4 Reasonable and Excused Delays.**

4.4.1 Reasonable Delay. The District shall have no obligation or liability to the County, its contractor or any other party, in the event of any delay in performance and/or completion of the Project due to any (a) repair, maintenance, improvement, renewal or replacement work on District's utility systems, which work is necessary or prudent as determined by District in its sole discretion; or (b) actions taken by District which are necessary or consistent with prudent utility practices to protect the performance, integrity, reliability or stability of District's utility systems or any systems to which such District systems are connected; or (c) discovery of archeological materials; or (d) other unanticipated subsurface conditions whether natural or man-made; and/or (e) other Excusable Delay.

4.4.2. Excused Delay. "Excusable Delay" means a failure to perform in a timely manner due to events or causes that are not reasonably within the control or contemplation of the Party whose ability to perform is delayed by such events or causes. Without limitation, such events or causes may include: pandemics, epidemics, extreme or unusual weather,

landslides, lightning, forest fires, storms, floods, freezing, drought, earthquakes, civil disturbances, strikes, or other disturbances associated with labor relations, acts of the public enemy, wars, public riots, breakage, explosion, accident to machinery or equipment (reasonably related to the delayed performance), changed site conditions, the failure of any government entity with jurisdiction over the Project to issue the required permits or approvals in a timely manner, or other causes outside of the reasonable control or contemplation of a Party.

**5. Estimate, Segregation, and Payment of Cost of Services**

5.1 Estimated Cost of Services. The estimated cost of Services associated with the Project are as described in Exhibit B; PROVIDED, the estimated costs will be adjusted to conform to the successful bidder's proposal. Costs for additional Services associated with changes requested by the District are in addition to those estimated costs as shown in Exhibit B and shall be paid by the District.

5.2 Invoicing and Payment. The County shall invoice the District monthly, or on any other schedule that is mutually convenient and agreed to by the Parties, showing actual expenditures on the Project during the previous period. Invoices shall be based on the County Contractor(s)'s payments, equipment, materials, and labor expended on the Project, plus County expenditures in support of the Project as described more specifically in Section 5.3 below. Invoices shall include supporting documentation of expenses incurred and be sent to the District's Administrator identified in Section 1.4 of this Agreement.

Invoices shall be paid by the District within thirty (30) days of receipt by the District without offset or deduction for any reason. Notice of any potential dispute regarding such payment request shall be made in writing within the same time period. Payment by the District shall not constitute agreement as to the appropriateness of any item or acceptance of the work so represented. At the time of final audit, all required adjustments related to any potential dispute for which notice has been timely given shall be made and reflected in a final payment.

5.3 District Reimbursement of Costs for Services Performed by County Staff Consultants, Sub-Consultants, Contractors, or Sub-Contractors.

5.3.1 County Staff. The District shall reimburse the County for the costs of the Services provided by County staff on a time and materials basis plus an administrative overhead fee pursuant to Section 5.4 of this Agreement. The County agrees that only those costs directly attributed to the Services associated with the Project and allowed under accepted accounting procedures will be charged to the District. By way of example, those costs directly attributed may include, but are not limited to, the following types of cost components:



- (a) Salaries, wages, benefits of all County employees engaged therein;
- (b) Travel expenses, including mileage of County employees;
- (c) Materials, when provided by the County;
- (d) County-owned machinery and equipment, for which the County equipment rental rate shall be included in computing the cost of the machinery and equipment;
- (e) Other costs and incidental expenses; including depreciation on County machinery and equipment;
- (f) The full cost to the County of rental machinery and equipment, together with any operator furnished therewith;
- (g) The cost of equipment, supplies, and related expenses when purchased by the County; and
- (h) The cost of permits required from other agencies, except the District.

5.3.2 Consultants, Sub-Consultants, Contractors or Sub-Contractors. The District shall reimburse the County for One Hundred Percent (100%) of the final cost of all contract items related to the Project, as shown in the bid proposal of the successful bidder.

5.4 Administrative Costs for Services Performed by County Staff. For the purpose of fixing the compensation to be paid by the District to the County for the County performing services under this Agreement, it is agreed that there shall be included in each billing, to cover administrative costs, an amount not to exceed the County administrative rate. This rate is currently set at twenty percent (20%) of the total labor cost, including benefits, to the County for only those County employees performing services for the District under this Agreement. The administrative rate is not included in charges for materials, equipment, or payments to contractors or subcontractors. This rate may be reasonably adjusted annually to reflect changes in actual administrative costs without the need for a formal amendment of this Agreement.

5.5 Extra Work. There may be unforeseen conditions requiring immediate resolution during the construction phase of the Project such as construction disputes and claims, changed conditions and changes in the construction work. Reimbursement for increased construction engineering and/or construction contract amounts for the Project shall be limited to costs covered by a modification, change order or extra work order approved as described below.

5.5.1 Should it be determined that any change from the contract plans and specifications for the Project is required, the County, through the Director of Engineering Services, shall have authority to make such changes up to the amount of the "Contingency" shown in Exhibit B.

5.5.2 Any change in the Project, that would result in an increased cost to the District in excess of \$10,000 per incident, or that would result in a total of cumulative incidents that is greater than the "Contingency" amount in Exhibit B, will require a binding Letter of

Agreement, signed by both the County Public Works Director or designee and the District's General Manager or designee, describing the changed scope of work and the estimated change in the Project cost.

5.5.3 In the event of a claim by the Contractor(s), each Party shall be responsible for its proportionate share based on its proportionate responsibility for the claim.

5.6 Upon completion of the Project, the County shall submit a final invoice to the District in accordance with Sections 5 and 6 of this Agreement.

**6. Audit and Final Invoice by County and Review and Acceptance by District of Project Completion**

6.1 Audit and Final Billing. Upon completion of the Project, the County shall conduct a final audit in accordance with standards of the Washington State Department of Transportation. At the time of the final audit, all adjustments required shall be made and shall be reflected in a final billing to the District. The County shall, upon the completion of the audit, provide the District with a copy of the audit and a final invoice.

6.2 Review and Acceptance. The District shall have thirty (30) days from receipt of the audit and final invoice to review and notify the County, pursuant to Section 12 of this Agreement, if it accepts or has comments on the audit and final invoice for the Project.

6.3 Deemed Acceptance. Within thirty (30) days of receipt of the audit and final billing, the District shall notify the County in writing of any objections to the audit and/or billing. If no objections are timely filed, the District shall make final payment to the County and such final payment shall constitute an acceptance by the District of the County's costs and accounting.

**7. Indemnification/Hold Harmless**

7.1 Indemnification/Hold Harmless. Each Party shall protect, defend, indemnify, and hold harmless the other Party, its officers, officials, employees, and agents, from any and all claims, demands, suits, penalties, losses, damages, judgments, or costs of any kind whatsoever (hereinafter "Claims"), arising out of or in any way resulting from the Indemnifying Party's officers, employees, agents, contractors and/or subcontractors of all tiers, consultants and/or sub-consultants, acts or omissions, performance or failure to perform this Agreement, to the maximum extent permitted by law or as defined by RCW 4.24.115, now enacted or as hereinafter amended.

7.2 Waiver of Immunity Under Industrial Insurance Act. The indemnification provisions of Section 7.1 above are specifically intended to constitute a waiver of each Party's immunity under Washington's Industrial Insurance Act, Title 51 RCW, as respects the other Party only, and only to the extent necessary to provide the indemnified Party with a full and

complete indemnity of Claims made by the indemnitor's employees. The Parties acknowledge that these provisions were specifically negotiated and agreed upon by them.

7.3 Survival. The provisions of this Section 7 shall survive the expiration or earlier termination of this Agreement with respect to any event occurring prior to such expiration or termination.

## 8. Insurance

Each Party shall maintain its own insurance and/or self-insurance for its liabilities from damage to property and/or injuries to persons arising out of its activities associated with this Agreement as it deems reasonably appropriate and prudent. The maintenance of, or lack thereof of insurance and/or self-insurance shall not limit the liability of the indemnifying party to the indemnified party(s).

## 9. Compliance with Laws

In the performance of its obligations under this Agreement, each Party shall comply with all applicable federal, state, and local laws, rules, and regulations.

## 10. Default and Remedies

10.1 Default. If either Party fails to perform any act or obligation required to be performed by it hereunder, the other Party shall deliver written notice of such failure to the non-performing Party. The non-performing Party shall have thirty (30) days after its receipt of such notice in which to correct its failure to perform the act or obligation at issue, after which time it shall be in default ("Default") under this Agreement; provided, however, that if the non-performance is of a type that could not feasibly be cured within said thirty (30) day period, then the non-performing Party shall not be in Default if it commences cure within said thirty (30) day period and thereafter diligently pursues cure to completion.

10.2 Remedies. In the event of a Party's Default under this Agreement, then after giving notice and an opportunity to cure pursuant to Section 10.1 above, the non-Defaulting Party shall have the right to exercise any or all rights and remedies available to it in law or equity.

## 11. Early Termination

11.1 Notice of Early Termination. Either party may terminate this Agreement at any time, with or without cause, upon providing not less than thirty (30) days' written notice to the other Party pursuant to Section 12 of this Agreement. The termination notice shall specify the date on which the Agreement shall terminate.

11.2 Calculation of Costs Due Upon Termination. Upon early termination of this Agreement as provided in this Section 11, the District shall pay the County for all Services

performed up to the date of termination, as well as the costs of all non-cancelable obligations or penalties incurred by the County as a result of the cancellation of Services. The County shall invoice the District within sixty (60) days after the date of termination of all remaining costs including non-cancelable costs. Non-cancelable obligations shall mean the County's contractual obligations for construction or equipment associated with the Project either cannot be canceled or if cancellable, would require the payment of a penalty such as, but not limited to, the following:

11.2.1 The cost to the County of rental machinery and equipment, together with any operator furnished therewith if applicable;

11.2.2 The cost of equipment or supplies that can't be returned, when purchased by the County;

11.2.3 The cost or penalties incurred for the return of equipment or supplies, when purchased by the County;

11.2.4 Payment to consultants, sub-consultants, contractors or sub-contractors for work performed on behalf of the County; or

11.2.5 If the District terminates this Agreement after award of the construction contract by the County, the District shall be responsible for all costs incurred by the County in executing the necessary contract changes to delete the Project from the County's construction program.

11.3 Payment After Termination. No payment shall be made by the District for any expense incurred or Services performed following the effective date of termination unless the District further authorizes Services in writing or the expenses are determined to be non-cancelable obligations pursuant to Section 11.2 of this Agreement.

## **12. Notices**

All notices required to be given by any Party to the other Party under this Agreement shall be in writing and shall be delivered either in person, by United States mail, or by electronic mail (email) to the applicable Administrator or the Administrator's designee. Notice delivered in person shall be deemed given when accepted by the recipient. Notice by United States mail shall be deemed given as of the date the same is deposited in the United States mail, postage prepaid, and addressed to the Administrator, or their designee, at the addresses set forth in Section 1.4 of this Agreement. Notice delivered by email shall be deemed given as of the date and time received by the recipient.

## **13. Miscellaneous**

13.1 Entire Agreement; Amendment. This Agreement constitutes the entire agreement between the Parties regarding the subject matter hereof, and supersedes any and

all prior oral or written agreements between the Parties regarding the subject matter contained herein. Except as allowed in Section 5.5.2, this Agreement may not be modified or amended in any manner except by a written document signed by the Party against whom such modification is sought to be enforced.

13.2 Governing Law and Venue. This Agreement shall be governed by and enforced in accordance with the laws of the State of Washington. The venue of any action arising out of this Agreement shall be in the Superior Court of the State of Washington, in and for Snohomish County.

13.3 Interpretation. This Agreement and each of the terms and provisions of it are deemed to have been explicitly negotiated by the Parties, and the language in all parts of this Agreement shall, in all cases, be construed according to its fair meaning and not strictly for or against either of the Parties hereto. The captions and headings in this Agreement are used only for convenience and are not intended to affect the interpretation of the provisions of this Agreement. This Agreement shall be construed so that wherever applicable the use of the singular number shall include the plural number, and vice versa, and the use of any gender shall be applicable to all genders.

13.4 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall, for any reason and to any extent, be found invalid or unenforceable, the remainder of this Agreement and the application of that provision to other persons or circumstances shall not be affected thereby, but shall instead continue in full force and effect, to the extent permitted by law.

13.5 No Waiver. A Party's forbearance or delay in exercising any right or remedy with respect to a Default by the other Party under this Agreement shall not constitute a waiver of the Default at issue. Nor shall a waiver by either Party of any particular Default constitute a waiver of any other Default or any similar future Default.

13.6 No Assignment. This Agreement shall not be assigned, either in whole or in part, by either Party without the express written consent of the other Party, which may be granted or withheld in such Party's sole discretion. Any attempt to assign this Agreement in violation of the preceding sentence shall be null and void and shall constitute a Default under this Agreement.

13.7 Warranty of Authority. Each of the signatories hereto warrants and represents that he or she is competent and authorized to enter into this Agreement on behalf of the Party for whom he or she purports to sign this Agreement.

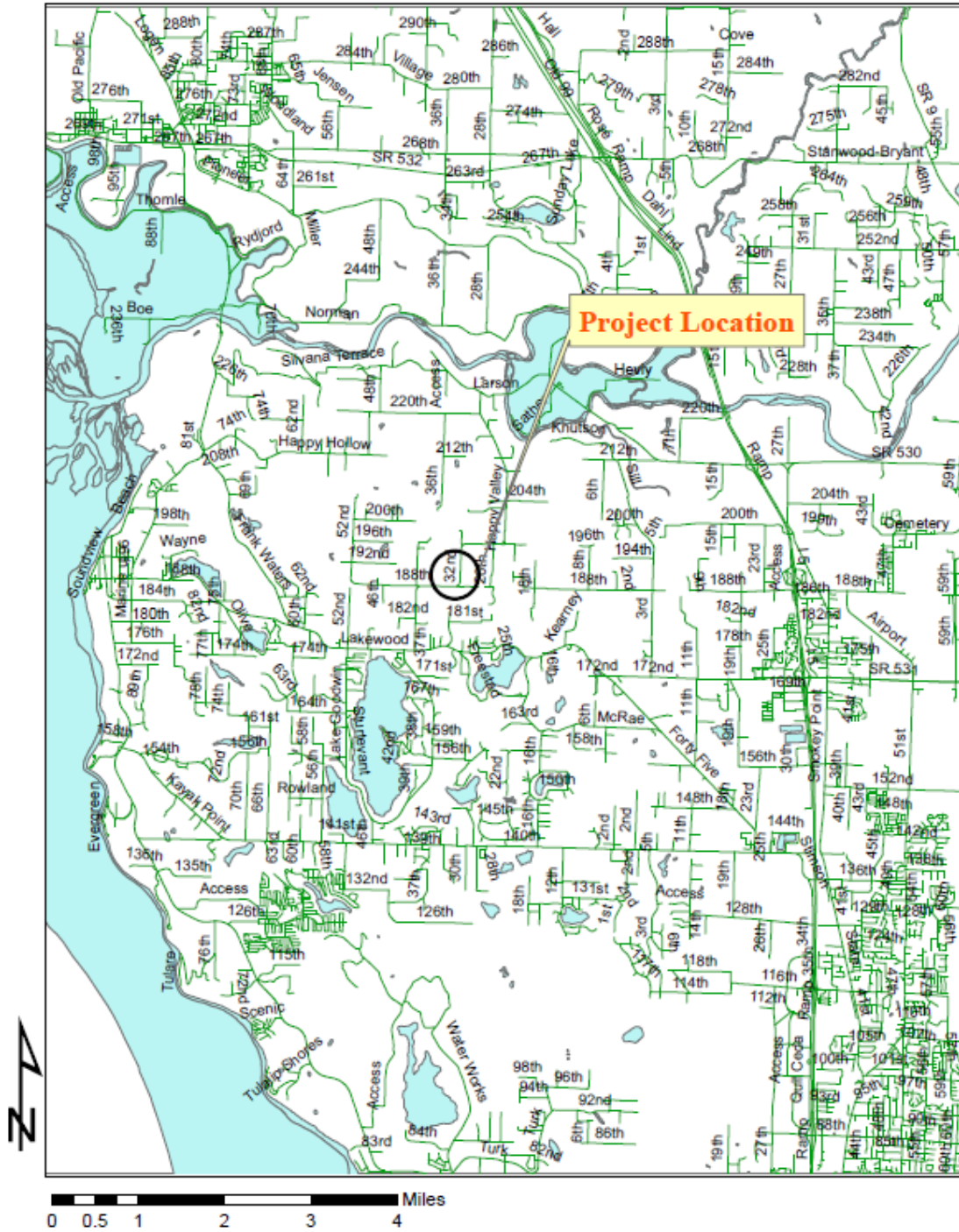


**EXHIBIT A**

**Project Location Map**

**PROJECT LOCATION MAP**

**188th St NW**











Staff will brief the Commission on the results of the pricing at the October 17, 2023, Commission meeting.

*List Attachments:*

Resolution

Preliminary Official Statement for the Water System Revenue Bonds, Series 2023

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 WATER SYSTEM; AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$20,000,000 AGGREGATE PRINCIPAL AMOUNT OF WATER SYSTEM REVENUE BONDS, SERIES 2023, IN ONE OR MORE SERIES; PROVIDING FOR THE TERMS OF THE 2023 BONDS; AMENDING SECTION 2.1 OF RESOLUTION NO. 3825; APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATED THERETO



RESOLUTION NUMBER \_\_\_\_\_

SEVENTH SUPPLEMENTAL WATER SYSTEM  
REVENUE BOND RESOLUTION

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 WATER SYSTEM; AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$20,000,000 AGGREGATE PRINCIPAL AMOUNT OF WATER SYSTEM REVENUE BONDS, SERIES 2023, IN ONE OR MORE SERIES; PROVIDING FOR THE TERMS OF THE 2023 BONDS; AMENDING SECTION 2.1 OF RESOLUTION NO. 3825; 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") owns and operates a water supply and distribution system (the "Water System"); and

WHEREAS, the Commission of the District (the "Commission"), by Resolution No. 3825 adopted on August 25, 1992 (the "1992 Resolution"), authorized the issuance from time to time of bonds of the District payable from revenue of the Water System to be issued in a series and known as the Public Utility District No. 1 of Snohomish County, Washington, Water System Revenue Bonds (the "Bonds"); and

WHEREAS, it is in the best interest of the District and ratepayers of the Water System to undertake certain capital improvements to the Water System; and

WHEREAS, it is in the best interest of the District and ratepayers of the Water System to issue water system revenue bonds to finance these capital improvements; and

WHEREAS, the District now desires to issue its Water System Revenue Bonds, Series 2023, in one or more series (as further defined herein, the "2023 Bonds") for the purposes of (i) financing additions, betterments and improvements to and renewals, replacements and extensions of the Water System, (ii) funding a deposit to the Reserve Account for the 2023 Bonds, if necessary, and (iii) paying costs of issuing the 2023 Bonds; and

WHEREAS, the 2023 Bonds will be secured under the 1992 Resolution, as amended and supplemented, including by this Seventh Supplemental Resolution; and

WHEREAS, pursuant to Section 11.2 of the 1992 Resolution, the District may amend provisions of the 1992 Resolution with the consent of the registered owners of the Bonds then Outstanding through adoption of a resolution amendatory or supplemental to the 1992 Resolution; and

WHEREAS, the District now desires to amend Section 2.1 of the 1992 Resolution, with the consent of the owners of the 2023 Bonds, on a springing basis once the previously outstanding bonds are no longer outstanding, to release of the pledge of Assessment Income under the 1992 Resolution upon the payment in full of a series of Bonds issued, in whole or in part, to finance or refinance the costs of improvements to a local utility district of the Water System or when such Bonds are otherwise no longer Outstanding;

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

## ARTICLE I

### DEFINITIONS AND FINDINGS

Section 1.01. Supplemental Resolution. This Seventh Supplemental Resolution is supplemental to the 1992 Resolution and is adopted in accordance with Article II of the 1992 Resolution.

Section 1.02. Definitions. All terms defined in Section 1.1 of the 1992 Resolution have the same meanings when used in this Seventh Supplemental Resolution. In addition, in this Seventh Supplemental Resolution:

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

“Authorized Officer” when used with reference to the District means the President, Vice President, or Secretary of the Commission, the Chief Executive Officer/General Manager, Chief Financial Officer, the Treasurer of the District, or such other officer designated by resolution of the Commission.

“Beneficial Owner” means any person for whom a Participant acquires an interest in the 2023 Bonds.

“Bondowner” means any person who shall be the registered owner of any 2023 Bond.

“Bond Purchase Contract” has the meaning assigned to such term in Section 3.01 hereof.

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

“Conditional Redemption” has the meaning assigned to such term in Section 2.06(a) hereof.

“DTC” means The Depository Trust Company of New York, New York.

“EMMA” means the MSRB’s Electronic Municipal Market Access system, currently located at [www.emma.msrb.org](http://www.emma.msrb.org).

“Letter of Representations” has the meaning assigned to such term in Section 2.03(a) hereof.

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

“Official Statement” has the meaning assigned to such term in Section 3.01(a) hereof.

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

“Preliminary Official Statement” has the meaning assigned to such term in Section 3.01(b) hereof.

“Registrar” means U.S. Bank Trust Company, National Association, its assigns and successors, which shall also act as the Paying Agent for the 2023 Bonds.

“Rule” means Rule 15c2-12 adopted by the SEC under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

“Secretary” has the meaning assigned to such term in Section 3.01 hereof.

“Tax Certificate” means the certificate executed and delivered by an Authorized Officer of the District regarding compliance with applicable provisions of the Code in connection with the issuance of any series of 2023 Bonds issued on a tax-exempt basis.

“Underwriter” means Barclays Capital Inc.

“1992 Resolution” means Resolution No. 3825 of the Commission, adopted on August 25, 1992, as amended and supplemented hereby and heretofore.

“2019 Bonds” means the District’s Water System Revenue Refunding Bonds, Series 2019, outstanding in the aggregate principal amount of \$5,260,000.

“2023 Bonds” means the District’s Water System Revenue Bonds, Series 2023, authorized to be issued pursuant to the 1992 Resolution and this Seventh Supplemental Resolution.

“2023 Delivery Certificate” means a written certificate of the District executed by an Authorized Officer and delivered at the time of issuance of the 2023 Bonds and/or a resolution of the Commission adopted by the Commission prior to or at the time of issuance of the 2023 Bonds setting forth certain terms with respect to the 2023 Bonds as provided in this Seventh Supplemental Resolution.

### Section 1.03. Findings; Adoption of a Plan and System.

(a) Parity Conditions. The Commission hereby finds as required by Section 2.3 of the 1992 Resolution as follows:



(i) The 2023 Bonds will be issued for the purpose of making capital improvements to the Water System.

(ii) At the time of the issuance of the 2023 Bonds there will be no deficiency in the Bond Fund or any accounts therein.

(iii) The District will, if needed, deposit into the Reserve Account out of 2023 Bond proceeds an amount sufficient to bring the balance in the Reserve Account to the Reserve Account Requirement.

(iv) At the time of the issuance of the 2023 Bonds there will be on file a certificate of the Treasurer or the Deputy Treasurer as required by Section 2.3(b)(ii) of the 1992 Resolution.

(b) 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 Water System, which plan and system constitutes a portion of the District's estimated capital requirements with respect to the Water System for 2023 through 2027, which includes a portion of the costs described in the District's 2021 Water System Plan and costs of advanced metering infrastructure for the District's Water System and the design, and construction and improvements to other facilities of the Water 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 Water 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 Seventh 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.

(c) Soundness of Plan and System. The Commission finds and determines that:

(i) the public interest, welfare, convenience and necessity require the District to implement the plan and system described in Section 1.03(b).

(ii) the implementation of the plan and system described in Section 1.03(b) is for lawful corporate 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 water for all uses and purposes.

(iii) the implementation of the plan and system is economically sound.

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

(d) Due Regard. The Commission hereby finds that due regard has been given to the costs of operation and maintenance of the Water System and that it has not obligated the District to set aside into the Bond Fund for the account of the 2023 Bonds a greater amount of the revenues and proceeds of the Water System than, in its judgment, will be available over and above the costs of maintenance and operation.

(e) 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 Water 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 \$20,000,000.

## ARTICLE II

### AUTHORIZATION OF 2023 BONDS; TAX COVENANTS

Section 2.01. Authorization of the 2023 Bonds. Pursuant to the provisions of the 1992 Resolution, another series of Bonds of the Water 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, “Public Utility District No. 1 of Snohomish County, Washington, Water System Revenue Bonds, Series 2023”. The 2023 Bonds shall be issued in the aggregate principal amount of up to \$20,000,000, and shall be sold by negotiated sale. Notwithstanding the foregoing, the issuance of the 2023 Bonds authorized to be issued under this Seventh Supplemental Resolution shall be at the option of the District (subject to the Bond Purchase Contract referred to in Section 3.01 below), and the District shall confirm the issuance of such 2023 Bonds and the terms thereof in the 2023 Delivery Certificate. The Authorized Officers may, in consultation with the District’s investment bankers, municipal advisors, General Counsel and Bond Counsel, establish one or more additional series of 2023 Bonds, provided that the aggregate principal amount of all series of 2023 Bonds issued pursuant to this Seventh Supplemental Resolution does not exceed the authorized principal amount of the 2023 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 2023 Bonds and the terms thereof in the 2023 Delivery Certificate.

Section 2.02. Terms of the 2023 Bonds. The 2023 Bonds shall be issued in the form of fully registered bonds only in Authorized Denominations, 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 and on the dates set forth in the 2023 Delivery Certificate. The true interest cost on the 2023 Bonds shall not exceed six percent (6.0%) per annum. The final maturity date for the 2023 Bonds shall not be later than December 1, 2053. Interest shall be computed on the basis of a 360-day year consisting of twelve (12) 30-day months.

(a) Redemption Provisions for the 2023 Bonds.

(i) Optional Redemption. The 2023 Bonds shall be subject to redemption prior to maturity at the option of the District as provided in the 2023 Delivery Certificate.

(ii) Mandatory Sinking Fund Redemptions. The 2023 Bonds shall be subject to mandatory sinking fund redemptions, if any, as provided in the 2023 Delivery Certificate.

(iii) Partial Redemption of the 2023 Bonds. Unless otherwise provided in the 2023 Delivery Certificate, if less than all of the 2023 Bonds of a series shall be called for redemption under Section 2.02(a)(i)(i) of this Seventh 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 Seventh Supplemental Resolution. The portion of any 2023 Bond to be redeemed shall be an Authorized Denomination, and in selecting 2023 Bonds for redemption, each 2023 Bond shall be considered as representing that number of 2023 Bonds that is obtained by dividing the principal amount of such 2023 Bond by the minimum Authorized Denomination thereof. If for any reason the principal amount of 2023 Bonds called for redemption would result in a redemption of 2023 Bonds in an amount that is less than an Authorized Denomination, the Registrar, to the extent possible within the principal amount of 2023 Bonds to be redeemed, is hereby authorized to adjust the selection of 2023 Bonds of the same series and maturities for such purpose to minimize any such redemption. Notwithstanding the foregoing, while the 2023 Bonds are held by DTC as book-entry bonds, if fewer than all of the 2023 Bonds of a series and maturity are called for redemption, the selection of the 2023 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 2023 Bond is to be called for redemption, then, upon notice of intention to redeem such portion, the Bondowner of such 2023 Bond shall surrender such 2023 Bond to the Registrar for (A) payment to such Bondowner of the redemption price of the portion of principal amount called for redemption and (B) delivery to such Bondowner of a new 2023 Bond or 2023 Bonds at the option of the Bondowner in the aggregate principal amount of the unredeemed balance of the principal amount of such 2023 Bond. New 2023 Bonds representing the unredeemed balance of the principal amount of such 2023 Bond shall be issued to the Bondowner thereof in accordance with Section 4.4 of the 1992 Resolution. If the Bondowner of any such 2023 Bond shall fail to present such 2023 Bond to the Registrar for payment and exchange as aforesaid, such 2023 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.

(b) Purchase of 2023 Bonds. The District also reserves the right to purchase any of the 2023 Bonds in the open market at any time at prices deemed reasonable by the District. All 2023 Bonds so purchased shall be cancelled by the Bond Registrar.

Section 2.03. Book Entry System of Registration and Transfer.

(a) DTC Acceptance; Letter of Representations. The 2023 Bonds will initially be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations. To induce DTC to accept the 2023 Bonds as eligible for deposit at DTC, the District has heretofore executed and delivered to DTC the Letter of Representations. The 2023 Bonds will be issued in denominations equal to the aggregate principal amount of each maturity and initially will be registered in the name of Cede, as the nominee of DTC.

Neither the District nor the Registrar will have any responsibility or obligation to Participants or the persons for whom they act as nominees with respect to the accuracy of any records maintained by DTC or any Participant as to the 2023 Bonds, the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the 2023 Bonds, any notice that is permitted or required to be given to Bondowner under this Seventh Supplemental Resolution (except any such notices as are required to be given by the District to the Registrar or to DTC), the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the 2023 Bonds or any consent given or other action taken by DTC as the Bondowner of the 2023 Bonds. For so long as any 2023 Bonds are held in fully immobilized form hereunder, DTC or its successor depository will be deemed to be Bondowner for all purposes hereunder, and all references in this Seventh Supplemental Resolution to Bondowners or the like will mean DTC or its nominee and not the owners of any beneficial interests in the 2023 Bonds.

(b) Use of Depository.

(i) The 2023 Bonds will be registered initially in the name of “CEDE & Co.,” as nominee of DTC, with one Bond for each maturity of a series. Purchases of the 2023 Bonds may be made through brokers and dealers, who must be or act through Participants, in Authorized Denominations. Registered ownership of such immobilized 2023 Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor must be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the District pursuant to subsection (ii) below or such substitute depository’s successor; or (C) to any person as provided in subsection (iv) below.

(ii) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the District that it is no longer in the best interests of owners of beneficial interests in the 2023 Bonds to continue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the District may appoint a substitute depository or terminate the use of a depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(iii) In the case of any transfer pursuant to clause (i) or (i) of subsection (i) above, the Registrar will, upon receipt of all outstanding 2023 Bonds, together with a written request on behalf of the District, issue a single new 2023 Bond for each maturity of such

2023 Bonds then outstanding, registered in the name of such successor or such substitute depository, or its nominee, as the case may be, all as specified in such written request of the District.

(iv) If (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository or (B) the District determines that it is in the best interests of the District or the Beneficial Owners of the 2023 Bonds that they be able to obtain bond certificates, the ownership of 2023 Bonds may then be transferred to any person or entity as herein provided, and the 2023 Bonds will no longer be held in fully immobilized form. The District will deliver a written request to the Registrar, together with a supply of definitive 2023 Bonds, to issue 2023 Bonds as herein provided in any Authorized Denomination. Upon receipt of all then outstanding 2023 Bonds of a series by the Registrar together with a written request on behalf of the District to the Registrar, new 2023 Bonds of such series will be issued in such denominations and registered in the names of such persons as are specified in such written request.

(v) As long as DTC or its successor (or substitute depository or its successor) is not the Bondowner of the 2023 Bonds, any 2023 Bond may be transferred pursuant to its provisions at the principal office for such purpose of the Registrar by surrender of such 2023 Bond for cancellation, accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the Bondowner in person or by his or her duly authorized attorney, and thereupon the District will issue and the Registrar will authenticate and deliver at the principal office of the Registrar (or send by registered or first-class insured mail to the Bondowner thereof at his expense), in the name of the transferee or transferees, a new 2023 Bond of the same interest rate, principal amount, series and maturity, and on which interest accrues from the last interest payment date to which interest has been paid so that there will result no gain or loss of interest as a result of such transfer, upon payment of any applicable tax or governmental charge. To the extent of denominations authorized in respect of any such 2023 Bond by the terms of this Seventh Supplemental Resolution, one such 2023 Bond may be transferred for several such 2023 Bonds of the same interest rate, series and maturity, and for a like aggregate principal amount, and several such 2023 Bonds of the same interest rate, series and maturity may be transferred for one or several such 2023 Bonds, respectively, of the same interest rate, series and maturity and for a like aggregate principal amount.

(c) Upon the request of the District, the Registrar will notify the District of all registrations of the 2023 Bonds and all changes in registrations of the 2023 Bonds. The Registrar will maintain the registration books on behalf of the District and make copies thereof available to the District on request.

In every case of a transfer of any 2023 Bonds, the surrendered 2023 Bonds will be canceled by the Registrar and a certificate evidencing such cancellation will be promptly transmitted by the Registrar to the District. As a condition of any such transfer, the District, at its option, may require the payment by the transferor of a sum sufficient to reimburse it for any tax or other governmental charge that may be imposed thereon. All 2023 Bonds executed, authenticated and delivered in exchange for or upon transfer of 2023 Bonds so surrendered will be valid obligations of the District evidencing the same debt as the 2023 Bonds surrendered, and will be entitled to all benefits and protection of this Seventh Supplemental Resolution to the same extent as the 2023 Bonds upon transfer of which they were executed, authenticated and delivered.

Section 2.04. Tax Covenants. If any 2023 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 2023 Bonds, including compliance with the provisions of the Tax Certificate.

Section 2.05. Disposition of 2023 Bond Proceeds. The proceeds from the sale of the 2023 Bonds will be applied as follows and as set forth in the 2023 Delivery Certificate :

(a) The amount required, if any, together with amounts currently in the Reserve Account, to meet the Reserve Account Requirement will be deposited into the Reserve Account; and

(b) The balance will be deposited into the Construction Fund and used to finance the costs of improvements to the Water System described in Section 1.03 and such other Water System improvements determined by the Commission, to reimburse the Revenue Fund for such costs, and to pay costs of issuing the 2023 Bonds.

Section 2.06. Notice of Redemption of the 2023 Bonds.

(a) Written notice of any redemption of 2023 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 Bondowners of 2023 Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the 2023 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 2023 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the 2023 Bonds to be redeemed, (iv) that on the date fixed for redemption the redemption price will become due and payable upon each 2023 Bond or portion called for redemption, and that interest shall cease to accrue from the date fixed for redemption, (v) that the 2023 Bonds are to be surrendered for payment at the principal office of the Registrar, (vi) the CUSIP numbers of all 2023 Bonds being redeemed, (vii) the dated date, series designation and stated maturity date of the 2023 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 2023 Bonds being redeemed.

In the case of an optional redemption under Section 3.01, the notice and the notice to Bondowners may state (i) 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 (ii) 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 2023 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 2023 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 2023 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 2023 Bonds called for redemption and not so paid remain Outstanding.

Section 2.07. Effect of Redemption of Bonds. Notice of redemption having been duly given as aforesaid, the 2023 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 2023 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 2023 Bonds so called for redemption shall cease to accrue and said 2023 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Resolution (except for payment of particular 2023 Bonds for which moneys are being held by the Registrar and which money shall be pledged to such payment), and the owners of said 2023 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 2023 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 2023 Bonds being redeemed with the proceeds of such check or other transfer.

ARTICLE III

SALE OF 2023 BONDS; APPROVAL OF DOCUMENTS

Section 3.01. Approval of Bond Purchase Contract. The contract between the District and the Underwriter, for the purchase of the 2023 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 3.01, the 2023 Bonds shall be sold to the Underwriter pursuant to the Bond Purchase Contract at a purchase price equal to the principal amount of the 2023 Bonds less any original issue discount and plus any original issue premium, and less an Underwriter’s discount not to exceed 0.5% of the aggregate principal amount of the 2023 Bonds.

Section 3.02. Approval of the Preliminary Official Statement and the Official Statement.

(a) Preliminary Official Statement. The preliminary official statement with respect to the 2023 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 Underwriter 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 Underwriter, as so added to or changed. The Underwriter is hereby authorized to distribute the Preliminary Official Statement in connection with the offer and sale of the 2023 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 Underwriter.

(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 Underwriter is hereby authorized to distribute the Official Statement in connection with the offer and sale of the 2023 Bonds.

Section 3.03. Approval of the 2023 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 2023 Delivery Certificate upon the issuance and delivery of the 2023 Bonds, including such changes or additions to this Seventh Supplemental Resolution as shall be necessary



or desirable and consistent with the intents and purposes hereof, upon consultation with General Counsel.

Section 3.04. 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 2023 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.

Section 3.05. Execution and Delivery of the 2023 Bonds. The Authorized Officers of the Commission are hereby authorized and directed to do all things necessary or proper for the printing, execution and delivery of the 2023 Bonds to the Underwriter, upon payment of the purchase price specified in the Bond Purchase Contract, in accordance with the terms of the Bond Purchase Contract, the 1992 Resolution, and this Seventh Supplemental Resolution.

Section 3.06. Investment of Proceeds. The Authorized Officers of the District is authorized and directed to cause the proceeds of sale of the 2023 Bonds to be invested and reinvested in accordance with the Resolution.

#### ARTICLE IV

##### AMENDMENT OF 1992 RESOLUTION

Section 4.01. Amendment of Section 2.1 of the 1992 Resolution. Once the 2019 Bonds are no longer Outstanding, Section 2.1(b) of the 1992 Resolution is hereby amended by adding the following sentence to the end of the Section:

Upon the payment in full of, whether at maturity, by redemption, prepayment or defeasance thereof as provided in Section 6.4 hereof, of the last of (x) a series of Bonds issued, in whole or in part, to finance the costs of improvements to a local utility district of the Water System, and (y) any one or more series of refunding Bonds issued from time to time to refinance such costs of improvements to such local utility district of the District, or when the last of any such Bonds are otherwise no longer Outstanding hereunder, any Assessments levied in connection with such improvements to such local utility district of the Water System and pledged to be paid into the Bond Fund shall no longer be required to be paid into the Bond Fund, and any related Assessment Income shall be released from the pledge and lien of this Resolution.

#### ARTICLE V

##### MISCELLANEOUS

Section 5.01. 2023 Bonds Subject to 1992 Resolution. Except as provided in this Seventh Supplemental Resolution, every term and condition contained in the 1992 Resolution shall apply to this Seventh Supplemental Resolution and to the 2023 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 Seventh Supplemental Resolution.

Section 5.02. Severability of Invalid Provisions. If any one or more of the provisions contained in this Seventh Supplemental Resolution or in the 2023 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 Seventh Supplemental Resolution, such invalidity, illegality or unenforceability shall not affect any other provision of this Seventh Supplemental Resolution, and this Seventh Supplemental Resolution shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 5.03. Seventh Supplemental Resolution as a Contract. In consideration of the acceptance of the 2023 Bonds by the Owners thereof, the provisions of this Seventh Supplemental Resolution shall be deemed to be and shall constitute a contract between the District and the Owners of the 2023 Bonds to secure the full and final payment of the principal of, and interest on, the 2023 Bonds, subject to the conditions, covenants and terms contained herein and in the 1992 Resolution.

Section 5.04. Ratification of Past Acts and Authorization of Future Acts. All actions and proceedings heretofore taken by the officers, agents, attorneys and employees of the District in connection with the sale and issuance of the 2023 Bonds are hereby ratified, approved and confirmed.

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 Seventh Supplemental Resolution and in connection with the sale, issuance and ongoing management of the 2023 Bonds.

Section 5.05. Effective Date. This Seventh Supplemental Resolution shall become effective upon its adoption.

Adopted by the Commission of Public Utility District No. 1 of Snohomish County, Washington, this 5<sup>th</sup> day of September 2023.

PUBLIC UTILITY DISTRICT NO. 1 OF  
SNOHOMISH COUNTY, WASHINGTON

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President

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Vice President

---

Secretary

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER [\_\_], 2023**

*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 2023 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 2023 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the 2023 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate 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 2023 Bonds. See “TAX MATTERS” herein.*

**NEW ISSUE  
BOOK-ENTRY ONLY**

See “RATINGS”

**\$17,070,000\***  
**PUBLIC UTILITY DISTRICT NO. 1 OF  
 SNOHOMISH COUNTY, WASHINGTON  
 WATER SYSTEM REVENUE BONDS, SERIES 2023**

**Dated: Date of Delivery**

**Due: December 1, as shown on the inside cover**

Public Utility District No. 1 of Snohomish County, Washington (the “District”), will issue its Water System Revenue Bonds, Series 2023 (the “2023 Bonds”), as fully registered bonds under a book-entry system, initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2023 Bonds. Individual purchases of the 2023 Bonds will be made in the principal amount of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the 2023 Bonds (the “Beneficial Owners”) will not receive certificates representing their beneficial ownership interests in the 2023 Bonds.

Interest on the 2023 Bonds is payable on June 1 and December 1, commencing December 1, 2023, until maturity or prior redemption, by the Washington State Fiscal Agent, currently U.S. Bank Trust Company, National Association (the “Registrar”). As long as DTC or its nominee is the registered owner of the 2023 Bonds, such payments will be made by the Registrar to DTC, which is obligated to remit such principal and interest to its broker-dealer Participants, which in turn are obligated to remit such payments to the Beneficial Owners of the 2023 Bonds as described in Appendix F—“BOOK-ENTRY SYSTEM.”

The 2023 Bonds are subject to redemption prior to maturity. See “DESCRIPTION OF THE 2023 BONDS.”

**Maturity Schedule Located on Inside Cover**

The 2023 Bonds are being issued to provide funds (i) to finance additions, betterments and improvements to and renewals, replacements and extensions of the Water System, including a portion of the costs associated with the District’s 2021 Water System Plan and costs of advanced metering infrastructure for the District’s Water System, and the design, construction and improvements to other facilities of the Water System; (ii) to fund a deposit to the Reserve Account; and (iii) to pay costs of issuance of the 2023 Bonds. See “PURPOSE AND APPLICATION OF 2023 BOND PROCEEDS.”

The principal of and interest on the 2023 Bonds are payable solely from and secured by Revenues and other funds pledged thereto by the Resolution (as hereinafter defined), including Assessment Income (except as provided herein), after payment of Operating Expenses (including Resource Obligations). The 2023 Bonds are issued on a parity with \$5,260,000 of outstanding Bonds (as defined herein). The District has exclusive authority to set rates and charges for water service provided by the Water System. See “SECURITY FOR THE BONDS.”

**THE 2023 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE DISTRICT AND ARE NOT OBLIGATIONS OF THE STATE OF WASHINGTON (THE “STATE”) OR ANY POLITICAL SUBDIVISION OTHER THAN THE DISTRICT, AND NEITHER THE FULL FAITH AND CREDIT OF THE DISTRICT NOR THE TAXING POWER OF THE DISTRICT OR THE STATE IS PLEDGED TO THE PAYMENT THEREOF.**

This cover page is not intended to be a summary of all of the terms of, or security for, the 2023 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

*The 2023 Bonds are offered when, as and if issued and received by the Underwriter, 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, Colin Willenbrock, Esq. Certain legal matters will be passed upon for the Underwriter by its counsel, Pacifica Law Group LLP, Seattle, Washington. 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 2023 Bonds will be made through the facilities of DTC in New York, New York, by Fast Automated Securities Transfer (FAST), on or about October \_\_, 2023.*



**MATURITY SCHEDULE**

**\$17,070,000\***  
**PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON**  
**WATER SYSTEM REVENUE BONDS, SERIES 2023**

<b>Maturity Year (December 1)*</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Number** (833105)</b>
2024	\$ 160,000			
2025	170,000			
2026	180,000			
2027	185,000			
2028	195,000			
2029	205,000			
2030	210,000			
2031	225,000			
2032	975,000			
2033	1,025,000			
2034	1,075,000			
2035	1,130,000			
2036	1,185,000			
2037	1,245,000			
2038	1,310,000			
2039	1,375,000			
2040	1,445,000			
2041	1,515,000			
2042	1,590,000			
2043	1,670,000			

\* 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© 2023 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 Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

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

[www.snopud.com](http://www.snopud.com)<sup>(1)</sup>

**BOARD OF COMMISSIONERS**

**PRESIDENT  
Rebecca Wolfe**

**VICE PRESIDENT  
Sidney Logan**

**SECRETARY  
Tanya Olson**

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**ADMINISTRATIVE MANAGEMENT**

John Haarlow, Chief Executive Officer/General Manager  
Scott Jones, Chief Financial Officer/Assistant General Manager—Finance  
Colin Willenbrock, General Counsel  
Brant Wood, Assistant General Manager—Water Utility  
Christina Arndt, Manager, Water Utility Business Services  
Angela Johnston, Treasurer/Senior Manager, Financing and Risk Management  
Jason Zyskowski, Assistant General Manager—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

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**CONSULTANTS**

Bond Counsel..... Orrick, Herrington & Sutcliffe LLP  
Municipal Advisor..... PFM Financial Advisors LLC

**REGISTRAR**

Washington State Fiscal Agent..... U.S. Bank Trust Company, National Association

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<sup>(1)</sup> 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 2023 Bonds.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 2023 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 2023 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 Underwriter. 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 Underwriter has provided the following paragraph for inclusion in this Official Statement: The Underwriter has 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 Underwriter does not guarantee the accuracy or completeness of such information.

In connection with the offering of the 2023 Bonds, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the 2023 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 2023 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 2023 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, 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 2023 Bonds. No assurance can be given that the CUSIP numbers for the 2023 Bonds will remain the same after the date of issuance and delivery of the 2023 Bonds.

The 2023 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.”

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 2023 Bonds.

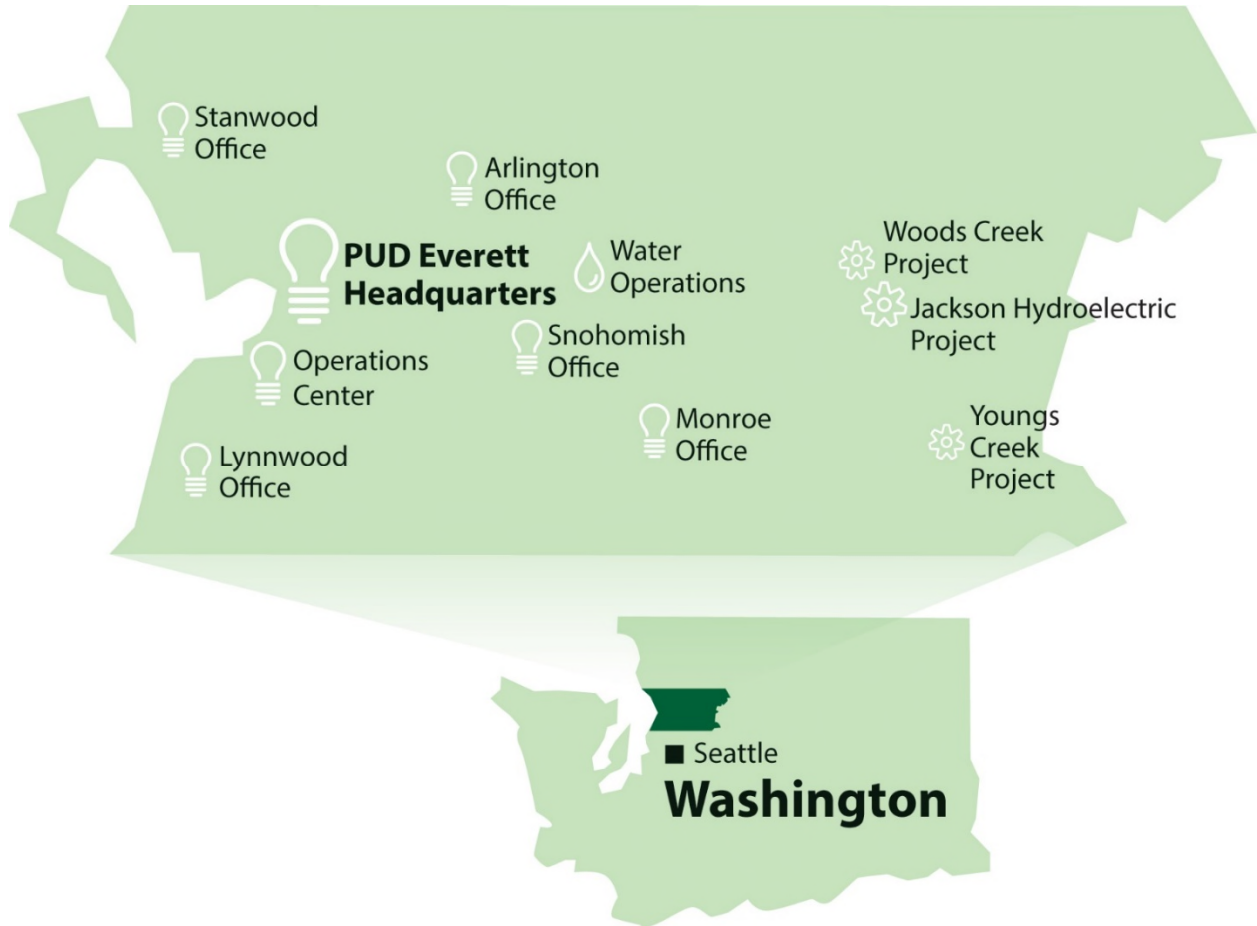


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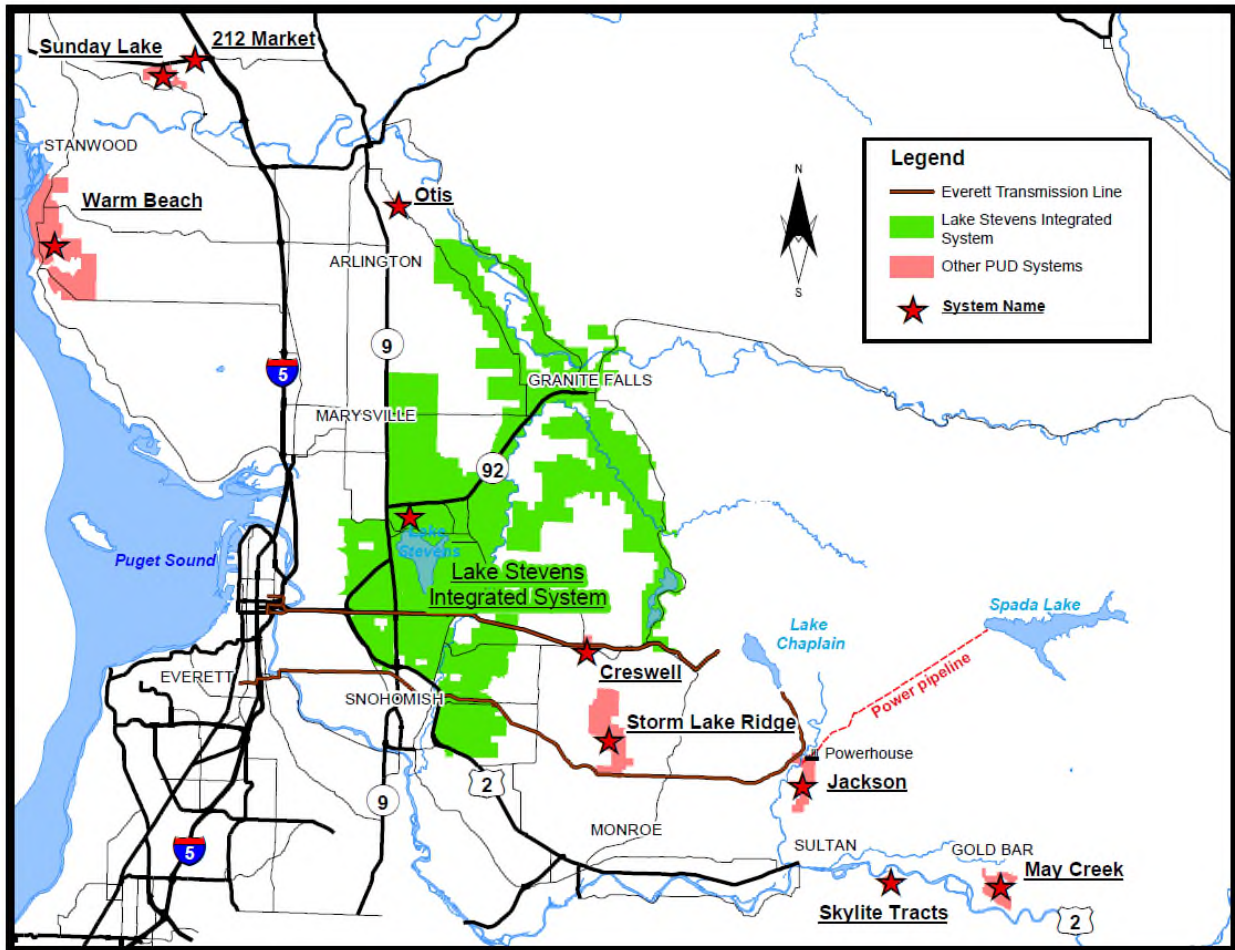
**PUBLIC UTILITY DISTRICT NO. 1 OF  
SNOHOMISH COUNTY, WASHINGTON**

**THE DISTRICT'S SERVICE AREA**



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

**LOCATION OF DISTRICT WATER SYSTEMS**



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

**\$17,070,000\***  
**WATER SYSTEM REVENUE BONDS, SERIES 2023**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside cover page and the appendices hereto, provides information concerning Public Utility District No. 1 of Snohomish County, Washington (the “District”), its water supply and distribution system (the “Water System”), and its \$17,070,000\* Water System Revenue Bonds, Series 2023 (the “2023 Bonds”). The capitalized terms used in this Official Statement have the same meanings given them in the Resolution (as hereinafter defined). Definitions of certain of those terms are summarized throughout the text of this Official Statement, and the definitions of a number of terms are set forth in Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Certain Definitions.”

The 2023 Bonds are being issued pursuant to Title 54 and chapter 39.46 of the Revised Code of Washington (“RCW”), Resolution No. 3825 adopted by the Commission on August 25, 1992, as amended and supplemented, including as supplemented by Resolution No. \_\_\_\_\_ adopted by the Commission on September 5, 2023 (collectively, the “Resolution”). The District previously issued its Water System Revenue Refunding Bonds, Series 2019 (the “2019 Bonds” or the “Outstanding Bonds”), of which \$5,260,000 remains outstanding. The Outstanding Bonds, the 2023 Bonds and any additional bonds with an equal lien on the Revenues are referred to as “Bonds.” The 2023 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 Water System. See “SECURITY FOR THE BONDS.”

This Official Statement includes summaries and descriptions of the terms of the 2023 Bonds, the Resolution and certain contracts and arrangements for the joint development and/or operation of water supply facilities. The summaries of and references to all 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 are dependent upon future events, and actual conditions may 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 2023 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.

**Springing Amendments**

Resolution No. \_\_\_\_\_ adopted by the Commission on September 5, 2023, contains a springing provision that will take effect immediately once the 2019 Bonds are no longer Outstanding. This amendment relates to the release of the pledge of Assessment Income under the Resolution upon the payment in full of a series of Bonds issued, in whole or in part, to finance the costs of improvements to a local utility district of the Water System (a “LUD”) or any series of Bonds issued to refund such initial series of Bonds or refunding Bonds, or when such Bonds are otherwise no longer Outstanding. **By purchase of the 2023 Bonds, the owners of the 2023 Bonds shall be deemed to have consented to this springing amendment.** See “SECURITY FOR THE BONDS—Pledge of Revenues,” “—Pledge of Assessments.”

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\* Preliminary, subject to change.

**PURPOSE AND APPLICATION OF 2023 BOND PROCEEDS**

**General**

The proceeds of the 2023 Bonds will be used to (i) finance additions, betterments and improvements to and renewals, replacements and extensions of the Water System, including a portion of the costs associated with the District’s 2021 Water System Plan and costs of advanced metering infrastructure for the District’s Water System, and the design, construction and improvements to other facilities of the Water System; (ii) fund a deposit to the Reserve Account; and (iii) pay costs of issuing the 2023 Bonds.

**Estimated Sources and Uses of Funds**

The table below sets forth the estimated sources and uses of proceeds of the 2023 Bonds.

**Sources of Funds**

Principal Amount of the 2023 Bonds  
[Net] Original Issue Premium/(Discount)  
Total Sources:

\_\_\_\_\_

**Uses of Funds**

Construction Fund  
Deposit to Reserve Account  
Costs of Issuance<sup>(1)</sup>  
Total Uses:

\_\_\_\_\_

<sup>(1)</sup> Includes fees of bond counsel and disclosure counsel, municipal advisor and rating agency, printing costs, underwriter’s discount, and other costs associated with issuing the 2023 Bonds.

**DESCRIPTION OF THE 2023 BONDS**

The following is a summary of certain provisions of the 2023 Bonds. See also Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.” Reference is made to the Resolution for a more detailed description of such provisions. The discussion herein is qualified by such reference. Copies of the Resolution are available upon request from the District at its address shown on page i of this Official Statement.

**General**

The 2023 Bonds will be issued pursuant to the Resolution in the principal amount of \$17,070,000\*. The 2023 Bonds will be dated the date of their delivery to the Underwriter. The 2023 Bonds will bear interest payable on December 1, 2023, and on each December 1 and June 1 thereafter until maturity or prior redemption at the rates per annum corresponding to those principal amounts maturing December 1 in each year as set forth on the inside cover page of this Official Statement. The 2023 Bonds will be issuable in registered form in the denomination of \$5,000 or any integral multiple thereof. Interest is calculated based on a 360-day year consisting of 12 months of 30 days each. The principal of and interest on the 2023 Bonds are payable by the Fiscal Agent of the State of Washington (the “State”), currently, U.S. Bank Trust Company, National Association (the “Registrar”). For so long as the 2023 Bonds remain in a “book-entry only” transfer system, the Registrar will make such payments to The Depository Trust Company (“DTC”), which, in turn, is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to the Beneficial Owners of the 2023 Bonds as further described in Appendix F—“BOOK-ENTRY SYSTEM.”

\* Preliminary, subject to change.

**Procedure in the Event of Discontinuation of Book-Entry Transfer System**

If the District is unable to retain a qualified successor to DTC or the District determines to discontinue the book-entry system of transfer, the District will execute, authenticate and deliver at no cost to the Beneficial Owners of the 2023 Bonds or their nominees, 2023 Bonds in fully registered form, in the denomination of \$5,000 or any integral multiple thereof. Thereafter, the principal of the 2023 Bonds will be payable at the principal office of the Registrar, and interest on the 2023 Bonds will be payable by check or draft mailed (on the date due) to the registered owners at their addresses as they appear on the registration books on the 15th day of the month preceding an interest payment date. Upon the request of a registered owner of at least \$1,000,000 in principal amount of 2023 Bonds, payment thereof will be made by wire transfer in immediately available funds to an account designated (on or prior to 15th day of the month preceding an interest payment date) by such registered owner.

**Transfer and Exchange**

So long as Cede & Co. is the registered owner of the 2023 Bonds, the beneficial ownership of the 2023 Bonds may only be transferred on the records established and maintained by DTC and its Participants, as described in Appendix F—“BOOK-ENTRY SYSTEM.”

If the book-entry transfer system for the 2023 Bonds is discontinued, any 2023 Bond may be transferred pursuant to its provisions at the principal office for such purpose of the Registrar by surrender of such 2023 Bond for cancellation, accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner in person or by their duly authorized attorney.

**Optional Redemption\***

The 2023 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 2023 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:

**Term Bond Maturing on December 1, 20**

Year (December 1)	Sinking Fund Redemption
*	\$

\* Final maturity.

**Partial Redemption**

In the event that only part of the principal sum of a 2023 Bond is called for redemption, payment of the amount to be redeemed will be made upon surrender of such 2023 Bond to the Registrar. Upon surrender of such 2023 Bond, the District will execute and direct the Registrar to deliver to the registered owner thereof, at the principal corporate trust office of the Registrar, or to send to such registered owner by registered mail at their request and at their risk and expense, a new fully executed 2023 Bond or 2023 Bonds of authorized principal amounts equal in aggregate principal amount, maturity and interest rate to the unredeemed portion of the 2023 Bond surrendered.

## **Notice and Effect of Redemption; Conditional Redemption; Rescission**

Notice of redemption of any 2023 Bonds is required to be mailed first class not less than 20 nor more than 60 days prior to the redemption date to the registered owner of each 2023 Bond called for redemption at their last address shown on the Bond Register. Neither failure of the registered owner of a 2023 Bond to receive such notice nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the redemption of any 2023 Bond.

In the case of an optional redemption, the notice to the registered owner may state (1) that the 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 (ii) 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.

So long as the 2023 Bonds are held in a book-entry only system, the Registrar will provide notices of redemption only to DTC as registered owner of all 2023 Bonds. DTC will provide notices of redemption in accordance with the letter of representations given by the District to DTC. See Appendix F—“BOOK-ENTRY SYSTEM.” The District makes no assurances that DTC participants or other nominees of the Beneficial Owners of 2023 will distribute such redemption notices to the Beneficial Owners of the 2023 Bonds or that they will do so on a timely basis.

If any 2023 Bond is subject by its terms to prior redemption and has been duly called for redemption and official notice of the redemption thereof has been duly given, such 2023 Bond (or the principal amount thereof to be redeemed) so called for redemption unless, in the case of Conditional Redemption, such notice is rescinded or any condition to redemption is not satisfied) will become due and payable, and if money for the payment of such 2023 Bond (or of the principal amount thereof to be redeemed) at the then applicable redemption price and interest to accrue to the redemption date on such 2023 Bond (or the principal amount thereof to be redeemed) are held for the purpose of such payment by the Registrar, interest on such 2023 Bond (or the principal amount thereof to be redeemed) so called for redemption will cease to accrue and said 2023 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Resolution (except for payment of particular 2023 Bonds for which moneys are being held by the Registrar and which money shall be pledged to such payment), and the owners of said 2023 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.

## **Open Market Purchases**

The District has reserved the right to purchase any of the 2023 Bonds in the open market at any time at prices deemed reasonable by the District. All 2023 Bonds so purchased will be cancelled by the Registrar.

## **SECURITY FOR THE BONDS**

### **Pledge of Revenues**

Under 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 fund 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 Water System, the Electric System and the Generation System. See “THE DISTRICT.” The Bonds are obligations solely of the Water System.

The 2023 Bonds are special limited obligations of the District payable from and secured solely by Revenues, subject to the prior payment of Operating Expenses. The principal, premium, if any, and interest on all Bonds, including the 2023 Bonds, are payable from and secured solely by a pledge of (1) the proceeds of the sale of Bonds to the extent held in the funds established by the Resolution, (2) the Revenues, (3) Assessment Income, if any, and (4) any other money and assets, if any, credited to the Revenue Fund, the Bond Fund, the Construction Fund and any Junior Lien Fund or Account created pursuant to the Resolution and income therefrom. The pledge of Revenues and other money and assets is subject to the provisions of the Resolution restricting or permitting the application thereof for the purposes

and on the terms and conditions set forth in the Resolution. Once the 2019 Bonds are no longer Outstanding, the Resolution will be amended to provide that upon the payment in full of, whether at maturity, by redemption, prepayment or defeasance thereof as provided pursuant to the Resolution, the last of (x) a series of Bonds issued, in whole or in part, to finance the costs of improvements to a LUD of the Water System, and (y) any one or more series of refunding Bonds issued from time to time to refinance such costs of improvements to such LUD of the District, or when the last of any such Bonds are otherwise no longer Outstanding under the Resolution, any Assessments levied in connection with such improvements to such LUD of the Water System and pledged to be paid into the Bond Fund shall no longer be required to be paid into the Bond Fund, and any related Assessment Income shall be released from the pledge and lien of the Resolution.

***By purchase of the 2023 Bonds, the owners of the 2023 Bonds shall be deemed to have consented to this springing amendment. As a result, the owners of the 2023 Bonds should expect that the springing amendments will become effective while the 2023 Bonds are Outstanding.***

The Outstanding Bonds, the 2023 Bonds, and any additional Bonds issued under the Resolution shall be equally and ratably payable and secured under the Resolution, except as to insurance that may be obtained by the District to insure the repayment of one or more series or maturities within a series.

RCW 54.24.040 provides that the revenue obligations and interest 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.

#### **Pledge of Assessments**

The District has pledged the Assessment Income from certain local utility districts to the Bond Fund. See “THE WATER SYSTEM—Local Utility Districts.” The provisions of the Resolution related to the pledge of Assessment Income will be amended once the 2019 Bonds are no longer Outstanding. See “—Pledge of Revenues.”

#### **Limitation of Liability**

The Bonds do not in any manner or to any extent constitute general obligations of the District or of the State, or of any political subdivision of the State, or a charge upon any general fund or upon any money or other property of the District or of the State, or of any political subdivision of the State, not specifically pledged thereto by the Resolution, nor has the full faith and credit of the District or of the State, or of any political subdivision of the State, been pledged to the payment of principal, premium, if any, or interest on the Bonds.

#### **Payment of Resource Obligations**

The pledge of Revenues securing the Bonds is subject to the prior payment of Operating Expenses, which are all the District’s expenses for operation and maintenance of the Water System and include, among other expenses, Resource Obligations (as hereinafter defined) for any month in which any water or other goods and services are made available to the Water System.

Upon compliance with certain requirements in the Resolution (See Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Additional Indebtedness—Separate System Bonds; Resource Obligations”), the District may (1) enter into contracts for the purchase of water, conservation or services or (2) construct or acquire as a separate system facilities or resources for the supply, conservation or transmission of water (including any common undivided interest therein) and may declare costs associated with such contracts or separate system (including debt service on bonds) to be a Resource Obligation of the Water System to be paid as an Operating Expense for any month in which water, goods or services from such resource were made available to the Water System during such month (regardless of whether or not the Water System actually scheduled or received water,



goods or services from such resource during that month). At all other times a Resource Obligation is an indebtedness of the Water System payable from Revenues on a parity of lien with the Bonds. There are currently no Resource Obligations outstanding.

### **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 Water System that will be adequate to provide Revenues sufficient (i) for the proper operation and maintenance of the Water System, including all Resource Obligations required to be paid as an Operating Expense of the Water System and all necessary repairs, replacements and renewals of the Water System, including the payment of all taxes, assessments or other governmental charges lawfully imposed on the Water System or the revenues therefrom, or payment in lieu thereof, (ii) for the punctual payment of the principal of, premium, if any, and interest on the Bonds for which payment has not otherwise been provided, (iii) for all other payments that the District is obligated to make into the Bond Fund, (iv) for the payment of Parity Lien Obligations, and (v) 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 also has covenanted to establish, maintain and collect rates and charges that will 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 the Coverage Requirement in such Fiscal Year.

The “Coverage Requirement” is defined in the Resolution to mean (a) for purposes of the Rate Covenant, for any Fiscal Year the product of 1.25 times Annual Debt Service on all Outstanding Bonds in such Fiscal Year after deducting Assessments actually collected for such year and (b) for purposes of the test for issuing additional Bonds, for any Fiscal Year the product of 1.25 times Annual Debt Service on all Outstanding Bonds and the additional Bonds proposed to be issued after deducting Assessments allocated to the years in which they would be received if the unpaid balance of each assessment roll were paid in equal principal and interest installments or in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the resolution confirming the assessment roll, as applicable.

The failure of the District to collect Revenues in any Fiscal Year sufficient to comply with the Rate Covenant will not constitute an Event of Default if the District, before the 120th day of the following Fiscal Year, (a) employs a Professional Utility Consultant to recommend changes in the District’s rates that are estimated to produce Revenues sufficient (once the rates recommended by the Professional Utility Consultant have been imposed by the District) to meet the requirements of such Rate Covenant and (b) promptly imposes rates at least as high as those recommended by such Professional Utility Consultant. In addition, if the District defaults in the observance and performance of the Rate Covenant for any Fiscal Year but achieves the required coverage for the immediately succeeding Fiscal Year; the default will conclusively be deemed cured.

### **Reserve Account**

The Resolution establishes a Reserve Account in the Bond Fund to provide a reserve for the payment of the principal, premium, if any, and interest on the Bonds, and requires that, to the extent permitted under the Internal Revenue Code of 1986, there be deposited into the Reserve Account from the proceeds of each series of Bonds an amount sufficient, together with other money and investments and amounts insured by Qualified Insurance or guaranteed by a Qualified Letter of Credit, to meet the Reserve Account Requirement. As of June 30, 2023, the balance in the Reserve Account was \$417,637.50, which meets the Reserve Account Requirement for the Outstanding Bonds.

The Reserve Account Requirement at the time of issuance of the 2023 Bonds is expected to be \$853,500.\* Upon the issuance of the 2023 Bonds, the District expects to deposit proceeds of the 2023 Bonds in the amount of \$748,850\* into the Reserve Account.

Money in the Reserve Account, including any amounts drawn under a Qualified Letter of Credit or paid pursuant to Qualified Insurance, may be used only for the purpose of paying the principal of, premium, if any, or interest on any Bonds in the event that money in other accounts in the Bond Fund are insufficient therefor. Whenever money is withdrawn from the Reserve Account, the amount in the Reserve Account must be restored as described in Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Funds and Accounts—Bond Fund.”

### **Other Covenants**

The District has covenanted in the Resolution to operate the properties and business of the Water System in an efficient manner and at reasonable cost; to maintain, preserve, and keep the properties of the Water 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 Water System. See Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Certain Covenants.”

### **Flow of Funds**

The District has covenanted that so long as any Bonds are Outstanding it will pay into the Revenue Fund all of the Revenues and all other money required to be paid into the Revenue Fund by the Resolution. The District has created two accounts in the Revenue Fund, the General Account and the Rate Stabilization Account, to be used for the purposes described below.

All Revenues paid into the Revenue Fund are first to be credited to the General Account and applied as follows:

First, to pay Operating Expenses;

Second, to pay amounts as follows equally and ratably and without priority of any one over the other: (i) to deposit in the Interest Account, Principal Account and Reserve Account in the Bond Fund the amounts required by the Resolution in the order of priority established by the Resolution; (ii) to pay all Parity Lien Obligations; and (iii) in the event the District has entered into a reimbursement agreement pursuant to the 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 Water System.

To the extent that Revenues remain after the payments required to be made out of the General Account, the District may credit the full amount of such surplus to the Rate Stabilization Account to be applied as set forth in the Resolution. As of June 30, 2023, \$1,468,185 was on deposit in the Rate Stabilization Account.

After all the above payments and credits have been made, amounts remaining in the Revenue Fund may be used for any other lawful purpose of the District, including the purchase of Bonds.

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\* Preliminary, subject to change.

### **Additional Indebtedness**

Under the Resolution the District is not permitted to issue bonds or other evidences of indebtedness of the Water System with a lien and charge upon Revenues prior to the lien and charge of the Bonds.

The District may issue additional Bonds from time to time in one or more series for any lawful purpose of the District upon compliance with the terms and conditions stated in the Resolution, including in most circumstances a debt service coverage requirement of 1.25 times. See the definition of “Coverage Requirement” in Appendix B and Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Additional Indebtedness.”

Upon compliance with certain terms and conditions set forth in the Resolution, the District may declare certain costs to be Resource Obligations to be paid as an Operating Expense or to be secured by a lien and charge on Revenues on a parity with the Bonds. See “SECURITY FOR THE BONDS—Payment of Resource Obligations.” Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Additional Indebtedness—Separate System Bonds; Resource Obligations.”

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 Revenues that is junior to the Bonds. As of June 30, 2023, the Water System has outstanding loans in the principal amount of \$5,337,242 that have a lien on Revenues junior to the lien of the Bonds. See “THE WATER SYSTEM—Management’s Discussion of the Water System’s Financial Results.”

### **Authorized Investments**

All moneys in any of the funds and accounts held and established pursuant to the 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 Resolution, payment of the principal of and accrued interest on the Bonds is not subject to acceleration. The District thus would be liable for principal and interest payments only as they became due. The inability to accelerate the Bonds upon an Event of Default could give rise to varying interests between holders of earlier and later maturing 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 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.

## DEBT SERVICE

Debt service requirements for the Outstanding Bonds and the 2023 Bonds are shown below.

**TABLE 1  
SCHEDULED DEBT SERVICE ON THE BONDS**

Year	Debt Service on Outstanding Bonds	2023 Bonds*			Total Debt Service <sup>*(1)</sup>
		Principal	Interest	Total <sup>(1)</sup>	
2023	\$738,000	\$ 0			
2024	739,250	160,000			
2025	739,250	170,000			
2026	738,000	180,000			
2027	740,000	185,000			
2028	741,500	195,000			
2029	741,000	205,000			
2030	744,000	210,000			
2031	740,250	225,000			
2032		975,000			
2033		1,025,000			
2034		1,075,000			
2035		1,130,000			
2036		1,185,000			
2037		1,245,000			
2038		1,310,000			
2039		1,375,000			
2040		1,445,000			
2041		1,515,000			
2042		1,590,000			
2043		1,670,000			
2044					
2045					
Total <sup>(1)</sup>	\$6,661,750	\$17,070,000	\$	\$	\$

\* Preliminary, subject to change.

<sup>(1)</sup> Totals may not foot due to rounding.

## THE DISTRICT

### General

The District is a municipal corporation of the State, established in 1936. The District maintains three systems: the Water System, the Electric System and the Generation System. Each of these systems is separately financed, and the District maintains separate books and records for each system. 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 by its Electric System. The service area of the District consists of virtually all of Snohomish County and Camano Island in Island County, although the Water System does not provide service throughout the entire service area of the District. The administrative offices of the District are located in the City of Everett, Washington (“Everett”), which is the county seat of Snohomish County.

Pursuant to Title 54 RCW, the District is authorized to (1) acquire, construct and operate plants, water works and systems, (2) sell and regulate and control the use, distribution and price of water, and (3) issue revenue obligations for the purpose of financing the acquisition and construction of water properties and for other corporate purposes.

The District also is authorized and required to establish, maintain and collect rates and charges for services that will be fair, nondiscriminatory and adequate to provide revenues sufficient for (1) the payment of principal of and interest on its revenue obligations for which payment has not otherwise been provided, (2) the proper operation and maintenance of its water facilities, and (3) renewals and replacements thereto.

### **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, 2022, the Water System served approximately 23,156 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. The Revenues of the Water System are not pledged to the payment of the expenses and obligations of the Electric System or Generation System. For the year ended December 31, 2022, the Water System had water sales of 253 million cubic feet and gross operating revenues of \$15,506,000. As of December 31, 2022, the total assets of the Water System were \$170,553,000 and its total outstanding bond and loan principal amount was \$10,547,000.

### **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, 2022, the Electric System served an average of 373,126 customers, had energy sales of 8,608,527 megawatt hours, and had operating revenues of \$722,259,000. In 2022, the District purchased approximately 83% of its power from the Bonneville Power Administration, approximately 5% from long-term power contracts, approximately 5% combined from the Generation System, and 7% 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, 2022, the total assets of the Electric System were \$2,226,177,000 and its total outstanding bond principal was \$424,980,000. The revenues of the Electric System are not pledged or available to make payments on the 2023 Bonds.

### **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.

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.

As of December 31, 2022, the total assets of the Generation System were \$239,463,000 and its total outstanding bond principal was \$62,530,000. The revenues of the Generation System are not pledged or available to make payments on the 2023 Bonds.

### **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:

*Rebecca Wolfe, 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, Vice President*

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 first term began on March 28, 2017, and ran through December 31, 2018. He was elected for a subsequent two-year term that began in January 2019 and continued through December 31, 2020. He was subsequently re-elected for his first six-year term that will end on December 31, 2026.

*Tanya "Toni" Olson, Secretary*

Ms. Olson began her fourth six-year term as Commissioner on January 1, 2023. 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, 2028.

*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.

*Colin Willenbrock, General Counsel*

Mr. Willenbrock joined the District as General Counsel in March 2023. Prior to joining the District, he spent nearly 10 years leading Public Utility District No. 1 of Pend Oreille County, Washington in a variety of roles including General Manager, Assistant General Manager – Power Production and General Counsel. During his tenure, he was responsible for energy contracts, FERC hydro licensing, capital construction, municipal bond financing, reliability compliance, government affairs, labor relations, and strategic planning. Mr. Willenbrock began his career as a senior judicial law clerk for the Honorable Dennis J. Sweeney at the Washington State Court of Appeals and then practiced commercial litigation at Winston & Cashatt, Lawyers in Spokane, Washington. He earned his Juris Doctor with honors from Gonzaga University School of Law and Bachelor of Arts in Government from the University of Redlands. He holds leadership certificates from Willamette University and the American Public Power Association.

*Angela Johnston, Treasurer*

Ms. Johnston started at the District in November of 2010 as a Financial Analyst focused on the management of the District's debt program. In 2016, she began to lead the District's cash management, and short- and long-term investment programs, being named as Deputy Treasurer in June of 2018. In October of 2019, Ms. Johnston began serving as Accounting Manager in charge of the District's financial reporting over the Water System and Generation System, payroll, and accounts payable, being named Deputy Auditor in May of 2020. Ms. Johnston was appointed by the Commission to serve as Treasurer in August 2022 and began her role as Senior Manager of Financing and Risk Management in September of 2022. Before joining the District, Ms. Johnston worked as an auditor in the public accounting industry focused on the utility, governmental and not-for-profit industries. Ms. Johnston holds a Bachelor of Arts Degree in Accounting from Western Washington University.

*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.

*Brant Wood, Assistant General Manager—Water Utility*

Mr. Wood started at the District in January 1992 as an Associate Engineer in the Water Utility. Prior to that, he worked several summers and breaks as a Summer Engineering Student for the District while still in college. Mr. Wood has designed, permitted, and managed the construction of numerous water main replacement and extension projects, water reservoirs, pump stations, the Water Supervisory Control and Data Acquisition system, and most recently the District's newest water treatment plant in Lake Stevens. Mr. Wood has led the Water Engineering group since 2000 and added the management of the Water Operations and Maintenance group in 2004. In 2014, Mr. Wood was asked to take on the overall management of the Water Utility for the District. He was named Assistant General Manager of the Water Utility in November 2016. Mr. Wood holds a B.S. in Mechanical Engineering from the University of Washington. He is a licensed professional Civil Engineer and holds certification as a Water Distribution Manager 4, Cross Connection Control Specialist, and Water Treatment Plant Operator in the State. He is the current chair of the North Snohomish County Water Utility Coordinating Committee and past chair of the Snohomish Health District's Public Health Advisory Council.

*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.

**District Climate Change Policy, Principals and Strategy**

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.

## **Labor Relations**

The District had the full-time equivalent of approximately 1,648 employees as of December 31, 2022. 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 40 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 with a \$250,000 deductible, which includes acts of terrorism and \$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 self-insured retention is \$250,000 for the Water System’s general liability coverage. The District’s self-insured retention fund balance at December 31, 2023, was approximately \$10 million, held within the Electric System, but is intended for the benefit of the District as a whole. The District’s general liability coverage of \$50 million includes acts of terrorism.

The District also has an insurance policy covering cyber events.

## **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 2022 Valuation Report, the 2021 Valuation Report, the 2020 Valuation Report and the Annual Comprehensive Financial Report for the Washington State Department of Retirement Systems Funds of the State of Washington (the “WDRS”) for the fiscal year ended June 30, 2022 (the “2022 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, 2022 AND 2021 AND INDEPENDENT AUDITOR’S REPORT, Note 6” 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. As of June 30, 2022, the District is one of 259 governmental employers that participate in PERS 1, one of 986 governmental employers that participate in PERS 2, and one of 746 government employers that participate in PERS 3. As of June 30, 2022, 117,643 inactive plan members and beneficiaries were receiving benefits under PERS, 38,227 inactive plan members were entitled to, but not yet receiving, benefits, and there were 95,034 vested active plan members and 70,079 non-vested active plan members.

Benefits for active members in PERS 1 or PERS 2 vest after five years of service, and in PERS Plan 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 will generate sufficient retirement income, in a defined benefit plan the employer bears the risk that contributions and investment income thereon 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. 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 pension 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 of 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 2023, the OSA released an actuarial valuation for June 30, 2022 (the "2022 Valuation Report"). The primary purpose of the 2022 Valuation Report is to provide information on the funding progress and developments in the plans over the State fiscal year ended June 30, 2022.

*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 (collectively, the "Pension Act"). In 2009, the Pension Act was amended to provide for the amortizing in full of 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 2023-2025 biennium contribution rates: a rate of inflation of 2.75%; an assumed annual investment return of 7.0%; general salary growth of 3.25%; and annual growth in membership of 1.00.

*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 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 the PERS plans, for all of the State is set forth below.

**TABLE 2**  
**PERS PUC Liability and Funded Ratio on an Actuarial Basis**

	<b>June 30, 2020</b>		<b>June 30, 2021</b>		<b>June 30, 2021</b>	
	<b>PERS 1</b>	<b>PERS 2/3</b>	<b>PERS 1</b>	<b>PERS 2/3</b>	<b>PERS 1</b>	<b>PERS 2/3</b>
Actuarial Liability	\$11,160	\$45,559	\$11,368	\$52,039	\$11,047	\$55,247
Valuation Assets	<u>7,686</u>	<u>44,497</u>	<u>8,064</u>	<u>49,451</u>	<u>8,294</u>	<u>53,863</u>
Unfunded Liability	<u>\$ 3,474</u>	<u>\$ 1,062</u>	<u>\$ 3,303</u>	<u>\$ 2,588</u>	<u>\$ 2,753</u>	<u>\$ 1,384</u>
Funded Ratio	69%	98%	71%	95%	75%	97%

*Source: Office of the State Actuary; 2022 Valuation Report, 2021 Valuation Report, 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, 2023, and ends June 30, 2025. 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, including an administrative expense rate of 0.0020. Effective September 1, 2023, the employer contribution rate for all PERS plans is 9.53% 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.

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, 2022, the District’s total payroll for employees was \$155.4 million, and virtually all of that was covered by PERS. Both the District and its employees made their required contributions to PERS in 2022, with the District contributing \$15.8 million consisting of \$5.8 million to PERS 1 and \$10.0 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. Based on an actuarial study completed as part of the disclosure requirements, the unfunded actuarial accrued liability for these benefits as of December 31, 2022, was \$47.1 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 \$38.2 million as of December 31, 2022. In addition, the Commission has approved an additional \$2.0 million in contributions to the net post-employment obligation in 2023. 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, 2022 AND 2021 AND INDEPENDENT AUDITOR’S REPORT, Note 6”.

#### 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. In January 2023 through the amendment of CEO John Haarlow’s employment agreement, the Commission approved a single lump-sum deposit of \$600,000 into a 457(f) deferred compensation plan. The benefit will vest upon Mr. Haarlow’s fulfillment of the terms and conditions of the employment agreement, which is through January 12, 2029.

#### **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) supranational securities with the U.S. government as its largest shareholder, (vi) municipal bonds, (vii) certificates of deposit, (viii) liquid overnight funds held at a national financial institution that are under the Washington State Public Depository Protection Commission and (ix) State of Washington Local Government Investment Pool.

The District’s investment policy, updated in December of 2022, also establishes issuer constraints and other guidelines of various types for these investments. As of June 30, 2023, the Water System’s major investment portfolio holdings include the Washington State Local Government Investment Pool (22.3%), Federal Home Loan Bank Notes (21.24%), Federal Farm Credit Bank Notes (21.9%), U.S. Treasury Notes (33.6%), and Municipal Bonds (1%). 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 Resolution provides that money in the Bond Fund be invested in any obligations or investments in which the District may legally invest its funds. See APPENDIX A—“FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 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 Washington State Local Government Investment Pool (the “LGIP”) are administered by the State Treasurer’s Office. The LGIP is a pool having over 530 local government participants since its inception in 1986. The LGIP had approximately a \$22.4 billion average balance under investment as of December 31, 2022. 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 billion 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 shall not 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, 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 WATER SYSTEM**

Since its inception as an operating water utility in 1946, the District’s water service area had been located primarily in the Lake Stevens area of Snohomish County. The District’s planned area of service expanded significantly in 1992 as a result of the North Snohomish County Coordinated Water System Plan and in 1996 with the adoption of the District’s first Comprehensive Water System Plan by the Commission and the Washington State Department of Health (the “WSDOH”). The total number of water customers has grown from 6,097 in 1992 to approximately 23,156 as of December 31, 2022. Over the past five years, the number of water customers has increased at an average rate of 2.2% per year. This growth has resulted in increases in operation and maintenance expenses and capital expenditures over the same period.

The District’s 2021 Comprehensive Water System Plan, adopted by the Commission on January 10, 2023, was designed to be consistent with neighboring water utilities’ plans, Snohomish County Land Use and Coordinated Water System Plans, and other applicable city and county plans and growth policies.

## **The District's Water System**

*Service Areas.* The District's Water System is a single financial entity that owns and operates nine separately regulated water systems. The systems are spread throughout Snohomish County and are grouped into (i) an Integrated Service Area, which is made up of three systems that will eventually combine into one, and (ii) six stand-alone satellite systems. The District's Water System serves a population of approximately 61,000 people through approximately 23,156 metered customers. The District is also the preferred Satellite System Management Agency in Snohomish County, with first right of refusal to provide water service in any part of the county that is not already claimed by other water purveyors. See the maps showing the District's service area and location of the District's water systems included on pages iv and v of this Official Statement.

Integrated Service Area. The District's Integrated Service Area encompasses three water systems that are planned to merge into a single system over the next 20 years. The Integrated Service Area includes the Lake Stevens, Creswell, and Storm Lake Ridge systems. This combined area serves approximately 90% of the District's water customers. The separate water systems in the Integrated Service Area are supplied through a combination of treated water purchased from Everett and the District's Lake Stevens Treatment Plant.

Satellite Service Areas. The Water System also owns and operates six separate satellite systems served by ground water wells, including May Creek, Skylite Tracts, Sunday Lake, Otis, 212 Market & Deli, and Warm Beach. The District's Kayak and Warm Beach systems were integrated in 2020 under the name "Warm Beach" as part of the capital improvements completed for the original Warm Beach system. The remainder of the District's remote systems are too distant from the Water System's primary water transmission and distribution facilities to merge into the Integrated Service Area or another satellite system. Therefore, they will continue as individual satellite water systems for the foreseeable future. The District has sufficient ground water rights to continue to provide service to these systems into the foreseeable future.

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 District at the request of the Association's membership after a multi-year process of study and public outreach. As part of this process, District staff identified improvements necessary to increase the reliability of the water system. These improvements were completed in 2022 and were 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 District's Water System operating reserve. Customers of the District's Warm Beach water system will pay a capital improvement surcharge through 2038 to reimburse the operating reserve and cover the Drinking Water State Revolving Fund loan repayments. The transfer added approximately 600 new customers to the District's Water System.

## **Water System Properties**

The components of the Water System transmission and distribution facilities include 9 well sites with 12 active wells, 17 supply and booster pump stations, 17 reservoirs with approximately 15.5 million gallons of storage, 4 treatment plants, over 412 miles of water main ranging from 2" to 30" in diameter, and associated maintenance facilities and equipment.

The District completed the design and construction of the water treatment facility in its Lake Stevens system at the end of 2012. The treatment plant is capable of producing 1,000 gallons per minute ("gpm") at full production and the District's ground water rights allow for withdrawal of up to 1,400 acre-ft per year, enough to supply approximately 25% of the District's needs for its Integrated System. Since beginning full operation of the treatment plant in 2013 through December 31, 2022, the District has produced approximately 442 million cubic feet of treated water from the plant and reduced its purchased water costs from Everett by approximately \$6.1 million.

## **Water Supply**

The District has sufficient water supply to maintain and allow for the foreseeable growth in its water systems well into the future. The water systems are supplied by either water purchased wholesale from Everett or water produced and treated from ground water wells.

*City of Everett.* The District purchases most of the water needed to serve its water systems wholesale from Everett. The District has a long-standing relationship with Everett and is guaranteed sufficient water to meet the demands of its current and future water service areas into the foreseeable future. The District and Everett are parties to a 1981 joint operating agreement (the “Everett Agreement”) which sets out the rights and duties of each party to use the Sultan River water basin and water stored in the Spada Lake reservoir and released by the Jackson Project hydroelectric facility, located 24 miles east of Everett. The District’s primary interest in the Jackson Project is power generation and Everett has the right to use and sell water from the Jackson Project for water supply purposes. The Everett Agreement remains in effect so long as either of the parties holds a Federal Energy Regulatory Commission (“FERC”) license for the Jackson Project. The original 1981 Everett Agreement included a provision permitting the parties to renegotiate terms of the contract in 2031. However, the District and Everett have amended and supplemented the Everett Agreement periodically, most recently in 2017, and the District does not anticipate significant revisions in the near term that would impact the District’s ability to purchase wholesale water from Everett.

The original FERC license for the Jackson Project expired on May 30, 2011. Although the District and Everett were co-licensees of the Jackson Project, they agreed that the District alone would apply for the new license as the sole licensee, and as a result amended the Everett Agreement to maintain water supply as one of the priorities. The District filed the application for a new FERC license in May 2009. The new license was issued by FERC on September 2, 2011, for a 45-year term. The new license will expire on August 31, 2056. Included in the license are operating requirements for the protection of water supply and environmental measures.

Everett’s water sales to the District are made pursuant to a rate schedule that is designed to recover costs, including filtration. For additional information on current rates charged to the District by Everett, see “THE WATER SYSTEM—Management’s Discussion of the Water System’s Financial Results—Results of Operations.”

*Ground Water Rights.* In addition to the water purchased wholesale from Everett, the District also holds certificated ground water rights in its Lake Stevens, May Creek, Skylite Tracts, Pilchuck 10 (merged into the Integrated System in 2011), Sunday Lake and Warm Beach service areas that total over 4,092 gpm maximum peak withdrawal and 2,637 acre-feet (859 million gallons) annual withdrawal. These certificated water rights are sufficient to serve the District’s satellite systems into the foreseeable future and to supplement the Lake Stevens water system, thereby reducing the Water System’s reliance upon Everett.

## **City of Marysville and Tulalip Tribes Agreement**

The District, the City of Marysville, and the Tulalip Tribes are parties to a 1991 Joint Operating Agreement (“JOA”) to supply water to the Integrated Service Area. The District owns 16.6% of the capacity of the pipeline, or approximately 3.4 million gallons per day. The JOA was supplemented and amended by a new agreement with the City of Marysville for water supply in 2003 to resolve a dispute related to the ownership of a smaller 7.2% share of the pipeline capacity that was left as undetermined in the original JOA and to add other operational terms. The District retained its purchased capacity in the pipeline in the 2003 agreement. The term of the JOA, as supplemented and amended in 2003, extends the useful life of the JOA-1 pipeline, which is estimated to be through 2091.

## **Water Quality**

All of the District’s water systems maintain water quality that meets U.S. Environmental Protection Agency (the “EPA”) and Washington State standards.

The District is closely monitoring regulatory and legislative actions that address Per- and poly-fluoroalkyl substances (“PFAS”). PFAS are a large and diverse group of chemicals used in many commercial applications due to their unique properties, such as resistance to high and low temperatures, resistance to degradation, and nonstick characteristics.

Although PFAS have been manufactured and used broadly in commerce since the 1940s, concern over potential adverse effects on human health grew in the early 2000s with the detection of perfluorooctanoic acid (“PFOA”) and perfluorooctane sulfonate (“PFOS”) in human blood. Since that time, hundreds of different PFAS have been found in water, soil, and air. The EPA issued health advisories for PFOA and PFOS in the spring of 2016. Exposure to PFAS over certain levels may result in adverse health effects. Currently, the WSDOH action limits are 10 and 15 ppt for PFAS. In March 2023, the EPA proposed regulations that would impose limits of 4 parts per trillion (the “EPA Proposed PFAS Limits”). If the EPA Proposed PFAS Limits are implemented as proposed, those limits will supersede the PFAS limits of the WSDOH. The District sampled all of its groundwater sources in 2019 and again in 2023 and the results showed no detectable levels of PFAS. Everett, a significant supplier of water to the Water System, has also sampled its drinking water for PFAS compounds, and PFAS compounds were not detected in such tests.

On January 15, 2021, the EPA issued Lead and Copper Rule Revisions (the “LCRR”) that went into effect on December 16, 2021. Group A Community and nontransient noncommunity (“NTNC”) water systems, including the District’s Water System, are required to follow the LCRR. At the same time, the EPA announced that it was going to begin new rulemaking to update these same requirements, which they identified as the Lead and Copper Rule Improvements (“LCRI”). The part of the LCRR not expected to change in the LCRI are the requirements relating to the Lead Service Line Inventory. All other requirements of the LCRR are subject to change under the LCRI. While the EPA works on the LCRI, water systems are required to develop and submit a Lead Service Line Inventory (“LSLI”) by October 16, 2024; while continuing to comply with the prior version of the EPA’s lead and copper rules.

The District continues to comply with and meet the requirements of the LCRR in all of its water systems and is actively working to research and complete its LSLI by the October 16, 2024 timeline. Since most of the District’s Water System infrastructure is relatively new and the District has no historical records or knowledge showing that lead service lines or goosenecks were ever specified, used, or observed in any of the District’s infrastructure, the District anticipates being able to complete the required LCLI and comply with all of the current and potential future requirements of the LCRR.

The water purchased for the Lake Stevens, Storm Lake Ridge, and Creswell systems is treated by Everett’s filtration plant. The water quality meets all current drinking water standards. In addition to the water purchased from Everett, the District also produces water from its Lake Stevens wells as a supplemental source for the Integrated Service Area.

The raw water from the Sunday Lake well and the Warm Beach wells exceed secondary contaminant (aesthetic) standards for iron and manganese; however, the treated water meets all current state and federal drinking water standards. A water treatment plant was constructed in 1997 to remove iron and manganese from the Sunday Lake well water. An additional water treatment plant was constructed and brought on-line in July 2009 at one of the Warm Beach wells to remove iron and manganese. The Warm Beach system also has an existing treatment plant that removes iron and manganese that was taken over and optimized in connection with the acquisition of the system by the District in 2018. Additional upgrades to the Warm Beach Well 4 treatment plant and Well 2 are currently in design and permitting and expected to be constructed in 2024 and 2025 respectively. The District’s Skylite Tracts system aerates and chlorinates the water prior to distribution to reduce the copper leaching from customers’ plumbing.

### **Local Utility Districts**

From time to time, the District establishes LUDs to finance capital improvements to the Water System that specifically benefit properties within the LUD. In an LUD, special assessments may be levied on the properties to reimburse the District for the cost of the improvements. Such special assessments are paid, at the option of the property owner, within a 30-day prepayment period or in annual installments extending over a period not exceeding 20 years. LUD assessments become a lien on the property assessed, which lien is paramount to all other liens theretofore created except the lien for general property taxes.

The District at times uses Revenues of the Water System to finance LUD improvements. Special assessments collected from those Revenue funded LUDs are then deposited into the General Fund to repay the District. If the District issues Bonds to finance the improvements in an LUD, Assessments from that LUD are deposited into the Bond Fund as Assessment Income for the payment of debt service on such Bonds. Proceeds of the sale of any property foreclosed upon up to the amount of the unpaid LUD Assessments, including interest and penalties for Bond funded LUDs are also deposited into the Bond Fund. The District currently has a number of small LUDs with outstanding Assessment

principal of approximately \$21,480 that is pledged to the Bonds as of December 31, 2022. The Resolution is being amended on a springing basis, to provide for the release of the pledge of the related Assessment Income under the Resolution once the Bonds issued, in whole or in part, to finance the costs of improvements to a LUD and any series of Bonds issued to refund such initial series of Bonds are no longer Outstanding. This springing amendment will become effective when the 2019 Bonds are no longer Outstanding. See “SECURITY FOR THE BONDS—Pledge of Revenues.”

If the District forms additional LUDs and finances LUD improvements with the proceeds of additional Bonds, the District may pledge the assessments levied in those LUDs toward the payment of such Bonds. As of the date of this Official Statement, the District does not intend to finance LUDs with the proceeds of the 2023 Bonds.

**Water Rates and Fees**

The Commission has exclusive authority to establish rates and fees free from regulation by the Washington Utilities and Transportation Commission. Under State law, rates must be fair, nondiscriminatory and adequate to provide revenues sufficient for (1) the payment of principal of and interest on the District’s water revenue obligations for which payment has not otherwise been provided, (2) the proper operation and maintenance of its water facilities, and (3) renewals and replacements thereto.

The following table presents the Water System’s wholesale and retail rate increases for the calendar years 2018 through 2023.

**TABLE 3  
WATER SYSTEM RATE INCREASES**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Retail	2.00%	0.00%	0.00%	0.00%	1.75%	2.75%
Wholesale	2.40	2.00	2.40	0.00	0.00	1.70

*Source: The District*

There is an anticipated retail rate increase of 3.0% for the year 2024. The District may propose an increase in the wholesale rate in 2024, but the amount of the proposed increase will not be known until after 2023 year-end. The District employs a rate recovery method based on cost components that are unavailable to evaluate until the preceding year’s financial year has closed.

The District also adjusts its General Facilities Charge (“GFC”), Distribution System Charge (“DSC”) and Service Connection Fees, as necessary on an intermittent basis and as authorized by the Commission.

The GFC is paid by new customers and recovers the cost of obtaining capacity in the source, treatment, transmission and storage facilities of water needed to serve new customers’ anticipated demand, over a planning horizon of 20 years. The 2023 GFC is \$3,645 per equivalent residential unit (“ERU”) in all systems except Storm Lake Ridge and Sunday Lake, where the charge per ERU is \$5,915. An ERU is the volume of water demand and use deemed by the District to be characteristic of a single-family residential unit, which currently equals an average water consumption of 800 cubic feet (one cubic foot is equal to 7.5 gallons) per month. The GFC funds collected are retained in a restricted fund within the Water System’s Project Reserve, and used as eligible source, treatment, transmission or storage expenditures are made. See “—Management’s Discussion of the Water System’s Financial Results—*Financial Condition, Liquidity and Capital Resources.*”

The DSC is paid by new customers and is used to recover the average cost of existing distribution mains when the new customer is connecting to an existing main, rather than extending a main to obtain service. It is also used as a means to reimburse investments made by developers who extend new mains, by passing through to them 95% of the DSCs collected from customers connecting to the new main extension for a period of 10 years from the date of the main extension completion. The DSC was updated in 2019 to \$38.00 per foot of frontage, or \$4,210 per single-family household connection.



The Service Connection Fee charged to new customers for a 3/4-inch water service is currently \$1,355 for all systems. This charge is intended to recover the actual cost of a new service installation.

Water System customers are billed for their water consumption on a monthly schedule immediately following the reading of their meter. Because nearly all Water System customers are also Electric System customers, the District bills the consumption of both services on the same invoice. District invoices are due 15 days after they are billed. Disconnection procedures begin after sufficient notice is given to customers, but not before 45 days after the invoice due date.

The following table compares the District’s average monthly water bills for a single-family residential unit based on an average water consumption of 700 cubic feet per month, with those of other nearby water utilities. The representative monthly water bills shown are based on specific rate schedules for each utility. Use of different schedules applicable to particular customers would yield different results.

**TABLE 4**  
**WATER SYSTEM MONTHLY RESIDENTIAL WATER BILLS COMPARISON**  
**(Rates effective January 1, 2022)**

	<u>700 cubic feet per month</u>
<b>The District</b>	<b>\$49.54</b>
Clark Public Utilities	21.95
Mukilteo Water District	35.26
Silver Lake Water District (summer)	37.90
City of Granite Falls	40.52
City of Arlington	45.35
City of Marysville (city customers)	45.48
Alderwood Water District (summer)	52.28
Sammamish Plateau Water	52.64
Tacoma (in city)	52.72
Cross Valley Water District	53.39
City of Everett (metered)	57.90
Seattle (in city/peak)	58.97
North City Water District	60.65
City of Snohomish	60.79
Tacoma (out of city)	63.53
Woodinville Water District	66.39
Seattle (out of city/peak)	67.22
City of Marysville (inside Urban Growth Area)	68.27
Skagit County PUD	76.72
City of Marysville (outside Urban Growth Area)	90.97

*Source: District survey*

### Major Customers

The District’s Water System serves primarily suburban and rural residential areas. The District’s ten largest retail customers for the 12 months ended December 31, 2022, accounted for approximately \$1,353,000, or approximately 8.7% of the Water System’s operating revenues. The two largest wholesale customers, the cities of Granite Falls and Arlington, accounted for approximately \$688,000, or 4.4%, of operating revenues in 2022.

### Wholesale Water Sale Agreements

*City of Granite Falls.* The District and the City of Granite Falls entered into a wholesale water agreement in early 1996. Granite Falls is supplied water from the District through three master meters. Granite Falls retains retail service

responsibility within the Granite Falls urban growth area. The agreement was last renewed in 2020 and continues through 2040, unless terminated by mutual agreement upon five years' written notice by either party.

*City of Arlington.* The District and the City of Arlington entered into a wholesale water agreement in July 1998. The agreement allows the City to purchase wholesale water, up to a maximum of 1,000 gpm, from the District's Integrated Water System for resale to its customers. The agreement was renewed in 2023 and continues through 2043 and thereafter unless terminated by mutual agreement upon five years' written notice by either party.

*City of Snohomish.* The District and the City of Snohomish entered into a temporary/seasonal wholesale water agreement in 2012. The District agreed to sell water to the City of Snohomish through a 2" master meter to serve approximately 75-100 City of Snohomish customers when river conditions prevented the City of Snohomish from producing water at its Pilchuk River treatment plant. In 2017, the agreement was amended to allow the District to sell water on a full-time basis, when the City of Snohomish decided to decommission the Pilchuck River treatment plant. In 2020, the agreement was amended further to include redundant supply to the southern portion of the City of Snohomish (the "218 Zone" as well as its transmission main customers, and included an updated wholesale rate that may be adjusted by the Commission from time to time. The agreement continues through 2040, unless terminated by written mutual agreement of the parties or upon three years' written notice by either party; provided, that the term of the agreement may be extended or renewed for up to five additional years by written notice from the City of Snohomish to the District.

*City of Gold Bar.* The City of Gold Bar operates its own public water system. The District and the City of Gold Bar entered into an emergency intertie agreement in November 2013. This agreement allows for one utility to access water from the other utility through the intertie at the current commercial rate only in emergency situations where the parties agree public health and safety is at risk. The agreement continues through December 2026.

*Sudden View Water System.* The District entered into a wholesale agreement with the Sudden View water system to serve up to 48 homes in 2010. The agreement includes provisions whereby the Sudden View water system will pay the District's General Facilities Charge for each new connection made up to the limit of 48 and pay the District's current Commercial Water Rate as adjusted from time to time by the Commission. The agreement continues through December 2029.

*Twin Falls Water System.* Twin Falls is a small water system owned by the Seymour Water Company and is designed to serve up to 14 homes, with its own booster pump station and equalizing storage. The District preferred to provide water through a master meter, rather than owning and maintaining these water facilities. The District entered into a wholesale agreement with the Twin Falls water system originally in 2003. The agreement was renewed in 2010 and again in 2020. The wholesale rate for the system is the District's current Commercial Water Rate as adjusted from time to time by the Commission. The agreement continues through December 2029.

### Water System Operating Statistics

The following table presents the Water System's operating statistics for the calendar years 2018 through 2022.

**TABLE 5  
WATER SYSTEM OPERATING STATISTICS**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Number of Customers (average)	20,808	21,635	22,161	22,774	23,156
Water Sales (000 cubic feet)					
Retail <sup>(1)</sup>	197,606	196,688	204,000	220,504	218,913
Wholesale <sup>(2)</sup>	24,003	26,837	29,373	31,499	33,677
Total Water Sales	221,609	223,525	233,373	252,003	252,590
System Use, Losses and Other (000 cubic feet) <sup>(3)</sup>	27,767	13,614	17,039	14,901	21,513

Water Purchased and Pumped (000 cubic feet)	<u>249,376</u>	<u>237,139</u>	<u>250,412</u>	<u>266,904</u>	<u>274,103</u>
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- <sup>(1)</sup> Retail water sales generally exhibit annual increases based on a growing number of customers and changes in water rates; however, consumption is highest during summer periods and can fluctuate year-to-year due to variations in average temperatures and precipitation levels. Higher consumption in 2021 was primarily due to extreme summer temperatures coupled with a larger customer base.
- <sup>(2)</sup> Wholesale sales represent sales to the City of Granite Falls, the City of Arlington, the City of Snohomish and the City of Gold Bar emergency intertie.
- <sup>(3)</sup> Includes water internally used by the Water System and system loss. Such amounts vary by year from operational demand and system needs.
- Source: The District*

### **Connect Up Project**

In 2020, the Commission approved the District’s Connect Up program. This program includes installation of advanced meter infrastructure and technology capable of two-way communication. The program’s installation process is expected to begin in 2023 and continue through 2025 as each customer is slated to receive a new meter. 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 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 District will have deployed more than 22,000 water meters. Water System customers will be able to identify leaks, track hourly and daily consumption, and better manage water usage more easily.

## Financial Results

The following table presents income statement information of the Water System for the calendar years 2018 through 2022. Appendix A hereto contains the consolidated audited financial statements for the District for the calendar years ended December 31, 2022 and 2021.

**TABLE 6**  
**WATER SYSTEM COMPARATIVE INCOME STATEMENTS**  
**(\$000s)**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Operating Revenues:					
Retail Water Sales	\$ 12,588	\$ 12,727	\$ 13,068	\$ 13,896	\$ 14,329
Wholesale Water Sales	545	634	687	731	769
Other	397	403	368	362	408
Total Operating Revenues	<u>13,530</u>	<u>13,764</u>	<u>14,123</u>	<u>14,989</u>	<u>15,506</u>
Operating Expenses:					
Purchased Water	2,438	2,596	2,925	3,217	3,600
Operations	3,574	3,527	3,840	3,692	4,594
Maintenance	1,517	1,712	1,924	1,755	2,047
Depreciation	2,932	3,028	3,191	3,269	3,497
Taxes	688	726	754	784	775
Total Operating Expenses	<u>11,149</u>	<u>11,589</u>	<u>12,634</u>	<u>12,717</u>	<u>14,513</u>
Net Operating Income (Loss)	<u>2,381</u>	<u>2,175</u>	<u>1,489</u>	<u>2,272</u>	<u>993</u>
Interest Charges	(614)	(743)	(312)	(266)	28
Other Income and Expense <sup>(1)</sup>	464	693	341	7	3,085
Contributions					
Facilities/Connection Charges <sup>(2)</sup>	3,441	4,286	4,273	3,425	1,724
Plant Contributions <sup>(3)</sup>	2,277	4,158	2,081	2,713	3,210
Total Contributions	<u>5,718</u>	<u>8,444</u>	<u>6,354</u>	<u>6,138</u>	<u>4,934</u>
Net Income	<u>\$ 7,949</u>	<u>\$ 10,569</u>	<u>\$ 7,872</u>	<u>\$ 8,151</u>	<u>\$ 9,040</u>
Net Income Adjustments:					
Non-Cash Plant Contributions	(2,277)	(4,158)	(2,081)	(2,713)	(3,210)
Interest Charges	614	743	312	266	(28)
Depreciation	2,932	3,028	3,191	3,269	3,497
Actuarial Adjustment due to Pension and OPEB Liability	(348)	(354)	(446)	(1,184)	(538)
Net increase (decrease) in the fair value of investments	(46)	(55)	14	86	405
Balance Available for Debt Coverage	<u>\$ 8,824</u>	<u>\$ 9,773</u>	<u>\$ 8,862</u>	<u>\$ 7,875</u>	<u>\$ 9,166</u>
Senior Lien Debt Service <sup>(4)</sup>	2,401	2,238	1,613	1,601	1,628
Less Assessment Payments Received <sup>(5)</sup>	(65)	(32)	(15)	(5)	(4)
Debt Service Paid from Revenues	<u>2,336</u>	<u>2,206</u>	<u>1,598</u>	<u>1,596</u>	<u>1,624</u>
Senior Lien Debt Service Coverage	3.8x	4.4x	5.5x	4.9x	5.6x

<sup>(1)</sup> As of December 31, 2022, the District processed final loan closeout documentation related to the Warm Beach Water System loans from the State of Washington Drinking Water Revolving Fund loans, allowing the District to recognize 50% loan forgiveness, directly reducing the outstanding loan liability by \$3.1 million.

<sup>(2)</sup> Includes General Facilities Charges, Service Connection Fees and Distribution System Charges, which are charges paid by new connection to the Water System.

<sup>(3)</sup> Represents facilities donated to the District by developers and property owners.

<sup>(4)</sup> Includes debt service on the Outstanding Bonds.

<sup>(5)</sup> Assessment income shown is based on actual payments received including early payments of Assessments. See "THE WATER SYSTEM—Local Utility Districts."

Source: The District

**Management’s Discussion of the Water System’s Financial Results**

*Results of Operations.* The Water System’s total operating revenue increased from \$13,530,000 in 2018 to \$15,506,000 in 2022, an increase of 15% and a compound annual increase of 3% over the period. During this period, retail water sales revenue increased 14% from \$12,588,000 in 2018 to \$14,329,000 in 2022. The increase in retail water sales revenue reflects the strong growth in the number of Water System customers. The growth in customers is illustrated below:

**TABLE 7  
AVERAGE NUMBER OF CUSTOMERS**

<b>2018</b>	<b>2022</b>	<b>Percent Change</b>	<b>Compound Annual Increase</b>
20,808	23,156	11.3%	2.2%

*Source: The District*

The growth in customers reflects a strong population growth rate in the District’s service territory and expansion of the Water System. Some of this expansion has come from the acquisition of small private water systems which cannot bear the cost of increasing regulatory requirements imposed by federal and state agencies. Additionally, increased operating revenues in 2022 reflect a single-family residential retail water rate increase of 1.5% and a 4% rate increase for multiple-family, commercial and industrial customers. In early 2023, the Commission approved an additional rate increase of 2.6% for single-family residential customers and 4.8% for multiple-family, commercial, industrial and wholesale customers effective on March 1, 2023.

Wholesale water sales revenue increased 41% from \$545,000 in 2018 to \$769,000 in 2022. The Water System has agreements with the Snohomish County cities of Granite Falls, Arlington, Snohomish and Gold Bar to provide wholesale water. See “—Wholesale Water Sales Agreements.” Wholesale rates are adjusted annually based on the average costs in the preceding year for each of the wholesale components. Cost components include: supply, conveyance, pumping, administration, and depreciation.

The facilities/connection charges and plant contributions vary annually based on the level of real estate development in the Water System’s service territory. Facilities/connection charge revenues remained elevated through 2021 reflecting a strong economy and an increase in real estate development in the region. Facilities/connection charge revenues subsequently decreased in 2022 reflecting a slow-down in growth and development associated with a rising interest rate environment. Plant contributions generally reflect development that began a year or more prior to the contribution. Therefore, while facilities/connection charge fluctuations are a result of similar variables, the timing of the contributions vary. The elevated plant contributions from 2018 through 2022 are a result of a strong economy and substantial growth in the region observed during these years.

The District purchases most of the water it sells (approximately 75% in 2022) from Everett. Wholesale water rates from Everett have increased from an average of \$1.4128 per hundred cubic feet (“ccf”) in 2018 to \$1.6054/ccf in 2022. The remaining water supply is pumped from wells owned and operated by the District. Purchased water expense increased from \$2,438,000 in 2018 to \$3,600,000 in 2022, an increase of 48%, as a result of an 11.3% increase in the number of customers and an annual average 2.7% increase in the cost of water purchased from Everett. During the second half of 2022, the Lake Stevens treatment facility experienced a shutdown which resulted in higher purchased water expense from Everett. Purchased water expense averaged approximately 20% of water sales revenue over the five-year period from 2018 to 2022.

Operations expense increased from \$3,574,000 in 2018 to \$4,594,000 in 2022, an increase of approximately 26%. Operations expense consists primarily of pumping, water treatment, transmission and distribution, customer service, and administrative expenses. Operations expenses can fluctuate from year to year based on the amount of capital construction performed. Maintenance expense increased approximately 35%, from \$1,517,000 in 2018 to \$2,047,000 in 2022. The increase in maintenance expenses is attributable to the growth of the system and the increased

maintenance needs of the water mains and additional services related to this growth. As the Water System's service territory has expanded, so have the personnel and resources necessary to maintain and operate the system.

Depreciation expense increased 19% from \$2,932,000 in 2018 to \$3,497,000 in 2022. The increase is the result of a significant increase in capital assets during this period. Capital additions, net of depreciation, were approximately \$17,776,000 during the years 2018 through 2022 and consisted primarily of aging water main replacements consistent with the District's plan to replace aging water mains beginning in 2008.

Taxes increased from \$688,000 in 2018 to \$775,000 in 2022, an increase of 13%, due primarily to growth in total operating revenues. The District pays an excise tax levied by the State equal to 5.029% of retail water sales revenue. The District also pays a business and occupation tax on general facilities charges, distribution system charges, and service connection fees. The current business and occupation tax rate is 1.75%.

The Water System produced net income of \$7,949,000 in 2018. Net income increased in 2019 to \$10,569,000, primarily driven by an increase in total contributions resulting from greater real estate development in the area associated with expansionary economic conditions. In 2020, net income decreased by \$2,697,000 to \$7,872,000 primarily due to a \$2,077,000 decrease in plant contributions in large part due to development slowdowns caused by COVID-19 related restrictions. Net income was \$8,151,000 in 2021, an increase of \$279,000 from 2020 due primarily to an increase in retail water sales during continued COVID restrictions resulting in many customers remaining at their homes and consuming more water. In 2022, net income increased by \$889,000 to \$9,040,000. Despite an increase in operating expenses and a decrease in contributions from 2021, the District earned favorable net income in 2022 primarily due to \$3,100,000 recognized through other income as a result of 50% loan forgiveness applied by the State for the Warm Beach Drinking Water Revolving Fund loan closeout.

*Financial Condition, Liquidity and Capital Resources.* The District has several special funds. The use of amounts held in such special funds is restricted pursuant to the Commission, State law or other agreements. 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. The District's policies permit the Electric System to hold reserve funds on behalf of the District as a whole. As of December 2022, the Electric System held approximately \$10 million in a self-insurance fund and \$38.2 million in the Benefits Reserve on behalf of the District as a consolidated entity. 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.

The District adheres to the following policies with respect to the Water System's 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, water cost variability, capital infrastructure investment, 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.
- Sizing of cash reserves will be established based on the nature of the risk or situation being managed.

The District has established the following cash reserves for the Water System. As of December 31, 2022, the Water System's cash and investments totaled \$26,249,000. Table 9 below shows the Water System's cash investments in the reserve funds, as of December 31 for years 2018 through 2022.

- 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 Water System’s bonds.
- Contingency Reserve: funds set aside to mitigate the exposure of the Water 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 Water System’s bonds, to the extent required by a resolution authorizing such bonds.

**TABLE 8  
RESERVES  
(\$000s)**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Operating Reserve	\$ 9,520	\$ 7,366	\$ 7,994	\$ 8,355	\$ 7,077
Contingency Reserve	1,516	1,520	1,500	1,543	1,456
Sinking Reserve	282	218	232	261	176
Bond Debt Service Reserve	1,219	418	418	418	418
Project Reserve	7,437	11,130	14,748	16,930	17,122
<b>Total Reserves</b>	<b>\$ 19,974</b>	<b>\$ 20,652</b>	<b>\$ 24,892</b>	<b>\$ 27,507</b>	<b>\$ 26,249</b>

*Source: The District*

Principal outstanding on the Water System’s long-term debt at December 31, 2022 was as follows:

<b>Long-term Debt</b>	<b>(\$000s)</b>
Senior Lien Debt	
Series 2019 Bonds	\$ 5,260
Junior Lien Debt	
State of Washington Drinking Water Revolving Fund loans	5,337
<b>Total Principal Outstanding on Long-term Debt</b>	<b>\$ 10,597</b>

The 2019 Bonds were sold to refund Bonds then outstanding.

All of the junior lien debt is loans obtained through the Drinking Water Revolving Fund loan programs. Interest on these loans ranges from 1 to 1.5%) with approximately level debt service. Final maturities for the largest loans are in 2034 and 2042.

Capital construction costs for the full years 2018 through 2022 were as follows:

**TABLE 9**  
**Capital Construction**  
**(\$000s)**

Year	Actual
2018	\$ 5,934,000
2019	7,350,000
2020	4,765,000
2021 <sup>(1)</sup>	9,014,000
2022 <sup>(1)</sup>	9,951,000

(1) Increase in 2021 and 2022 is mainly attributable to work on the Warm Beach system that became a part of the District after ownership transfer in late 2018. A majority of these expenditures were financed through the Drinking Water State Revolving Fund loan program.

### Impacts from the COVID-19 Pandemic

*Community Support Plan.* 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 COVID-19 pandemic (the “Pandemic”). The Plan included 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, 2023, when the Plan was discontinued, the District had provided one-time credits to approximately 25,600 Water System and Electric System customers combined for a total of \$5.1 million. In 2022, the District began to phase in disconnects and late fees for all customers who had not responded to enhanced payment options.

*Financial Impact.* The District did not experience significant impacts to revenue from the Pandemic. The District’s service territory consists of approximately 91% residential customers. Accordingly, the Water System noted an increase in retail revenues during the Pandemic as customers remained home and consumed more water. During the beginning of the Pandemic, several capital and maintenance projects were temporarily delayed. The delays experienced were transient and did not have significant impacts to operations of the District. 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 experienced a significant increase in the aging of its accounts receivable. As of December 31, 2021, the total active customer accounts of the Water System with receivables over 90 days past due was approximately \$262,000, or 20% of total accounts receivable. In December of 2022, the District received an \$11 million grant from the Washington State Department of Commerce to aid electric and water utility customers who accumulated arrearages during the Pandemic. Approximately \$252,000 of the grant was allocated to Water System customer arrearages. In June of 2023, the District received another distribution from the grant from the Washington State Department of Commerce of \$5.2 million to further assist utility customers. As of June 30, 2023, the total active customer accounts of the Water System with receivables over 90 days past due was approximately \$54,000, or 5% of total accounts receivable.

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.

## **PROJECTED OPERATING RESULTS**

### **Forecast Operating 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 Water 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 Water System or the District, and the District cannot be responsible if actual results differ from those forecast. 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 2023 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 2023 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 Water 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 forecasted customer growth affecting retail water sales revenues, as well as facilities and connection charges and non-cash contributions. Changes to the assumptions regarding these factors could have material effects on the outcome of the District's financial projections.

The forecast of Water System retail sales revenue results is based on the base case demand forecast. The base case demand forecast also impacts the projections for purchased water costs, capital expenditures, capital contributions, and taxes at current rates.

Estimated future retail water sales revenue also reflects the impact of projected annual retail rate increases of approximately 2.75% and 3.00% respectively per year, effective March 1, 2023 through 2024. These increases are

subject to adoption by the Commission. Estimated future retail water sales assume growth in demand of 1.5% per year.

The forecast for purchased water expense is based upon adopted rates by Everett for 2023 and projected rate increases from 2024 through 2026. The forecast also reflects the base case demand forecast used for retail water sales revenue.

Operating and maintenance costs beyond 2023 are projected based on inflationary factors and known projects. Operations and maintenance expenses can fluctuate from year to year based on the amount of capital construction performed. As capital construction increases, allocated costs for administrative and general services are charged to the capital projects and capitalized rather than expensed in the period incurred. The annual increases in operation and maintenance expenses average 8.5% over the four-year forecast.

The forecast also includes estimated general facilities charges, distribution service charges, and service connection fees, which are one-time charges paid by new connections to the Water System. These estimated charges are projected based on estimated real estate development and construction growth in the service territory.

The forecast operating results for the period 2023 through 2026 are shown in the table below.

**TABLE 10**  
**WATER SYSTEM PROJECTED OPERATING RESULTS**  
**(\$000s)**

	2023 <sup>(1)</sup>	2024	2025	2026
Operating Revenues:				
Retail Water Sales <sup>(2)</sup>	\$ 13,584	\$ 13,744	\$ 14,174	\$ 14,399
Wholesale Water Sales	799	511	519	526
Other	362	377	385	392
Total Operating Revenues	<u>14,745</u>	<u>14,632</u>	<u>15,078</u>	<u>15,317</u>
Operating Expenses:				
Purchased Water <sup>(3)</sup>	4,055	3,877	4,051	4,226
Operations and Maintenance <sup>(4)</sup>	7,978	8,379	9,680	10,171
Depreciation	3,616	3,830	3,906	3,985
Taxes	778	735	757	765
Total Operating Expenses	<u>16,427</u>	<u>16,821</u>	<u>18,394</u>	<u>19,147</u>
Net Operating Income (Loss)	<u>(1,682)</u>	<u>(2,189)</u>	<u>(3,316)</u>	<u>(3,830)</u>
Interest Charges	(267)	(840)	(823)	(804)
Other Income and Expense	1,562	1,624	1,204	745
Contributions				
Facilities/Connection Charges <sup>(5)</sup>	2,994	2,511	2,549	2,363
Plant Contributions <sup>(6)</sup>	1,153	2,200	2,200	2,200
Total Contributions	<u>4,147</u>	<u>4,711</u>	<u>4,749</u>	<u>4,563</u>
Net Income	<u>\$ 3,760</u>	<u>\$ 3,306</u>	<u>\$ 1,814</u>	<u>\$ 674</u>
Net Income Adjustments:				
Non-Cash Plant Contributions	(1,153)	(2,200)	(2,200)	(2,200)
Interest Charges	267	840	823	804
Depreciation	3,616	3,830	3,906	3,985
Balance Available for Debt Coverage	<u>\$ 6,490</u>	<u>\$ 5,776</u>	<u>\$ 4,343</u>	<u>\$ 3,263</u>
Senior Lien Debt Service	881	1,767	1,758	1,769
Less Assessment Payments Received <sup>(7)</sup>	(22)	0	0	0
Debt Service Paid from Revenues	<u>859</u>	<u>1,767</u>	<u>1,758</u>	<u>1,769</u>
Senior Lien Debt Service Coverage	<u>7.6x</u>	<u>3.3x</u>	<u>2.5x</u>	<u>1.8x</u>

<sup>(1)</sup> Based on actual results through June 30, 2023 and projected through the calendar year end.

<sup>(2)</sup> Projected retail sales revenues include projected annual rate increases of 3% each year beginning March 1, 2023 through 2026. These are subject to Commission approval.

<sup>(3)</sup> Purchased Water Costs includes an adopted Everett rate increases of 7.9% in January 2023 and 8.1% in January 2024.

<sup>(4)</sup> Operations and Maintenance are a result of daily operations for the water system. These costs may fluctuate between years driven by programmatic planning and capital schedules.

<sup>(5)</sup> Includes General Facilities Charges, Service Connection Fees and Distribution System Charges, which are charges paid by new connections to the Water System.

<sup>(6)</sup> Represents facilities donated to the District by developers and property owners.

<sup>(7)</sup> Includes principal and interest estimated to be received from Assessments pledged to be deposited in the Bond Fund. Assessment Income shown based on scheduled payments excluding early payments of Assessments. See "THE WATER SYSTEM—Local Utility Districts."

Source: The District

### Forecast Construction Expenditures

Projects planned through 2025 include continuation of the main replacement program, Warm Beach Well 4 and Well 2 Treatment Plant improvements, upgrades to the Granite Falls Pump Station, the Burn Road Reservoir, the Kayak Reservoir #2 (part of the Warm Beach system), a new joint decant facility for the use of the Water System and the Electric System and the Connect Up project meter deployment scheduled from 2023 through 2025.

The following table shows the estimated uses of funds for construction projects from 2023 through 2025.

**TABLE 11**  
**WATER SYSTEM FORECAST OF CONSTRUCTION EXPENDITURES**  
**(\$000s)<sup>(1)</sup>**

	<u>2023</u>	<u>2024</u>	<u>2025</u>
General	\$ 6,171	\$ 6,258	\$ 8,692
Pipe	2,968	1,439	750
Pumping Station	0	0	307
Reservoir	2,390	5,396	1,300
<b>Total Annual Expenditures</b>	<u>\$ 11,529</u>	<u>\$ 13,093</u>	<u>\$ 11,049</u>

<sup>(1)</sup> Water System Forecast of Construction Expenditures does not include facilities that are forecast to be donated to the District by developers and property owners as non-cash plant contributions.

The District does not commit funds to capital construction or future growth until it is clear that forecast demands and new customer connections will develop. The District pays for its capital construction program from five sources: (i) cash and temporary investments, (ii) general facilities charges, service connection fees and distribution system charges, (iii) general rates, (iv) local utility district assessments, and (v) new debt proceeds. The Water System also has the ability to borrow from the Electric System up to \$10 million to provide short-term financing for Water System improvements. Currently, no loans are outstanding from the Electric System.

### **LIMITATIONS ON REMEDIES; BANKRUPTCY**

#### **Limitations on Remedies**

Any remedies available to the owners of the 2023 Bonds upon the occurrence of an Event of Default under the 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 Resolution or to pay principal of or interest on the 2023 Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the 2023 Bonds.

In addition to the limitations on remedies contained in the Resolution, the rights and obligations under the 2023 Bonds and the 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 Bond Counsel to the District, concurrently with the issuance of the 2023 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 2023 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 2023 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 Resolution and the 2023 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 Resolution or the 2023 Bonds. The holders of the 2023 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 Resolution and 2023 Bonds, then there may be limited, if any, funds from which the holders of the 2023 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 Resolution may not be controlling.

If the District is in bankruptcy, the parties (including the holders of the 2023 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 paying agent from making payments to the holders of the 2023 from funds in the paying agent's possession. The rate covenants (see "SECURITY FOR THE BONDS—Rate Covenant") may not be enforceable in bankruptcy by the holders of the 2023 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 Paying Agent. See "SECURITY FOR THE BONDS—Flow of Funds." If the District goes into bankruptcy, then the holders of the 2023 Bonds may not have a lien on such moneys and the District may not be required to turn over 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, it is not entirely clear what procedures the holders of the 2023 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 to 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 the collateral for the 2023 Bonds (including the Revenues), which lien could have priority over the lien of the Resolution, or to cause some of the Revenues to be released to it, free and clear of lien of the Resolution, in each case as long as the bankruptcy court determines that the rights of the Trustee and the holders of the 2023 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 2023 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 Resolution and the 2023 Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2023 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 2023 Bonds, or result in losses to the holders of the 2023 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 2023 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 2023 Bonds.

## CERTAIN INVESTMENT CONSIDERATIONS

### Federal and Local Regulations

Federal, state and local standards and procedures that regulate the operations and environmental impacts of water systems, including water quality standards, are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the Water System will remain subject to the regulations currently in effect, will be in compliance with current or future regulations or will always be able to obtain all required operating permits. Compliance with applicable environmental standards could result in additional capital and operating expenditures and reduced operating and efficiency levels, as well as possible fines, penalties or liabilities for noncompliance.

### 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.

The District is in the process of reviewing its policies related to generative artificial intelligence (“Gen AI”) technology, which is a rapidly evolving technology. Advances of Gen AI may create benefits and new risks related to data protection and cybersecurity. The technology will require careful consideration and focus on enforcing cybersecurity defenses. The District has taken a multifaceted approach to address current threats and support changes as the technology evolves. The District issued a moratorium on employee use of Gen AI in April 2023 pending further assessment and revisions of policies and procedures. The District has established a cross functional team represented by the District’s Cybersecurity, Data and Information Governance, and Risk departments. The team is engaged in analysis of monitoring, protection, use case reviews, and industry best practices. The District’s existing governance and policies address appropriate use of technologies. However, the District is reviewing these tools, policies, and procedures to update corporate strategies and governance policies as appropriate. The current governance approach includes ongoing review and updates as the technology evolves. The District is actively engaged with industry peers who are also working through Gen AI strategies and mitigation.

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 affect 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 has also adopted a climate change policy. See “THE DISTRICT—District Climate Change Policy, Principles and Strategy.”

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 State 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.

### **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.

### **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.

### **Loss of Premium from Early Redemption**

Any person who purchases a 2023 Bond at a price in excess of its principal amount should consider the fact that certain maturities of the 2023 Bonds are subject to early redemption at a redemption price equal to the principal amount of such 2023 Bonds plus accrued interest, if any, under certain circumstances as described herein under the heading “DESCRIPTION OF THE BONDS.”

## **Secondary Market and Prices**

It has been the practice of the Underwriter to maintain a secondary market in municipal securities that it sells. The Underwriter presently intends to engage in secondary market trading of the 2023 Bonds, subject to applicable securities laws. However, the Underwriter is not obligated to engage in secondary trading or to repurchase any of the 2023 Bonds at the request of the Registered Owners thereof. No assurance can be given that a secondary market for the 2023 Bonds will be available and no assurance can be given that the initial offering prices for the 2023 Bonds will continue for any period of time.

## **INITIATIVE AND REFERENDUM**

Under the State Constitution, 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.

## **LITIGATION**

### **No Litigation Affecting the 2023 Bonds**

There is no litigation now pending or threatened restraining or enjoining the issuance and delivery of the 2023 Bonds or the power and authority of the District to impose, prescribe or collect rates or charges for the services of the Water 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 2023 Bonds or affecting the validity of the 2023 Bonds.

### **Other Litigation**

The District is a party to other 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. In addition, the District is a party to certain litigation relating to the Electric System and the Generation System, but any payments as a result of such litigation would not be an obligation of the Water System.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District (“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 2023 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the 2023 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the 2023 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate 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 2023 Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth as Appendix D hereto.



To the extent the issue price of any maturity of the 2023 Bonds is less than the amount to be paid at maturity of such 2023 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2023 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 2023 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the 2023 Bonds is the first price at which a substantial amount of such maturity of the 2023 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 2023 Bonds accrues daily over the term to maturity of such 2023 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 2023 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2023 Bonds. Beneficial Owners of the 2023 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2023 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2023 Bonds in the original offering to the public at the first price at which a substantial amount of such 2023 Bonds is sold to the public.

2023 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 2023 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2023 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 2023 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2023 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 2023 Bonds may adversely affect the value of, or the tax status of interest on, the 2023 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 2023 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 2023 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 2023 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 2023 Bonds. Prospective purchasers of the 2023 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 2023 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 2023 Bonds ends with the issuance of the 2023 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 2023 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 2023 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 2023 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the 2023 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 2023 Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the 2023 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2023 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 2023 Bonds to provide certain financial information and operating data relating to the Water 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, 2023, 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 E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants will be made in order to assist the Underwriter for the 2023 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").

The District omitted the table entitled "Electric System Power Costs" from the District's Fiscal Year 2020 Operating Results posted to the Municipal Securities Rulemaking Board's Electronic Market Access ("EMMA") website on July 30, 2021. The District has since posted a corrected version of the District's Fiscal Year 2020 Operating Results to EMMA including the omitted table.

### **RATINGS**

Moody's Investors Service, Inc. and S&P Global Ratings have assigned their ratings of "[\_]," and "[\_]," respectively, to the 2023 Bonds. Such rating reflects only the views of the respective rating agency and are not a recommendation to buy, sell or hold the 2023 Bonds. An explanation of the significance of such rating should be obtained directly from the rating agency furnishing the same. The District has furnished to each rating agency certain information and materials with respect to the 2023 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 2023 Bonds will continue for any given period of time or that such ratings will not be revised or withdrawn entirely by such rating agencies if, in the judgment of such rating agencies, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on

the market price of the 2023 Bonds. The District has undertaken to provide timely notice of any change in such rating. See "CONTINUING DISCLOSURE" above.

### **UNDERWRITING**

Barclays Capital Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the 2023 Bonds from the District at an aggregate purchase price of \$\_\_\_\_\_, representing the aggregate principal amount of the 2023 Bonds, plus [net] original issue premium/discount of \$\_\_\_\_\_ and less Underwriter's discount of \$\_\_\_\_\_. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all 2023 Bonds if any 2023 Bonds are purchased.

The Underwriter may offer and sell the 2023 Bonds to certain dealers (including dealers depositing 2023 Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on the inside cover page hereof, and such initial offering prices may be changed, from time to time, by the Underwriter.

### **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 2023 Bonds, the 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 Resolution are available at the offices of the District. The execution and delivery of this Official Statement by its Treasurer/Senior Manager, Financing and Risk Management have been duly authorized by the District.

*Conflicts.* Some of the fees of the Underwriter, Bond Counsel, Disclosure Counsel, the Bond Registrar and Underwriter's Counsel are contingent upon the sale of the 2023 Bonds. From time to time, and currently, Bond Counsel serves as counsel to the Underwriter with respect to transactions other than the issuance of the 2023 Bonds.

### **MUNICIPAL ADVISOR**

PFM Financial Advisors LLC has acted as municipal advisor to the District in connection with the issuance of the 2023 Bonds.

### **CERTAIN LEGAL MATTERS**

The validity of the 2023 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's 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 2023 Bonds will be passed upon for the District by Colin Willenbrock, General Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Pacifica Law Group LLP. Any opinion of Pacifica Law Group LLP will be addressed solely to the Underwriter, will be limited in scope and may not be relied upon by owners of the 2023 Bonds.

This Official Statement is not to be construed as a contract with the owners of any of the 2023 Bonds.

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

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Angela Johnston  
Treasurer/Senior Manager, Financing and Risk  
Management

**APPENDIX A**

**FINANCIAL STATEMENTS FOR THE  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
AND INDEPENDENT AUDITOR'S REPORT**

# 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

#### *Opinions*

We have audited the 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, 2022, and the District's combined statements as of and for the year ended December 31, 2021, 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, 2022 and 2021, and the individual financial positions of the Electric, Generation, and Water Systems as of December 31, 2022, 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 Opinions*

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 opinions.

#### *Emphasis of Matter*

As discussed in Note 4 to the financial statements, the District adopted the provisions of Government Accounting Standards Board Statement No. 87, *Leases*, effective January 1, 2021. The combined financial statements for the year ended December 31, 2021, have been retroactively restated in accordance with the requirements of the new accounting standard. Our opinion is not modified with respect to this matter.

#### *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 opinions. 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, 2023, 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, 2023

# 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, 2022 and 2021. 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 2022 was \$72 million, a \$1 million decrease from \$73 million in 2021. Combined net income increased from \$93 million in 2021 to \$94 million in 2022. This was a 0.7% increase. The increase in net income was primarily due to increased revenues from wholesale energy sales. Predominately this was from excess availability of water in the Pacific Northwest. This resulted in additional available energy from Bonneville Power Administration (BPA).

Combined net operating income increased from \$43 million in 2020 to \$73 million in 2021. The increase in net operating income was primarily due to a \$43.1 million decrease in net pension expenses as accounted for under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The average number of Electric System customers increased from 367,096 in 2021 to 373,127 in 2022, resulting in a 1.6% increase in 2022. New electric service connections were 6,030 in 2022, the highest recorded at the PUD, compared to 5,934 in 2021. The increase in 2022 was primarily due to an increase in new connections in residential units. The average number of Water System customers increased 1.5% from 22,774 in 2021 to 23,156 in 2022, following a 2.3% increase from 2020 to 2021.

Retail MWh sales increased 2.5% from 6,593,771 MWh in 2021 to 6,761,419 MWh in 2022, compared to a 2.2% increase from 2020 to 2021. The increase was primarily caused by a 3.4% increase in residential MWh sales and a 1.5% increase in commercial and industrial MWh sales in 2022.

Combined retail sales were \$670 million in 2022, higher than the \$647 million in 2021 and \$621 million in 2020. This was primarily the result of an increase of \$23 million in residential and commercial retail energy sales due to increased MWh sales and a rate increase implemented in April 2022. The increase in 2021 as compared to 2020 is primarily due to an increase of \$26 million in commercial and industrial energy sales.

The PUD sells surplus power into the wholesale power markets to balance resources with customer loads. Combined wholesale revenue was \$74 million in 2022 compared to \$43 million in 2021 and \$39 million in 2020. Global demand of energy remained consistent while availability of energy was diminished with respect to the prices paid for natural gas. This caused wholesale prices to increase, which contributed to the PUD's \$30 million increase in wholesale revenue from 2021. The Electric System sold \$10 million of excess transmission capacity in 2022 and \$11 million in 2021. Combined other operating revenue was \$37 million in 2022, an increase from the relatively consistent 2021 and 2020 at \$33 million.

Combined operating expenses were \$709 million in 2022. These expenses include \$335 million in combined purchased power costs, an increase of \$24 million from the prior year. This increase was driven by extreme heat in July 2022 and cold weather in December 2022. In total, combined operations expenses increased from \$188 million in 2021 to \$204 million in 2022. This increase was partially offset by decreases in bad debt expense with an overall decrease of \$15 million. Combined maintenance expenses were \$13.2 million higher in 2022 due to several storms throughout the year. Total operating expenses of \$650 million were relatively unchanged in 2021 as compared to 2020.

During 2022, the PUD's income from investing activities increased to \$7.7 million as compared to \$4.2 million in 2021,



consistent with the financial market indices. This was an 83.1% increase compared to a 45.0% decrease in 2021. 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 decreased by \$1 million in 2022 to \$33 million from \$34 million in 2021, reflecting a slight decline in real estate development activities.

## ELECTRIC SYSTEM

### Electric System Rates

#### General Rates

Effective April 1, 2022, the PUD implemented a 2.1% system-wide average rate increase. This was done in combination with the implementation of a base charge that is dependent on the size of connection that the customer is using. The base charge is being implemented over the next several years; the PUD will reduce the per kWh charge as the base charge increases.

#### 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 \$234 million in 2022 and \$236 million in 2021, 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 Commission, the PUD may adjust retail electric rates to reflect BPA rate adjustments. As a result of the increased cost of power and transmission purchases from BPA, the Commission increased retail power rates 0.54% to match the higher costs effective October 1, 2021.

In December 2022, the PUD received a \$3 million credit from BPA as approved by its Board for the Reserve Distribution Clause. The PUD recorded this as other service revenue offsetting purchase power costs.

### 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 \$124 million in 2022 and \$110 million in 2021.

Key projects in 2022 included site civil and electrical construction completed on the Edgecomb and Harbour Pointe substations and the new Sky Valley switching station. PUD installed 2.5 miles of underground feeder cable and 2.5 miles of distribution cable, as well as installation of ten submersible tray switches. The PUD also energized the electrical infrastructure for a new 2.8 million square foot warehouse for Amazon in Arlington. The PUD continued its ongoing replacement of aging poles. In 2022, approximately 522 distribution poles, 54 transmission poles, and 2.6 miles of underground distribution cables were replaced.

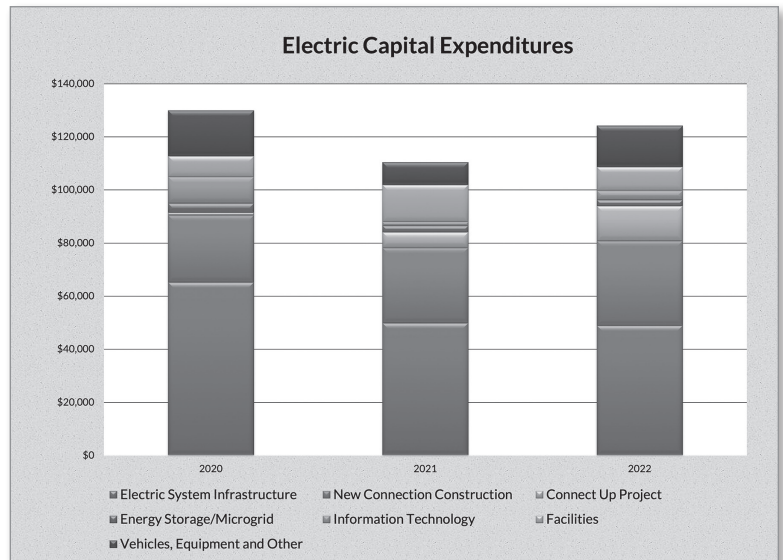


Figure 1

## 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 July 2022, the Electric System issued \$61 million of Series 2022A Revenue bonds. The new bonds, which have a final maturity of 2052, were sold at an average interest rate of 3.4%. The 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.

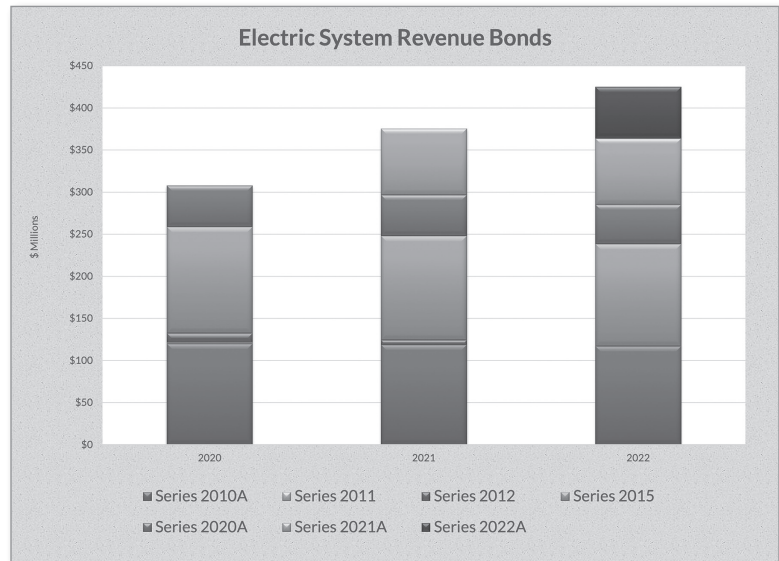


Figure 2

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 historically low long-term interest rate 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.

In conjunction with the bond sales, 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 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 \$425 million as of December 31, 2022, compared to \$375 million in 2021 and \$308 million in 2020.

## 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 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 state-

ments 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 Commission 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 367,000 new electric meters and 23,000 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.

The total project costs are currently estimated at \$93 million and will be primarily funded by bond proceeds. As of December 31, 2022, the PUD has expended \$27.3 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 CEF 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.

## GENERATION SYSTEM

### Henry M. Jackson Scheduled Shutdown

In March 2022, the PUD completed the largest scheduled shutdown in the history of the Henry M. Jackson Hydroelectric project which had been postponed since 2020 as a result of the COVID-19 Pandemic. The shutdown lasted 20 days. The tasks performed included replacing valve rings, removing 4 miles of fiber optic cable in the tunnel and maintenance to the powerhouse substation. All of the maintenance work performed was critical for the continued reliable operation of the Jackson project. The cost of this maintenance was approximately \$1.8 million.

### Qualco Biofuel Generator Project

The PUD completed the installation of a new 675-kilowatt generator in September 2022. The new generator will be owned and operated by the PUD, but will be housed on property leased from Qualco Energy. The generator runs on biogas that is produced by the Qualco Energy digester and subsequently sold to the PUD.

### 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 \$63 million as of December 31, 2022, compared to \$68 million in 2021, and \$73 million in 2020.

## WATER SYSTEM

### Water System Operating Results

Retail sales revenue for the Water System increased to \$14.3 million in 2022 from \$13.9 million in 2021, following an increase from \$13.1 million in 2020. The revenue increase in 2022 was the result of a 1.5% residential rate change, while the 2021 increase was due to an increased customer base.

Operating expenses increased slightly from \$12.7 million in 2021 to \$14.5 million in 2022, following an increase of \$0.1 million in 2020. The 2022 increase was the result of higher purchased water of \$0.4 million due to the shutdown of the Lake Stevens Well in the latter half of the year, as well as higher operations and maintenance expenses of \$1.3 million.

Water System capital contributions were \$4.9 million in 2022, \$1.2 million lower than the \$6.1 million in 2021 and \$1.5 million lower than the \$6.4 million in 2020 reflecting slower developer activity, rising interest rates and supply chain constraints.

### 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 2022, the Water System initiated a draw of \$2.2 million from the Drinking Water State Revolving Fund (DWSRF) in support of on-going capital improvements of the Warm Beach Water Association project. Forgiveness on the DWSRF Loans, along with the continued payment of outstanding debt, have enabled the PUD to reduce Water System Debt levels. Long-term debt for the Water System, including current maturities, totaled \$10.6 million as of December 31, 2022, compared to \$13.2 million as of December 31, 2021.

### Warm Beach Water Association Transfer

Improvements to the Warm Beach Water Association's system was funded by a combination of \$6.3 million of federal and state grants and loans through the DWSRF, \$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 pay a capital improvement surcharge to reimburse the operating reserve.

The PUD initiated a drawdown of \$2.2 million and \$3.1 million from the DWSRF in 2022 and 2021, respectively. Of the \$2.2 million drawdown initiated in 2022, \$0.6 million was recorded as a receivable at December 31, and subsequently received in January 2023.

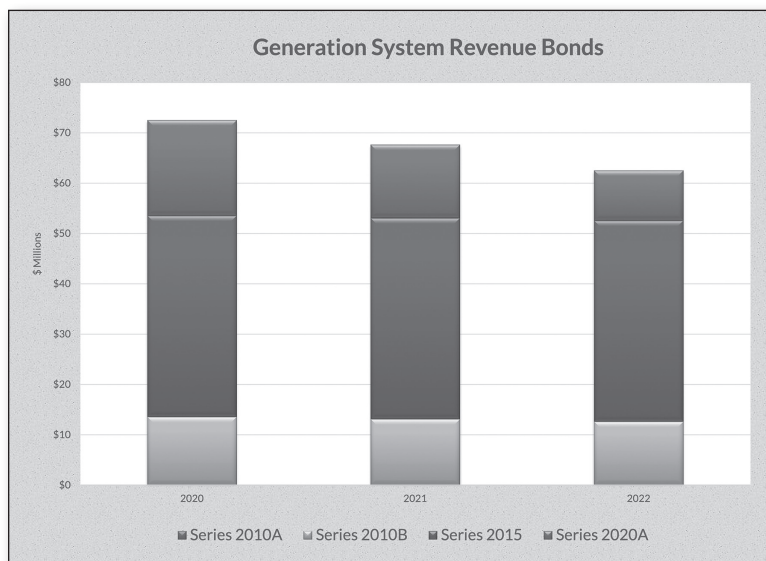


Figure 3

# 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)

	2022	As restated 2021	2020
Current Assets, Investments, and Special Funds	\$ 764	\$ 677	\$ 585
Net Utility Plant	1,756	1,688	1,638
Other Assets	85	166	20
<i>Total Assets</i>	<u>2,605</u>	<u>2,531</u>	<u>2,243</u>
Deferred Outflows of Resources	51	25	25
Current Liabilities	157	127	119
Long-Term Debt	525	485	400
Other Liabilities	112	96	127
<i>Total Liabilities</i>	<u>794</u>	<u>708</u>	<u>646</u>
Deferred Inflows of Resources	83	163	30
Net Investment in Capital Assets	1,361	1,299	1,226
Restricted	124	199	174
Unrestricted	294	187	192
<b>Net Position</b>	<u><b>\$ 1,779</b></u>	<u><b>\$ 1,685</b></u>	<u><b>\$ 1,592</b></u>
Operating Revenues	\$ 781	\$ 723	\$ 693
Operating Expenses	709	650	650
<i>Net Operating Income</i>	<u>72</u>	<u>73</u>	<u>43</u>
Interest Charges	(14)	(16)	(19)
Other Income and Expense	3	2	6
<i>Net Income (Loss) before Capital Contributions</i>	<u>61</u>	<u>59</u>	<u>30</u>
Capital Contributions	33	34	35
<b>Net Income</b>	<u>94</u>	<u>93</u>	<u>65</u>
Net Position – beginning of year	1,685	1,592	1,527
<b>Net Position</b>	<u><b>\$ 1,779</b></u>	<u><b>\$ 1,685</b></u>	<u><b>\$ 1,592</b></u>

## Assets

Current assets, investments, and special funds increased \$87 million in 2022 and \$92 million in 2021 as a result of an increase to inventory costs due to supply chain challenges and construction bond issuances in July 2022 and June 2021.

The PUD had between \$1.6 billion and \$1.8 billion invested in a broad range of net utility capital assets as of December 31, 2022, 2021, and 2020. Utility capital assets include five operating hydroelectric power generation plants, one biofuel generator, electric transmission and distribution lines, and substations, water transmission and distribution pipes, storage and pump station facilities, buildings, and equipment. Utility plant additions were \$142 million in 2022 and \$122 million in 2021, 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 \$11 million and \$14 million due to routine retirements in 2022 and 2021, respectively. Accumulated depreciation increased \$63 million and \$58 million related to routine plant asset activity in 2022 and 2021, respectively.

Other assets decreased \$81 million in 2022 and increased \$145 million in 2021 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.

## Deferred Outflows of Resources

Deferred outflows of resources increased to \$51 million in 2022. This resulted from net increases of \$28 million in the other post-employment benefits (OPEB) and net pension liability deferrals in 2022.

Deferred outflows of resources remained stable at \$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.

## Liabilities

Current liabilities increased \$30 million in 2022 resulting from higher vendor payable balances primarily from market power purchases. Current liabilities increased \$8 million in 2021 due to higher vendor payable balances, an increase in the current portion of long-term debt principal payments, and a decrease in customer deposits.

Long-term debt increased \$40 million in 2022 and \$85 million in 2021 as a result of Electric System revenue bond issuances in July 2022 and June 2021.

Other liabilities increased \$15 million in 2022 and decreased \$31 million in 2021 primarily due to actuarial valuation changes in post-employment liabilities.

## Deferred Inflows of Resources

Deferred inflows decreased \$79 million in 2022 and increased \$133 million in 2021 as the result of changes in the valuation of the net pension plan deferrals.

## Net Position

Net investment in capital assets increased \$62 million and \$73 million in 2022 and 2021, respectively, reflecting the growth in net utility plant. The PUD added 6,030 and 5,934 Electric System customer connections in 2022 and 2021, respectively. The Water System added 350 and 519 customer connections in 2022 and 2021, 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 decreased \$75 million in 2022 and increased \$121 million in 2021 due to changes in the actuarial valuation of a net pension asset.

Unrestricted net position is available to finance day-to-day operations without constraints established by covenants, legal requirements, or board resolutions. Unrestricted net position increased \$106 million in 2022 due to the changes in recognition of post-employment liabilities and higher cash reserves in long-term investments. Unrestricted net position decreased \$73 million in 2021.

## Operating Revenues

Operating revenues increased to \$781 million in 2022, from \$723 million in 2021. Retail revenues increased \$23 million in 2022 due to increases in billed residential and commercial revenues. Wholesale revenues increased \$30 million due to increases in the sales price and power available for sale in the wholesale market.

Operating revenues increased to \$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 Expenses

Operating expenses increased \$59 million in 2022 to \$709 million from \$650 million in 2021. In 2022 and 2021 the PUD recorded reductions in the net pension liability of \$14.4 million and \$43 million, respectively. The net impact of these reductions resulted in a \$25 million increase to operating expenses in 2022. During 2022, purchased power costs increased by \$24 million as a result of weather events that led to higher market power prices. Operating and maintenance expenses increased by \$16 million which can be attributed to repairs from significant weather events that occurred in November and December 2022.

Operating expenses were comparable in both 2021 and 2020 as a result of the 2021 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 expenses increased due to changes in supply chain costs, as well as \$12 million attributed to repairs resulting from significant weather events and emergency work.

## Interest Charges

Interest charges decreased \$2 million from 2021 to 2022 and \$3 million from 2020 to 2021 as a result of declining debt levels.

## Other Income and Expense

Other income and expense remained relatively flat in 2022 due to a decrease of \$4 million in interest income reflecting unfavorable market conditions. This was offset by an increase in nonoperating income of \$2 million as a result of a Warm Beach Loan Subsidy and FEMA storm, as well as an increase of \$2 million in other deductions as a result of the final decommissioning of the MESA 2 battery energy storage system assets in 2021.

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.

## Capital Contributions

Capital contributions decreased by \$1 million in 2022 and 2021. 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.

## 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.

## Combined Statements of Net Position

December 31, 2022 and 2021

(In thousands)

	2022				As restated 2021
	Electric System	Generation System	Water System	Combined	Combined
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and temporary investments:					
Cash and cash equivalents	\$ 31,667	\$ 4,723	\$ 2,926	\$ 39,316	\$ 49,294
Temporary investments	78,635	3,199	3,423	85,256	78,939
<b>Total Cash and Temporary Investments</b>	<b>110,302</b>	<b>7,922</b>	<b>6,349</b>	<b>124,572</b>	<b>128,233</b>
Accounts and other receivables, net	117,845	268	2,668	120,782	110,597
Intersystem loans receivable	3,338	-	-	-	-
Materials and supplies	46,993	-	1,636	48,629	33,487
Prepayments and other	6,974	296	161	7,431	6,870
<b>Total Current Assets</b>	<b>285,452</b>	<b>8,486</b>	<b>10,814</b>	<b>301,414</b>	<b>279,187</b>
<b>Long-Term Investments &amp; Special Funds:</b>					
Long-term investments	119,685	3,903	728	124,316	97,509
Special funds - bond funds and other	306,278	13,073	19,172	338,523	300,480
<b>Total Long-Term Investments &amp; Special Funds</b>	<b>425,963</b>	<b>16,976</b>	<b>19,900</b>	<b>462,839</b>	<b>397,989</b>
<b>Utility Plant:</b>					
Plant in service	2,153,992	354,851	181,325	2,690,168	2,590,107
Construction work in progress	155,155	6,230	3,731	165,116	134,289
Total utility plant	2,309,147	361,081	185,056	2,855,284	2,724,396
Accumulated depreciation	(889,383)	(162,063)	(47,562)	(1,099,008)	(1,035,934)
<b>Net Utility Plant</b>	<b>1,419,764</b>	<b>199,018</b>	<b>137,494</b>	<b>1,756,276</b>	<b>1,688,462</b>
<b>Other Assets:</b>					
Conservation loans and other receivables, net	3,183	-	281	3,464	9,109
Lease receivable	22,268	-	805	23,073	25,817
Intersystem loans and receivables	27,538	-	-	-	-
FERC licenses	-	13,969	-	13,969	14,511
Net pension assets	42,009	844	1,259	44,112	116,646
Other assets	-	170	-	170	139
<b>Total Other Assets</b>	<b>94,998</b>	<b>14,983</b>	<b>2,345</b>	<b>84,788</b>	<b>166,222</b>
<b>Total Assets</b>	<b>2,226,177</b>	<b>239,463</b>	<b>170,553</b>	<b>2,605,317</b>	<b>2,531,860</b>
<b>Deferred Outflows of Resources</b>					
Unamortized loss on refunding debt	851	1,877	-	2,728	4,086
Net pension and OPEB deferrals	46,213	1,341	1,207	48,761	20,914
<b>Total Deferred Outflows of Resources</b>	<b>47,064</b>	<b>3,218</b>	<b>1,207</b>	<b>51,489</b>	<b>25,000</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$2,273,241</b>	<b>\$ 242,681</b>	<b>\$ 171,760</b>	<b>\$2,656,806</b>	<b>\$2,556,860</b>

The accompanying notes are an integral part of these combined financial statements.



## Combined Statements of Net Position

December 31, 2022 and 2021

(In thousands)

	2022				As restated 2021
	Electric System	Generation System	Water System	Combined	Combined
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 80,301	\$ 1,011	\$ 1,850	\$ 83,162	\$ 56,445
Accrued taxes	18,760	93	100	18,953	17,791
Accrued interest	1,673	267	35	1,975	1,790
Other accrued liabilities	31,683	1	5	31,689	29,893
Customer deposits	3,191	–	9	3,200	3,360
Current maturities of long-term debt	11,985	5,355	893	18,233	18,436
Intersystem loans payable	–	3,338	–	–	–
<b>Total Current Liabilities</b>	<b>147,593</b>	<b>10,065</b>	<b>2,892</b>	<b>157,212</b>	<b>127,715</b>
<b>Long-Term Debt:</b>					
Revenue bonds	453,398	61,267	5,628	520,293	478,346
Other notes payable	–	–	4,919	4,919	6,127
<b>Total Long-Term Debt</b>	<b>453,398</b>	<b>61,267</b>	<b>10,547</b>	<b>525,212</b>	<b>484,473</b>
<b>Other Liabilities:</b>					
Intersystem loans and payables	–	27,538	–	–	–
FERC license obligations	–	13,969	–	13,969	14,511
Net pension liability	24,368	665	638	25,671	11,285
Lease liability	4,251	152	–	4,403	1,827
Other liabilities	65,237	1,161	1,217	67,616	68,425
<b>Total Other Liabilities</b>	<b>93,856</b>	<b>43,485</b>	<b>1,855</b>	<b>111,659</b>	<b>96,048</b>
<b>Total Liabilities</b>	<b>694,847</b>	<b>114,817</b>	<b>15,294</b>	<b>794,083</b>	<b>708,236</b>
<b>Deferred Inflows of Resources</b>					
Unearned FERC license contributions	–	4,000	–	4,000	4,500
Net pension deferrals	43,907	835	1,287	46,028	121,811
Other deferred inflows	29,707	2,769	1,042	33,518	36,837
<b>Total Deferred Inflows of Resources</b>	<b>73,614</b>	<b>7,604</b>	<b>2,329</b>	<b>83,546</b>	<b>163,148</b>
<b>Net Position</b>					
Net investment in capital assets	1,099,776	134,273	126,858	1,360,907	1,299,188
Restricted:					
Reserve funds	745	6,378	854	7,977	8,172
Rate stabilization	111,550	–	1,456	113,007	117,896
Net pension assets (liabilities)	(49,160)	(1,563)	(1,254)	(51,977)	20,556
Debt service and other	31,730	6,428	16,817	54,975	52,112
Unrestricted	310,139	(25,256)	9,406	294,288	187,552
<b>Total Net Position</b>	<b>1,504,780</b>	<b>120,260</b>	<b>154,137</b>	<b>1,779,177</b>	<b>1,685,476</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$2,273,241</b>	<b>\$ 242,681</b>	<b>\$ 171,760</b>	<b>\$2,656,806</b>	<b>\$ 2,556,860</b>

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, 2022 and 2021

(In thousands)

	2022			2021	
	Electric System	Generation System	Water System	Combined	Combined
<b>Operating Revenues:</b>					
Retail sales	\$ 655,785	\$ –	\$ 14,329	\$ 670,114	\$ 647,009
Wholesale sales	73,375	28,743	769	74,144	43,423
Other	36,161	221	408	36,790	32,978
<b>Total Operating Revenues</b>	<b>765,321</b>	<b>28,964</b>	<b>15,506</b>	<b>781,048</b>	<b>723,410</b>
<b>Operating Expenses:</b>					
Purchased power	363,509	–	–	334,766	310,693
Purchased water	–	–	3,600	3,600	3,217
Operations	193,586	5,415	4,594	203,596	188,233
Maintenance	48,624	4,476	2,047	55,147	39,608
Depreciation	60,948	5,784	3,497	70,229	68,063
Taxes	40,732	93	775	41,600	40,424
<b>Total Operating Expenses</b>	<b>707,399</b>	<b>15,768</b>	<b>14,513</b>	<b>708,938</b>	<b>650,238</b>
<b>Net Operating Income</b>	<b>57,922</b>	<b>13,196</b>	<b>993</b>	<b>72,110</b>	<b>73,172</b>
<b>Interest Charges:</b>					
Interest	18,842	4,752	369	22,653	20,156
Amortization of debt related costs	(5,587)	(2,269)	(397)	(8,253)	(3,484)
<b>Total Interest Charges</b>	<b>13,255</b>	<b>2,483</b>	<b>(28)</b>	<b>14,400</b>	<b>16,672</b>
<b>Other Income and Expense:</b>					
Interest income, fair value adjustments, net	(3,115)	93	(38)	(4,369)	(840)
Other income and expense, net	3,585	287	3,123	6,997	3,319
<b>Total Other Income and Expense</b>	<b>472</b>	<b>380</b>	<b>3,085</b>	<b>2,628</b>	<b>2,479</b>
<b>Net Income Before Capital Contributions</b>	<b>45,139</b>	<b>11,093</b>	<b>4,107</b>	<b>60,338</b>	<b>58,979</b>
<b>Capital Contributions</b>	<b>28,294</b>	<b>135</b>	<b>4,934</b>	<b>33,363</b>	<b>34,037</b>
<b>Net Income</b>	<b>73,433</b>	<b>11,228</b>	<b>9,040</b>	<b>93,701</b>	<b>93,016</b>
Net Position, Beginning of year	1,431,347	109,032	145,097	1,685,476	1,592,460
<b>Net Position, End of year</b>	<b>\$ 1,504,780</b>	<b>\$ 120,260</b>	<b>\$ 154,137</b>	<b>\$ 1,779,177</b>	<b>\$ 1,685,476</b>

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, 2022 and 2021

(In thousands)

	2022			2021	
	Electric System	Generation System	Water System	Combined	Combined
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 731,465	\$ 28,844	\$ 15,224	\$ 746,790	\$ 668,474
Cash payments to suppliers	(587,455)	(6,502)	(8,013)	(573,227)	(469,836)
Cash payments to employees	(101,306)	(5,941)	(4,284)	(111,531)	(106,414)
Cash payments for taxes	(39,202)	(107)	(781)	(40,090)	(36,876)
Other cash received (paid)	<u>104,413</u>	<u>1,551</u>	<u>1,347</u>	<u>107,311</u>	<u>27,520</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>107,915</u></b>	<b><u>17,845</u></b>	<b><u>3,493</u></b>	<b><u>129,253</u></b>	<b><u>82,868</u></b>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>					
Capital construction	(118,059)	(6,234)	(6,562)	(130,855)	(107,639)
Proceeds from debt	68,519	–	1,620	70,139	107,745
Repayment of debt	(11,510)	(5,120)	(1,716)	(18,346)	(17,551)
Debt issuance costs	(543)	–	–	(543)	(615)
Interest paid on debt	(18,629)	(4,774)	(375)	(22,468)	(19,971)
Capital contributions	26,290	135	1,724	28,149	26,994
Intercompany loans	3,585	(3,585)	–	–	–
Other cash received (paid)	<u>4,443</u>	<u>155</u>	<u>660</u>	<u>5,258</u>	<u>–</u>
<b>Net Cash Provided by (Used for) Capital &amp; Related Financing Activities</b>	<b><u>(45,904)</u></b>	<b><u>(19,423)</u></b>	<b><u>(4,649)</u></b>	<b><u>(68,666)</u></b>	<b><u>(11,037)</u></b>
<b>Cash Flows from Investing Activities:</b>					
Sale of special funds and investment securities	314,954	16,386	23,142	354,482	288,673
Purchase of special funds and investment securities	(398,572)	(17,924)	(21,224)	(437,720)	(390,858)
Interest on investment securities	<u>10,079</u>	<u>629</u>	<u>302</u>	<u>9,700</u>	<u>7,101</u>
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b><u>(73,539)</u></b>	<b><u>(909)</u></b>	<b><u>2,220</u></b>	<b><u>(73,538)</u></b>	<b><u>(95,084)</u></b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Non-capital grants received	<u>2,889</u>	<u>84</u>	<u>–</u>	<u>2,973</u>	<u>1,209</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b><u>2,889</u></b>	<b><u>84</u></b>	<b><u>–</u></b>	<b><u>2,973</u></b>	<b><u>1,209</u></b>
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(8,639)</b>	<b>(2,403)</b>	<b>1,064</b>	<b>(9,978)</b>	<b>(22,044)</b>
Beginning of Year	<u>40,306</u>	<u>7,126</u>	<u>1,862</u>	<u>49,294</u>	<u>71,338</u>
<b>Cash &amp; Cash Equivalents – End of Year</b>	<b><u>\$ 31,667</u></b>	<b><u>\$ 4,723</u></b>	<b><u>\$ 2,926</u></b>	<b><u>\$ 39,316</u></b>	<b><u>\$ 49,294</u></b>

The accompanying notes are an integral part of these combined financial statements.

## Combined Statements of Cash Flows (continued)

Years ended December 31, 2022 and 2021

(In thousands)

	2022			2021	
	Electric System	Generation System	Water System	Combined	Combined
<b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:</b>					
Net Operating Income (Loss)	\$ 57,922	\$ 13,195	\$ 993	\$ 72,110	\$ 73,172
Adjustments to net operating income					
Depreciation Expense	60,948	5,784	3,496	70,228	68,063
Pension and OPEB Related	(20,587)	(637)	(539)	(21,763)	(46,347)
Other cash received (paid)	(593)		(3)	(596)	(2,872)
(Increase) decrease in receivables	(4,771)	(119)	(28)	(4,918)	(16,889)
(Increase) decrease in other assets	(14,244)	(105)	(1,191)	(15,540)	(2,053)
Increase (decrease) in payables	25,071	232	1,414	26,717	7,516
Increase (decrease) in other liabilities	4,169	(505)	(649)	3,015	2,278
<b>Total Adjustments</b>	<b>49,993</b>	<b>4,650</b>	<b>2,500</b>	<b>57,143</b>	<b>9,696</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 107,915</b>	<b>\$ 17,845</b>	<b>\$ 3,493</b>	<b>\$ 129,253</b>	<b>\$ 82,868</b>
<b>Non-cash Investing, Capital and Related Financing Activities</b>					
Non-cash contributions	\$ 3,977		\$ 3,210	\$ 7,188	\$ 9,089
Changes in valuation of financial instruments	(11,390)	(276)	(405)	(12,071)	(5,046)
Amortization of debt related costs	5,587	2,269	397	8,254	3,484

The accompanying notes are an integral part of these combined financial statements.

# Notes to Combined Financial Statements

December 31, 2022 and 2021

## Note 1

### Summary of Significant Accounting Policies

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 and the microgrid system that went into service in 2022. The Generation System is composed of the PUD's Henry M. Jackson Hydroelectric Project and four smaller hydroelectric projects, and a biofuel generator that went in to service in 2022. The Water System is made up of the PUD's water distribution system.

The accompanying financial statements for 2022 include the individual and combined statements of net position for the Electric System, Generation System, and Water System, and the individual and combined statements of revenues, expenses, and changes in net position, and the individual and combined statements of 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 \$47.4 million and \$40.5 million as of December 31, 2022, and 2021, respectively. Unbilled water revenue was \$731 and \$607 thousand as of December 31, 2022, and 2021, 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.

#### *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 \$3.4 million and \$14.1 million as of December 31, 2022 and 2021, respectively. In 2022, the PUD resumed the practice of disconnecting

service for non-payment and reduced the allowance for doubtful accounts to reflect the change in accounts receivable. In December 2022, the PUD received a grant of \$11.2 million to help alleviate customer accounts in arrears.

### *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.

### *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 \$17.6 million and \$16.9 million at December 31, 2022 and 2021, respectively. These liabilities are presented as part of other liabilities.

### *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, accrued liability for injuries and damages, depreciable lives of utility plant, pensions, and other contingencies. Actual results could differ from these estimates.

During 2022, a change in accounting estimate was made for the provision of outstanding damage claims. The newly adopted accounting estimate is preferable over the prior method used bringing the provision balance closer to the five-year actual average uncollectible. The impacted accounts are bad debt expense and provision for uncollectible accounts.

In 2022, the PUD implemented a new reporting module for long-term debt which improved the precision of related bond premium and discount amortization calculations. The implementation and associated change in estimate for amortization calculations resulted in a \$5 million increase in net position for the period.

## Accounting Changes and Reclassifications

In June 2017, the GASB issued Statement No. 87 *Leases*, which establishes a standard for lease accounting based on the fact that leases are a financial exchange for the right to use an underlying asset. The PUD has adopted the provisions of GASB Statement No. 87 effective January 1, 2021, which resulted in the restatement of financial position as of December 31, 2021. (Note 4)

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 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 United States government-sponsored enterprise agency obligations, interest-bearing demand or time deposits, municipal bonds, supranational securities, 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 observable market prices or indices. The relative type of PUD's investments at December 31, 2022 and 2021 are summarized in Table 1.

**Table 1**  
**Special Funds and Cash and Temporary Investments**

	Electric System		Generation System		Water System	
	2022	2021	2022	2021	2022	2021
U.S. Treasury Securities	56%	53%	43%	44%	38%	50%
U.S. Agency Obligations						
Federal Home Loan Bank	14%	12%	3%	–	25%	4%
Federal Farm Credit Bank	8%	7%	–	–	21%	17%
Federal National Mortgage Association	3%	5%	–	–	–	2%
Federal Home Loan Mortgage Corporation	4%	6%	–	–	–	–
Private Export Funding Corporation	–	1%	–	–	–	–
Cash and Interest-bearing Demand or Time Deposits	4%	3%	–	–	1%	1%
Washington State Local Government Investment Pool	11%	13%	54%	56%	15%	26%

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. Other PUD investments are insured by federal depository insurance or protected against loss as 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, 2022, LGIP investments include primarily U.S. Agency Securities, U.S. Treasury Securities, repurchase agreements, and interest-bearing bank deposits. 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. All funds are invested in instruments with maturities of less than five years, with the weighted average maturity 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 (in thousands):

Term	2022		2021	
	Amount Invested	Percent of Invested Fund	Amount Invested	Percent of Invested Fund
Less than 30 days	\$ 94,097	16%	\$ 88,520	17%
30 to 90 days	45,572	8%	35,555	7%
90 days to 1 year	136,977	23%	155,510	29%
1 year to 5 years	283,099	48%	221,938	42%
Bond reserves invested to bond maturity	27,667	5%	24,698	5%
	<u>\$ 587,412</u>	<u>100%</u>	<u>\$ 526,221</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):

	2022						2021	
	Electric		Generation		Water		Combined	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
U.S. Treasury Notes	\$ 301,502	\$ -	\$ 10,701	\$ -	\$ 9,993	\$ -	\$ 276,974	\$ -
Federal Home Loan								
Mortgage Corporation	-	22,934	-	-	-	-	-	27,954
Federal Farm Credit Bank	-	40,641	-	-	-	5,439	-	36,501
Federal Home Loan Bank	-	77,768	-	730	-	6,460	-	57,357
Federal National								
Mortgage Association	-	14,887	-	-	-	-	-	26,494
Private Export Funding Corp.	-	-	-	-	-	-	-	2,421
Assets valued at fair value	<u>\$301,502</u>	<u>\$ 156,230</u>	<u>\$10,701</u>	<u>\$ 730</u>	<u>\$ 9,993</u>	<u>\$ 11,899</u>	<u>\$ 276,974</u>	<u>\$150,727</u>

### Note 3 Capital Assets

#### 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 5 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 2 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.

#### 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.

**Table 2**  
**Utility Plant**  
(In thousands)

	2020		2021		2022		
	Ending Balance	Additions	Retirements & Transfers	Ending Balance	Additions	Retirements & Transfers	Ending Balance
<b>Electric System</b>							
Transmission	\$ 182,706	\$ 4,395	\$ (802)	\$ 186,299	\$ 3,566	\$ (687)	\$ 189,178
Distribution	1,317,397	72,529	(8,698)	1,381,228	62,066	(6,354)	1,436,940
General Plant & Other	417,967	11,140	(3,644)	425,463	29,085	(3,986)	450,562
Land & Non-depreciable assets <sup>1</sup>	74,806	649	(1)	75,454	1,861	(3)	77,312
Plant in Service	1,992,876	88,713	(13,145)	2,068,444	96,578	(11,030)	2,153,992
Construction Work in Progress	103,177	21,430	–	124,607	30,548	–	155,155
Utility Plant	2,096,053	110,143	(13,145)	2,193,051	127,126	(11,030)	2,309,147
Less Accumulated Depreciation	(784,514)	(56,383)	6,523	(834,374)	(57,638)	2,629	(889,383)
<b>Net Utility Plant</b>	<b>\$1,311,539</b>	<b>\$ 53,760</b>	<b>\$ (6,622)</b>	<b>\$1,358,677</b>	<b>\$ 69,488</b>	<b>\$ (8,401)</b>	<b>\$1,419,764</b>
<sup>1</sup> Plant in service includes right-to-use assets of \$4.1 million and \$2.2 million December 31, 2022 and 2021 respectively.							
<b>Generation System</b>							
Generation/Production	\$ 295,025	\$ 1,413	\$ (331)	\$ 296,107	\$ 1,940	\$ (280)	\$ 297,767
Transmission	2,811	–	–	2,811	326	(221)	2,916
Distribution	6,820	15	–	6,835	1,979	–	8,814
General Plant & Other	30,387	786	–	31,173	855	(524)	31,504
Land & Non-depreciable assets <sup>2</sup>	13,822	–	–	13,822	28	–	13,850
Plant in Service	348,865	2,214	(331)	350,748	5,128	(1,025)	354,851
Construction Work in Progress	3,300	1,823	–	5,123	1,107	–	6,230
Utility Plant	352,165	4,037	(331)	355,871	6,235	(1,025)	361,081
Less Accumulated Depreciation	(151,742)	(5,600)	39	(157,303)	(5,254)	494	(162,063)
<b>Net Utility Plant</b>	<b>\$ 200,423</b>	<b>\$ (1,563)</b>	<b>\$ (292)</b>	<b>\$ 198,568</b>	<b>\$ 981</b>	<b>\$ (531)</b>	<b>\$ 199,018</b>
<sup>2</sup> Plant in service includes right-to-use assets of \$0.2 million and \$0 December 31, 2022 and 2021 respectively.							
<b>Water System</b>							
Generation/Production	\$ 9,356	\$ 45	\$ (4)	\$ 9,397	\$ 21	\$ –	\$ 9,418
Transmission & Distribution	139,001	4,550	(398)	143,153	10,421	(52)	153,522
General Plant & Other	14,207	–	–	14,207	91	(82)	14,216
Land & Non-depreciable assets	4,054	104	–	4,158	–	11	4,169
Plant in Service	166,618	4,699	(402)	170,915	10,533	(123)	181,325
Construction Work in Progress	1,230	3,330	–	4,560	–	(829)	3,731
Utility Plant	167,848	8,029	(402)	175,475	10,533	(952)	185,056
Less Accumulated Depreciation	(42,182)	(3,239)	1,164	(44,257)	(3,540)	235	(47,562)
<b>Net Utility Plant</b>	<b>\$ 125,666</b>	<b>\$ 4,790</b>	<b>\$ 762</b>	<b>\$ 131,218</b>	<b>\$ 6,993</b>	<b>\$ (717)</b>	<b>\$ 137,494</b>

**Note 4**  
**Leases**

In June 2017, the GASB issued Statement No. 87 Leases, which established a standard to enhance consistency in accounting and financial reporting for leases based on the fact that leases are a financial exchange for the right-to-use an underlying asset. To comply with the statement the lessor and lessee involved in the lease agreement are required to recognize on their financial statements a lease receivable and deferred inflow of resources or a lease liability and intangible right-to-use lease asset, respectively. The PUD adopted the provisions of GASB Statement No. 87 on January 1, 2021, and restated the individual and combined statements of net position as of December 31, 2021, accordingly, to reflect the implementation of this statement as summarized below (in thousands):

	<u>Electric</u>	<u>Water</u>
December 31, 2021, balances previously reported		
Right-to-use asset	\$ —	\$ —
Lease liability	—	—
Deferred inflow - leases	—	—
Lease receivable	—	—
Restatement for adoption of GASB Statement No. 87		
Right-to-use asset	\$ 2,169	\$ —
Lease liability	(2,169)	—
Deferred inflow - leases	(24,363)	(1,454)
Lease receivable	24,363	1,454
As restated December 31, 2021		
Right-to-use asset	\$ 2,169	\$ —
Lease liability	(2,169)	—
Deferred inflow - leases	(24,363)	(1,454)
Lease receivable	24,363	1,454

The District is both a lessor and a lessee:

For leases with a maximum possible term of 12 months or less at commencement, the PUD recognizes revenue or expense based on the provisions in each contract. For all other leases (i.e., those that are not short-term) as a lessee or lessor the PUD recognizes a right-to-use asset, and lease liability or a lease receivable, and deferred inflow, respectively, in accordance with GASB Statement No. 87.

District as a lessee - The following table summarizes the balances of leased assets by major classes reported in Net Utility Plant as of December 31, 2022 (in thousands):

	December 31, 2022	
	Electric	Generation
Right-to-use asset - Land	\$ 4,071	\$ -
Less Accumulated amortization	242	-
Right-to-use asset - Land, net	3,829	-
Right-to-use asset - Building	419	161
Less Accumulated amortization	140	9
Right-to-use asset - Building, net	279	152
<b>Total Right-to-use assets</b>	<b>\$ 4,108</b>	<b>\$ 152</b>

The PUD is involved in several leases and subleases of land and buildings to perform District operations. The obligations relating to these leases have been recognized on the Combined Statement of Net Position as both a right-to-use asset and the related lease liability equal to the present value of the lease payments in each agreement payable during the contracted term. In 2022, the PUD recorded \$0.4 million as amortization and \$0.1 million as interest expense to recognize these leased assets.

All lessee activity resides within the Electric System with the exception of one Generation System lease related to the biofuel project. The seven-year lease for the biofuel project was implemented in September 2022, with future annual principal and interest payment of approximately \$30,000. As of December 31, 2022, the PUD had principal and interest requirements for active leasing activities, as follows (in thousands):

Year Ended December 31	Principal	Interest	Total
2023	\$ 283	\$ 138	\$ 421
2024	279	137	416
2025	139	137	276
2026	145	136	281
2027	151	135	286
2028-2032	292	666	958
2033-2037	145	653	798
2038-2042	372	601	973
2043-2047	752	483	1,235
2048-2052	1,311	265	1,576
2053-2054	534	17	551
<b>Total</b>	<b>\$ 4,403</b>	<b>\$ 3,368</b>	<b>\$ 7,771</b>

District as a lessor - The PUD is also involved in lease agreements as the lessor of assets such as land and pole attachments. These leases are ancillary to the PUD's mission to provide power to its rate payers. The PUD primarily leases space to telecom entities which allows them to provide services to networks.

The PUD has lessor agreements with remaining contract terms ranging from two to thirteen years. These agreements are recorded at their net present value of \$23.1 million on the *Combined Statement of Net Position*. The PUD also recognized \$4.3 million of lease income, and \$0.3 million in lease interest income recorded as other income for the year ended December 31, 2022.

The District monitors changes in circumstances that may require remeasurement of a lease. Remeasurements of leases were performed during the year ended December 2022 as a result of changes to pole attachments throughout the year.

## Note 5 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 Revenue Bonds		Generation System Revenue Bonds		Water System Revenue Bonds		Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 11,985	\$ 19,969	\$ 5,355	\$ 3,206	\$ 475	\$ 263	\$ 418	\$ 56
2024	12,815	19,773	5,610	2,937	500	239	418	53
2025	14,860	19,682	1,410	2,654	525	214	418	48
2026	14,275	19,173	1,480	2,583	550	188	418	43
2027	14,695	18,678	1,560	2,505	580	161	418	38
2028-2032	81,470	83,248	9,120	11,207	2,630	337	1,524	131
2033-2037	100,230	59,340	11,765	8,556	–	–	985	63
2038-2042	83,290	32,146	15,165	5,155	–	–	736	22
2043-2047	38,170	19,705	11,065	1,125	–	–	–	–
2048-2052	53,190	7,329	–	–	–	–	–	–
<b>Total</b>	<b>\$ 424,980</b>	<b>\$ 299,043</b>	<b>\$ 62,530</b>	<b>\$ 39,928</b>	<b>\$ 5,260</b>	<b>\$ 1,402</b>	<b>\$ 5,337</b>	<b>\$ 454</b>

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 2022 and 2021 was \$40.2 million and \$37.1 million, respectively. Total revenues available for debt service as defined for the same periods was \$162.8 million and \$129.5 million. On December 31, 2022, annual principal and interest payments are expected to require between 23% and 25% 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.

### Electric System

A summary of principal outstanding on Electric System long-term debt follows (in thousands):

	December 31,	
	2022	2021
Series 2022A Revenue bonds, 5.0%, due 2025-2052, earliest call 2032	\$ 61,050	\$ –
Series 2021A Revenue bonds, 5.0%, due 2026-2051, earliest call 2031	78,685	78,685
Series 2020A Revenue Refunding bonds, 0.4-1.5%, due 2022-2028	46,825	48,755
Series 2015 Revenue bonds, 5.0%, due 2022-2040, earliest call 2025	121,205	123,625
Series 2012 Revenue Refunding bonds, 4.0%, due 2022	–	5,610
Series 2010A Revenue bonds, 4.8-5.6%, due 2022-2035, currently callable	117,215	118,765
<b>Total Principal Outstanding on Long-Term Debt</b>	<b>\$424,980</b>	<b>\$375,440</b>

In July 2022, the PUD issued \$61.1 million of Series 2022A Electric System Revenue bonds at a premium of \$7.5 million with an average interest rate of 3.4%. The proceeds from the bonds will be used to finance additions, betterments and improvements to and renewals, replacement and extensions of the Electric System.

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.

Changes in the Electric System long-term debt during the years ended December 31, 2022, and 2021, follow (in thousands):

	2020			2021			2022			
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance
Revenue bonds, face amount	\$ 307,840	\$ 78,685	\$ (11,085)	\$ 375,440	\$ 61,050	\$ (11,510)	\$ 424,980			
Unamortized bond premium	16,830	25,921	(3,331)	39,420	7,468	(6,434)	40,454			
Unamortized bond discount	(72)	—	5	(67)	—	16	(51)			
Total Debt	324,598	104,606	(14,411)	414,793	68,518	(17,928)	465,383			
Less: Current maturities	(11,085)			(11,510)			(11,985)			
<b>Total Long-Term Debt</b>	<b>\$ 313,513</b>			<b>\$403,283</b>			<b>\$453,398</b>			

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, 2022 and 2021, the PUD held the reserve requirement of \$21.3 million and \$18.3 million, respectively, in the Electric System.

The fair value of the Electric System's long-term debt was \$447.6 million and \$458.7 million, respectively, at December 31, 2022 and 2021. 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 (in thousands):

	December 31,	
	2022	2021
Series 2020A Revenue Refunding bonds, 5.0%, due 2022-2024	\$ 9,925	\$ 14,550
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	12,620	13,115
<b>Total Principal Outstanding on Long-Term Debt</b>	<b>\$ 62,530</b>	<b>\$ 67,650</b>

Changes in the Generation System long-term debt during the years ended December 31, 2022, and 2021, follow (in thousands):

	2020			2021			2022			
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance
Revenue bonds, face amount	\$ 72,540	\$ —	\$ (4,890)	\$ 67,650	\$ —	\$ (5,120)	\$ 62,530			
Unamortized bond premiums	6,759	—	(766)	5,993	—	(1,895)	4,098			
Unamortized bond discounts	(9)	—	1	(8)	—	2	(6)			
Total Debt	79,290	—	(5,655)	73,635	—	(7,013)	66,622			
Less: Current maturities	(4,890)			(5,120)			(5,355)			
<b>Total Long-Term Debt</b>	<b>\$ 74,400</b>			<b>\$ 68,515</b>			<b>\$ 61,267</b>			

The PUD is required to maintain a cash reserve for certain Generation System bonds. At December 31, 2022 and 2021, the PUD maintained the reserve requirement of \$6.0 million in the Generation System.

The fair value of the Generation System's long-term debt was \$64.9 million and \$79.3 million, respectively, at December 31, 2022 and 2021. 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 (in thousands):

	December 31,	
	2022	2021
Series 2019 Revenue Refunding bonds, 5.0%, due 2022-2031	\$ 5,260	\$ 5,715
Series 2011 Revenue Refunding bonds, 4.0-5.0%, due 2022	–	845
State of Washington Drinking Water Revolving Fund loans:		
equal principal payments plus 1.0% interest due annually through 2042	2,944	3,921
equal principal payments plus 1.0% interest due annually through 2034	1,495	1,619
equal principal payments plus 1.5% interest due annually through 2029	578	661
equal principal payments plus 1.5% interest due annually through 2027	320	384
equal principal payments plus 2.5% interest due annually through 2023	–	48
<b>Total Principal Outstanding on Long-Term Debt</b>	<b>\$ 10,597</b>	<b>\$ 13,193</b>

Changes in the Water System long-term debt during the years ended December 31, 2022, and 2021, follow (in thousands):

	2020		2021		2022		
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance
Revenue bonds, face amount	\$ 7,780	\$ –	\$ (1,220)	\$ 6,560	\$ –	\$ (1,300)	\$ 5,260
Unamortized bond premiums	1,498	–	(210)	1,288	–	(445)	843
Other notes payable	3,851	3,139	(357)	6,633	–	(1,296)	5,337
Total Debt	13,129	3,139	(1,787)	14,481	–	(3,041)	11,440
Less: Current maturities	(1,576)			(1,806)			(893)
<b>Total Long-Term Debt</b>	<b>\$ 11,553</b>			<b>\$ 12,675</b>			<b>\$ 10,547</b>

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 2022 and 2021, the PUD initiated draw-downs of \$2.2 million and \$3.1 million respectively, to pay costs associated with acquiring and improving the Warm Beach Water System which was transferred to the PUD in 2018. Of the \$2.2 million drawdown initiated in 2022, \$0.6 million was recorded as a receivable at December 31, 2022 and subsequently received in January 2023. As of December 31, 2022, the PUD processed final loan closeout documentation related to the Warm Beach Water System loans, allowing the PUD to recognize 50% loan forgiveness, directly reducing the outstanding loan liability by \$3.1 million.

The PUD is required to maintain a cash reserve for certain Water System bonds. At December 31, 2022 and 2021, the PUD maintained the reserve requirement of \$0.4 million.

The fair value of the Water System's long-term Revenue Bonds was \$5.8 million and \$7.8 million, respectively, at December 31, 2022 and 2021. 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 6

### 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 2.

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 (in thousands):

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2022	\$ 39	\$ 13,262	\$ 2,666
2021	\$ 83	\$ 14,081	\$ 2,811
2020	\$ 91	\$ 14,560	\$ 2,898

### *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 6 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) for 2022 were as follows:

<i>Actual Contribution Rates</i>	<i>Employer</i>	<i>Employee</i>
September 2020 through June 2021	12.97%	6.00%
July 2021 through August 2022	10.25%	6.00%
September 2022 through December 2022	10.39%	6.00%

The PUD's contributions as reported by PERS to the plan were \$5.8 million, and \$6.4 million for the years ended December 31, 2022, and 2021, 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 average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 5 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 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) for 2022 were as follows:

<i>Actual Contribution Rates</i>	<i>Employer Plan 2/3</i>	<i>Employee Plan 2</i>	<i>Employee Plan 3</i>
September 2020 through June 2021	12.97%	7.90%	varies
July 2021 through August 2022	10.25%	6.36%	varies
September 2022 through December 2022	10.39%	6.36%	varies

The PUD's contributions as reported by PERS to the plan were \$10.0 million, and \$10.8 million for the years ended December 31, 2022, and 2021, respectively.

### Pension Financial Statement Balances

At June 30, 2022, the PUD reported total pension assets of \$18.4 million for its proportionate share of the net pension assets and liabilities. The pension liability was \$25.7 million for PERS Plan 1 and the pension asset was \$44.1 million for PERS Plan 2/3.

At June 30, 2021, the PUD reported a total pension liability 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 net pension assets of \$116.6 million for PERS Plan 2/3.

The PUD's proportionate share of the net pension plan for PERS Plan 1 was 0.92% and 0.92% for June 30, 2022 and 2021 respectively. The PUD's proportionate share of the PERS Plan 2/3 was 1.19% and 1.17% for June 30, 2022 and 2021 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, 2022, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

For the years ended December 31, 2022, and 2021, the PUD recognized a pension expense of \$6.0 million and a pension credit of \$5.8 million, respectively, for PERS Plan 1 and a pension credit of \$23.8 million and \$37.0 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):

	2022				2021			
	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	\$ -	\$ -	\$ 10,930	\$ 999	\$ -	\$ -	\$ 5,665	\$ 1,430
Net difference between projected and actual investment earnings on pension plan investments	-	4,254	-	32,612	-	12,522	-	97,488
Change of assumptions	-	-	24,586	6,438	-	-	170	8,284
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	1,518	1,725	-	-	2,545	2,087
Contributions subsequent to measurement date	<u>2,997</u>	<u>-</u>	<u>5,002</u>	<u>-</u>	<u>2,867</u>	<u>-</u>	<u>4,820</u>	<u>-</u>
	<u>\$ 2,997</u>	<u>\$ 4,254</u>	<u>\$ 42,036</u>	<u>\$ 41,774</u>	<u>\$ 2,867</u>	<u>\$ 12,522</u>	<u>\$ 13,200</u>	<u>\$ 109,289</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, 2023. 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
2022	\$ –	\$ (98)
2023	(1,800)	14,115
2024	(1,635)	(11,784)
2025	(2,051)	(7,782)
2026	1,232	(9,265)
2027 - 2028	<u>–</u>	<u>10,074</u>
<b>Total</b>	<b><u>\$ (4,254)</u></b>	<b><u>\$ (4,740)</u></b>

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments. Other assumptions included:

- Inflation: 2.75% total economic inflation; 3.25% salary inflation
- Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

The discount rate used to measure the total pension liability for all DRS plans was 7.0%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.0% was used to determine the total liability.

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

### Estimated Rates of Return by Asset Class

The table below summarizes the 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, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%

### Sensitivity of Net Pension Liability/(Asset)

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 1 percentage point lower or 1 percentage point higher than the current rate (in millions).

	2022			2021		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)	1% Decrease (6.4%)	Discount Rate (7.4%)	1% Increase (8.4%)
PERS Plan 1	\$ 34.3	\$ 25.7	\$ 18.1	\$ 19.2	\$ 11.3	\$ 4.4
PERS Plan 2/3	51.9	(44.1)	(123.0)	(33.2)	(116.6)	(185.3)

### 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 (asset) for each plan, as of December 31, is as follows (in thousands):

	December 31, 2022		December 31, 2021	
	PERS Plan 1	PERS Plan 2/3	PERS Plan 1	PERS Plan 2/3
Electric System	\$ 24,368	\$ (42,009)	\$ 10,760	\$ (110,623)
Generation System	665	(844)	243	(2,966)
Water System	638	(1,259)	281	(3,056)

### Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plans' fiduciary net position is available in the separately issued DRS 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 2022 and 2021, the PUD contributed \$2.4 and \$2.9 million, respectively, to the plans. Plan members receiving benefits contributed \$0.4 million in 2022 and contributed \$0.4 million in 2021.

**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 \$345,000 and \$354,000 towards the premium in 2022 and 2021, 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, 2021. This is the date as of which the total OPEB liability is determined and rolled forward to the reporting date of December 31, 2022. The reporting date is December 31, 2022, 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, 2022, 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	2.06% as of the measurement date of December 31, 2021
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 2022-2027
Retirees’ share of life benefit-related costs	25% of projected life insurance premiums for retirees in 2022 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, 2022, the PUD's total OPEB liability for retiree healthcare was \$41.6 million, and \$5.5 million for retiree life benefits, recorded in other accrued and other liabilities. The annual payroll of active employees covered by the plan was \$70.1 million in 2022, compared to \$74.1 million in 2021.

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	2022			2021
	Electric	Generation	Water	Combined
Net OPEB liability – beginning of year	\$ 39,934	\$ 961	\$ 1,004	\$ 46,302
Changes for the year:				
Service Cost	923	29	24	1,569
Interest on total OPEB liability	835	26	22	1,274
Effect of economic/demographic gains/(losses)	–	–	–	(905)
Effect of assumptions changes or inputs	224	7	6	(3,602)
Expected benefit payments	<u>(2,290)</u>	<u>(71)</u>	<u>(60)</u>	<u>(2,739)</u>
Net Changes	(308)	(9)	(8)	(4,403)
<b>Net OPEB liability – end of year</b>	<u><b>\$ 39,626</b></u>	<u><b>\$ 952</b></u>	<u><b>\$ 996</b></u>	<u><b>\$ 41,899</b></u>
LIFE	2022			2021
	Electric	Generation	Water	Combined
Net OPEB liability – beginning of year	\$ 5,423	\$ 141	\$ 143	\$ 4,942
Actuarial beginning of year adjustment				
Changes for the year:				
Service Cost	4	–	–	12
Interest on total OPEB liability	111	3	3	132
Effect of economic/demographic gains/(losses)	–	–	–	884
Effect of assumptions changes or inputs	32	1	1	38
Expected benefit payments	<u>(332)</u>	<u>(10)</u>	<u>(9)</u>	<u>(301)</u>
Net Changes	(185)	(6)	(5)	765
<b>Net OPEB liability – end of year</b>	<u><b>\$ 5,238</b></u>	<u><b>\$ 135</b></u>	<u><b>\$ 138</b></u>	<u><b>\$ 5,707</b></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.12 percent in 2021 to 2.06 percent in 2022. 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%, as well as what the PUD's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.12%) or 1 percentage point higher (3.12%) than the current rate (in millions):

	2022		
	1% Decrease (1.06%)	Current Discount Rate (2.06%)	1% Increase (3.06%)
Healthcare	\$ 45.9	\$ 41.6	\$ 37.9
Life	6.1	5.5	5.0

***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 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates (in millions):

	2022		
	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	\$ 40.1	\$ 41.6	\$ 43.3

***OPEB Financial Statement Balances***

For the year ended December 31, 2022, and 2021, the PUD recognized OPEB healthcare expense of \$1.0 million and \$1.9 million, respectively. For OPEB life insurance, the PUD recognized OPEB expense of \$0.2 million for each of the years ended December 31, 2022, and 2021. At December 31, 2022, the PUD reported deferred outflows of resources and deferred inflows of resources related to OPEB healthcare from the following sources (in thousands):

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104	\$ (403)
Changes of assumptions or other inputs	2,001	(2,205)
<b>Total</b>	<b>\$ 2,105</b>	<b>\$ (2,608)</b>

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:	
2023	\$ (744)
2024	203
2025	40
	<u>\$ (501)</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 \$55.08 per month into an employee's individual HRA account in January through March 2022. Effective April 2022, the PUD contributed \$56.18 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 Contribu-

tions 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 \$4 thousand and \$17 thousand in 2022 and 2021, 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 adjustments. In 2022, the contribution limit for employees was \$20,500. 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 January 2022, the PUD makes matching contributions in an amount equal to 100% of the first 2.5% 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 \$3.1 million and \$2.3 million in 2022 and 2021, respectively.

## **Note 7**

### **BPA Power Purchase Agreement**

The PUD is a preference customer of the BPA, from which it acquired approximately 83% and 80% of its energy purchases in 2022 and 2021 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 8**

### **Generation System Projects**

The Generation System consists of the PUD's Henry M. Jackson Hydroelectric Project (Jackson Project), four smaller hydroelectric projects and one biofuel generator. In 2022 and 2021, these projects supplied 5% and 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, Washington, 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. This project is exempt from FERC licensing.

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, Washington, in King County. The 50-year FERC licenses for each project will expire in 2065.

### *Biofuel Project*

In September of 2022 the Generation System started operating a biogas engine generator which has a capacity of 675 kilowatts. The generator is owned and operated by the PUD. The space it occupies is leased from Qualco Energy on a lease agreement that runs through 2028. Qualco Energy blends food and agriculture waste in a digester, and sells the resulting biogas to the PUD to fuel the generator.

## **Note 9**

### **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 \$28.6 million and \$23.7 million of power in 2022 and 2021, 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 \$30.9 million and \$34.5 million at December 31, 2022 and 2021, respectively. The Generation System recorded interest expense on these loans of \$1.3 million in 2022 and \$1.4 million in 2021.

## **Note 10**

### **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. On December 31, 2022, 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 \$9.8 and \$10.0 million as of December 31, 2022, and 2021, respectively.

## **Note 11**

### **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.

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## REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – PERS

As of June 30 (In thousands)

PERS 1	2022	2021	2020	2019	2018
Employer's proportion of the net pension liability (asset)	0.92%	0.92%	0.85%	0.88%	0.87%
Employer's proportionate share of the net pension liability	\$ 25,670	\$ 11,285	\$ 29,903	\$ 33,889	\$ 38,769
Employer's covered employee payroll	\$ 482	\$ 773	\$ 649	\$ 642	\$ 608
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	5325.73%	1459.90%	4607.55%	5278.66%	6376.48%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%
<b>PERS 2/3</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Employer's proportion of the net pension liability (asset)	1.19%	1.17%	1.08%	1.12%	1.10%
Employer's proportionate share of the net pension liability (asset)	\$ (44,112)	\$ (116,645)	\$ 13,864	\$ 10,915	\$ 18,707
Employer's covered employee payroll	\$ 147,593	\$ 140,052	\$ 126,542	\$ 122,155	\$ 114,293
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	(29.89)%	(83.29)%	10.96%	8.94%	16.37%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	120.29%	97.22%	97.77%	95.77%

#### 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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 39	\$ 83	\$ 91	\$ 81	\$ 81	\$ 71	\$ 98	\$ 124	\$ 155	\$ 152
Contributions in relation to the contractually required contributions	(39)	(83)	(91)	(81)	(81)	(71)	(98)	(124)	(155)	(152)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	380	696	705	632	632	594	879	1,221	1,611	1,854
Contributions as a percentage of covered employee payroll	10.26%	11.93%	12.91%	12.82%	12.82%	11.95%	11.15%	10.14%	9.62%	8.20%
<b>PERS 2/3</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contributions	\$ 15,928	\$ 16,892	\$ 17,458	\$ 15,640	\$ 15,239	\$ 13,267	\$ 11,925	\$ 10,581	\$ 8,989	\$ 7,668
Contributions in relation to the contractually required contributions	(15,928)	(16,892)	(17,458)	(15,640)	(15,239)	(13,267)	(11,925)	(10,581)	(8,989)	(7,668)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	\$ 155,062	\$ 146,019	\$ 135,327	\$ 121,760	\$ 119,564	\$ 110,945	\$ 106,716	\$ 103,383	\$ 97,703	\$ 93,277
Contributions as a percentage of covered employee payroll	10.27%	11.57%	12.90%	12.84%	12.75%	11.96%	11.17%	10.23%	9.20%	8.22%

## SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS

As of December 31 (in thousands)

	2022		2021		2020	
	Post-Employment		Post-Employment		Post-Employment	
Total OPEB Liability	Health	Life	Health	Life	Health	Life
Service cost	\$ 976	\$ 4	\$ 1,569	\$ 12	\$ 1,198	\$ 7
Interest on total OPEB liability	883	117	1,274	132	1,704	175
Effect on economic/demographic gains/ (losses)	-	-	(906)	884	-	-
Effect of assumption changes or inputs	237	34	(3,602)	38	4,442	653
Expected benefit payments	<u>(2,422)</u>	<u>(350)</u>	<u>(2,739)</u>	<u>(301)</u>	<u>(2,775)</u>	<u>(298)</u>
Net change in total OPEB liability	\$ (326)	\$ (195)	\$ (4,404)	\$ 765	\$ 4,569	\$ 537
Total OPEB liability, beginning	<u>41,899</u>	<u>5,707</u>	<u>46,302</u>	<u>4,942</u>	<u>41,733</u>	<u>4,405</u>
Total OPEB liability, ending	<u>\$ 41,573</u>	<u>\$ 5,512</u>	<u>\$ 41,898</u>	<u>\$ 5,707</u>	<u>\$ 46,302</u>	<u>\$ 4,942</u>
Covered employee payroll	\$ 70,135	N/A	\$ 74,130	N/A	\$ 71,826	N/A
Total OPEB liability as a % of covered employee payroll	59.28%	N/A	56.52%	N/A	64.46%	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 2022: 2.06%, 2021: 2.12%, 2020: 2.74%.

The PUD has established a fund to address the unfunded portion of future post-employment benefits. The balance of this account was \$38.2 million and \$36.3 million as of December 31, 2022 and 2021, 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,	2020	2021	2022
<b>Operating Revenues:</b>			
Sale of electric energy	\$ 651,763	\$ 667,405	\$ 722,260
Other operating revenues	32,088	32,334	36,161
Unbilled revenues	(5,300)	8,400	6,900
<b>Total Operating Revenues</b>	<b>678,551</b>	<b>708,139</b>	<b>765,321</b>
<b>Operating Expenses:</b>			
Purchased power	312,131	334,427	363,509
Operations and maintenance	239,235	215,636	242,210
Depreciation	57,202	58,988	60,948
Taxes	38,525	39,534	40,732
<b>Total Operating Expenses</b>	<b>647,093</b>	<b>648,585</b>	<b>707,399</b>
<b>Net Operating Income (Loss)</b>	<b>31,458</b>	<b>59,554</b>	<b>57,922</b>
<b>Interest Charges</b>	<b>15,401</b>	<b>13,930</b>	<b>13,255</b>
<b>Other Income and Expense:</b>			
Interest income	8,577	5,415	8,276
Net increase (decrease) in the fair value of investments	2,513	(4,857)	(11,390)
Other income and expense, net	(4,262)	3,095	3,587
<b>Total Other Income and Expense</b>	<b>6,828</b>	<b>3,653</b>	<b>473</b>
<b>Capital Contributions:</b>			
Cash contributions	23,003	21,424	24,317
Non-cash contributions	5,442	6,376	3,977
<b>Total Capital Contributions</b>	<b>28,445</b>	<b>27,800</b>	<b>28,294</b>
<b>Net Income</b>	<b>51,330</b>	<b>77,077</b>	<b>73,434</b>
Non-cash contributions	(5,442)	(6,376)	(3,977)
Interest charges	15,401	13,930	13,255
Depreciation	57,202	58,988	60,948
Pension & OPEB liability actuarial adjustments	(16,207)	(43,297)	(20,549)
Net increase (decrease) in the fair value of investments	(2,513)	4,857	11,390
Project termination charge	8,465	-	-
<b>Balance Available for Debt Coverage</b>	<b>108,236</b>	<b>105,179</b>	<b>134,501</b>
<b>Parity Debt Service Costs:</b>			
Interest	16,179	15,762	18,488
Principal	10,400	11,085	11,510
<b>Total Parity Debt Service Costs</b>	<b>\$ 26,579</b>	<b>\$ 26,847</b>	<b>\$ 29,998</b>
<b>Parity Debt Service Coverage</b>	<b>4.1x</b>	<b>3.9x</b>	<b>4.5x</b>

## Electric System Revenue and Statistical Data (Unaudited)

Years Ended December 31,	2020	2021	2022	% Change From 2021
<b>Retail Customers (average)</b>				
Residential	327,475	332,746	338,130	1.6%
Commercial	33,317	34,071	34,709	1.9%
Industrial	82	76	76	0.0%
Other	202	203	211	3.9%
<b><i>Retail Customers</i></b>	<b>361,076</b>	<b>367,096</b>	<b>373,126</b>	<b>1.6%</b>
<b>Megawatt-Hours Billed</b>				
Residential	3,724,600	3,788,553	3,917,803	3.4%
Commercial	2,226,949	2,311,513	2,345,764	1.5%
Industrial	472,618	466,812	469,471	0.6%
Wholesale	2,060,403	1,512,879	1,847,108	22.1%
Other	28,465	26,892	28,381	5.5%
<b><i>Megawatt-Hours Billed</i></b>	<b>8,513,035</b>	<b>8,106,649</b>	<b>8,608,527</b>	<b>6.2%</b>
<b>Revenues Billed (in thousands)</b>				
Residential	\$ 379,219	\$ 384,362	\$ 403,146	4.9%
Commercial	196,880	204,048	208,569	2.2%
Industrial	32,972	32,564	33,188	1.9%
Wholesale	38,783	42,693	73,375	71.9%
Other	3,909	3,739	3,981	6.5%
<b><i>Revenues Billed</i></b>	<b>\$ 651,763</b>	<b>\$ 667,406</b>	<b>\$ 722,259</b>	<b>8.2%</b>
<b>Average Retail Rate per kWh:</b>				
Residential	\$ 0.102	\$ 0.101	\$ 0.103	2.0%
Commercial	\$ 0.088	\$ 0.088	\$ 0.089	1.1%
Industrial	\$ 0.07	\$ 0.07	\$ 0.071	1.4%
Number of Employees	1,028	1,025	1,047	2.1%
Electric Line Miles	6,581	6,608	6,652	0.7%
New Electric Service Connections	5,638	5,934	5,051	-14.9%

## Water System Statements of Revenues, Expenses, Debt Service Coverage, and Statistical Data (Unaudited)

(In thousands)

Years Ended December 31,	2020	2021	2022
<b>Operating Revenues:</b>			
Sale of water	\$ 13,755	\$ 14,626	\$ 15,098
Other operating revenues	368	362	408
<b>Total Operating Revenues</b>	<b>14,123</b>	<b>14,988</b>	<b>15,506</b>
<b>Operating Expenses:</b>			
Purchased water	2,925	3,217	3,600
Operations and maintenance	5,764	5,447	6,641
Depreciation	3,191	3,269	3,497
Taxes	754	784	775
<b>Total Operating Expenses</b>	<b>12,634</b>	<b>12,717</b>	<b>14,513</b>
<b>Net Operating Income</b>	<b>1,489</b>	<b>2,271</b>	<b>993</b>
<b>Interest Charges</b>	<b>312</b>	<b>266</b>	<b>(28)</b>
<b>Other Income and Expense:</b>			
Interest income	377	120	367
Net increase (decrease) in the fair value of investments	(14)	(86)	(405)
Other income and expense, net	(22)	(27)	3,123
<b>Total Other Income and Expense</b>	<b>341</b>	<b>7</b>	<b>3,085</b>
<b>Capital Contributions:</b>			
Cash contributions	4,273	3,425	1,724
Non-cash contributions	2,081	2,713	3,210
<b>Total Capital Contributions</b>	<b>6,354</b>	<b>6,138</b>	<b>4,934</b>
<b>Net Income</b>	<b>7,872</b>	<b>8,150</b>	<b>9,040</b>
Non-cash contributions	(2,081)	(2,713)	(3,210)
Interest charges	312	266	(28)
Depreciation	3,191	3,269	3,496
Pension and OPEB liability actuarial adjustments	(446)	(1,184)	(538)
Net increase (decrease) in the fair value of investments	14	86	405
<b>Balance Available for Debt Coverage</b>	<b>8,862</b>	<b>7,874</b>	<b>9,165</b>
<b>Parity Debt Service Costs:</b>			
Interest	418	381	328
Principal	1,195	1,220	1,300
Total Parity Debt Service Costs	1,613	1,601	1,628
Less: Assessment payments received	(15)	(5)	(4)
<b>Debt Service Paid from Revenues</b>	<b>\$ 1,598</b>	<b>\$ 1,596</b>	<b>\$ 1,624</b>
<b>Parity Debt Service Coverage</b>	<b>5.5x</b>	<b>4.9x</b>	<b>5.6x</b>
<b>Number of Water Customers (average)</b>	<b>22,161</b>	<b>22,774</b>	<b>23,156</b>
<b>Water Sales &amp; Purchases (thousand cubic feet)</b>			
Retail Cubic Feet Sold	204,000	220,504	218,913
Wholesale Cubic Feet Sold	29,373	31,499	33,677
<b>Total Cubic Feet Sold</b>	<b>233,373</b>	<b>252,003</b>	<b>252,590</b>
<b>Average Retail Water Rates (thousand cubic feet)</b>			
Residential	\$3.52	\$3.52	\$3.57
Commercial	\$3.24	\$3.24	\$3.37



## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following summary is an outline of certain provisions of the Resolution, is not to be considered a full statement thereof and is qualified by reference to the complete Resolution. All 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 these definitions are summarized below.

#### 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 Resolution specifies how debt service is calculated for Capital Appreciation Bonds, Deferred Income Bonds, Tender Option Bonds and Variable Interest Rate Bonds.

“Assessment Income” means the principal of and interest on assessments collected in local utility districts in which assessments have been levied and pledged to be paid into the Bond Fund.

“Assessments” means assessments, including interest and penalties, levied in any local utility district of the District for the acquisition or construction of additions and improvements to and extensions of the Water System, if such assessments are pledged to be paid into the Bond Fund.

“Code” means the Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations promulgated thereunder.

“Coverage Requirement” means (a) for purposes of the Rate Covenant, for any Fiscal Year the product of 1.25 times Annual Debt Service on all Outstanding Bonds in such Fiscal Year after deducting Assessments actually collected for such year and (b) for purposes of the test for issuing additional Bonds, for any Fiscal Year the product of 1.25 times Annual Debt Service on all Outstanding Bonds and the additional Bonds proposed to be issued after deducting Assessments allocated to the years in which they would be received if the unpaid balance of each assessment roll were paid in equal principal and interest installments or in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the resolution confirming the assessment roll, as applicable.

“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 Water 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 Water 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 and (b) Resource Obligations for any month in which any water or other goods and services from such Resource Obligation was made available to the Water System during such month (regardless of whether or not the Water System actually scheduled or received water from the Resource Obligation during such month). Operating Expenses shall not include any extraordinary, nonrecurring expenses of the Water System, any judgments or amounts to be paid in settlement of claims against the Water System, any costs or expenses for new construction for the Water System, interest on bonds or other obligations of the Water 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 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 Resource Obligations for any month such costs or other obligations are not eligible for payment as Operating Expenses. Parity Lien Obligations do 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 any 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 or S&P, or if rated by both, by each of them.

“Qualified Letter of Credit” means any letter of credit issued by a financial institution for the account of the District on behalf of the registered 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 or S&P or their comparably recognized business successors, or in the event each of such rating agencies rates such institution, 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 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 recalculated as of the date of issuance of any series of additional Bonds that are Refunding Bonds issued for the purpose of refunding a portion of such series of Bonds; and (b) with respect to all Bonds, the sum of the Reserve Account Requirement for all series of Bonds. The Resolution specifies how interest is calculated for Variable Interest Rate Bonds.

“Resource Obligation” means an obligation of the District to pay the following costs associated with a resource from Revenues as (a) Operating Expenses for any month in which any water, goods or services from such resource were made available to the Water System during such month (regardless of whether or not the Water System actually scheduled or received water, goods or services from such resource during such month) and (b) at all other times as an indebtedness of the Water System payable from Revenues on a parity of lien with the Bonds and any other obligation required or permitted pursuant to the Resolution or any Supplemental Resolution to be paid on a parity of lien with the Bonds; (i) costs associated with facilities or resources for the conservation, transmission or distribution of water (including any common undivided interest therein) acquired, purchased or constructed by the District and declared by the Commission to be a separate system after the adoption of the Resolution, which such costs shall include but are not limited to costs of normal operation and maintenance, renewals and replacements, additions and betterments and debt service on the bonds or other obligations of such separate system but shall exclude costs paid or to be paid from the proceeds of the sale of bonds or other obligations of such separate system, or (ii) costs associated with the purchase of water, conservation or services under a contract.

“Revenues” means all income, revenues, receipts and profits derived by the District through the ownership and operation of the Water System, including general facilities charges, 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 Water 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 Water System, exclusive of (i) insurance proceeds compensating the District for the loss of a capital asset; (ii) 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; (iii) 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; and (iv) income restricted to a particular purpose inconsistent with its use for the payment of debt service.

“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.

“Water System” means the water utility properties, rights and assets, real and personal, tangible and intangible, now owned and operated by the District and used or useful in the supply, storage, transmission, distribution or conservation of water and all properties, rights and assets, real and personal, tangible and intangible, constructed or acquired by the District after the adoption of the Resolution as additions, betterments, improvements or extensions to said water utility properties, rights and assets and declared by the Commission to be included in the Water System, but shall not include any other properties, rights or assets, real or personal, tangible or intangible that may be purchased, constructed or otherwise acquired by the District as a system that is declared by the Commission after the adoption of the Resolution to be separate from the Water 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.

“Water System Costs” means costs of additions, betterments, extensions, renewals, repairs, replacements and extraordinary operating expenses of the Water System and all costs incident thereto, including but not limited to engineering, financing, or legal costs.

### **Effect of Saturdays, Sundays and Legal Holidays**

Whenever the Resolution requires any action to be taken on a Saturday, Sunday, legal or banking holiday, such action shall be taken on the first business day occurring thereafter. Whenever in the Resolution the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday, legal or banking holiday, such time shall continue to run until midnight on the next succeeding business day.

### **Funds and Accounts**

Revenue Fund. The District has pledged to pay all Revenues into the Revenue Fund except as specifically provided in the Resolution. The Revenue Fund consists of the General Account and the Rate Stabilization Account. The Revenues paid into the Revenue Fund shall first be credited to the General Account and applied as specified under “SECURITY FOR THE BONDS—Flow of Funds.”

Bond Fund. The District has covenanted, as long as any Bonds are Outstanding, to make payments as follows:

(a) Into the Interest Account, not later than the day on which any installment of interest falls due, an amount sufficient to pay such installment of interest falling due.

(b) Into the Principal Account, not later than 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.

(c) 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 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 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 Water System Costs or to repay advances for Water System Costs are to be deposited in the Construction Fund.

Reserve Account. Any Supplemental Resolution providing for the issuance of Bonds may provide for payments into the Bond Fund for credit to the Reserve Account from any other moneys lawfully available therefor (in which event, in providing for deposits and credits required by the Resolution, allowance shall be made for any such amounts so paid into such account) or 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 Reserve Account. The amount available to be drawn upon under such Qualified Insurance or Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Account by the Resolution 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 is required to be not be cancelable on less than five years notice. In the event of receipt of any such notice of cancellation, the District is required to substitute Qualified Insurance or a Qualified Letter of Credit in the amount required pursuant the Resolution or in the alternative is required to create a special account in the Revenue Fund and deposit therein, on or before the twenty-fifth (25th) day of each of the sixty (60) succeeding calendar months one-sixtieth of the amount sufficient, together with other money and investments on

deposit in the Reserve Account, to equal the Reserve Account Requirement on the date any such cancellation shall become effective. Such amounts shall be transferred from the sources (other than the Construction Fund) and in the order of priority specified by the Resolution providing for payments to the Reserve Account in the event of a deficiency therein. Amounts on deposit in such special account shall not be available to pay debt service on Bonds or for any other purpose of the District, except as provided in the following sentence. All amounts in such account shall be transferred to the Reserve Account on the effective date of any cancellation of a Qualified Letter of Credit or Qualified Insurance to make up the deficiency caused thereby.

For the purpose of determining the amount credited to the Reserve Account, obligations in which moneys in the Reserve Account shall have been invested shall be valued at the market value thereof. The term "market value" shall mean, in the case of securities that are not then currently redeemable at the option of the registered owner, the current bid quotation for such securities, as reported in any nationally circulated financial journal, and the current redemption value in the case of securities that are then redeemable at the option of the holder. For obligations that mature within six (6) months, the market value shall be the par value thereof. The valuation shall include accrued interest thereon. The valuation of the amount in the Reserve Account shall be made by the Treasurer 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 pursuant to the Resolution and may be made on each June 30 (or on the next preceding business day if June 30 does not fall on a business day).

If the amount in the Reserve Account is less than the Reserve Account Requirement, the District shall have twelve (12) months within which to make transfers to the Reserve Account in amounts sufficient to restore the Reserve Account to the Reserve Account Requirement. The District shall transfer such amounts first from moneys in the Revenue Fund (after making provision for payment of Operating Expenses and for the required payments into the Interest and Principal Accounts) and only thereafter from moneys in the Construction Fund. If the amount in the Reserve Account shall be greater than the Reserve Account Requirement, then and only then may the District withdraw at any time prior to the next date of valuation from the Reserve Account the difference between the amount in the Reserve Account and the Reserve Account Requirement and deposit such difference in the Revenue Fund.

Money in the Interest Account and the Principal Account shall be transmitted by the District to the Paying Agent in amounts sufficient to meet the next maturing installments of principal, interest and premiums, if any, at or prior to the time upon which any interest, principal or premium, if any, is to become due. In the event there shall be a deficiency in the Interest Account or the Principal Account for such purpose, the District shall make up any such deficiency from the Reserve Account by the withdrawal of cash therefrom for that purpose, and, if necessary, by sale or redemption of any authorized investments in such amount as will provide cash in said 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 credit enhancement instrument. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide.

Whenever and so long as amounts on deposit in the Bond Fund, including the Reserve Account, are sufficient to provide moneys to pay the Bonds then Outstanding, including such interest as may thereafter become due thereon and any premiums upon redemption, no payments need be made into the Bond Fund pursuant to the Resolution.

Money transferred from the Bond Fund to the Paying Agent for the Bonds and the interest thereon shall be held in trust for the registered owners of such Bonds. Until so set aside for the retirement of principal, payment of sinking fund installments, payment of interest and premium, if any, as aforesaid, moneys in the Bond Fund shall be held in trust for the benefit of the registered owners of the Bonds then Outstanding and payable equally and ratably and without preference or distinction as between different installments or maturities.

#### **Additional Indebtedness**

Additional Bonds. 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:

(a) 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

(b) One of the two following certificates has been filed with the Secretary of the Commission:

(i) 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 were not less than the maximum Coverage Requirement in any future Fiscal Year on all Outstanding Bonds and the Bonds then proposed to be issued (provided that (A) in the event that any adjustment in the rates, fees and charges for the services of the Water 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 (B) 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 Resolution), or

(ii) a certificate of the Professional Utility Consultant setting forth:

(A) the amount of the Adjusted Net Revenues computed as provided in the Resolution, after deducting amounts paid from Revenues in the Base Period to satisfy all Parity Lien Obligations;

(B) the amount of the maximum Coverage Requirement 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 (A) above is not less than the amount shown in this paragraph (B).

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 (b) 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.

Separate System Bonds; Resource Obligations. The District may enter into contracts to purchase water, conservation or services or authorize and issue bonds, notes, certificates or other obligations or evidences of indebtedness, other than Bonds, to acquire or construct facilities or resources for the supply, or for the conservation or transmission of water, and any incidental properties to be constructed or acquired in connection therewith, which facilities or resources shall be a separate system and which contractual obligations, bonds or other obligations or evidences of indebtedness must be payable solely from the revenues or other income derived from the ownership or operation of such separate system. Costs associated with any such contracts or separate system may be declared by resolution of the Commission to be a Resource Obligation of the Water System provided that the following requirements must be met at the time of such declaration:

(a) No Event of Default has occurred and is continuing.

(b) There must have been filed with the Secretary of the Commission a certificate of the Professional Utility Consultant stating that the additional source of water, conservation or services from such Resource Obligation is consistent with sound water utility planning.

(c) There must have been filed with the Secretary of the Commission a report of the Professional Utility Consultant stating that estimated annual Net Revenues for the second full Fiscal Year after the date of initial operation of the facilities, costs of which are to be financed as a Resource Obligation, or after the date of first delivery of water, conservation or services pursuant to a contract, costs of which are declared to be a Resource Obligation, as the case may be, shall be at least equal to the maximum Coverage Requirement in any future Fiscal Year. In estimating Net Revenues, 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 Resource Obligations in Operating Expenses.

(d) In the event that the Resource Obligation is a contract to purchase water supply, there must have been filed with the Secretary of the Commission opinions of counsel to the District and all other parties to the contract, respectively, which respective opinions state that each party to the contract has all requisite right, power and authority to execute and deliver the contract and to perform its obligations thereunder and that the contract constitutes a legally valid and binding obligation of such party thereto.

### **Defeasance of Bonds**

The District may refund or defease all or a portion of the then Outstanding Bonds by setting aside with a trustee or escrow agent in a special account, Government Obligations and/or Refunded Municipals and/or securities permitted by chapter 39.53 RCW sufficient, together with the earnings thereon, to provide funds to pay when due the interest on such Bonds and to redeem or retire such Bonds at or prior to maturity in accordance with their terms. In such event no further payment need be made into the Bond Fund for the payment of the principal of and interest on the Bonds so provided for and such Bonds shall cease to be entitled to any lien, benefit or security of the Resolution except the right to receive payment from such special account, and such Bonds shall not be deemed to be Outstanding for any purpose of the Resolution or the supplemental resolution authorizing their issuance. Notwithstanding the defeasance of any Bonds as described in this paragraph, the District shall remain obligated to make any payments with respect to such Bonds required to be made to the United States by Section 148 of the Code.

### **Certain Covenants**

In addition to the covenants previously described under the headings “SECURITY FOR THE BONDS—Rate Covenants” and “SECURITY FOR THE BONDS—Other Covenants,” the District has covenanted as follows:

1. No Free Service; Enforcement of Accounts Owning. The District will not furnish or supply water 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 Water System.

2. Disposition of All or Part of the Water 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 Water System except:

(a) The District may dispose of all or substantially all of the Water System, provided that simultaneously the District shall cause all of the Bonds to be, or deemed to be, no longer Outstanding.

(b) Except as provided below, the District will not dispose of any part of the Water System in excess of 10% of the value of the net utility plant of the District in service unless prior to such disposition:

(i) 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 the heading "SECURITY FOR THE BONDS—Rate Covenants"; or

(ii) provision is made for the payment, redemption or other retirement of a principal amount of Bonds equal to the greater of the following amounts:

(A) 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 Water System sold or disposed of for the 12 preceding months bears to the total Revenues for such period; or

(B) 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 Water System sold or disposed of bears to the book value of the entire Water System immediately prior to such sale or disposition.

(c) The District may dispose of any portion of the Water System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary, material or useful in the operation of the Water System.

(d) If the ownership of all or part of the Water 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 bond owners, in which case any proceeds shall be used to retire Bonds prior to maturity.

3. Insurance. The District will keep the Water System insured, and will carry such other insurance, with responsible insurers, with policies payable to the District, 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. In the event of any loss or damage, the District will promptly deposit any insurance proceeds compensating the District for losses related to business interruption into the Revenue Fund and will promptly deposit any insurance proceeds compensating the District for losses related to capital assets into the Construction Fund, or any construction fund created by the Resolution, and use such funds to repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy or self-insurance funding for such purposes. In the event the District should determine not to repair or reconstruct any damaged portion of the properties of the District, the proceeds of such insurance or self-insurance funding shall be transferred to the Reserve Account to the extent that such transfer shall be necessary to make up any deficiency in said Reserve Account and the balance, if any, shall either (a) be used for repairs, renewals, replacements, or additions to or extension of the Water System or (b) be used in the retirement of Bonds prior to maturity, either by purchase at prices not to exceed the next applicable redemption price or by call for redemption.

4. 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 registered owner 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 Water System as of the close of each Fiscal Year.



5. To Make Economically Sound Improvements and Extensions. The District will not expend any of the revenues derived by it from the operation of the Water 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 Water 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 Water System.

6. To Pay Principal, Premium and Interest on the Bonds. The District will duly and punctually pay, or cause to be paid, solely from the 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.

7. Protection of Security. The Revenues and other moneys, securities and funds pledged by the 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 Resolution, except as otherwise expressly provided in the 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 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, 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.

8. Authority of the District to provide for the Operation and Maintenance of the Water 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 Water 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 Water System.

9. 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 Water System, or on the revenues, income, receipts, profits or other moneys derived by the District therefrom when the same 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 Water 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.

10. Tax Covenants for the 2023 Bonds. The District will not take any action that will cause the 2023 Bonds to be "arbitrage bonds" or "private activity bonds" under the Code.

## **Trustee**

If an Event of Default has occurred and is continuing, the owners of 25% of the Bonds Outstanding may appoint a Trustee for the registered owners of all Bonds as set forth in the Resolution. The Trustee so appointed may resign upon 45 days' notice and may be discharged at any time by the owners of a majority in aggregate principal amount of the Bonds then Outstanding.

The Trustee may resign, and thereby become discharged from the trusts created by the Resolution, by notice in writing to be given to the District and mailed to each registered 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 forty-five (45) days before such resignation is to take effect. Such resignation shall take effect immediately upon the appointment of a new Trustee under the Resolution, if such new Trustee shall be appointed and shall have accepted the trust before the time stated in such notice.

The Trustee may be discharged at any time by the registered owners of a majority in aggregate principal amount of the Bonds then Outstanding.

If at any time the Trustee shall resign, be discharged, or if the position of Trustee shall become vacant for any other reason the registered owners of 25% in aggregate principal amount of the Bonds then Outstanding may appoint a successor Trustee. Every successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor and the District an instrument in writing accepting appointment under the Resolution.

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 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 gross negligence. Gross negligence 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 Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care under the Resolution.

The duties and obligations of each Trustee appointed by or pursuant to the provisions of the Resolution shall be determined solely by the express provisions of the Resolution, and such 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 such Trustee other than those specified in the Resolution, and such 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. In case an Event of Default has occurred which has not been waived or cured, such 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.

None of the provisions contained in the Resolution shall require any Trustee appointed by or pursuant to the provisions of the 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 Resolution.

### **Events of Default and Remedies**

Events of Default. The following constitute "Events of Default" under the Resolution:

- (a) Default in the due and punctual payment of the principal of any of the Bonds within five days when the same becomes due;
- (b) Default in the due and punctual payment of interest on any of the Bonds within five days when the same becomes due;
- (c) Failure to provide for any required Sinking Fund Requirements within five days when the same becomes due;
- (d) 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 obligations 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;
- (e) Default in the observance of any other of the covenants, conditions and agreements in the Resolution and such default continues for 90 days after the District receives from the Trustee or from the registered

owners of not less than 25% in principal amount of any series of Bonds Outstanding a written notice specifying and demanding the cure of such default; or

(f) 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 Water 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 Resolution and Revenues upon receipt. The Trustee shall apply the funds in accordance with the Resolution.

Application of Funds by Trustee. If During the continuance of an Event of Default the Revenues received by the Trustee pursuant to the provisions of the Resolution described in “—Payment of Funds to Trustee” 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 water sold, furnished or supplied by the Water System), and second, in accordance with the provisions of the Resolution as described in this “—Application of Funds by Trustee.”

If at any time the funds held by the Trustee and the Paying Agent for the Bonds are 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 registered 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 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 is not 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.

Relinquishment of Funds upon Remedy of Default. If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee and the registered owners of Bonds, their respective agents and attorneys, and all other sums payable by the District under the Resolution, including the principal of, premium, if any, and accrued unpaid interest on all Bonds that are then payable (with interest upon such principal and premium, if any, and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate as the rate of interest specified in the Bonds, to the date of such payment or deposit), shall either be paid by or for the account of the District, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the District all moneys, securities, funds and Revenues then remaining unexpended in the hands of the Trustee and thereupon all Revenues shall thereafter be applied as provided in the Resolution. No such payment over to the District by the Trustee or resumption of the application of Revenues as provided in the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

Remedies. The Trustee may, if an Event of Default has occurred and is not remedied, take such necessary steps and institute such proceedings as it deems appropriate to collect all sums owing and to protect the rights of registered owners. The registered owners of the Bonds shall be deemed to irrevocably appoint the Trustee as the lawful trustee of the registered owners. The registered owners of at least 60% 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 registered owner may institute any proceeding for the enforcement of the Resolution unless an Event of Default is continuing and the registered owners of not less than 60% of the Outstanding Bonds have given the District and the Trustee written notice to institute such proceeding and the Trustee has refused or neglected to comply within a reasonable time.

No delay or omission of the Trustee or of any registered owner of Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by the Resolution to the Trustee or to the registered owners of Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by such registered owners.

The Trustee or the registered owners of not less than sixty percent (60%) in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the registered owners of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto.

No remedy conferred by the Resolution upon or reserved to the Trustee or the registered owners of the Bonds is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution.

#### **Amendments**

Amending and Supplemental Resolution without Consent of Bondowners. The District from time to time and at any time and without the consent or concurrence of any registered owner of any Bond, may adopt a resolution by the Resolution or supplementary to the Resolution: (i) for the purpose of providing for the issuance of Bonds pursuant to the Resolution; or (ii) if the provisions of such Supplemental Resolution do not adversely affect the rights of the registered owners of the Bonds then Outstanding, for any one or more of the following additional purposes:

(A) to add to the covenants and agreements of the District contained in the Resolution, other covenants and agreements thereafter to be observed, which shall not adversely affect the interest of the registered owners of any Bonds in any material way, or to surrender any right or power reserved to or conferred upon the District by the Resolution;

(B) to make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provisions contained in the Resolution or any supplemental resolution in regard to matters or questions arising under such resolutions as the District may deem necessary or desirable and which shall not adversely affect the interest of the registered owners of such Bonds in any material way.

Amending and Supplemental Resolutions with Consent of Bondowners. With the consent of the registered owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, the District, from time to time and at any time may adopt a resolution amendatory to the Resolution or supplemental to the Resolution for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Resolution, or modifying or amending the rights and obligations of the District and the Trustee under the Resolution, or modifying in any manner the rights of the registered owners of the Bonds then Outstanding and in determining whether the registered owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding consent thereto; provided, however, that, without the specific consent of the registered owner of each such Bond that would be affected thereby, no such Supplemental Resolution amending or supplementing the provisions of the Resolution shall: (i) 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; (ii) reduce the aforesaid percentage of Bonds the registered owners of which are required to consent to any Supplemental Resolution amending or supplementing the provisions of the Resolution; (iii) give to any Bond or Bonds any preference over any other Bond or Bonds secured by the Resolution; (iv) authorize the creation of any pledge of the Revenues and other moneys pledged under the Resolution prior, superior or equal to the pledge of and lien and charge for the payment of the Bonds; or (v) deprive any registered owner of the Bonds of the security afforded by the Resolution. Nothing contained in the Resolution, however, shall be construed as making necessary the approval of the registered owners of the Bonds of the adoption of any Supplemental Resolution authorized by the provisions of the Resolution described in “—Amending and Supplemental Resolution without Consent of Bondowners.”

Supplemental Resolution Affecting Trustee and Registrar. No supplemental resolution changing, amending or modifying any of the rights, duties and obligations of any Trustee or Registrar appointed by or pursuant to the provisions of the Resolution may be adopted by the District or be consented to by the registered owners of the Bonds without written consent of such Trustee or Registrar affected thereby.”

## 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 Underwriter make no representation as to the accuracy or completeness of the data obtained from parties other than the District.*

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 the State of Washington, after King and Pierce Counties. As shown in the following table, since 2019, the County’s population has grown 5.02% and Everett’s population has grown 2.15%.

**TABLE 12  
POPULATION ESTIMATES**

Year	Snohomish County	City of Everett
2023	859,800	114,200
2022	847,300	113,300
2021	837,800	112,300
2020 <sup>(1)</sup>	827,957	110,629
2019	818,700	111,800

<sup>(1)</sup> Census.

Source: Washington State Office of Financial Management

*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 a decline in median housing prices. In March 2023 the median selling price for houses declined to \$680,000, a 10% decrease from March 2022.

The Boeing Company (“Boeing”) remains the County’s largest employer, with an estimated 30,000 workers in the County as of 2022. Boeing established an airplane manufacturing plant at the south end of the City of Everett (“Everett”) in 1966. The plant was built to assemble wide-bodied 747 aircraft, which have since been discontinued. 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 2022, Boeing employed approximately 60,000 in Washington State. The 737 MAX is currently manufactured in Boeing’s Renton, Washington, manufacturing facility, which has three assembly lines. In January 2023, Boeing announced that it plans to add a fourth 737 MAX assembly line at Everett in its existing plant facilities.

In March 2019, a new two-gate commercial passenger terminal opened at Paine Field, which is located near the City of Everett. Paine Field is built to accommodate approximately 24 flights per day. Currently, Alaska Air Group and Kenmore Air operate at Paine Field. In February 2023, the State Legislature approved \$6.5 million in funding from

the State Department of Transportation to fund a 12,000 square-foot research and development center and biofuel repository at Paine Field.

The U.S. Navy operates a homeport for several naval vessels in the City of Everett. Naval Station Everett is home to nine destroyers and two Coast Guard cutters. Naval Station Everett employed approximately 4,300 military personnel and civilian employees as of 2022.

In August 2023, Amazon began operating a nearly 3 million square foot fulfilment center in Arlington where it expects to employ approximately 1,000 full time employees.

No Meat Factory, a Canadian alternative meat producer, has purchased a 196,000 square foot facility in Stanwood from Twin City Foods, Inc. The building is designed for food production, freezer storage, dock-high and grade level access, office space and lab and kitchen areas and will be remodeled to expand the food production. No Meat Factory expects to employ approximately 100 employees for food processing jobs. The total employment at the Stanwood factory is expected to be 150.

*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 13  
MAJOR EMPLOYERS IN SNOHOMISH COUNTY (2022)**

<b>Employer</b>	<b>Product/Business</b>	<b>2022 Estimated Employment</b>
The Boeing Company	Aircraft manufacturing	29,630
Providence Swedish Medical Center	Medical services	7,350
Naval Station Everett	Government, U.S. Navy	4,300
Edmonds School District	Government, school district	3,800
The Tulalip Tribes	Gaming, real estate, government services	3,659
State of Washington	Government, state	3,261
Snohomish County Government	Government, county	2,877
Albertsons / Safeway (25 locations)	Retail - grocery	2,719
The Everett Clinic	Health care	2,639
Everett School District	Government, school district	2,522
Mukilteo School District	Government, school district	2,280
Walmart (8 locations)	Retail – grocery	2,100
Premera Blue Cross	Health insurer	2,000
Seagen	Biotechnology	1,800
Marysville School District	School district	1,600
U.S. Federal Government	Government, federal	1,551
Philips Healthcare	Medical Device	1,494
Terracon	Engineering & Science	1,144
Crane Electronics	Aerospace & Electronics	1,242
Monroe Correctional Complex	Corrections	1,200

*Sources: Economic Alliance Snohomish County*

**TABLE 14  
SNOHOMISH COUNTY AND CITY OF EVERETT  
TAXABLE RETAIL SALES**

<b>Year</b>	<b>Snohomish County</b>	<b>City of Everett</b>
2022	\$21,704,357,054	\$4,023,350,063
2021	20,277,789,997	3,661,836,922
2020	17,079,322,746	3,065,244,792
2019	16,861,829,385	3,177,978,369
2018	15,673,269,688	3,011,204,938
2017	12,641,937,656	2,934,305,078

*Source: Washington State Department of Revenue*

**TABLE 15  
ASSESSED VALUATION OF SNOHOMISH COUNTY**

<b>Collection Year</b>	<b>Valuation</b>
2023	\$219,454,345,012
2022	170,299,965,640
2021	154,392,389,464
2020	145,174,737,279
2019 <sup>(1)</sup>	132,827,352,255

<sup>(1)</sup> A decrease in taxes is due to local school districts' enrichment levies being limited to \$1.50 per 1000 AV and bonds of the County being paid off.

*Source: Snohomish County Assessor's Office*

**TABLE 16  
SNOHOMISH COUNTY PERSONAL AND PER CAPITA INCOME**

<b>Year</b>	<b>Personal Income (\$000s)</b>	<b>Per Capita Income</b>
2021 <sup>(1)</sup>	\$57,396,085	\$68,858
2020	52,643,791	63,477
2019	48,238,677	58,706
2018	44,703,853	54,954
2017	41,659,029	51,910

<sup>(1)</sup> Most recent data available.

*Source: U.S. Bureau of Economic Analysis*



**TABLE 17**  
**SNOHOMISH COUNTY EMPLOYMENT DATA**

	Annual Averages					
	2023 <sup>(1)</sup>	2022 <sup>(2)</sup>	2021	2020	2019	2018
Civilian Labor Force	461,974	449,300	437,145	438,858	437,889	429,470
Employed	446,218	434,802	415,354	400,158	424,765	413,908
Unemployed	15,756	14,498	21,791	38,700	13,124	15,562
County Unemployment Rate	3.4%	3.2%	4.8%	8.7%	2.9%	3.6%

<sup>(1)</sup> Preliminary, average through June 2023.

<sup>(2)</sup> Average through June 2022.

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

**TABLE 18**  
**SNOHOMISH COUNTY NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT**

NAICS Industry Title	Annual Averages					
	2021	2020	2019	2018	2017	2016
Goods Producing						
Mining, Logging, and Construction	24,800	23,400	24,400	24,200	22,700	21,500
Manufacturing	49,900	56,800	60,600	58,500	58,700	63,000
Total <sup>(2)</sup>	74,800	80,200	84,900	82,700	81,400	84,500
Services Providing						
Trade, Transportation and Utilities	49,200	47,000	49,000	48,400	48,200	47,700
Information	3,300	3,700	4,600	5,200	5,700	6,000
Financial Activities	13,400	13,600	13,100	13,000	12,800	12,600
Professional and Business Services	28,400	28,200	29,300	28,500	27,900	26,800
Education and Health Services	36,900	34,900	36,500	35,600	34,700	33,700
Leisure and Hospitality	24,000	22,000	27,000	26,500	26,100	26,000
Other Services	9,800	10,400	10,800	10,300	10,300	10,100
Government	37,600	37,800	40,400	40,000	40,000	39,600
Total <sup>(1)</sup>	202,500	197,600	210,600	207,400	205,600	202,500
Total Nonfarm <sup>(1)</sup>	277,300	277,800	295,500	290,100	287,100	287,000

<sup>(1)</sup> Totals may not add due to rounding.

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

**TABLE 19  
SNOHOMISH COUNTY NUMBER OF HOUSING UNITS BY STRUCTURE TYPE**

	<b>Total Housing Units</b>		<b>One Unit Structures</b>		<b>Two or More Unit Structures</b>		<b>Mobile Homes, Trailers, Special Units</b>	
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>
City of Everett	48,649	49,053	22,228	22,246	25,258	25,646	1,163	1,161
Other Incorporated	192,141	196,687	116,504	117,630	69,764	73,176	5,873	5,881
Unincorporated	139,050	140,003	99,411	99,768	25,934	26,521	13,705	13,714
Snohomish County	331,192	336,690	215,915	217,398	95,698	99,697	19,578	19,595

Note: Numbers are shown as of April 1, 2022 and April 1, 2023.  
Source: Washington State Office of Financial Management

**APPENDIX D**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

\_\_\_\_\_, 2023

Public Utility District No. 1 of  
Snohomish County, Washington  
Everett, Washington

\$ \_\_\_\_\_  
Public Utility District No. 1 of Snohomish County, Washington  
Water System Revenue Bonds, Series 2023  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to Public Utility District No. 1 of Snohomish County, Washington (the “District”) in connection with the issuance of \$ \_\_\_\_\_ aggregate principal amount of Public Utility District No. 1 of Snohomish County, Washington Water System Revenue Bonds, Series 2023 (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 3825, adopted by the Commission of the District (the “Commission”) on August 25, 1992, as supplemented and amended, including as supplemented by Resolution No. \_\_\_\_\_, adopted by the Commission on September 5, 2023 (collectively, the “Resolution”). The District has appointed U.S. Bank Trust Company, National Association to serve as registrar and paying agent (the “Paying Agent”) for the 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 Bonds, dated the date hereof (the “Tax Certificate”), an opinion of counsel to the District, certificates of the District, the Paying Agent 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 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. 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 and 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 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 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 Bonds and express no opinion or view 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 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 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 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds include in adjusted financial statement income of certain corporations is not excluded from the federal corporate 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 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

## APPENDIX E

### PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

#### PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY, WASHINGTON WATER SYSTEM REVENUE BONDS, SERIES 2023

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Public Utility District No. 1 of Snohomish County, Washington (the “District”) in connection with the issuance of the above-named bonds (the “Bonds”) and dated \_\_\_\_\_, 2023. The Bonds are being issued pursuant to Resolution No. 3825, adopted by the Commission of the District (the “Commission”) on August 25, 1992, as amended and supplemented (the “1992 Resolution”), including as supplemented by Resolution No. [\_\_\_\_\_] (the “Seventh Supplemental Resolution” and together with the 1992 Resolution, the “Resolution”) adopted by the Commission on September 5, 2023. The District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission (the “SEC”) Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, 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 which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“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 which 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)(15) and (16), 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.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, 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 final official statement dated \_\_\_\_\_, 2023 relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**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 report for the fiscal year of the District ending December 31, 2023 (which is due not later than September 30, 2024), provide to the MSRB an Annual Report which 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, it shall give notice of such change in a filing with the MSRB, and the due date shall be adjusted by the same number of days. The Annual Report shall identify the Bonds by name and CUSIP number.

(b) If the Dissemination Agent is any entity other than the District, then not later than 15 business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent. If the District is unable to provide to the MSRB, in whole or in part, an Annual Report consistent with Section 4 by the date required in subsection (a) of this Section, the District 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.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the District) 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) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board and substantially in accordance with the system prescribed by the Washington State Auditor pursuant to RCW 43.09.200. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB 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 MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District (including the notes thereto), the Annual Report shall also include an update of the following information substantially similar in type and scope:

1. Fiscal year end fund balances for the Water System, generally of the type included in the Official Statement for the Bonds under the heading “Comparative Income Statements”;
2. Principal amount of outstanding Bonds (as defined in the Resolution);
3. Debt service coverage for the outstanding Bonds (as defined in the Resolution);
4. Aggregate cubic feet of water usage per year for, and gross revenue from, the Water System’s ten largest customers; and
5. Water System operating statistics showing average number of customers, water sales, system use and losses and water purchased.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or the SEC and made available to the public on the MSRB's or the SEC's website. The District shall clearly identify each such other document so included by reference. The contents, presentation and format for 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. Updates to information referenced in Section 4(b) may involve, but not be limited to, adding additional financial and operating data, displaying data in a different format or table, or eliminating data this is no longer material.

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:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, *if material*;
3. Unscheduled draws on debt service reserves *reflecting financial difficulties*;
4. Unscheduled draws on credit enhancements *reflecting financial difficulties*;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), other *material* notices or determinations with respect to the tax status of the Bonds or other *material* events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, *if material*;
8. Optional, unscheduled or contingent Bond calls, *if material* and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, *if material*;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the District;

Note: for the purposes of the event identified in subparagraph (12), 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.

13. 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, *if material*;
14. Appointment of a successor or additional trustee or the change of name of a trustee *if material*;
15. Incurrence of a Financial Obligation of the District *if material*, 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 Bondholders, *if material*; and
16. 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*.

(b) Upon the occurrence of a Listed Event described in Section 5(a), the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Section 5(a)(8) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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 obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the obligations of the District under the Resolution are assumed in full by some other entity, such person shall become responsible for compliance with this Disclosure Certificate as if it were the original issuer of the Bonds, and the District shall have no further responsibility hereunder. If such termination or assumption occurs prior to the final maturity of the Bonds, the District shall give notice of such termination or assumption in a filing with the MSRB.

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, with or without appointing a successor Dissemination Agent. 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. The initial Dissemination Agent shall be the District. The Dissemination Agent (if other than the District) may resign by providing at least thirty (30) days' written notice to 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 9, 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 Holders of the Bonds in the same manner as provided in the Resolution for amendments of the Resolution with consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel or another independent third party, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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 sole remedy for any Holder or Beneficial Owner of the Bonds shall be to take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause or compel the District to comply with its obligations under this Disclosure Certificate and no person shall be entitled to recover monetary damages 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 is not a default under the Resolution/Indenture.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

PUBLIC UTILITY DISTRICT NO. 1 OF  
SNOHOMISH COUNTY, WASHINGTON

By \_\_\_\_\_  
Authorized Representative



## APPENDIX F

### DESCRIPTION OF DTC AND ITS BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2023 Bonds. The 2023 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 2023 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2023 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 2023 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 2023 Bonds, except in the event that use of the book-entry system for the 2023 Bonds is discontinued.

To facilitate subsequent transfers, all 2023 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 2023 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 2023 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2023 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 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2023 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents relating to the 2023 Bonds. For example, Beneficial Owners of 2023 Bonds may wish to ascertain that the nominee holding the 2023 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 2023 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 2023 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 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments represented by the 2023 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 2023 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 2023 Bonds.

So long as Cede & Co. is the registered owner of the 2023 Bonds, as nominee for DTC, references herein to the holders or registered owners of the 2023 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2023 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 2023 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.

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

**§ \_\_\_\_\_  
WATER SYSTEM REVENUE BONDS, SERIES 2023**

**BOND PURCHASE CONTRACT**

September 28, 2023

Public Utility District No. 1 of Snohomish County, Washington  
2320 California Street  
Everett, Washington 98201

Ladies and Gentlemen:

Barclays Capital Inc. (the “Underwriter”) hereby offers to enter into this bond purchase contract (this “Purchase Contract”) with Public Utility District No. 1 of Snohomish County, Washington (the “District”), which upon the District’s acceptance hereof will be binding upon the District and the Underwriter. This offer is made subject to the District’s acceptance by execution of this Purchase Contract and its delivery to the Underwriter on or before 11:59 p.m., Pacific Time on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered by the Underwriter to the District at any time prior to the acceptance hereof by the District. All capitalized terms not otherwise defined herein shall be as defined in Resolution No. 3825 adopted by the Commission of the District (the “Commission”) on August 25, 1992, as amended and supplemented, including as supplemented by Resolution No. \_\_\_\_\_ adopted by the Commission on September 5, 2023 (collectively, the “Resolution”).

**1. Purchase and Sale.** Subject to the terms and conditions and upon the basis of the representations, warranties, and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the District for offering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the District’s \$ \_\_\_\_\_ aggregate principal amount of Water System Revenue Bonds, Series 2023 (the “2023 Bonds”). The 2023 Bonds shall be dated their date of delivery and shall have the maturities, bear interest on the dates and at the rates, and be subject to redemption as set forth in Exhibit “A” hereto. The purchase prices of the 2023 Bonds shall be the purchase prices set forth in Exhibit “A” hereto.

The 2023 Bonds shall be issued under and pursuant to the Resolution.

The 2023 Bonds are being issued for the purposes described in the Preliminary Official Statement relating to the 2023 Bonds dated September 20, 2023 (together with all appendices thereto and such amendments thereto as shall have been accepted by the Underwriter, the “Preliminary Official Statement”), namely: the proceeds of the 2023 Bonds are to be used (i) to finance additions, betterments and improvements to and renewals, replacements and extensions of the Water System, including a portion of the costs associated with the District’s 2021 Water

System Plan and costs of advanced metering infrastructure for the District's Water System, and the design, construction and improvements to other facilities of the Water System; (ii) fund a deposit to the Reserve Account; and (iii) pay costs of issuing the 2023 Bonds. The 2023 Bonds shall otherwise be as described in the Preliminary Official Statement.

The District agrees and acknowledges that: (a) with respect to the engagement of the Underwriter by the District, including in connection with the purchase, sale, and offering of the 2023 Bonds, and the discussions, conferences, negotiations, and undertakings in connection therewith, the Underwriter (i) is and has been acting as a principal and not an agent, municipal advisor, financial advisor, or fiduciary of the District and (ii) has not assumed any advisory or fiduciary responsibility in favor of the District (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (b) the District has consulted its own legal, accounting, tax, financial, and other advisors to the extent it has deemed appropriate; and (c) this Purchase Contract expresses the entire relationship between the parties hereto.

## **2. Official Statement.**

The District hereby ratifies the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the 2023 Bonds. The District hereby represents and warrants that the Preliminary Official Statement was deemed final by the District as of its date, except for the omission of information permitted to be excluded by Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). The Official Statement of the District relating to the 2023 Bonds, in the form of the Preliminary Official Statement, with only such changes as shall have been accepted by the Underwriter, is referred to as the "Official Statement."

The District authorizes the use of the Preliminary Official Statement and the Official Statement by the Underwriter in connection with the public offering and sale of the 2023 Bonds. Upon the acceptance hereof by the District, the District shall cause to be delivered to the Underwriter a copy of the Official Statement. The District covenants and agrees to cause reasonable quantities of the Official Statement to be delivered to the Underwriter, without charge, within seven business days after the date hereof, and in any event, upon the request of the Underwriter, in sufficient time to accompany any confirmation requesting payment from any customer of the Underwriter and in sufficient time to permit the Underwriter to comply with the provisions of Rule 15c2-12 and with all applicable rules of the Municipal Securities Rulemaking Board.

The District agrees to deliver to the Underwriter as many copies of the Official Statement as the Underwriter requests to comply with paragraph (b)(4) of Rule 15c2-12 and all applicable rules of the Municipal Securities Rulemaking Board, and the Underwriter agrees to use its best efforts to comply with such requirements. The District agrees to deliver those Official Statements within seven business days after the date hereof, but in any event at least two business days prior to the Closing (defined herein).

Unless otherwise notified in writing by the Underwriter, the District may assume that the "end of the underwriting period" for purposes of Rule 15c2-12 is the Closing Date (defined herein).

In the event such notice is so given in writing by the Underwriter, the Underwriter agrees to notify the District in writing following the occurrence of the end of the underwriting period.

The District covenants and agrees that if, after the date hereof and until 25 days after the end of the underwriting period: (a) any event shall occur that would cause the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, or (b) it is necessary to amend or supplement the Official Statement to comply with law, then in either such case the District will notify the Underwriter and provide the Underwriter with such information as the Underwriter may from time to time reasonably request, and will prepare and furnish, at its own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended or supplemented, as of the time the Official Statement is delivered to a purchaser: (i) will not contain an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading and (ii) will comply with law.

### **3. Establishment of Issue Price.**

(a) The Underwriter agrees to assist the District in establishing the issue price of the 2023 Bonds and shall execute and deliver to the District at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B (the “Issue Price Certificate”), with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2023 Bonds.

(b) [Except as otherwise set forth in Schedule A attached to the Issue Price Certificate, t]he District will treat the first price at which 10% of each maturity of the 2023 Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the District and Bond Counsel the price or prices at which it has sold to the public each maturity of the 2023 Bonds. If at that time the 10% test has not been satisfied as to any maturity of the 2023 Bonds, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold 2023 Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing has occurred, until either: (i) the Underwriter has sold all the 2023 Bonds of that maturity or (ii) the 10% test has been satisfied as to the 2023 Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or Bond Counsel. For purposes of this Section, if any 2023 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 2023 Bonds.

(c) The Underwriter confirms that it has offered the 2023 Bonds to the public on or before the date hereof (the “Sale Date”) at the offering price or prices (the “initial



offering price”), or at the corresponding yield or yields, set forth in Schedule A attached to the Issue Price Certificate, except as otherwise set forth therein. Schedule A also sets forth, as of the Sale Date, the maturities, if any, of the 2023 Bonds for which the 10% test has not been satisfied and for which the District and the Underwriter agree that 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 2023 Bonds, the Underwriter will neither offer nor sell unsold 2023 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 Underwriter has sold at least 10% of that maturity of the 2023 Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth business day after the Sale Date whether it has sold 10% of that maturity of the 2023 Bonds to the public at a price that is no higher than the initial offering price to the public.

- (d) The Underwriter confirms that:
  - (i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the 2023 Bonds to the public, together with the related pricing wires, contains or will contain language obligating 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 2023 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all the 2023 Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the 2023 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon the request of the Underwriter; and (II) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter.

B. to promptly notify the Underwriter of any sales of 2023 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 2023 Bonds to the public (each such term being used as defined below); and

C. to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the 2023 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the 2023 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 2023 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all the 2023 Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the 2023 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the 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 Underwriter will rely on:

(i) in the event a selling group has been created in connection with the initial sale of the 2023 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 2023 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2023 Bonds, as set forth in a selling group agreement and the related pricing wires; and

(ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the 2023 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the 2023 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2023 Bonds, as set forth in the third-party distribution agreement and the related pricing wires.

The District further acknowledges that the Underwriter shall not be liable for the failure 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 2023 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2023 Bonds.

(f) The Underwriter acknowledges that sales of any 2023 Bond to any person that is a related party to an underwriter participating in the initial sale of the 2023 Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Section. Further, for purposes of this Section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “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 2023 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 2023 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 2023 Bonds to the public); and

(iii) a purchaser of any of the 2023 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).

(iv) “Sale Date” means the date of the execution of this Purchase Contract by all parties.

**4. Representations, Covenants, and Agreements.** The District represents, covenants and agrees to and with the Underwriter that:

(a) The District is a municipal corporation duly created and validly existing under the laws of the state of Washington (the “State”) with full legal right, power, and authority: (i) to adopt the Resolution and to perform the agreements on its part contained therein; (ii) to enter into, execute, and deliver this Purchase Contract; (iii) to issue, sell and deliver the 2023 Bonds to the Underwriter as provided herein and in the Official Statement; and (iv) to create in favor of the 2023 Bonds a prior lien and charge upon the Revenues and other funds pledged thereto by the Resolution, including Assessment Income, after payment of Operating Expenses (including Resource Obligations) equal to the charges necessary to pay the principal of and interest on the Outstanding Bonds and superior to all other charges of any kind or nature, except as otherwise set forth in the Resolution.

(b) By all necessary official action of the District prior to or concurrently with the acceptance hereof, the District has duly authorized all necessary action to be taken by it for: (i) the adoption of the Resolution and the issuance and sale of the 2023 Bonds, (ii) the approval, execution and delivery of, and the performance by the District of the obligations on its part, contained in the 2023 Bonds and this Purchase Contract, (iii) the approval, distribution, and use of the Preliminary Official Statement and the approval, execution, distribution, and use of the Official Statement for use by the Underwriter in connection with the public offering of the 2023 Bonds, and (iv) the consummation by the District of all other transactions described in the Resolution, this Purchase Contract and

any and all such other agreements and documents as may be required to be executed, delivered, and/or received by the District in order to carry out, give effect to, and consummate the transactions described herein and in the Resolution.

(c) The Resolution has been duly adopted, this Purchase Contract has been duly authorized, executed, and delivered, and the Resolution and this Purchase Contract are legal, valid, and binding obligations of the District enforceable against the District in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally; by general principles of equity; and by the exercise of judicial discretion in appropriate cases.

(d) The District is in compliance in all material respects with the provisions of the Resolution, no default exists thereunder, and no event has occurred which, with the passing of time or the delivery of notice, would or could constitute a default thereunder.

(e) Except for the omission of information permitted to be excluded by Rule 15c2-12 and information regarding the Depository Trust Company ("DTC") and its book-entry only system (as to which no representation is made in this sentence), the Preliminary Official Statement as of its date and as of the date hereof, 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.

(f) At the time of the District's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to Section 2) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement (except for information regarding DTC and its book-entry only system, 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 any 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.

(g) If the Official Statement is supplemented or amended pursuant to Section 2, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such Section) at all times subsequent thereto up to and including the date that is 25 days after the end of the underwriting period, the Official Statement (except for information regarding DTC and its book-entry only system, 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 any 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.

(h) The Commission has duly authorized and approved the execution and delivery of the Official Statement by the President of the Commission of the District, the General Manager or Treasurer or his designee.

(i) The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect any such amendment or supplement without the written consent of the Underwriter. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the 2023 Bonds.

(j) Except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, there has been no material adverse change since December 31, 2022, in the financial position, results of operations, or condition, financial or otherwise, of the District, other than changes in the ordinary course of business or in the normal operation of the District.

(k) Except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, the District is not in material breach of or in material default under any applicable constitutional provision, law, or administrative regulation of the State or the United States, or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which the District is a party or to which the District or any of its property or assets is otherwise subject, and no event which would have a material and adverse effect upon the financial condition of the District has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute such a default or event of default by the District under any of the foregoing.

(l) The execution and delivery of the 2023 Bonds and this Purchase Contract and the adoption of the Resolution and compliance with the provisions on the District's part contained therein, will not conflict with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument with respect to the Water System to which the District is a party or to which the District is or to which any of its property or assets are otherwise subject which breach or default would have a material adverse effect on the business, operations or financial condition of the Water 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 the property or assets of the District to be pledged to secure the 2023 Bonds or under the terms of any such law, regulation, or instrument, except as provided by the 2023 Bonds and the Resolution.

(m) The financial statements of and other financial information regarding the District in the Preliminary Official Statement and in the Official Statement fairly present the financial position and results of the District as of the dates and for the periods therein set forth. The financial statements of the District have been prepared in accordance with generally accepted accounting principles consistently applied, and except as noted in the Preliminary Official Statement and in the Official Statement, the other historical financial information set forth in the Preliminary Official Statement and in the Official Statement has been presented on a basis consistent with that of the District's audited financial statements included in the Preliminary Official Statement and in the Official Statement.

(n) When delivered to The Depository Trust Company (“DTC”) for the account of the Underwriter and paid for in full in accordance with the terms of this Purchase Contract, the 2023 Bonds: (i) will have been duly authorized, executed, issued, and delivered by the District and (ii) will constitute valid, legally binding obligations of the District, enforceable against the District in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors’ rights generally, by general principles of equity, and by the exercise of judicial discretion in appropriate cases.

(o) Upon the issuance, authentication, and delivery of the 2023 Bonds, the Resolution will provide, for the benefit of the holders, from time to time, of the 2023 Bonds, the legally valid and binding pledge and lien it purports to create as set forth in the Resolution.

(p) The 2023 Bonds and the Resolution conform to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement; and the proceeds of the sale of the 2023 Bonds will be applied generally as described in the Preliminary Official Statement and the Official Statement under the caption “PURPOSE AND APPLICATION OF 2023 BOND PROCEEDS.”

(q) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no litigation, action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, government agency, public board, or public body, pending or, to the best knowledge of the District, threatened against the District: (i) affecting the existence of the District or the titles of its officers to their respective offices, (ii) affecting or seeking to prohibit, restrain, or enjoin the sale, issuance, or delivery of the 2023 Bonds, (iii) in any way contesting or affecting the validity or enforceability of the 2023 Bonds or this Purchase Contract, (iv) contesting the exclusion from gross income of interest on the 2023 Bonds for federal income tax purposes, (v) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or (vi) contesting the powers of the District or any authority for the issuance of the 2023 Bonds, the adoption of the Resolution, or the execution and delivery of this Purchase Contract, nor, to the best knowledge of the District, is there reasonable basis therefor, wherein an unfavorable decision, ruling, or finding would materially adversely affect the validity or enforceability of the 2023 Bonds or this Purchase Contract.

(r) The District will furnish such information and execute such instruments and take such action not inconsistent with law in cooperation with the Underwriter, at no expense to the District, as the Underwriter may reasonably request: (i) to (A) qualify the 2023 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (B) determine the eligibility of the 2023 Bonds for investment under the laws of such states and other jurisdictions and (ii) will use its best efforts to continue such qualifications in effect so long as required for the distribution of the 2023 Bonds (provided, however, that the District will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise

the Underwriter immediately of receipt by the District of any written notification with respect to the suspension of the qualification of the 2023 Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(s) Except as disclosed in the Preliminary Official Statement and the Official Statement, all material authorizations, approvals, licenses, permits, consents, and orders of any governmental authority, legislative body, board, agency, or commission having jurisdiction of the matter that: are required for the due authorization of, that would constitute a condition precedent to, or the absence of which would materially adversely affect the approval or adoption, as applicable, of the Resolution, this Purchase Contract, the issuance of the 2023 Bonds, or the due performance by the District of its obligations under the Resolution, this Purchase Contract, and the 2023 Bonds or have been duly obtained or will be duly obtained prior to the Closing.

(t) The District has the legal authority to apply and will apply, or cause to be applied, the proceeds from the sale of the 2023 Bonds as provided in and subject to all of the terms and provisions of the Resolution, including for payment or reimbursement of District expenses incurred in connection with the negotiation, marketing, issuance, and delivery of the 2023 Bonds to the extent required by Section 8, and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 2023 Bonds.

(u) Prior to the Closing, the District will not take any action within or under its control that will cause any adverse change of a material nature in such financial position, results of operations, or condition, financial or otherwise, of the District.

(v) The District will not, prior to the Closing, offer or issue any bonds, notes, or other obligations for borrowed money payable from revenues of the Water System or incur any material liabilities, direct or contingent with respect to the Water System, except in the ordinary course of business, without the prior approval of the Underwriter (which approval shall not be unreasonably withheld).

(w) Any certificate signed by any official of the District authorized to do so in connection with the transactions described in this Purchase Contract shall be deemed a representation by the District to the Underwriter as to the statements made therein.

(x) The District has not defaulted in the payment of principal or interest on any of its debt obligations.

(y) Nothing has occurred since December 31, 2022, that is material to the Water System or the District that has not been disclosed and should be disclosed to make the Preliminary Official Statement or the Official Statement true and correct in all material respects.

(z) The District will undertake, pursuant to the Resolution, to provide certain annual financial information and to provide notices upon the occurrence of certain events. An accurate description of this undertaking is included in each of the Preliminary Official Statement and the Official Statement. Except as otherwise disclosed 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 undertaking under Rule 15c2-12.

**5. Closing.** At 8:00 a.m., Pacific Time, on October 12, 2023, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the District and the Underwriter (the “Closing Date”), the District will deliver to the Underwriter the 2023 Bonds, duly executed and authenticated, through the facilities of DTC in New York, New York, or to the Registrar on behalf of DTC by Fast Automated Securities Transfer, and shall deliver to the Underwriter the documents mentioned in Section 6, at such place as may be mutually agreed upon by the District and the Underwriter. The 2023 Bonds will be issued as one fully registered 2023 Bond for each maturity of each series, registered in the name of “Cede and Co.,” as registered owner and nominee for DTC, as securities depository. The Underwriter will accept such delivery and pay the purchase prices of the 2023 Bonds as set forth in Section 1 by wire in immediately available federal funds. The payment and delivery of the 2023 Bonds, together with the delivery of the aforementioned documents, is called the “Closing.” The documents mentioned in Section 6 shall be made available at a mutually agreeable location for inspection by the Underwriter before the Closing.

**6. Closing Conditions.** The Underwriter has entered into this Purchase Contract in reliance upon the representations herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter’s obligations under this Purchase Contract are and shall be subject to the performance by the District of its obligations to be performed hereunder and under the documents mentioned in this Section 6, at or prior to the Closing, and also shall be subject to the following conditions:

(a) At the time of the Closing: (i) the Resolution shall be in full force and effect, and shall not have been amended, modified, or supplemented, except as disclosed in the Preliminary Official Statement or the Official Statement, (ii) no change other than the inclusion of information permitted to be excluded by Rule 15c2-12 shall have been made between the date of the Preliminary Official Statement and the Official Statement, except any change that has been accepted by the Underwriter, and (iii) the District shall perform or shall have performed all of its obligations required under or specified in this Purchase Contract, the Official Statement, and the Resolution to be performed at or prior to the Closing.

(b) At the time of the Closing, no Event of Default shall have occurred or be existing under the Resolution, nor shall any event have occurred which, with the passage of time or the giving of notice, shall constitute an Event of Default under the Resolution, nor shall the District be in default in the payment of principal or interest on any of its obligations for borrowed money.

(c) At or prior to the Closing, the Underwriter shall receive the following documents relating to the issuance of the 2023 Bonds:



(i) A copy of the Resolution, certified by the Clerk of the Commission as having been duly adopted by the District and as being in full force and effect on the Closing Date.

(ii) One copy of the Official Statement manually executed on behalf of the District by Treasurer or other Authorized Officer of the District.

(iii) The opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, as to the 2023 Bonds, dated the Closing Date and addressed to the Underwriter (or with a reliance letter addressed to the Underwriter), substantially in the form included in the Preliminary Official Statement as Appendix C.

(iv) A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter (or with a reliance letter addressed to the Underwriter), substantially in the form set forth in Exhibit “C” hereto.

(v) An opinion of General Counsel to the District, dated the Closing Date and addressed to the Underwriter (or with a reliance letter addressed to the Underwriter), substantially in the form set forth in Exhibit “D” hereto.

(vi) A certificate of the District’s CEO/General Manager, dated the Closing Date and substantially in the form set forth in Exhibit “E” hereto.

(vii) A Certificate of the Treasurer of the District pursuant to Section 2.4(a) of Resolution No. 3825 adopted August 25, 1992.

(viii) A copy of the Tax Certificate referred to in Section 2.03 of the Resolution.

(ix) Evidence satisfactory to the Underwriter that the 2023 Bonds have been rated “\_\_\_” by Moody’s Investors Service, Inc., and “\_\_\_” by S&P Global Ratings.

(x) The Letter of Representations between the District and DTC.

(xi) The opinion of Pacifica Law Group LLP, counsel to the Underwriter, in form and substance acceptable to the Underwriter, addressed to the Underwriter, dated the Closing Date, to the effect that: (A) the offer and sale of the 2023 Bonds by the Underwriter are exempt from the registration requirements of the Securities Act of 1933, as amended; (B) the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; (C) the Continuing Disclosure Certificate contains the elements required by paragraph (b)(5) of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, in effect as of the date of the opinion; and (D) without undertaking to determine independently or assuming any responsibility for the accuracy, completeness, or fairness of the statements contained in the Official Statement, no information came to the attention of the attorneys in that firm rendering legal services in connection with the issuance of the 2023 Bonds that caused those attorneys to believe that the

Preliminary Official Statement as of its date or the Official Statement as of its date or as of the Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; except that such opinion need not express any belief with respect to any financial and statistical data and forecasts, projections, numbers, estimates, assumptions and expressions of opinion and information concerning The Depository Trust Company and the book-entry system for the Bonds, the Municipal Advisor, and the Underwriter contained or incorporated by reference in the Preliminary Official Statement or the Official Statement and its Appendices.

(xii) Such additional certificates, instruments, and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing of the representations of the District and the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

(d) Subsequent to the Closing, the Underwriter shall receive no less than one electronic copy of the transcript proceedings relating to the 2023 Bonds.

**7. Termination of Contract.** The Underwriter shall have the right to terminate the Underwriter's obligation under this Purchase Contract to purchase, to accept delivery of, and to pay for the 2023 Bonds if, after the execution hereof and prior to the Closing, the market price or marketability of the 2023 Bonds or the ability of the Underwriter to enforce contracts for the sale of the 2023 Bonds shall be materially adversely affected in the reasonable judgment of the Underwriter by the occurrence of any of the following:

(a) Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service 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, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary, or proposed), press release, statement, or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service, or other governmental agency shall be made or proposed, the effect of any or all of which would be to alter, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the 2023 Bonds, or the interest on the 2023 Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein.

(b) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release, or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, which, in the opinion of

Underwriter or its counsel, has the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or that the Resolution is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the 2023 Bonds, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect.

(c) There shall have occurred: (i) any new material outbreak of hostilities (including, without limitation, an act of terrorism), (ii) the escalation of existing hostilities, or (iii) the declaration of a national emergency or (iv) any other material national or international calamity or crisis, or any material adverse change in the financial, political, or economic conditions affecting the United States or the District.

(d) (i) A general suspension of trading in securities on the New York Stock Exchange or any other national securities exchange, (ii) as to the Bonds or obligations of the general character of the Bonds, the establishment of minimum or maximum prices on any such national securities exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading such securities generally by any governmental authority or any national securities exchange, or any material increase of restrictions now in force related to such securities (including, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter).

(e) A general banking moratorium declared by federal, State of New York, or State officials.

(f) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any material statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact 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 under which they were made, not misleading.

(g) There shall have occurred since the date of this Purchase Contract any materially adverse change in the affairs or financial condition of the District, except for changes which the Official Statement discloses are expected to occur.

(h) There shall have occurred any downgrading or published negative credit watch or similar published information from Moody's or S&P Global Ratings on any of the District's debt obligations related to the Water System, which action reflects a change or possible change, in the ratings accorded any such obligations of the District (including any rating to be accorded the 2023 Bonds).

(i) A material disruption in securities settlement, payment, or clearance services shall have occurred.

If the District shall be unable to satisfy the conditions contained in this Purchase Contract or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the

District shall be under a further obligation hereunder, except that the District and the Underwriter shall pay their respective expenses as set forth in Section 8.

**8. Expenses.** The District shall pay or cause to be paid from the proceeds of the 2023 Bonds or other funds of the District available to it, the expenses incident to the performance of its obligations hereunder, including, but not limited to:

(a) the fees and disbursements of the Registrar in connection with the issuance of the 2023 Bonds;

(b) the fees and disbursements of PFM Financial Advisors, LLC, ImageMaster, LLC, Bond Counsel and Disclosure Counsel, and any other experts or consultants retained by the District in connection with the transactions contemplated hereby;

(c) the cost of obtaining ratings on the 2023 Bonds;

(d) the cost of printing and posting the Preliminary Official Statement and the Official Statement; and

(e) the cost of meals, lodging, and travel for the District and its representatives incurred by or on their behalf in connection with the negotiation, marketing, issuance, and delivery of the 2023 Bonds.

As a convenience to the District, the Underwriter may, from time to time, make arrangements for certain items and advance certain costs for which the District is responsible hereunder, such as printing of the Preliminary Official Statement and Official Statement, meals, lodging, and travel arrangements for District representatives, in connection with the transaction. In the event that the Underwriter incurs or advances the cost of any expense for which the District is responsible hereunder, the District shall reimburse the Underwriter at or prior to Closing; if at Closing, reimbursement may be included in the expense component of the Underwriter's spread. The Underwriter shall pay, and the District shall be under no obligation to pay, the cost of delivering the purchase price of the 2023 Bonds in immediately available federal funds and all other expenses the Underwriter incurs in connection with their public offering and distribution of the 2023 Bonds, including, but not limited to, the costs of any Blue Sky or legal investment memoranda and any Blue Sky filings or any advertising expenses incurred by the Underwriter in connection with the public offering of the Bonds.

**9. Notice.** 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 Public Utility District No. 1 of Snohomish County, Washington, 2320 California Street, Everett, Washington 98201, Attention: CEO/General Manager, with a copy to the General Counsel, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Barclays Capital Inc., 701 Fifth Avenue, Suite 7101, Seattle, Washington 98104; Attention: Sean Keatts, Director.

**10. Entire Agreement.** This Purchase Contract shall constitute the entire agreement between the District and the Underwriter and is made solely for the benefit of the District and the Underwriter (including any successors or assigns of the Underwriter). This Purchase Contract shall

become effective when accepted by the District in writing as heretofore specified and may not be amended or modified except in a writing signed by the District and the Underwriter. No other person shall acquire or have any right hereunder by virtue hereof. All the District's representations, warranties, and agreements 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 Underwriter; provided, that if as a result of any such investigation the Underwriter shall have received actual knowledge prior to the Closing Date that any such representation, warranty, or agreement is incorrect, such representation, warranty, or agreement shall remain operative and in full force and effect only if the Underwriter shall have promptly notified the District of the result of such investigation; (b) delivery of and payment for the 2023 Bonds hereunder; and (c) any termination of this Purchase Contract.

**11. State Law Governs.** The validity, interpretation, and performance of this Purchase Contract shall be governed by the laws of the State.

**12. Severability.** If any one or more of the provisions of this Purchase Contract are declared by a court of competent jurisdiction to be contrary to law, then such provision shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions in this Purchase Contract.

*[Signature Page to Follow]*

**13. Counterparts.** This Purchase Contract may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

**THE UNDERWRITER:**

BARCLAYS CAPITAL INC.

---

Sean Keatts, Director

Accepted and agreed to as of the date first above written:

**THE DISTRICT:**

PUBLIC UTILITY DISTRICT NO. 1 OF  
SNOHOMISH COUNTY, WASHINGTON

---

Scott Jones  
Chief Financial Officer

*[Signature Page to Bond Purchase Contract]*

**Exhibit A**

**DESCRIPTION OF CERTAIN TERMS OF THE 2023 BONDS**

Aggregate Principal Amount:	\$
Plus Original Issue Premium:	
Less Underwriter's Discount:	
Aggregate Purchase Price:	_____

**True Interest Cost:**                    %

**Maturity Dates and Interest Rates:**

<u>Due December 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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**Interest Payment Dates:**

Interest on the 2023 Bonds will be payable on each June 1 and December 1, commencing on December 1, 2023.

**Redemption Provisions:**

***Optional Redemption.***

The 2023 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 2023 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:

**Term Bond Maturing on December 1, 20**

Year (December 1)	Sinking Fund Redemption
_____	_____
*	\$

\* Final maturity.





## Exhibit B

### ISSUE PRICE CERTIFICATE

**Public Utility District No. 1 of Snohomish County, Washington  
Water System Revenue Bonds, Series 2023  
Principal Amount of \$ \_\_\_\_\_**

The undersigned, on behalf of Barclays Capital Inc. (“Barclays”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “2023 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 ten percent 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) Barclays 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 2023 Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Purchase Contract, Barclays has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the 2023 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 (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the 2023 Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *District* means Public Utility District No. 1 of Snohomish County, Washington.

(b) *General Rule Maturities* means the Maturities of the 2023 Bonds listed in Schedule A as the “General Rule Maturities.”

(c) *Hold-the-Offering-Price Maturities* means the Maturities of the 2023 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 or (ii) the date on which the Underwriters have sold at least ten percent of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(e)  *Maturity*  means 2023 Bonds with the same credit and payment terms. 2023 Bonds with different maturity dates, or 2023 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. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the 2023 Bonds. The Sale Date of the 2023 Bonds is September 28, 2023.

(h)  *Underwriter*  means (i) 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 2023 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 2023 Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the 2023 Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Barclay’s interpretation 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 District with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the 2023 Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the 2023 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 District from time to time relating to the 2023 Bonds.

Dated this 12<sup>th</sup> day of October, 2023.

**BARCLAYS CAPITAL INC.**

---

Sean Keatts, Director

**Schedule A**

**Sale Prices of the General Rule Maturities  
and Initial Offering Prices of the Hold-the-Offering Price Maturities**

Maturity (December 1)	Principal Amount	Sales Price of General Rule Maturities (10% Sold to Public) <sup>(1)</sup>	(Initial Offering Prices of the Hold- The-Offering-Price Maturities)
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<sup>(1)</sup> Represents a percentage of the principal (or par) amount of the maturities of the 2023 Bonds.

**Schedule B**  
**Pricing Wire or Equivalent Communication**  
*(Attached)*

**Exhibit C**

**Opinion Required by Section 6(c)(iv) of the Purchase Contract**

October 12, 2023

Barclays Capital Inc.  
Seattle, Washington

\$ \_\_\_\_\_  
Public Utility District No. 1 of Snohomish County, Washington  
Water Revenue Bonds, Series 2023  
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriter, pursuant to Section 6(c)(iv) of the Bond Purchase Contract, dated September 28, 2023 (the “Purchase Contract”), between you and Public Utility District No. 1 of Snohomish County, Washington (the “District”), providing for the purchase of \$ \_\_\_\_\_ principal amount of the District’s Water Revenue Bonds, Series 2023 (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 3825, adopted by the Commission of the District (the “Commission”) on August 25, 1992, as amended, and Resolution No. \_\_\_\_, adopted by the Commission on September 5, 2023 (collectively, 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 Tax Certificate, certain portions of the preliminary official statement of the District, dated September 20, 2023, with respect to the Bonds (the “Preliminary Official Statement”) and of the official statement of the District, dated September 28, 2023, with respect to the Bonds (the “Official Statement”), 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 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 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 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 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 2023 BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS," APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and APPENDIX C – "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, and the form and content of our Bond Opinion, are accurate in all material respects.

4. We are not passing upon and do not assume any responsibility for the accuracy (except as explicitly stated in paragraph 3 above), completeness or fairness of any of the statements contained in the Preliminary Official Statement or in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. 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 conferences 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 did not extend beyond the date of the Official Statement), 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) as of September 20, 2023, 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 as of that date 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, and (b) as of the date of the Official Statement and as of the date hereof, 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 about (i) any difference in information contained in the Preliminary Official Statement compared to what is contained in the Official Statement, whether or not related to pricing or sale of the Bonds and whether any such difference is material and should have been included in the Preliminary Official Statement, and (ii) with respect to both the Preliminary Official Statement and the Official Statement 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 environmental matters, litigation, any management discussion and analysis, any statements about compliance with prior continuing disclosure undertakings, or any information about book-entry, DTC, ratings, rating agencies, the Underwriter, underwriting, and the information contained in Appendices A and C, 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 Underwriter of the Bonds, is solely for your benefit as such Underwriter 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

**Exhibit D**

**Opinion Required by Section 6(c)(v) of the Purchase Contract**

[Letterhead of District General Counsel]

October 12, 2023

Orrick, Herrington & Sutcliffe LLP  
701 Fifth Avenue, Suite 5600  
Seattle, Washington

Barclays Capital Inc.  
701 Fifth Avenue, Suite 7101  
Seattle, Washington 98104

**Re: Public Utility District No. 1 of Snohomish County, Washington, \$\_\_\_\_\_**  
**Water System Revenue Bonds, Series 2023**

Ladies and Gentlemen:

I am General Counsel for Public Utility District No. 1 of Snohomish County, Washington (the “District”). At the request of the District, I have examined certain matters pertaining to an issue of \$[\_\_\_\_\_] principal amount of Water System Revenue Bonds, Series 2023 of the District (the “Bonds”).

In such connection, I have examined such documents and certificates of the District upon which I have relied as to factual matters and satisfied myself as to such matters as I have deemed relevant and necessary in order to enable me to express the opinions set forth below.

All capitalized terms not defined herein shall have the meanings given them in the Purchase Contract dated September 28, 2023, between Barclays Capital Inc. and the District. This opinion is being delivered to you pursuant to Paragraph 6(c)(v) of the Purchase Contract.

1. The District is a municipal corporation of the State of Washington, duly created and validly existing under Title 54 of the Revised Code of Washington (the “Enabling Act”), and has full legal right, power and authority to acquire, construct, operate, maintain and improve the Water System and to carry on its business as currently being conducted and as proposed to be conducted, as described in the Official Statement.



2. Other than as set forth in the Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, government agency, public board or body is pending or, to the best of my knowledge after due investigation, threatened (i) in any way questioning the corporate existence of the District or titles of the officers of the District to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the Bonds or the pledge of such revenues, or the application of the proceeds of sale of the Bonds; (iii) in any way contesting or affecting the validity, execution or delivery of the Bonds or the Resolution or the tax-exempt status of the interest on the Bonds, or contesting the powers of the District or any authority for the issuance of the Bonds or the adoption of the Resolution; (iv) that may result in any material adverse change relating to the business operations or financial condition of the District's Water System or its ability to pay the Bonds; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and to the best of my knowledge there is no basis for any such action, suit, proceeding, inquiry or investigation.

3. To the best of my knowledge, the execution and delivery by the District of the Bonds and the Purchase Contract and the adoption by the District of the Resolution and compliance with the provisions on the District's part contained therein will not conflict with or constitute a material breach of or default under, any constitutional provisions, law, administrative regulations, judgment, court decree, loan agreement, indenture, bond, note or resolution to which the District is a party or to which the District or any of its property or assets is otherwise subject, nor does such execution, delivery, adoption and compliance conflict with or constitute a material breach or a default under any agreement or other instrument to which the District is a party or to which the District or any of its property or assets is otherwise subject.

Very truly yours,

F. Colin Willenbrock  
General Counsel

## Exhibit E

### Certificate Required by Section 6(c)(vi) of the Purchase Contract

We, Angela Johnston, Treasurer of Public Utility District No. 1 of Snohomish County, Washington (the “District”), and F. Colin Willenbrock, 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 Bond Purchase Contract, dated September 28, 2023 (the “Purchase Contract”), between the District and Barclays Capital Inc. (the “Underwriter”), relating to \$\_\_\_\_\_ aggregate principal amount of the District’s Water System Revenue Bonds, Series 2023 (the “Bonds”).

(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 Resolutions No. 3825 and \_\_\_\_\_ of the District on its part to be performed or satisfied at or prior to the date of the Closing.

(2) 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, 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.

(3) Insofar as the descriptions, statements and data, including financial data, of or pertaining to other entities and their activities contained in the Official Statement are concerned, such descriptions, statements and data have been obtained from sources which 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.

IN WITNESS WHEREOF, I have set my signature on October 12, 2023.

PUBLIC UTILITY DISTRICT NO. 1 OF  
SNOHOMISH COUNTY, WASHINGTON

---

Angela Johnston, Treasurer

---

F. Colin Willenbrock  
General Counsel



**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 5C

**TITLE:**

Consideration of a Resolution Revising and Renaming the Salary Administration Program to Compensation Program for Non-Represented Employees, the Non-Represented Position Titles and Grades, and the Non-Represented Salary Structure Table

**SUBMITTED FOR: Items for Individual Consideration**

<u>Human Resources</u>	<u>Drew Woolley</u>	<u>8266</u>
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing: <u>September 1, 2020, April 6, 2021, February 7, 2023, August 22, 2023</u>		
Estimated Expenditure: _____	Presentation Planned <input type="checkbox"/>	

**ACTION REQUIRED:**

- Decision Preparation
- Policy Discussion
- Policy Decision
- Statutory
- Incidental (Information)
- Monitoring Report

**SUMMARY STATEMENT:**

Identify the relevant Board policies and impacts:

*Governance Process: GP-3(4)(A) Non-delegable, statutorily assigned duty to fix compensation of employees by establishing a scale of salaries for specific classes of work.*

*Executive Limitation 8 – Compensation and Benefits: With respect to employment, compensation, and benefits to employees, the CEO/General Manager shall not cause or allow jeopardy to fiscal integrity or deviate materially from established compensation and benefit program as approved by the Board annually.*

Each year the District reviews its Non-Union salary administration program and, as required by the Board’s Governance Process No. 3(4)(A) – Board Job Description and Executive Limitation No. 8 – Compensation and Benefits, the Chief Executive Officer/General Manager recommends an adjustment to the non-represented salary structure table. While the District adjusts the salary structure and the list of job positions by grade on an annual basis, the underlying Salary Administration Program document that was established in 1987 by Resolution No. 3079 has not been revised since 2007 by Resolution No. 5323.

In 2019, the District began a project to study and review its compensation philosophy, job descriptions, and salary structures to determine whether it was aligned with the District's purpose, vision, commitment, values, and strategic priorities. Through this project, the District has determined that its compensation philosophy, job descriptions, and salary structure should be revised to better reflect the District's commitment to providing a fair and competitive compensation program that attracts, retains, and rewards employees to fulfill the District's purpose, vision, commitment, values, and strategic priorities.

Accordingly, the District recommends renaming the Salary Administration Program to the Compensation Program and revising the program to incorporate the compensation philosophy, the list of Non-Represented Positions (by Grade), and the Non-Represented Salary Structure Table.

*List Attachments:*

- Resolution
- Exhibit A
- Exhibit B
- Exhibit C

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION Revising and Renaming the Salary Administration Program to Compensation Program for Non-Represented Employees, the Non-Represented Position Titles and Grades, and the Non-Represented Salary Structure Table

WHEREAS, on October 5, 1987, the Commission adopted Resolution No. 3079, which established a Salary Administration Program for all Non-Union Classifications, including a Non-Union Salary Structure and list of Non-Union Positions (by Salary Grade) (Exhibits A and B thereto); and

WHEREAS, since the passage of Resolution No. 3079, the Commission has passed numerous resolutions revising said Salary Administration Program and Non-Union Salary Structure Table; and

WHEREAS, most recently, on February 7, 2023, the Commission approved Resolution No. 6018, which adopted a revised Salary Administration Program that updated the list of Non-Union Positions (by Grade), and Non-Union Salary Structure Table (Exhibits B and C thereto); and

WHEREAS, the Commission has determined that, effective January 1, 2024, it is necessary to rename the Salary Administration Program to be the Compensation Program and revise the Compensation Program in order to better reflect its commitment to providing a fair and competitive compensation program that attracts, retains, and rewards employees to fulfill the District's purpose, vision, commitment, values, and strategic priorities; and

WHEREAS, the Commission's policy is to be cognizant of compensation in the labor market and has determined that it is necessary to revise its compensation philosophy to strive to lead the market in order to compete for talent against organizations offering bonuses, incentives, or other forms of at-risk pay; and

WHEREAS, the Commission has determined that, effective January 1, 2024, the portion of the former Salary Administration Program setting forth position titles, grades, and salary structure table should be revised to incorporate changes to job titles, grades, and salary structure for non-represented employees in order to better align the District’s positions, grades, and salary structure with the labor market.

NOW, THEREFORE, BE IT RESOLVED that, effective January 1, 2024, the Commission renames the Salary Administration Program to be the Compensation Program and adopts all the conditions set forth in such Compensation Program as set out in attached and incorporated Exhibits A, B, and C; and

BE IT FURTHER RESOLVED that all other resolutions or portions of resolutions in conflict with this resolution are hereby repealed.

PASSED AND APPROVED this 5<sup>th</sup> day of September, 2023.

\_\_\_\_\_  
President

\_\_\_\_\_  
Vice-President

\_\_\_\_\_  
Secretary

**COMPENSATION PROGRAM FOR NON-REPRESENTED EMPLOYEES – SALARY GRADES –  
PAY STRUCTURE – PAY FOR PERFORMANCE AWARDS**

Effective January 1, 2024, this Compensation Program is adopted for all Non-Represented employees of the District.

- (1) **COMPENSATION PHILOSOPHY:** As a public power organization, the District is committed to providing a fair and competitive compensation program which attracts, retains, and rewards employees to fulfill the District's purpose, vision, commitment, values, and strategic priorities. Consistent with this objective, the following Non-Represented Compensation Program Elements include:

**(a) Pay Components**

- (i) Base salary will be the primary method of compensating individuals at the District. Base pay rates will consider the relevant knowledge, skills, education, experience and/or work performance that the candidate or employee brings to the job to ensure internal pay equity with similarly situated employees.
- (ii) Other benefits such as health and retirement plans, paid time off, tuition reimbursement, and work environment will continue to be essential components of the compensation strategy at the District, as a complement to competitive salaries.

**(b) Market Position/Valuation/Surveys**

- (i) The District strives to lead the market in base pay in order to compete for talent against organizations offering bonuses, incentives or other forms of at-risk pay. Leading the market means, in general, the District will target greater than the 50th percentile of the market. Generally, the District will use the salary range midpoint as the target base pay for employees who meet the minimum job requirements (or higher if they exceed them).
- (ii) The District will utilize market data for benchmarking positions and creating salary ranges. In rare circumstances, the District may consider internal job valuation when determining a salary range. This program will use market data as an anchor for creating the salary structure and salary ranges.

- (iii) The salary surveys used for market pricing will reflect the market the District recruits from and loses employees to, scoped to organizations of similar size, revenue, geographic region, and employee count.

**(c) Communications**

The District will ensure transparency by communicating openly about its pay programs and by providing employees access to job descriptions, compensation guidelines, and pay ranges for all jobs.

**(d) Pay Equity**

- (i) The District will ensure that all compensation programs meet applicable Federal, State, and Local laws and regulations.
- (ii) The District strives to maintain internal equity across the District by evaluating candidates and employees using consistent methodology and considering relevant knowledge, skills, education, experience and/or performance against the job description minimum qualifications.

**(e) Performance**

The District rewards employees based on their performance through its Pay for Performance program.

**(2) POSITION TITLES AND SALARY GRADES**

The District's Non-Represented position titles and grades are listed in Exhibit B. The District has established twenty-one (21) salary grades for Non-Represented positions.

**(3) SALARY STRUCTURE**

The District's Non-Represented Salary Structure, which consists of twenty-one (21) salary grades, is outlined in Exhibit C.

**(4) COMPENSATION GUIDELINES**

- (a) Compensation Guidelines and Procedures (CGPs) shall be developed by the Director, Human Resources, or their designee, as authorized by the CEO/General Manager for making individual salary determinations for all Non-Represented employees, except for the CEO/General Manager and those employees whose salaries are set directly by the Commission. Salary determinations shall be within the scale of salaries set forth in Section (2) above. All other compensation related guidelines will be outlined in the CGPs.



- (b) Administrative activities relative to the Compensation Program shall be performed on a regular basis, including classification of new and modified positions, grading of classifications, and review of internal equity. Market reviews of jobs shall be performed approximately every three (3) years on a rotational basis.
- (c) The Director, Human Resources, or their designee, shall be responsible for reviewing and maintaining the salary structure annually, and providing recommendations for adjustments as market conditions justify.

**(5) PAY FOR PERFORMANCE AWARDS**

- (a) The District shall evaluate employee performance annually and may provide pay for performance awards to employees based upon individual performance ratings. The CEO/General Manager will determine when pay for performance awards shall be effective.
- (b) Human Resources, in accordance with the directives of the CEO/General Manager, shall prepare criteria, policies, and procedures for employee performance evaluations.

**(6) SPECIAL INCREASES**

Under certain limited circumstances, a special increase may be considered for an employee outside of the pay for performance cycle; PROVIDED, that the special increase would not cause the individual's salary to exceed their grade maximum.

- (7) The Compensation Program shall not be construed to vest in any employee any right under such program. Salaries shall be subject to the jurisdiction of the Commission.
- (8) The Director, Human Resources, or their designee, as authorized by the CEO/General Manager, is authorized to establish procedures to implement the Compensation Program.

[Res. No. 6108 (2023); 6049 (2022); 6000 (2021); 5999 (2021); 5944 (2020); 5894 (2019); 5840 (2018); 5800 (2017); 5764 (2016); 5703 (2015); 5666 (2014); 5625 (2013); 5572 (2012); 5529 (2011); 5407 (2010); 5332 (2008); 5323 (2007); 5293 (2006); 5196 (2005); 5152 (2004); 5090 (2003); 5032 (2002); 4970 (2001); 4914 (2000); 4724 (1998); 4627 (1997); 4619 (1997); 4607 (1997); 4444 (1996); 4268 (1995); 4252 (1995); 4242 (1995); 4142 (1994); 3965 (1993); 3795 (1992); 3615 (1991); 2464 (1990); 3297 (1989); 3266 (1989); 3172 (1988); 3153 (1988); 3120 (1988); 3084 (1987); 3061 (1987); 3028 (1987); 2983 (1986); 2971 (1986); 2949 (1986); 2851 (1985); 2834 (1984); 2755 (1983); 2701 (1983); 2672 (1982); 2549 (1981); 2501 (1981); 2369 (1980); 2344 (1979); 2251 (1978); 2190 (1978); 2115 (1976); 2037 (1975); 2030 (1975); 1956 (1974); 1950 (1974); 1861 (1973); 1771 (1971); 1725 (1970); 1641 (1969); 1554 (1968); 1483 (1968)]

**Exhibit B**

Resolution No. \_\_\_\_\_

**NON-REPRESENTED POSITIONS (BY GRADE)**

<b>Job Title</b>	<b>Grade</b>
Assistant General Manager, Distribution & Engineering	3078
Assistant General Manager, Generation, Power, Rates & Transmission Management	3078
Chief Financial Officer	3078
Chief Information Officer	3078
General Counsel	3078
Assistant General Manager, Customer & Energy Services	3077
Director, Government & External Affairs	3076
Director, Human Resources	3076
Assistant General Manager, Water Utility	3075
Director, Communications Marketing & Business Readiness	3075
Director, Commission & Executive Services	3074
Deputy Counsel	2064
Senior Counsel	2063
Senior FERC Counsel	2063
Enterprise Architect	2063
IT Program Director	2063
Program Director	2063
Senior Manager, Controller & Auditor	2063
Senior Manager, Information Security	2063
Senior Manager, ITS Applications & Operations Management	2063
Senior Manager, ITS Information Technology Operations	2063
Senior Manager, Power Supply	2063
Senior Manager, Rates Economics & Energy Risk Management	2063
Senior Manager, Regional Design & Construction Services	2063
Senior Manager, Substation Metering & Telecommunications Services	2063
Senior Manager, Transmission & Distribution System Operations & Engineering	2063
Senior Manager, Transmission Management & NERC Compliance Officer	2063
Senior Manager, Treasury Risk Management & Supply Chain	2063
Applications Architect II	2062
Assistant Counsel	2062
Infrastructure Architect II	2062
IT Program Manager	2062
Lead Government Affairs Coordinator	2062
Manager, Distribution Engineering Services	2062
Manager, Generation Operations & Engineering	2062
Manager, Operational Technologies Engineering	2062
Manager, Substation Engineering	2062
Manager, System Planning & Protection	2062
Manager, Transmission & Standards Engineering	2062
Senior Manager, Data & Analytics	2062
Senior Manager, Generation Engineering Operations & Maintenance	2062
Senior Manager, ITS Program Management	2062
Senior Manager, Power Scheduling	2062
Senior Manager, Safety Security & Emergency Management	2062
Senior Operations Superintendent	2062

**Exhibit B**

Resolution No. \_\_\_\_\_

**NON-REPRESENTED POSITIONS (BY GRADE)**

Applications Architect I	2061
Data Scientist II	2061
Energy Control Superintendent	2061
Infrastructure Architect I	2061
Lead IT Project Manager	2061
Manager, AMI Technologies	2061
Manager, Customer Systems & Support	2061
Manager, Energy Storage & Emerging Technologies	2061
Manager, Finance Systems Support	2061
Manager, ITS Application	2061
Manager, ITS Operations Support	2061
Manager, Substation Construction Operations & Apparatus	2061
Manager, Treasury & Financial Risk	2061
Operations Superintendent	2061
Principal Engineer	2061
Senior Manager, Business Readiness & Training	2061
Senior Manager, Customer Accounting & Meter Reading	2061
Senior Manager, Customer Experience	2061
Senior Manager, Energy Services & Customer Innovations	2061
Senior Manager, Facilities Maintenance & Capital Construction	2061
Senior Manager, Human Resources	2061
Senior Manager, Strategic Partnerships	2061
Senior Manager, Work & Asset Management	2061
Senior Program Manager	2061
Construction Superintendent	2060
Data Scientist I	2060
Energy Management Engineer IV	2060
Generation Operational Technology Engineering Specialist II	2060
IT Project Manager IV	2060
Lead Applications Configuration Engineer	2060
Lead Applications Development Engineer	2060
Lead Database Administrator	2060
Lead Information Systems Security Analyst	2060
Lead Network Administration Engineer	2060
Lead Power Scheduler	2060
Lead Systems Administration Engineer	2060
Local & Government Affairs Specialist III	2060
Manager, Budget & Financial Planning	2060
Manager, Distribution Services	2060
Manager, ECC NERC Compliance	2060
Manager, Environmental Affairs	2060
Manager, Facilities Planning & Engineering	2060
Manager, GIS/Maps Records & Drafting	2060
Manager, Natural Resources	2060
Manager, Plat Engineering	2060
Manager, Real Estate Services	2060
Manager, Risk Management	2060

**Exhibit B**Resolution No. \_\_\_\_\_ **NON-REPRESENTED POSITIONS (BY GRADE)**

Manager, Telecommunications	2060
Metering Superintendent	2060
Operational Technology Engineering Specialist IV	2060
Power Analyst	2060
Professional Engineer	2060
Program Manager IV	2060
Principal Economist V	2060
Senior Manager, District Information Governance	2060
Short-Term Power Trader	2060
Short-Term Transmission Scheduler/Trader	2060
State Government & External Affairs Specialist III	2060
Water Superintendent	2060
Account Manager III	2059
Applications Configuration Engineer III	2059
Applications Development Engineer III	2059
Database Administrator III	2059
Economist IV	2059
Generation Operational Technology Engineering Specialist I	2059
Human Resources Business Partner	2059
IT Project Manager III	2059
Lead Business Analyst	2059
Lead Data & Analytics Engineer	2059
Lead End User Systems Analyst	2059
Lead Engineering Technician	2059
Lead Environmental Compliance Specialist	2059
Lead Hydro Scheduler	2059
Lead Real Estate Services Agent	2059
Lead Telecommunications Engineer	2059
Manager, Accounting	2059
Manager, Contracts & Purchasing	2059
Manager, Customer Service	2059
Manager, Facilities Maintenance & Grounds	2059
Manager, Fleet Maintenance & Operations	2059
Manager, Joint Use & Permits	2059
Manager, Materials Management & Warehouse	2059
Manager, Meter Reading	2059
Manager, Security & Emergency Management	2059
Manager, Transportation	2059
Manager, Water Utility Business Services	2059
Meter Deployment Superintendent	2059
Network Administration Engineer III	2059
Operational Technology Engineering Specialist III	2059
Principal Architect	2059
Risk Analyst IV	2059
Senior AMI Systems Analyst	2059
Systems Administration Engineer III	2059
Test Manager	2059

**Exhibit B**Resolution No. \_\_\_\_\_ **NON-REPRESENTED POSITIONS (BY GRADE)**

Vegetation Management Superintendent	2059
Account Manager II	2058
Architect	2058
Business Analyst III	2058
Clerk of the Board	2058
Data & Analytics Engineer III	2058
Economist III	2058
Energy Management Engineer III	2058
Engineer III	2058
Environmental Specialist III	2058
Information Systems Security Analyst III	2058
Lead Communications Specialist	2058
Lead Contracts/Purchasing Specialist	2058
Lead Facilities Planner	2058
Lead GIS Specialist	2058
Lead IS Contract & Procurement Specialist	2058
Lead Joint Use & Permits Specialist	2058
Lead Operations Analyst	2058
Lead Safety Specialist	2058
Power Scheduler III	2058
Program Manager III	2058
Project Manager III	2058
Telecommunications Engineer III	2058
Utility Analyst IV	2058
AMI Systems Analyst III	2057
Applications Configuration Engineer II	2057
Applications Development Engineer II	2057
Communications & Marketing Specialist III	2057
Compliance Specialist III	2057
Curriculum Design & Development Specialist III	2057
D&E Business Operations & Budget Manager	2057
Data & Analytics Engineer II	2057
Database Administrator II	2057
Energy Accountant/Auditor	2057
Engineering Technician III	2057
Facilities Planner III	2057
Grant Coordinator III	2057
Human Resources Generalist III	2057
Hydro Scheduler III	2057
IS Contract & Procurement Specialist III	2057
IT Project Manager II	2057
Lead Accountant	2057
Lead Water Services Coordinator	2057
Local & Government Affairs Specialist II	2057
Manager, Custodial Services	2057
Market Research Analyst III	2057
Media & Public Relations Specialist III	2057

**Exhibit B**Resolution No. \_\_\_\_\_ **NON-REPRESENTED POSITIONS (BY GRADE)**

Network Administration Engineer II	2057
Operational Technology Engineering Specialist II	2057
Operations Analyst III	2057
Power Scheduler II	2057
Public Education Programs Coordinator III	2057
Real Estate Services Agent III	2057
Regulatory Scientist III	2057
Risk Analyst III	2057
Safety Specialist III	2057
State Government & External Affairs Specialist II	2057
Systems Administration Engineer II	2057
Telecommunications Engineer II	2057
Treasury Analyst III	2057
Utility Analyst III	2057
Water Engineering Technician III	2057
Account Manager I	2056
Accountant III	2056
Business Analyst II	2056
Business Readiness & Training Specialist	2056
Communications Designer III	2056
Compliance Specialist II	2056
Contracts/Purchasing Specialist III	2056
Economist II	2056
End User Systems Analyst III	2056
Energy Management Engineer II	2056
Engineer II	2056
Environmental Specialist II	2056
Facilities Planner II	2056
Fleet Management Specialist	2056
Hydro Scheduler II	2056
Information Systems Security Analyst II	2056
IT Project Manager I	2056
Joint Use & Permit Coordinator III	2056
Land Surveyor III	2056
Lead Payroll Accountant	2056
Line Clearance Coordinator	2056
Local & Government Affairs Specialist I	2056
Manager, Mail & Printing Services	2056
Program Manager II	2056
Project Manager II	2056
Real Estate Services Agent II	2056
Regulatory Scientist II	2056
Senior Business Operations Coordinator	2056
Senior Quality Assurance Analyst	2056
Senior Water Services Coordinator	2056
State Government & External Affairs Specialist I	2056
Utility Analyst II	2056

**Exhibit B**

Resolution No. \_\_\_\_\_

**NON-REPRESENTED POSITIONS (BY GRADE)**

Accountant II	2055
AMI Systems Analyst II	2055
Applications Configuration Engineer I	2055
Applications Development Engineer I	2055
Audio/Video Systems Specialist III	2055
Budget & Accounting Analyst	2055
Business Operations Coordinator III	2055
Communications & Marketing Specialist II	2055
Contracts/Purchasing Specialist II	2055
Curriculum Design & Development Specialist II	2055
Data & Analytics Engineer I	2055
Database Administrator I	2055
Deputy Clerk of the Board III	2055
Economist I	2055
Energy Management Engineer I	2055
Engineer I	2055
Engineering Technician II	2055
Environmental Specialist I	2055
Fleet Management Analyst	2055
GIS Specialist II	2055
Grant Coordinator II	2055
Human Resources Generalist II	2055
Information Systems Security Analyst I	2055
IS Contract & Procurement Specialist II	2055
Joint Use & Permit Coordinator II	2055
Land Surveyor II	2055
Market Research Analyst II	2055
Media & Public Relations Specialist II	2055
Network Administration Engineer I	2055
Operational Technology Engineering Specialist I	2055
Operations Analyst II	2055
Paralegal II	2055
Payroll Accountant II	2055
Power Scheduler I	2055
Public Education Programs Coordinator II	2055
Quality Assurance Specialist II	2055
Real Estate Services Agent I	2055
Risk Analyst II	2055
Safety Specialist II	2055
Systems Administration Engineer I	2055
Telecommunications Engineer I	2055
Utility Analyst I	2055
Water Engineering Technician II	2055
AMI Systems Analyst I	2054
Audio/Video Systems Specialist II	2054
Business Analyst I	2054
Business Operations Coordinator II	2054

**Exhibit B**

Resolution No. \_\_\_\_\_

**NON-REPRESENTED POSITIONS (BY GRADE)**

Claims Adjuster II	2054
Communications Designer II	2054
Curriculum Design & Development Specialist I	2054
Deputy Clerk of the Board II	2054
End User Systems Analyst II	2054
Engineering Technician I	2054
Facilities Planner I	2054
GIS Specialist I	2054
Hydro Scheduler I	2054
IS Contract & Procurement Specialist I	2054
Market Research Analyst I	2054
Operations Accounting Analyst III	2054
Paralegal I	2054
Payroll Accountant I	2054
Program Manager I	2054
Project Coordinator	2054
Project Manager I	2054
Quality Assurance Analyst	2054
Quality Assurance Specialist I	2054
Regulatory Scientist I	2054
Safety Specialist I	2054
Senior Administrative Assistant	2054
Treasury Analyst II	2054
Water Engineering Technician I	2054
Water Services Coordinator II	2054
Accountant I	2053
Administrative Assistant II	2053
Business Operations Coordinator I	2053
Communications & Marketing Specialist I	2053
Compliance Specialist I	2053
Deputy Clerk of the Board I	2053
Grant Coordinator I	2053
Human Resources Generalist I	2053
Joint Use & Permit Coordinator I	2053
Media & Public Relations Specialist I	2053
Operations Accounting Analyst II	2053
Operations Analyst I	2053
Public Education Programs Coordinator I	2053
Risk Analyst I	2053
Treasury Analyst I	2053
Water Services Coordinator I	2053
Administrative Assistant I	2052
Audio/Video Systems Specialist I	2052
Claims Adjuster I	2052
Communications Designer I	2052
Contracts/Purchasing Specialist I	2052
End User Systems Analyst I	2052



**Exhibit B**

Resolution No. \_\_\_\_\_

**NON-REPRESENTED POSITIONS (BY GRADE)**

Land Surveyor I	2052
Operations Accounting Analyst I	2051

**SNOHOMISH COUNTY PUD NON-REPRESENTED SALARY STRUCTURE**

<b>Grade</b>	<b>Minimum</b>	<b>First Quartile</b>	<b>Midpoint</b>	<b>Third Quartile</b>	<b>Maximum</b>
3078	255,190	297,743	340,296	382,849	425,402
3077	223,880	261,193	298,506	335,820	373,133
3076	192,512	224,614	256,715	288,817	320,918
3075	148,637	173,422	198,207	222,992	247,777
3074	129,834	151,484	173,133	194,783	216,432
2065	206,883	241,365	275,847	310,329	344,811
2064	184,717	215,505	246,292	277,080	307,867
2063	164,925	192,414	219,903	247,392	274,881
2062	147,255	171,799	196,342	220,886	245,429
2061	131,478	153,392	175,306	197,220	219,134
2060	117,391	136,957	156,523	176,089	195,655
2059	104,813	122,283	139,753	157,223	174,693
2058	93,583	109,181	124,779	140,377	155,975
2057	83,556	97,483	111,410	125,337	139,264
2056	74,604	87,039	99,473	111,908	124,342
2055	66,604	77,710	88,816	99,922	111,028
2054	59,468	69,384	79,300	89,216	99,132
2053	53,102	61,953	70,803	79,654	88,504
2052	47,412	55,315	63,217	71,120	79,022
2051	42,328	49,386	56,444	63,502	70,560
2050	37,797	44,097	50,397	56,697	62,997



**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 6

**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:**

- Decision Preparation
- Policy Discussion
- Policy Decision
- Statutory
- Incidental (Information)
- Monitoring Report

**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: September 5, 2023

Agenda Item: 7A

**TITLE**

Commission Reports

**SUBMITTED FOR: Commission Business**

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

**ACTION REQUIRED:**

- Decision Preparation
- Policy Discussion
- Policy Decision
- Statutory
- Incidental (Information)
- Monitoring Report

**SUMMARY STATEMENT:**

Identify the relevant Board policies and impacts:

The Commissioners regularly attend and participate in meetings, seminars, and workshops and report on their activities.

*List Attachments:*  
None



**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 7B

**TITLE**

Commissioner Event Calendar

**SUBMITTED FOR: Commission Business**

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

**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 – 2023

## September 2023

### September 6 - 8:

Public Power Council/PNUCC Meetings  
Portland, OR/Virtual  
(Olson/Wolfe)

### September 10:

TeamPUD Family Day at the Aquasox  
Everett, WA  
(Wolfe)

### September 14:

New Employee Orientation  
Virtual 8:45 a.m. – 10:00 a.m.  
(Olson)

### September 20:

Public Power Council Grand Coulee Dam Tour  
Grand Coulee, WA  
(Logan)

## September 2023

# Commissioner Event Calendar – 2023

## October 2023

October 4 - 5:

Public Power Council Meetings

Portland, OR

October 6:

PNUCC Meeting

Virtual

## October 2023

**\*\*For Planning Purposes Only and Subject to Change at any Time\*\***

# Commissioner Event Calendar – 2023

## November 2023

November 1 - 3:

Public Power Council/PNUCC Meetings  
Portland, OR

## November 2023

**\*\*For Planning Purposes Only and Subject to Change at any Time\*\***



# Commissioner Event Calendar – 2023

**December 2023**

**December 2023**

**\*\*For Planning Purposes Only and Subject to Change at any Time\*\***



**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 7C

**TITLE**

Consideration of a Motion Authorizing the General Counsel to Execute the Commissioners Electronic Communications Protocol Document

**SUBMITTED FOR: Commission Business**

Commission _____	Melissa Collins _____	8616 _____
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing: _____		
Estimated Expenditure: _____		Presentation Planned <input type="checkbox"/>

**ACTION REQUIRED:**

- Decision Preparation
- Policy Discussion
- Policy Decision
- Statutory
- Incidental (Information)
- Monitoring Report

**SUMMARY STATEMENT:**

Identify the relevant Board policies and impacts:

Legal counsel prepared the attached document as discussed during the June 6, 2023, Board Retreat.

*List Attachments:*

- Attachment 1 - Board of Commissioners Electronic Communications Protocol - Redlined
- Attachment 2 - Board of Commissioners Electronic Communications Protocol



## BOARD OF COMMISSIONERS ELECTRONIC COMMUNICATIONS PROTOCOL

### PURPOSE:

To provide guidelines for elected Commissioners ~~and Commission Office staff for~~ regarding use of electronic communications systems for District business.

### COMMUNICATIONS PROTOCOL:

Guidelines for Electronic Media and Technology, Commission Communications Outside of Meetings, Open Public Meetings (OPMA) and Public Records Act (PRA). ~~To provide guidelines for elected Commissioners for use of electronic communications systems for District business.~~

1. It is the policy of the District to adhere to chapter 42.30 of the Revised Code of Washington (RCW) ~~42.30 regarding Open Public Meetings, and RCW chapter 42.56 RCW regarding Public Records, and chapter 40.12 RCW regarding Records Retention.~~

### BACKGROUND:

- ~~2. 1.~~ The District maintains and provides several Electronic Communications Systems for District business purposes, including but not limited to personal computers, laptops, wireless communications devices including iPads and cellular telephones, text messaging, emails, intranets, the internet, etc.
- ~~3. 2.~~ Commissioners are elected officials who ~~predominantly~~ work with District systems remotely, rather than ~~from~~ the District's offices. ~~Guidelines for the use of Electronic Communications Systems will assist the District in complying with the Public Records Act, Chapter 42.56 RCW and laws regarding records retention, chapter 40.12 RCW.~~
- ~~4. 3.~~ All records, regardless of format, related to the conduct of District business ~~reviewed, created, or altered~~ prepared, owned, used, or retained, must be retained per the State of Washington Local Government Common Records Retention Schedule. ~~(the CORE manual), pursuant to 42.56 RCW and chapter 40.14 RCW, Preservation and Destruction of Public Records.~~

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4. ~~Per state law, all documents, files, communications, and messages created, reviewed, or altered~~ prepared, owned, used, or retained that are related to the conduct of District business, regardless of format, are property of the District. As a result, these documents, files, communications, and messages are not private or confidential unless

~~otherwise noted in the Revised Code of Washington. The District reserves the right to request, access, monitor, and disclose the contents of electronic messages and any record, regardless of format, related to the conduct of District business on District-issued or personal devices that Commission members use. Commission members should have no expectation of privacy in either sending or receiving electronic messages, or other information on the Internet, District network or other electronic media related to District Business, whether done on their own personal device or on a District issued device. The District may review these public records for legal exemption or redaction pursuant to the Public Records Act RCW 42.56chapter 42.56 RCW or other applicable state or federal laws. The District and may also provide third-party notice providing to affected parties providing the opportunity to file for seek a court order to prevent or limit disclosure.~~

### ~~GUIDELINES - Email~~

#### ~~EMAIL ACCOUNTS:~~

- ~~1. For ease of public record retention and for ease of document search, Commissioners are strongly encouraged to utilize the District's assigned email account and information system for all District-related business.~~
- ~~2. Subject to limited exceptions set forth in state law, e-mail accounts established through the District's information system for individual Commissioners are considered public and subject to public disclosure laws.~~
- ~~3. Emails that are public records will be retained and archived according to District and State retention schedules.~~
- ~~4. Non-District provided email accounts used by individual Commissioners for the conduct of communicating District business will be subject to public disclosure laws. Commissioners are responsible for preserving all District-business records maintained on their personal devices, systems, and servers.~~

~~Commissioners and Commission Office staff should utilize the District's Electronic mail account and the District's electronic mail system for District related email communications, thus ensuring that District-related records are maintained on District-owned systems.~~

~~Use of the District's email account and email system~~District email can be accessed through ~~the use of~~ District-supplied equipment, or through remote access on personal devices such as desktop computers, iPads, cellular telephones, and the like. If personal devices are used, the Commissioner or staff member remains responsible for ~~the~~ costs and maintenance of that personal device.

~~In the event that~~if it is necessary to utilize a personal email account for District-related business, any such communications should not be stored in a personal account or on a personal device. Each Commissioner ~~or staff member~~ should ensure that any such communications, both received and sent, are forwarded promptly to the Commissioner's or staff member's District email account ~~and system.~~ Once the , and such

~~ee~~communications or information on the personal device have been forwarded to District email, they should be ~~are then d~~deleted from the personal device ~~after having been forwarded.~~

### **GUIDELINES—Telephone**

#### **NON-DISTRICT ISSUED CELL PHONES PERSONAL CELL PHONES AAND OTHER DEVICES:**

~~—Commission members~~1. Commissioners may use District-supplied cell phones or personal devices ~~cell phones for telephone and mobile telephone communications.~~ Where there is a District-related electronic record, such as a ~~voicema~~voicemail, ~~that is created using a personal telephone~~cell phone, the record should not be stored on the Commissioner's personal cell phone ~~device.~~ Each Commissioner should forward such record to a District email account or District-owned system, and once forwarded, ~~only then delete the record from the personal device~~cell phone.

~~Non-District issued cell phones and other devices, used by individual Commissioners, for texting or receiving texts relating to District business, will require archiving of text messages and retention of records according to records retention schedules.~~

#### **TEXT MESSAGES:**

1. Commissioners should not use text messaging or instant messaging for conducting official business activities, transactions, or decisions.
2. Text Messages generatedsent or received by individual Commissioners for conductingregarding District business on any device personal deviceare public records. , whether issued by the District or not, are subject to public disclosure laws and records retention schedules. Text messages must be retained and archived according to District and State retention schedules. Commissioners are responsible for preserving all District business records on their personal devices, systems, and servers.

#### **SOCIAL MEDIA:**

1. The District utilizes social media sites to enhance and promote the District's initiatives and to provide information on District issues, operations, and services. The DistrictDistrict's social media sites and all content therein are subject to the State of Washington's public records laws. District and State records retention schedules apply to all social media contentand public records laws.

#### **Guidelines for Commissioner use of social media sites is as follows:**

All social media site entries should clearly indicate that any content posted is subject to public disclosure laws and records retention schedules.

2. Unless the content is pre-authorized by the Board of Commissioners, Commissioners posting to any social media site, whether owned by the District or a private individual or organization-social media sites, should be clear that the individual Commissioner is speaking for themselves and not on behalf of the District or the Board of Commissioners.
3. Information that has the potential to compromise the safety or security of the public or public systems should not be posted to social media sites.
4. Anything that may be construed as harassment or disparagement of others based on race, national origin, sex, sexual orientation, age, disability, religious or political beliefs will not be tolerated. This includes, but is not limited to sending threatening messages, slurs, obscenities, sexually explicit images, cartoons, or messages.

### **RECORDS REQUESTS/INSPECTION/MONITORING:**

1. All Commissioners are required to collaborate with the Clerk of the Board and/or Commission & Executive Services Director for access to a personal or District-issued electronic devices when responding to a public records request.
2. The District needs to be able to must respond to proper requests resulting from appropriate public records requests and legal proceedings that call for electronically stored evidence. Therefore, the District must, and does, maintain the right and the ability to access District provided electronics and District email accounts and to inspect and review all data recorded in those applications and files devices. Because the District reserves the right to obtain access to all electronic mail messages left on or transmitted over these applications, Commissioners should not assume that such messages are private and confidential or that the District or its designated representatives will not have a need to access and review this information.
3. The District reserves the right to regularly monitor electronic mail messages, information, and all documents. The District will inspect the contents of computers or electronic mail during an investigation.

### **EXECUTIVE SESSION:**

It is recommended that Commissioners do not use electronic devices or transmit or receive electronic communications during executive sessions.

The following is a list of prohibited uses of District communication applications or devices:

1. Transmitting any material or messages in violation of Federal, State, Local law, Ordinance, Regulation or District policy.

2. Distributing sensitive or confidential information, per RCW 42.23.070, Code of Ethics for Municipal Officers, Prohibited Acts.
3. Distributing unauthorized broadcast messages, soliciting, or proselytizing others for commercial ventures, religious or political causes, or other non-job-related matters except as provided elsewhere in this policy.
4. Accessing or distributing offensive or pornographic materials.
5. Using District-provided electronic media and devices for personal use, to accomplish personal gain, or to manage a personal business.
6. Downloading or distributing copyrighted materials not owned by the District, including software, photographs, or any other media except when authorized by the CEO/General Manager or designee as it pertains to work related uses.
7. Developing or distributing programs that are designed to infiltrate computer systems internally or externally (viruses) or intentionally disrupting network traffic or crashing the network and connected systems.
8. Accessing or downloading any resource for which there is a fee without prior appropriate Commission authorization / approval and authorized by the CEO/General Manager or designee.
9. Representing yourself as another user or employee, forging electronic mail messages, unauthorized access of others' files with no substantial business purpose, or vandalizing the data of another user.
10. Attempting to access any system, which Commission member is not authorized to access (hacking).
11. Giving your username and password to anyone, except the CEO/General Manager or designee for any purpose.
12. Inappropriate use, which is deemed by the Board of Commissioners Governance Policy to be a violation of the intended purpose of any electronic media.

COMMISSIONER COMMUNICATIONS:

1. To ensure the most complete information is available to all decisionmakers, distribution to Commissioners and the Clerk of the Board of all written communications, including letters and electronic messages, responding to citizens is recommended should be distributed to Commissioners and the Clerk of the Board. However, to prevent a violation of the Open Public Meetings Act the Commissioners should not reply "all" or have communications with other members of the Board, outside of open public meetings.
2. The use of District letterhead by individual Commissioners for communications to constituents or to other governmental entities shall not be allowed unless approved by a majority of the Board.

Within the text of correspondence from Commission members to constituents, governmental entities, and community organizations, the Commission member should not characterize or attempt to describe the views and actions of other Commissioners to ensure that those Commissioners have an opportunity to characterize their own views and actions.

3. 4. Letters to the editor for publication in newspapers, magazines and electronic or Internet-based publications submitted by individual Commissioners should not represent the Commissioner's personal views as those of the District or the Board of Commissioners unless specifically directed to do so by majority of the Board.

~~Commissioners and Commission Office staff may use District-supplied phones or personal devices for telephone and mobile telephone communications.~~

~~Where there is a District-related electronic record such as a voicemail that is created through the use of a personal telephone, the record should not be stored on the Commissioner's or staff member's personal device. Each Commissioner or staff member should forward such record to a District email account or District-owned system, and only then delete the record from the personal device.~~

**GUIDELINES - GENERAL**

~~Commissioners and Commission Office staff should not use text messaging or instant messaging for conducting official business activities, transactions, or decisions.~~

When notified of a public records request or litigation hold, each Commissioner ~~or staff member~~ may be required to consent to the inspection and copying by the District of



District-related data and electronically stored information as determined by the scope of the request or hold, and to request detailed records reflecting such information from the Commissioner's or staff member's service provider, if applicable.

It is understood that, as a governmental entity, all records relating to the conduct of the ~~entity~~District, or the performance of the ~~entity's~~District's functions are public records subject to public disclosure. Therefore, District-related electronic communications are not considered private or confidential unless they qualify for a legal privilege or exemption from public disclosure. Privileged information should be clearly marked in the subject matter line of the communication whenever possible.

It is understood that all hardware, software, programs, applications, templates, ~~data~~data, and data files residing on the District's Electronic Communications Systems or storage media, are the property of the District.~~—~~. The District retains the right to access, copy, change, alter, modify, destroy, delete, or erase this property without prior notice. This includes removing access to the District servers and removing District data from a personal device that is used for District business.

The District retains the right to monitor and audit the use of District Electronic Communications at any time through a variety of methods, including call detail records, ~~i~~Internet monitoring software, ~~etc.~~etc. Users do not have a right of privacy when using District Electronic Communications Systems.

Prepared by General Counsel

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Colin Willenbrock

Approved by Motion Board of Commissioners

Date: \_\_\_\_\_

**BOARD OF COMMISSIONERS  
ELECTRONIC COMMUNICATIONS PROTOCOL**

**PURPOSE:**

To provide guidelines for elected Commissioners regarding use of electronic communications systems for District business.

**COMMUNICATIONS PROTOCOL:**

Guidelines for Electronic Media and Technology, Commission Communications Outside of Meetings, Open Public Meetings (OPMA) and Public Records Act (PRA).

1. It is the policy of the District to adhere to chapter 42.30 of the Revised Code of Washington (RCW) regarding Open Public Meetings, chapter 42.56 RCW regarding Public Records, and chapter 40.12 RCW regarding Records Retention.
2. The District maintains and provides several Electronic Communications Systems for District business purposes, including but not limited to personal computers, laptops, wireless communications devices including iPads and cellular telephones, text messaging, emails, intranets, the internet, etc.
3. Commissioners are elected officials who work with District systems remotely, rather than from the District's offices. Guidelines for the use of Electronic Communications Systems will assist the District in complying with the Public Records Act, chapter 42.56 RCW and laws regarding records retention, chapter 40.12 RCW.
4. All records, regardless of format, related to the conduct of District business prepared, owned, used, or retained, must be retained per the State of Washington Local Government Common Records Retention Schedule. (CORE), pursuant to chapter 40.14 RCW, Preservation and Destruction of Public Records.

Per state law, all documents, files, communications, and messages prepared, owned, used, or retained that are related to the conduct of District business, regardless of format, are property of the District. As a result, these documents, files, communications, and messages are not private or confidential unless otherwise noted in the Revised Code of Washington. The District reserves the right to request, access, monitor, and disclose the contents of electronic messages and any record, regardless of format, related to the conduct of District business on District-issued or personal devices that Commission members use. Commission members have no expectation of privacy in either sending or receiving electronic messages, or other information on the Internet, District network or

other electronic media related to District Business, whether done on their own personal device or a District issued device. The District may review these public records for legal exemption or redaction pursuant to the Public Records Act chapter 42.56 RCW or other applicable state or federal laws. The District may also provide third-party notice to affected parties providing the opportunity to seek a court order to prevent or limit disclosure.

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### **GENERAL:**

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The District retains the right to monitor and audit the use of District Electronic Communications at any time through a variety of methods, including call detail records, internet monitoring software, etc. Users do not have a right of privacy when using District Electronic Communications Systems.

Prepared by General Counsel

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Colin Willenbrock

Approved by Motion Board of Commissioners

Date: \_\_\_\_\_



**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 7D

**TITLE**

Introduction of a Resolution Amending Resolution No. 5924 and Adopting Amendments to the Board of Commission Governance Policies Entitled Executive Limitations, Governance Process, Board-CEO/General Manager Linkage Policies, and Board & Owner Linkage Plan

**SUBMITTED FOR: Commission Business**

Commission _____	Melissa Collins _____	8616 _____
<i>Department</i>	<i>Contact</i>	<i>Extension</i>
Date of Previous Briefing: _____		
Estimated Expenditure: _____		Presentation Planned <input type="checkbox"/>

**ACTION REQUIRED:**

- Decision Preparation
- Policy Discussion
- Policy Decision
- Statutory
- Incidental (Information)
- Monitoring Report

**SUMMARY STATEMENT:**

The Commissioners held a retreat on June 6, 2023, to review, discuss and recommend updates to the contents of their Governance Policies. The attached Resolution and amended Governance Policies reflect the updates from discussions held at the retreat. The final Resolution and Governance Polices will be brought back on September 19, 2023, for approval.

- List Attachments:*
- Resolution
  - Exhibit A - Redlined
  - Attachment 1



RESOLUTION NO. \_\_\_\_\_

A RESOLUTION Amending Resolution No. 5924 and Adopting Amendments to the Board of Commission Governance Policies Entitled Executive Limitations, Governance Process, Board-CEO/General Manager Linkage Policies, and Board & Owner Linkage Plan

WHEREAS, the Board of Commissioners of Public Utility District No. 1 of Snohomish County (the "District") adopted a framework of governance ("Governance Policies") in Resolution No. 4848 in April 1999; and

WHEREAS, the Board remains committed to excellence in governing and continuous improvement and demonstrates this through regular review of its Governance Policies; and

WHEREAS, the Board conducted several workshops during 2019 to review, discuss and recommend updates to certain portions of the Governance Policies; and

WHEREAS, the Board adopted amendments to the Governance Policies in Resolution No. 5924 in November 2019; and

WHEREAS, the Board held a retreat in June 2023 to review, discuss and recommend certain updates to the contents of the Governance Policies; and

WHEREAS, the Board wishes to adopt certain amendments to the Executive Limitations, Governance Process, Board-CEO/General Manager Linkage policies, and Board & Owner Linkage Plan, as set forth in the attached Exhibit "A".

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of Public Utility District No. 1 of Snohomish County, Washington, hereby amends Resolution No. 5924 by adopting the amendments to the Executive Limitations, Governance Process, Board-CEO/General Manager Linkage Policies, and the former Board & Owner Linkage Plan (now Board Engagement Plan) that are set forth in the form attached

hereto as Exhibit "A."

PASSED AND APPROVED this 19<sup>th</sup> day of September, 2023

\_\_\_\_\_  
President

\_\_\_\_\_  
Vice-President

\_\_\_\_\_  
Secretary



# Governance Policies

Approved by PUD Board of Commissioners

**AMENDED:**

DATE

Resolution #





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## SECTION II EXECUTIVE LIMITATIONS

### GLOBAL EXECUTIVE CONSTRAINT

**EL-1.** The CEO/General Manager shall not cause or allow any practice, activity, decision, or organizational circumstance, which is either unlawful, imprudent or in violation of commonly accepted business and professional ethics.

### TREATMENT OF CUSTOMERS

**EL-2.** With respect to interactions with customers or those applying to be customers, the CEO/General Manager shall not cause or allow conditions, procedures, or decisions which are unsafe, undignified, discriminatory, or unnecessarily intrusive.

Accordingly, she or he shall not:

1. Elicit information by any method for which there is no clear necessity.
2. Use methods of collecting, reviewing, transmitting, or storing client information that fail-fails to protect against improper access to the material elicited.
3. Fail to provide appropriate accessibility and privacy in facilities.
4. Fail to provide customers with clear information of what may be expected and what may not be expected from the service offered.
5. Arbitrarily or capriciously administer customer service or credit.
6. Fail to provide a way for persons to be heard who believe they have not been accorded a reasonable interpretation of their protections under this policy.

### TREATMENT OF EMPLOYEES

**EL-3.** With respect to the treatment of employees, the CEO/General Manager may not cause or allow conditions, which are unfair, undignified, discriminatory, disorganized, unsafe, or unclear.

Accordingly, he or she shall not:

1. Operate without written personnel policies, which clarify personnel rules for employees, provide for effective handling of grievances, discipline, and terminations, and protect against wrongful conditions, such as nepotism and grossly preferential treatment for personal reasons.

2. Discriminate against any employee, ~~for expressing an ethical dissent.~~
3. Fail to make information available to employees regarding the CEO/General Manager's interpretation of their protections under this policy.

## **FINANCIAL PLANNING AND BUDGETING**

**EL-4.** The District's multi-year financial plan shall not deviate materially from the Board's Ends priorities or risk fiscal jeopardy. The District's annual budget shall ~~not fail to~~ be derived from a multi-year plan of at least five years.

Accordingly, the CEO-General Manager shall not allow financial planning/budgeting which:

1. Fails to include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
2. ~~Allows operating reserves to fall below the required 120 days of Revenue Funds at the end of any fiscal year.~~
2. ~~Allows operating cash to drop below a safety reserve of less than \$20 million at the end of any fiscal year.~~
3. Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.
4. Allows Electric System year-end debt service coverage to fall below 1.75.
5. ~~Finances greater than forty percent (40%) of non-generating or energy storage Electric System capital assets within a fifteen-year period including the plan year.~~
5. ~~Finances greater than forty percent (40%) of non-generation Electric System capital improvements within a fifteen-year period including the plan year.~~
6. Plans for general Electric System rate increases in excess of three percent (3%) in any year, or compound increases in excess of ~~nine-ten~~ percent (109%) over any consecutive five-year period. The District may plan for non-general rate increases that are forecasted by Bonneville Power Administration (BPA) for electricity and the City of Everett for water purchases.
7. ~~Fails to maintain compliance with local, state and federal laws including, but not limited to, the Energy Independence Act, the Clean Energy Transformation Act, etc. Fails to maintain annual spending on public purposes of three percent (3%) of Electric System revenue beginning in 2001. (Public purposes spending is defined as those expenditures related~~

~~to conservation, weatherization, and renewable resources.)~~

## **FINANCIAL CONDITION AND ACTIVITIES**

**EL-5.** With respect to the actual, ongoing financial condition and activities, the CEO/General Manager shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in Ends policies.

Accordingly, he or she shall not:

1. Use any rate stabilization fund reserves without Board authorization.
2. Pay any uninsured judgement judgment or settle any claim with funds from the District's self-insurance fund in excess of \$100,000, unless authorized by the Board.
3. Fail to present to the Board, on at least a quarterly basis, a report regarding all significant lawsuits filed against the District and any other legal issues that could result in significant financial exposure for the District.
4. Fail to settle payroll and debts in a timely manner.
5. Allow tax payments or other ~~government authority ordered~~government authority-ordered payments or filings to be overdue or inaccurately filed.
6. Fail to aggressively pursue receivables after a reasonable grace period to the extent it is ~~cost effective~~cost-effective to do so.
7. Without prior approval of the Board, compromise or settle:
  - A. An uninsured employee claim, when the settlement is greater than \$25,000, including attorney fees or other expenses, but not including the value of any outplacement or educational assistance, increased length of notice of termination or other non-cash benefits.
  - B. Any other uninsured demand or claim by or against the District for a monetary amount greater than \$100,000.
8. Without prior approval from the Board, eExecute modifications to the existing collective bargaining agreements between the District and the International Brotherhood of Electrical Workers (IBEW), between contracts, which exceed \$100,000 of additional expense to the District in the current or next fiscal year.



## **EMERGENCY CEO/GENERAL MANAGER SUCCESSION**

**EL-6.** To protect the Board from the sudden loss of CEO/General Manager services, the CEO/General Manager shall have ~~no fewer than~~ at least two other executives familiar with Board and CEO/General Manager issues and processes.

## **ASSET PROTECTION**

**EL-7.** The CEO/General Manager shall not allow corporate assets to be unprotected, inadequately maintained, or unnecessarily risked.

Accordingly, he or she shall not:

1. Fail to maintain:
  - A. Excess liability insurance, including minimum coverage per occurrence of \$50 million; and
  - B. Property insurance (for non-transmission and distribution system assets) for replacement value; and
  - C. Vehicle insurance; and
  - D. Crime and fidelity insurance for personnel with access to material amounts of funds; and
  - E. Insurance covering cybersecurity risks.
2. Subject plant and equipment to improper wear and tear or insufficient maintenance.
3. Fail to protect intellectual property, information, and files from loss or significant damage.
4. Receive, process, or disburse funds under controls that are materially insufficient to meet the auditor's expectations.
5. Invest or hold ~~operating~~-capital in accounts or investments other than those permitted investments for the State of Washington.
6. Endanger the organization's public image or credibility, particularly in ways that would hinder ~~its~~-accomplishment of its mission.
7. Manage the District's power supply for purposes other than meeting customer loads.

## **COMPENSATION AND BENEFITS**

**EL-8.** With respect to employment, compensation, and benefits to employees, the CEO/General Manager shall not cause or allow jeopardy to fiscal integrity or deviate materially from the established compensation and benefit program as approved by the Board annually.

Additionally, he or she shall not:

1. Change his or her own compensation and benefits.
2. Promise or imply permanent or guaranteed employment.

## **COMMUNICATION AND SUPPORT TO THE BOARD**

**EL-9.** The CEO/General Manager shall not permit the Board to be uninformed or unsupported in its work.

Accordingly, he or she shall not:

1. Neglect to submit monitoring data required by the Board (see policy on monitoring CEO/General Manager performance) in a timely, accurate, and understandable fashion, directly addressing provisions of Board policies being monitored.
2. Let the Board be unaware of substantial exposure, anticipated adverse media coverage, material external and internal changes, and particularly changes in the assumptions upon which any Board policy has previously been established.
3. Fail to advise the Board if, in the CEO/General Manager's opinion, the Board does not comply with its own policies on governance process and Board-CEO/General Manager linkage, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the CEO/General Manager.
4. Fail to marshal for the Board as many employees and external points of view, issues, and options is as reasonably necessary as needed for for fully informed Board choices decisions.
5. Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation and incidental.
6. Fail to provide a mechanism for official Board communications.
7. Fail to deal with the Board as a whole when fulfilling individual requests for

information.

8. Fail to report in a timely manner an actual or material noncompliance with any policy of the Board.
9. Fail to ensure that information provided to board members for policy decisions is provided to all board members.
10. Fail to ensure that items placed on the Board's agenda (except Consent Agenda items) fully reference all associated Board policies.

## SECTION III GOVERNANCE PROCESS

### GLOBAL GOVERNANCE COMMITMENT

**GP-1.** On behalf of the customer-owners of Snohomish County and Camano Island, the Board of Commissioners for Public Utility District No. 1 of Snohomish will govern to ensure the utility achieves desired results for customers-owners in accordance with strategic goals and objectives.

### GOVERNING STYLE

**GP-2.** The Board will govern with an emphasis on (a) outward vision rather than an internal preoccupation, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of Board and management roles, (e) collective rather than individual decisions, (f) future rather than past or present, and (g) proactivity rather than reactivity.

Accordingly:

1. The Board will cultivate a sense of group responsibility. The Board, not the employees, will be responsible for setting the direction of the organization, excellence in governing. ~~The Board will be the initiator of policy, not merely a reactor to employee initiatives.~~ The Board may call on the experience of individual members to enhance the ability of the Board as a body, rather than to substitute the individual judgments for the Board's values.
2. The Board will direct, control, and inspire the organization through the careful establishment of broad written policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long-term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.
3. The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, codes of conduct, and ensuring the continuance of governance capability.
4. Continual Board development will include orientation of new Board members in-to the Board's governance process and periodic Board discussion of process improvement.
5. Board members will elevate and reinforce the District and the Board's presence in the community through involvement in community events, associations, and meetings.

6. The Board will allow no individual Board member to hinder or be an excuse for not fulfilling its commitments.
7. The Board will monitor and discuss the Board's process and performance. Self-monitoring will include a comparison of Board activity and **discipline adherence** to policies in the governance process and Board-CEO/General Manager linkage categories.

### **BOARD JOB DESCRIPTION**

**GP-3.** Specific job outputs of the Board, as an informed agent of the people of Snohomish County and Camano Island, are those that ensure appropriate organizational performance.

Accordingly:

1. The Board will establish the link between the Public Utility and the people of Snohomish County and Camano Island.
2. The Board will establish and maintain written governing policies, which, at the broadest levels, address each of the following:
  - A. **Ends:** Organizational products, impacts, benefits, outcomes, and their relative worth for recipients.
  - B. **Executive Limitations:** Constraints on executive authority, which establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
  - C. **Governance Process:** Specification of how the Board conceives, carries out and monitors its own task.
  - D. **Board-CEO/General Manager Linkage:** How power is delegated, and its proper use monitored; the CEO/General Manager role, authority, and accountability.
3. The Board will ensure the CEO/General Manager's performance (against policies in GP-3.2.A **Ends** and GP-3.2.B **Executive Limitations**).
4. To the extent required by law, as advised by the District's General Counsel from time to time, the Board will perform the following non-delegable, statutorily assigned duties (which is not an inclusive list):
  - A. Personnel
    1. Fix compensation of employees by establishing a scale of salaries for specific classes of work.

B. Finance

1. Adopt the District's yearly budget.
2. Approve vouchers for all warrants issued.
3. Authorize certain banks as depositories of District funds and surety bonds therefor.
4. Create certain special funds and authorize the issuance of revenue bonds.
5. Authorize the purchase of liability insurance for District officers and employees.

C. Rates/Fees

1. Establish and maintain rates and charges for electric energy and water and various other services, facilities, and commodities sold, furnished, or supplied by the District.

D. Local Utility Districts

1. Form and establish the method of procedure in all matters relating to local utility districts.

E. Contracts

1. Rule as to whether bids are "responsive" to call for bids and whether bidders are "responsible" under the conditions of bid.
2. Authorize certain wholesale contracts for the sale of energy or water.

F. Property

1. Authorize acquisition by condemnation and the disposition of certain properties and payment therefor.

G. Environmental

1. Adopt SEPA rules and procedures.

H. Other

1. Revise Commissioners' district boundaries.

### **Executive Session Materials and Information**

The Board may convene an executive session as permitted by law. It is a violation of Washington State law and this Policy to disclose publicly what is discussed and reviewed in executive session. All comments made and all written materials reviewed during an executive session are confidential by law and shall not be publicly disclosed or removed from the premises of an executive session by any Board member ~~of~~ attendee of the executive session absent a n affirmative vote of majority of the Board ~~majority~~ on the record in a public meeting. This restriction applies to all ~~executive session~~ discussions and materials regardless of whether the District's counsel is present or not.

### **Attorney-Client Privilege and Work Product**

The District, and not any individual Board member, is the holder of any attorney-client privilege with the District's counsel or outside counsel and any attorney work product protection. No individual Board member shall make any disclosure or release any information, which would result in the waiver of the attorney-client privilege or work product protection absent a n affirmative vote of majority of the Board ~~majority~~ on the record in a public meeting.

### **AGENDA PLANNING**

~~GP-4. To accomplish its job products with a governance style consistent with Board policies, t~~The Board will follow an annual agenda, which (a) completes a re-exploration of Ends policies annually and (b) continually improves Board performance through Board education and enriched input and deliberation.

1. The cycle will conclude each year on the last day of September so that administrative planning and budgeting can be based on accomplishing a one-year segment of the Board's most recent statement of long-term Ends.
2. The cycle will start with the Board's development of its agenda for the next year.
  - A. Consultations with select~~ed~~ groups ~~in the ownership, or other methods of gaining ownership input,~~ will be determined, and arranged in the first quarter ~~, to be and~~ held during throughout the balance of the year.
  - B. Governance education and education related to ends determination, (e.g., presentations by futurists, demographers, advocacy groups, employees, etc.) will be arranged in the first quarter, ~~to be and~~ held during throughout the balance of the year.
3. Throughout the year, the Board will ~~attend to address~~ consent agenda items as expeditiously as possible.

4. CEO/General Manager monitoring will be included on the agenda if monitoring reports show policy violations or if policy criteria are to be debated.
5. Any Board member may place an item on the agenda during a board meeting.
6. No item shall be placed on the Board's agenda without full reference to all associated Board policies.
7. During the month of February, CEO/General Manager remuneration will be decided after a review of his/her performance.
8. At the first regular Commission meeting in December of each year, the Commission shall elect officers of the Board to serve for terms of one-year or until such time as a successor has been selected for each such officer position. These terms will commence at the time of the first regular meeting in January of the year following election.
  - A. Board Officers serve at the pleasure of the Board. Officers may be removed from their position by an affirmative ~~the~~ vote of two Board members. Any Board member may decline serving as an officer. In the event of such removal or declination of service, the vacated officer position shall be elected by the Board at the next regularly scheduled meeting.
  - B. The Board President shall assume any responsibility of the Board that is not specifically assigned to another Board member.

## **RULES OF PROCEDURES**

**GP-5. Regular Meetings.** Regular meetings of the Commission generally shall be held on the first and third Tuesdays of each month at the office of the District, 23420 California Street, in Everett, Washington, with a phone or other electronic option available except as adjusted by the Board from time to time. such schedule may be adjusted by the Board from time to time. If by reason of fire, flood, earthquake, or other emergency it shall be unsafe to meet in the place designated, the meetings may be held for the duration of the emergency at such place as is designated by the President of the Commission or via the Zoom Platform.

**Emergencies.** If, by reason of fire, flood, earthquake, or other declared emergency, there is a need for expedited action by the Commission to meet the emergency, the President of the Commission may designate a meeting location other than the regular meeting location, for a remote meeting without a physical location, or for a meeting at which the physical attendance by some of all members of the public is limited due to a declared emergency. If the meeting is held remotely or the public attendance is limited or prohibited, a cost-free phone or other electronic option will be provided.



**Special Meetings.** A special meeting of the Commission may be called at any time by the President of the Commission or by a majority of the members of the Commission as set forth in RCW 42.30.080 with notice being given at least 24 hours prior to the meeting. Every effort shall be made to ensure that all Board members can attend.

**Attendance/Appearance by Electronic Means.** ~~One or more Commissioners may attend or appear at a public meeting by phone or other electronic means with no declared emergency. The Open Public Meeting Act is silent as to whether Board members may attend meetings by telephone or other electronic means. The Commission of the District determines that it is appropriate and in the best interests of the District to authorize Board members to attend or appear at a public meeting via electronic means the Zoom Platform if unable to attend in person for \*\*\*\* if such appearance can be accommodated given the place of the meeting.~~ The Board member requesting to appear by electronic means is responsible for ~~will make~~ the all necessary arrangements with the Clerk of the Board in advance of the meeting. ~~To achieve excellence in government, the Board prefers all Commissioners attend in person. Due to the confidential nature of Executive Session topics, remote attendance will not be allowed for those sessions.~~

**Attendance at Community Events and Conferences.** ~~Commissioners~~ may attend community events and conferences— if they are related to the District’s business. Commissioners will annually budget for the attendance of Commissioners at community events and conferences. Any community events and conferences outside the approved budget will be brought to the Board for approval.

Board members are expected to coordinate with or notify the Clerk of the Board of their planned schedule of attendance for the upcoming several months of attendance at activities and events. Individual board members may be offered specific opportunities to represent the District on official business. When visiting local Elected Officials, the board member whose election district the visit occurs will be offered the opportunity first.

To facilitate discussion and action while assuring consideration and decorum for all, the Board will abide by the following adopted Standing Rules of Order:

## **1. Introduction of Business**

All business shall be brought before the Board by a motion. All motions, including those made by the Chair, are automatically seconded. At any time prior to a vote on the main motion, the maker of the motion can modify it or withdraw it entirely. It is not necessary for the Chair to relinquish the gavel when making a motion.

## **2. Motions and Their Order of Precedence**

### **A. Privileged Motions**

1. *To Adjourn.* It takes precedence over all other motions. It is not debatable; it cannot be amended; nor can a vote on it be reconsidered.

## B. Incidental Motions

1. *Questions of Order or Appeal of a Ruling by the Chair.* It cannot be amended; it cannot be debated when it relates to indecorum; and it yields to Privileged Motions.

## C. Secondary Motions

1. *To Table.* This motion takes precedence over all other Secondary Motions and yields to any Privileged or Incidental Motion. It is not debatable and cannot be amended or have any other motion applied to it. It removes the subject from consideration until the Board votes to take it from the table, either at the same or some future meeting.
2. *The Previous Question.* This motion takes precedence of every debatable question, yields to Privileged, and Incidental Questions, and to the motion to Table. It is not debatable and cannot be amended. Its effect is to instantly close debate and bring the Board to vote upon the pending question.
3. *To Postpone to a Date Certain.* This motion takes precedence of a motion to amend or indefinitely Postpone, yields to any Privileged or Incidental Motion and to the motion to Table or a call for The Previous Question. Altering the time can amend it. It allows ~~very~~-limited debate, and it must not go into the merits of the item any further than is necessary to judge the reasonableness of postponement.
4. *To Amend.* This motion takes precedence over nothing but the question, which it is proposed to amend, and yields to any Privileged, Incidental, or Secondary Motion, except to Indefinitely Postpone. It can be amended itself, but the amendment of an amendment cannot be amended. An amendment may be made either: (1) by adding; or (2) by striking out words or paragraphs; or (3) by striking out certain words and inserting others; or (4) by substituting a different motion on the same subject; or (5) by dividing the question into two or more questions as specified by the mover, so as to get a separate vote on any particular point or points.
5. *To Postpone Indefinitely.* This motion takes precedence over nothing except the principal motion, and yields to any Privileged, Incidental, or Secondary Motion except to Amend. It cannot be amended; it opens to debate the entire question it is proposed to postpone.

## D. Miscellaneous Motions

1. *To Rescind.* This motion has no privilege but stands on a footing with a new resolution. Any action of the Board can be rescinded regardless of the time that has elapsed.

2. *To Reconsider.* When the assembly has once acted upon any Principal Question or Amendment, it cannot be taken up again at the same session or any subsequent session, except by motion to Reconsider. A motion to Reconsider must be made by a member who voted with the prevailing side.

### 3. Debate and Decorum

#### A. Debate

Discussions should be confined to issues immediately before the Board. The Chair should entertain a motion at the earliest opportunity and discussions should focus on the motion. Repetitive comments should be minimized and can be declared out of order by the Chair. The following questions shall be decided without debate: to Adjourn, To Table, The Previous Question, To Reconsider, Withdrawing a Motion, and Closing Debate.

#### B. Decorum in Debate

Members should confine remarks to the question and avoid personalities. Members should try to limit their remarks to ten minutes or less. Members should respect one another and conduct themselves in a professional manner. The use of profanity is prohibited.

#### C. Closing Debate

The following motions, which are not debatable, can close debate: To Table or call for The Previous Question.

### 4. Vote

- A. When a Vote is taken, the Chair should always announce the results.

### 5. Additional Comments

- A. Roberts Rules of Order will ~~act as function as~~ a guide on those issues not addressed by the above standing rules.

### 6. Resolutions

- A. In order to be valid, the original copy of a resolution must be signed by at least two Commissioners and will then be entered in a designated book and become public record.

### 7. Documentation of Decisions

- A. Board decisions shall be documented in the Board's ~~resolutions policy manual~~, as relevant, as well as in the Board's minutes.

- B. Board minutes will ~~document regarding contain the discussion and rationale leading to~~ Board decisions. (action items only)
- C. Audio recordings that may contain discussion and rationale may be available on the District's website and/or the Washington State Digital Archives website.

## **BOARD OFFICER ROLES**

### **GP-6.**

1. **President's Role.** The President assures the integrity of the Board's process.
  - A. The ~~job result of the~~ President is that responsible for ensuring that the Board behaves consistently with its own rules and those ~~legitimately~~ imposed upon it from outside the organization.
    1. Meeting discussion content will be only those issues, which according to Board policy, clearly belong to the Board to decide, not the CEO/General Manager.
    - ~~2~~—Deliberation will be fair, open, and thorough, but also timely, orderly, and kept to the point in conformance with the meeting's approved agenda.
  - B. The authority of the President ~~consists in making is limited to~~ decisions ~~that fall within topics~~ covered by Board policies on governance process and Board-CEO/General Manager linkage, with the exception of (a) employment or termination of a CEO/General Manager and (b) where the Board specifically delegates portions of this authority to others. The President is authorized to use any reasonable interpretation of the provisions in these policies.
    1. The President is empowered to chair Board meetings with all the commonly accepted power of that position, e.g., ruling, recognizing.
    2. The President has no authority to make decisions about policies created by the Board within ends and executive limitations policy areas. Therefore, the President has no authority to supervise or direct the CEO/General Manager.
    3. The President may represent the Board to outside parties ~~in stating by relaying chair~~ Board decisions and approved policy statements. ~~interpretations within the area delegated to her or him.~~
    4. The President may delegate this authority but remains accountable for its use.
- C. During the absence of the President, the Vice President will preside.

D. The President will generally represent the District when a Commissioner's presence is requested or needed by the CEO/General Manager. Individual Board members may be offered specific opportunities to represent the District on official business. When visiting local Elected Officials, the Board member whose election district the visit occurs will be offered the opportunity first.

2. **Vice President's Role.** The Vice President of the Board shall:

- A. Perform such duties as are assigned by the President.
- B. Have all power and duties of the President in the absence or inability of the President to act.
- C. Have all powers and duties of the Secretary in the absence or inability of the Secretary to act, when not otherwise acting as President.

3. **Secretary's Role.** The Secretary shall:

- A. Perform all duties incident to the office of Secretary as may be required by law or assigned to such office by motion, rule, or resolution of the Board.
- B. When appropriate, attest to instruments and documents duly authorized by the Board.
- C. Have all the powers and duties of the President in the absence or inability of both the President and Vice President to act.

## **BOARD MEMBERS' CODE OF CONDUCT**

**GP-7.** The Board stands in a fiduciary relationship to the District. In a broad overview, the Board's duty of care requires the Board to be attentive to the District's business, including being adequately informed as to decisions facing the Board, and to have a rational basis for decisions. Board members exercise utmost good faith in furthering the interests of the District and its customer owners. Board members will avoid even the appearance of impropriety to ensure and maintain public confidence in the District and the Board as a whole.

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum, at all times, -when acting as Board members.

Accordingly:

- 1. In their capacity as a Board member, Board members represent the interests of District customer owners. This supersedes any conflicting interest such as that to advocacy or interest groups and membership in other organizations. It also supersedes the personal interest of any Board member.

2. In accordance with applicable law, members conduct themselves in accordance with all laws, including but not limited to, the Open Public Meeting Act, Chapter 42.30 RCW, and the Code of Ethics for Municipal Officers, Chapter 42.34 RCW, and must avoid conflict of interest with respect to their fiduciary responsibility. To avoid inadvertent violations of the Open Public Meeting Act, Board members may not “reply all” to any e-mail or other electronic communication received by all members of the Board.
  - A. The confidentiality of proprietary business information must be respected at all times. Board members are prohibited from disclosing such information, or in any way using such information for personal gain or advancement, or to the detriment of the District, or to individually conduct negotiations or make contacts or inquiries on behalf of the District unless officially designated by the Board to do so.
  - B. Board members are prohibited from acquiring or having a financial interest in any property that the District acquires, or a direct or indirect financial interest in a supplier, contractor, consultant, or other entity with which the District does business. This does not prohibit the ownership of securities in any publicly owned company, except where such ownership places the Board member in a position to materially influence or affect the business relationship between the District and such publicly owned company.
3. Board members will abide by applicable District policies and procedures, including policies regarding travel, use of credit cards, use of District vehicles, violence in the workplace, workplace harassment, health information privacy rights, and the use of District Resources, computers, internet, and electronic mail.
4. Board members recognize the following organizational protocols within the District. Board members may not attempt to exercise individual authority over the organization except as explicitly set forth in Board policies.
  - A. Members' interaction with the CEO/General Manager or with other employees must recognize the lack of authority vested in individuals, except when explicitly Board authorized.
  - B. Except for participation in Board deliberation about whether a reasonable interpretation of Board policy has been achieved by the CEO/General Manager, members will not make express individual judgments of either CEO/General Manager or other employees' performance.
  - C. It is not unusual for a customer owner or a staff member to ask

questions of or express concerns directly to a Board member. It is the responsibility of the Board member to appropriately refer operational and personnel issues and concerns to the CEO/General Manager. If there are concerns expressed by customer owners or staff members that the Board member believes require a different course of action, or the concern involves the CEO/General Manager, the Board member has the responsibility to appropriately inform or discuss the matter with the entire Board.

5. Board members recognize that, until formal action is taken by the Board as a whole, individual members do not speak for the Board. Members' interaction with public, press or other entities must recognize the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly stated Board decisions. Board members may not act in a manner, with respect to District business or policy that is contrary to the consensus or majority of the Board. Members of the Board may represent their own points of view. A vote of the Board majority shall be binding on all members of the Board ~~insofar as~~ as far as official acts are concerned.
  - A. The Board acknowledges the right of each Board member to formulate and publicly express individual opinions regarding issues germane to their duties as District Commissioners. The Board further recognizes— that Board members may articulate individual opinions on other matters of civic affairs or public interest not ~~directly~~ related to their duties as Board members.
  - B. When a Board member engages in communication of any type, he or she must recognize at all times that, in the eyes of the public, Board members are likely to be perceived as speaking as a District Commissioner, and as such, their communication will reflect on and impact the other Board members and District staff.
  - C. When communicating on matters on which the Board has taken a formal position, it is acknowledged that any written correspondence be done under the signature of the Board President or entire Board, or by the CEO/General Manager on behalf of the Board.
  - D. In the event the majority of the Board has not taken a position on an issue, or has taken a position different from an individual's position, the Board member holding a minority position, or any opinion a matter not yet before the Board for a decision, should, in any communication or correspondence on that matter clearly state that his or her opinion is their own, and is not the position of the Board or District as a whole. District letterhead shall not be used for such written communication.
  - E. In the event an individual Board member fails to make the above-referenced disclosure, the Board may itself, or through the

CEO/General Manager, issue a communication stating the District's position on the matter, which may include information explanatory and supportive of the District's officially adopted position. If no position has yet been taken by the Board on the topic, the communication should disclose that fact.

- F. Public Board meetings, as required by law, are intended to provide information from the staff and public to the Board members prior to decisions being made. Thus, Board members should refrain from taking or communicating positions on issues on which a public hearing is expected to be held prior to the holding of such hearings.
  - G. Board members shall not publicly state or imply that the CEO/General Manager is out of compliance with any policies or decisions of the Board or District absent a determination of non-compliance by the Board.
  - H. Board members shall not engage in nor encourage actions by others in any retaliatory conduct against any District employee, or any other Board member. This includes any action against District employees taken as a result of that employee reporting incidents of misconduct or violations of District policies by any Board member or other District employee.
6. Members will respect the confidentiality appropriate to issues of a sensitive nature. Unless required by law, there shall be no release of written materials, notes, or other privileged information distributed in Executive Session, unless each Commissioner agrees to such release, and any such release will be limited to a confidential basis to Commissioners and the CEO/General Manager.
  7. Members will be properly prepared for Board meetings and Board deliberation.
  8. Board members will obey parliamentary orders of the President and shall confine their remarks to the subject under consideration.
  9. Board members will always conduct themselves with the highest levels of decorum, ~~and with civility~~, and respect ~~at all times with for~~ one another, ~~with staff and with members of the public~~, ~~and at times of when representing the District~~.
  10. Board members will endeavor to express their individual opinions in a responsible and professional manner.
  11. Board members will share the information and rationale on which they are making significant Board policy decisions.
  12. Board members understand that all letters, memoranda and electronic



communications or information, including email, which relate to conduct of the District, or the performance of any District function are public records that may be subject to disclosure under the Washington Public Records Act, unless otherwise exempt by law. In the event the District receives a request for such records, the Board member shall provide the records to the Public Records Officer of the District.

### **COST OF GOVERNANCE**

**GP-8.** Because poor governance costs more than learning to govern well, the Board will invest in its governance capacity.

Accordingly:

1. Board skills, methods, and supports will be sufficient to assure governing with excellence.
  - A. Training and retraining will be used liberally to orient new members, as well as to maintain and increase existing member skills and understandings.

~~B. \_\_\_\_\_ B. External Outside monitoring independent outreach assistance may be requested will be arranged as deemed necessary by the Board. The CEO/General Manager shall provide for such outreach to ensure the Board's ability to understand and respond to owner viewpoints and values. arrange external monitoring assistance necessary for the Board to exercise confident control over organizational performance.~~

~~C. \_\_\_\_\_ C. The CEO/General Manager shall provide external/independent outreach as needed to ensure the Board's ability to listen and respond to owner viewpoints and values.~~

~~D. \_\_\_\_\_ D. The CEO/General Manager shall provide internal resources and staffing in- to support the Board's work.~~

2. Costs will be prudently incurred, though not at the expense of endangering the development and maintenance of superior capability.

### **BOARD COMPENSATION AND EXPENSES**

**GP-9.** Board members shall receive a monthly salary, and in addition, per diem compensation for appearances or participation in events primarily aimed at making District decisions, receiving information related to decision making, or speaking or directly participating in an activity representing the District in compliance with RCW 54.12.080. By submitting reimbursement for time spent, a Board member certifies that the request for reimbursement is made in compliance with the statute. Further compensation for expense reimbursement shall be in accordance with the District's travel policies and RCW

54.12.080, and Board members shall be afforded PERS, 401k, 457 plan and healthcare benefits consistent with other employees as appropriate, and as authorized by law and administered by staff.

## **VIOLATIONS OF GOVERNANCE POLICIES**

**GP-10.** The Board will conduct a biennial review of the Board's Governance Policies, update as warranted, adopt, and publish.

These governance policies are adopted with the intent that they are fully enforceable and that violations of the provisions of these policies will result in action against Board members as provided herein.

Accordingly:

1. A claim by a Board member of a violation of these Policies by a Board member shall be delivered to the Clerk of the Board for delivery to the entire Board. Any claim of violation must identify the conduct that is alleged to have constituted a violation and sufficient information to support the claim of violation.
2. If it is determined by a majority of the Board that the complaint is meritorious and the alleged conduct of the Board member constitutes a violation of these Policies, the board member may be subject to one or more of the following actions by a majority vote of the Board:
  - A. **Admonition.** An admonition shall be a verbal statement approved by a majority of the Board made in open session and recorded in the minutes.
  - B. **Reprimand.** A reprimand shall be administered to the Board member by letter. The letter shall be prepared by the Board and signed by a majority of the Board after action in open session to approve the letter. The letter shall be part of the minutes of the meeting at which it was approved.
  - C. **Censure.** A censure shall be a written statement administered to the Board member in public during a regular Board meeting. The statement shall be prepared by the Board and signed by a majority of the Board. The Board member may appear and may make any statement in opposition to or for mitigation of the censure. A censure shall be deemed administered at the time it is scheduled whether or not the Board member appears. The statement shall be included in the minutes of the meeting at which it is administered.
3. In the event a Board member does not cease conduct that has been deemed in violation of these Policies or of Washington law, the District may pursue legal action to remedy the violations. In the event a Board member intentionally violates provisions of these Policies, which cause harm or

damages to the District, the Board may by affirmative votes, seek to recover those damages on behalf of the District.

### **FILLING COMMISSION VACANCIES**

**GP-11. If a vacancy occurs in the office of Commission, the Board of Commissioners will follow the procedures outlined in RCW 42.12.070. In order to fill the vacancy with the most qualified person available until an election is held, the Clerk of the Board and/or Commission & Executive Services Director will facilitate the process.**

## **SECTION IV BOARD-CEO/GENERAL MANAGER LINKAGE**

### **GLOBAL GOVERNANCE-MANAGEMENT CONNECTION**

**BL-1.** The Board's sole official connection to the operational organization, its achievements, and conduct will be through ~~a-the~~ Chief Executive Officer (CEO)/General Manager. ~~whose title shall be titled CEO/General Manager.~~

### **UNITY OF CONTROL**

**BL-2.** Only officially passed motions and resolutions of the Board are binding on the CEO/General Manager.

Accordingly:

1. Decisions or instructions of individual Board members are not binding on the CEO/General Manager except in rare instances when the Board has specifically authorized such exercise of authority.
2. In the case of Board members requesting information or assistance without Board authorization, the CEO/General Manager can refuse such requests that require, in the CEO/General Manager's opinion, a material amount of employee time or funds or is disruptive.

### **ACCOUNTABILITY OF THE CEO/GENERAL MANAGER**

**BL-3.** The CEO/General Manager is the Board's only link to operational achievement and conduct, so that all authority and accountability of employees, as far as the Board is concerned, is considered the authority and accountability of the CEO/General Manager.

Accordingly:

1. The Board/individual Commissioner will never give instructions to persons who report directly or indirectly to the CEO/General Manager except as provided in BL-6.
2. The Board/individual Commissioner will refrain from evaluating, either formally or informally, any employee other than the CEO/General Manager.
3. The Board will view CEO/General Manager performance as identical to organizational performance, so that organizational accomplishment of Board-stated ends and avoidance of Board-proscribed means will be viewed as successful CEO/General Manager performance.

## **DELEGATION TO THE CEO/GENERAL MANAGER**

**BL-4.** The Board will instruct the CEO/General Manager through written policies, which prescribe the organizational ends to be achieved, and describe organizational situations and actions to be avoided, allowing the CEO/General Manager to use ***any reasonable interpretation*** of these policies. The Board will produce and maintain written policies that ensure a high quality of governance and clear roles in decision-making between the Board and the CEO/General Manager.

Accordingly:

1. The Board will develop policies instructing the CEO/General Manager to achieve certain results for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called ends policies.
2. The Board will develop policies, which limit the latitude the CEO/General Manager may exercise in choosing the organizational means. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called “executive limitations policies.”
3. As long as the CEO/General Manager uses ***any reasonable interpretation*** of the Board’s ends and executive— limitations ~~policies, —the policies, the~~ CEO/General Manager is authorized to establish all further policies, make all decisions, take all actions, establish all practices, and develop all activities.
4. The Board may change its ends and executive limitations policies, thereby shifting the boundary between Board and CEO/General Manager domains. By doing so, the Board changes the latitude of choice given to the CEO/General Manager. However, as long as any particular delegation is in place, the Board will respect and support the CEO/General Manager’s choices.

## **MONITORING CEO/GENERAL MANAGER PERFORMANCE**

**BL-5.** Systematic and rigorous monitoring of CEO/General Manager job performance will be ~~objective, and solely against~~ exclusively limited to the following expected CEO/General Manager job outputs: (1) organizational accomplishment of Board policies on ends and (2) organizational operation within the boundaries established in Board policies on executive limitations.

Accordingly:

1. Monitoring is simply to determine the degree to which Board policies are being met. Data which does not do this will not be considered to be monitoring data.
2. The Board will acquire monitoring data by one or more of three methods: (a)

by internal report, in which the General Manager discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.

3. In every case, the standard for compliance shall be **any reasonable interpretation by the CEO/General Manager** of the Board policy being monitored.
4. All policies which instruct the General Manager will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at ~~any time~~any time by any method but will ordinarily depend on a routine schedule.

<u>Policy</u>	<u>Method</u>	<u>Frequency</u>
<del>Ends Policies</del>	<del>Internal</del>	<del>Annually [Suspend 11/18/03]</del>
<del>Treatment of Customers</del>	<del>Internal</del>	<del>Annually [Suspend 11/18/03]</del>
<del>Treatment of Employees</del>	<del>Internal</del>	<del>Annually [Suspend 11/18/03]</del>
Financial Planning and Budgeting	Internal	Annually
Financial Condition and Activities	Internal & External	Quarterly
<del>Asset Protection</del>	<del>Internal</del>	<del>Annually [07/09/02]</del>
<del>Emergency General Manager Succession</del>	<del>Internal</del>	<del>Annually [Suspend 11/18/03]</del>
<del>Compensation and Benefits</del>	<del>Internal</del>	<del>Annually [Suspend 11/18/03]</del>
<del>Communication and Support</del>	<del>Internal</del>	<del>Quarterly [Suspend 11/18/03]</del>
	<del>Direct Inspection</del>	<del>Annually [Suspend 11/18/03]</del>

## **BOARD-CLERK OF THE BOARD RELATIONSHIP**

**BL-6.** The Clerk of the Board assists the Commission & Executive Services Director (Director) and the Board in fulfilling the proper functions of the Board. These may include, but are not limited to, communicating board members' requests to District management and staff related to constituent affairs, coordinating with District management and staff in responding to Board member requests related to constituent affairs, keeping, and maintaining Board minutes and resolutions, and establishing and publishing proper legal notices related to the Board's meetings and activities.

The Clerk is responsible for coordinating all activities of the board members.

The Clerk of the Board serves under the direction and control of the Commission & Executive Services Director~~CEO/General Manager~~. The Director ~~CEO/General Manager~~ may establish the duties of the Clerk of the Board in consultation with the Board. ~~CEO/General Manager will involve the Board on the hiring of the Clerk.~~

The Director ~~CEO/General Manager~~ is responsible for evaluating the performance of the Clerk of the Board after consultation with and input from the Board.

## **SUSPENSION AND AMENDMENTS**

BL-7. Any provision of these rules may be temporarily suspended by a vote of the majority of the Commission.

These rules may be amended, or new rules adopted by Resolution of a majority of all members of the Commission, provided that the proposed amendments or new rules shall have been introduced into the record at a prior Commission meeting.

These Rules should be periodically reviewed every two years in January or February of even numbered years, or at such other times as the Commission deems appropriate.

## **SECTION V**

### **BOARD & OWNER LINKAGE BOARD**

### **ENGAGEMENT PLAN**

The CEO/General Manager shall not fail to include the Board in activities that brings added value to the organization.

~~The Board is seeking to continue to strengthen the relationship and linkage between the elected representatives of the PUD, the owners of the PUD, and the policy-making process.~~

~~The inherent challenge is to connect with Snohomish PUD owners in ways that are most meaningful to them, in order to develop policies and set direction that meet and exceed their expectations. We want owners to understand the utility, its challenges, and the fact that they own it. We also want them to be proud of the utility they own.~~

~~People are very busy these days. Old community involvement models no longer offer the average citizen an appealing way to stay connected and participate. Few individuals take the time to attend Commission meetings. At the same time, however, people say they want to know what is going on.~~

~~This plan outlines an involvement model, based on Carver, which offers a variety of ways for owners to learn about PUD policy issues, convey input, get to know their Commissioners, and participate in the process.~~

#### **Primary Objectives**

- ~~▶ Clarify values~~
- ~~▶ Keep owners informed~~
- ~~▶ Build stronger relationships~~

#### **Audience**

~~Owners of the PUD as defined by the Board as people in Snohomish County/Camano Island who are eligible to vote.~~

#### **Key Messages**

~~The three primary areas that messages will focus on:~~

- ~~▶ Keep owners informed on what a PUD is; who their Commissioners are; how they can participate in the PUD process. *Your PUD is Owned by You or You are the PUD.*~~
- ~~▶ Keep owners informed on the many unique benefits of public power: *Local Control, Not-for-profit Rates, Responsiveness to Community Needs.*~~
- ~~▶ Keep owners informed on current issues affecting the future of the utility. *Issues like resource planning, deregulation, rates, and environmental topics.*~~

#### **Strategies**

##### ~~□ CLARIFY VALUES~~

- ~~— Receive information from our owners.~~



~~— Identify key issues, values, and preferences important to PUD owners and communicate those to the PUD Board.~~

### **Implementation**

~~Using an outside research firm, conduct owner research in first half of 2000 to identify owners' priorities, preferences, wants and needs regarding the utility. Use both quantitative and qualitative methodologies.~~

~~Board to review results and incorporate in ends/policy statements. Topic areas would include:~~

- ~~▶ Rate sensitivities~~
- ~~▶ Reliability needs and concerns~~
- ~~▶ Environmental issues~~
- ~~▶ Green power~~
- ~~▶ Owner values~~
- ~~▶ Owner levels of risk tolerance~~
- ~~▶ New products/service possibilities: in what business do our owners want us to be?~~
- ~~▶ How do customer/owners like to get information about the utility?  
Do they want more information on things like fuel cells from their utility?~~
- ~~▶ Public purpose issues~~

~~Conduct periodic surveying to check for changes in priorities by owners and/or get updated information on new topics under consideration by the Board. Also check for measuring comprehension of the messages being communicated by the Board/PUD.~~

~~Invite owner input through surveying, public meetings, hearings, web site, and comment cards.~~

~~*For research findings about our owners received to date, please see page 5.*~~

### **KEEP OWNERS INFORMED**

- ~~— Communicate information to our owners.~~
- ~~— Keep PUD owners informed about policy issues facing the PUD and the policy-making process.~~

### **Implementation**

~~Use wide variety of methods to make a connection with owners, including invitations to meetings, public forums, newspaper ads, bill stuffers, and *Current*.~~

~~Through *Highlights* and *SnoWeb*, communicate to employees the key messages from the Board. Keep employees up to date on Board policies and direction.~~

~~Include topic on the Board's role, Governance, etc., in Guest Speakers Bureau. Have topic presented by Board member(s).~~

~~Develop, and actively distribute, a brochure about the Board, the Board's role, Governance, and the Commission meeting schedule.~~

~~Develop background materials, Q&A's and key talking points on the primary messages and issues the Board wishes to communicate, so that Commissioners all have a common base.~~

~~Pursue new ways to communicate with customers, such as developing Q&A columns for local community newspapers, getting on radio talk shows, and participating in community forums.~~

### ~~□ BUILD STRONGER RELATIONSHIPS~~

~~—— Strengthen our two-way communications with our owners.~~

~~—— Increase owner involvement in the policy-making process.~~

### ~~Implementation~~

~~Look for additional ways to “personalize” the Board with owners. In- crease the Board's visibility by including their photos in more publications and public access areas. Currently, the Board is featured in the lobby areas of outer offices and the Electric Building, in PUD publications, on the PUD web site, and on the meeting agenda in the Herald.~~

~~Elevate the Board's presence in the community through increased involvement in community events, associations, and meetings.~~

~~Sponsor important community-wide events that provide opportunities for increasing PUD connections. Sponsorships would include chambers, school events, trade shows, and community events.~~

~~Identify key opinion leaders in the community and develop communications especially for them.~~

~~Identify any organizations, associations, or at-risk groups that we need to increase our commitment to through greater participation. Look for new ways to meet their special needs.~~

~~Work with an outside consultant on additional ways to seek input, educate owners and build relationships.~~

~~Reinforce and build productive relationships with other elected and appointed officials of municipal, governmental, utility, and community-based organizations.~~

### ~~Timing~~

~~Immediate, upon approval by the Board. Some tactics have been implemented in the past six months. The plan will be reviewed and updated on an annual basis.~~

### ~~Research Findings on Owners To Date~~

~~(As part of the “Clarify Values” objective)~~

- ~~▶ Our owners are happy with their utility.~~
- ~~▶ They are price sensitive and want their power costs to be predictable and competitive.~~
- ~~▶ They want their reliability to stay high but don't feel it needs to be increased.~~
  
- ~~▶ They are wary of the changes that deregulation might bring to rates and reliability.~~
  
- ~~▶ They are supportive of public-purpose programs and environmental commitments.~~
  
- ~~▶ Most do not want a choice of providers and would not switch from the utility if given a choice.~~
  
- ~~▶ Most want to know what is happening at the PUD. They get most of their information about the utility through our bill stuffer.~~
  
- ~~▶ Most do not want big changes from the PUD. They like steadiness and predictability.~~
  
- ~~▶ Most know they are customers and owners of the utility.~~
  
- ~~▶ And, happily, the vast majority view the PUD as being trustworthy and responsive to their needs.~~

## SECTION VI ENDS POLICY

~~The purpose of~~ Public Utility District No. 1 of Snohomish County is that owned and controlled by the people of Snohomish County and Camano Island ~~own and control utilities that valued; and they expect the following to be the guiding principles of their utilities:~~

As dependable, safe, and responsible, and

At the lowest possible cost consistent with sound business principles.

1. Utilities are valued.
  - 1.1. Customers are satisfied.
2. Utilities are dependable.
  - 2.1. Utilities are of high quality.
  - 2.2. Utilities are in adequate supply with reasonable reserves.
  - 2.3. Reliability is high.
    - 2.3.1. Utilities and related products and services are supplied timely to all customers who meet District requirements.
3. Utilities are safe.
  - 3.1.1. Customers and the community are safeguarded from undue danger from physical and health risks.
4. Utilities are responsible.
  - 4.1. Adverse environmental impacts are mitigated.
    - 4.1.1. Reasonable utility related opportunities to protect or enhance the environment are taken.
    - 4.1.2. The environment is enhanced by the use of renewable resources.
  - 4.2. Low-income customers receive assistance.
  - 4.3. Efficient use of utilities is enhanced with conservation programs.
  - 4.6. The public is educated about safe and efficient use of utilities.

5. Utilities are provided at the lowest possible cost consistent with sound business principles
  - 5.1. Financial health is reasonably assured.
  - 5.2. Costs are low compared to other utilities.
  - 5.3. Costs are reasonably predictable year to year.
  - 5.4. Sound business principles means taking account of
    - 5.4.1. Costs
    - 5.4.2. Products offered
    - 5.4.3. Value
    - 5.4.4. Dependability
    - 5.4.5. Safety
    - 5.4.6. Responsibility
    - 5.4.7. Risk Management
  
6. Utilities and related products and services are supplied inside or outside of traditional service areas when benefits are returned to the people of Snohomish County and Camano Island.



# Governance Policies

Approved by PUD Board of Commissioners

**AMENDED:**

DATE

Resolution #



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## **SECTION II EXECUTIVE LIMITATIONS**

### **GLOBAL EXECUTIVE CONSTRAINT**

**EL-1.** The CEO/General Manager shall not cause or allow any practice, activity, decision, or organizational circumstance, which is either unlawful, imprudent or in violation of commonly accepted business and professional ethics.

### **TREATMENT OF CUSTOMERS**

**EL-2.** With respect to interactions with customers or those applying to be customers, the CEO/General Manager shall not cause or allow conditions, procedures, or decisions which are unsafe, undignified, discriminatory, or unnecessarily intrusive.

Accordingly, she or he shall not:

1. Elicit information by any method for which there is no clear necessity.
2. Use methods of collecting, reviewing, transmitting, or storing client information that fails to protect against improper access to the material elicited.
3. Fail to provide appropriate accessibility and privacy in facilities.
4. Fail to provide customers with clear information of what may be expected and what may not be expected from the service offered.
5. Arbitrarily or capriciously administer customer service or credit.
6. Fail to provide a way for persons to be heard who believe they have not been accorded a reasonable interpretation of their protections under this policy.

### **TREATMENT OF EMPLOYEES**

**EL-3.** With respect to the treatment of employees, the CEO/General Manager may not cause or allow conditions, which are unfair, undignified, discriminatory, disorganized, unsafe, or unclear.

Accordingly, he or she shall not:

1. Operate without written personnel policies, which clarify personnel rules for employees, provide for effective handling of grievances, discipline, and terminations, and protect against wrongful conditions, such as nepotism and grossly preferential treatment for personal reasons.



2. Discriminate against any employee.
3. Fail to make information available to employees regarding the CEO/General Manager's interpretation of their protections under this policy.

### **FINANCIAL PLANNING AND BUDGETING**

**EL-4.** The District's multi-year financial plan shall not deviate materially from the Board's Ends priorities or risk fiscal jeopardy. The District's annual budget shall be derived from a multi-year plan of at least five years.

Accordingly, the CEO/General Manager shall not allow financial planning/budgeting which:

1. Fails to include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
2. Allows operating reserves to fall below the required 120 days of Revenue Funds at the end of any fiscal year.
3. Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.
4. Allows Electric System year-end debt service coverage to fall below 1.75.
5. Finances greater than forty percent (40%) of non-generating or energy storage Electric System capital assets within a fifteen-year period including the plan year.
6. Plans for general Electric System rate increases in excess of three percent (3%) in any year, or compound increases in excess of ten percent (10%) over any consecutive five-year period. The District may plan for non-general rate increases that are forecasted by Bonneville Power Administration (BPA) for electricity and the City of Everett for water purchases.
7. Fails to maintain compliance with local, state, and federal laws including, but not limited to, the Energy Independence Act, the Clean Energy Transformation Act, etc.

## **FINANCIAL CONDITION AND ACTIVITIES**

**EL-5.** With respect to the actual, ongoing financial condition and activities, the CEO/General Manager shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in Ends policies.

Accordingly, he or she shall not:

1. Use any rate stabilization fund reserves without Board authorization.
2. Pay any uninsured judgment or settle any claim with funds from the District's self-insurance fund in excess of \$100,000, unless authorized by the Board.
3. Fail to present to the Board, on at least a quarterly basis, a report regarding all significant lawsuits filed against the District and any other legal issues that could result in significant financial exposure for the District.
4. Fail to settle payroll and debts in a timely manner.
5. Allow tax payments or other government-authority-ordered payments or filings to be overdue or inaccurately filed.
6. Fail to aggressively pursue receivables after a reasonable grace period to the extent it is cost-effective to do so.
7. Without prior approval of the Board, compromise or settle:
  - A. An uninsured employee claim when the settlement is greater than \$25,000, including attorney fees or other expenses, but not including the value of any outplacement or educational assistance, increased length of notice of termination or other non-cash benefits.
  - B. Any other uninsured demand or claim by or against the District for a monetary amount greater than \$100,000.
8. Without prior approval from the Board, execute modifications to the existing collective bargaining agreements between the District and the International Brotherhood of Electrical Workers (IBEW), between contracts, which exceed \$100,000 of additional expense to the District in the current or next fiscal year.

## **EMERGENCY CEO/GENERAL MANAGER SUCCESSION**

**EL-6.** To protect the Board from the sudden loss of CEO/General Manager services, the CEO/General Manager shall have at least two other executives familiar with Board and CEO/General Manager issues and processes.

## **ASSET PROTECTION**

**EL-7.** The CEO/General Manager shall not allow corporate assets to be unprotected, inadequately maintained, or unnecessarily risked.

Accordingly, he or she shall not:

1. Fail to maintain:
  - A. Excess liability insurance, including minimum coverage per occurrence of \$50 million; and
  - B. Property insurance (for non-transmission and distribution system assets) for replacement value; and
  - C. Vehicle insurance; and
  - D. Crime and fidelity insurance for personnel with access to material amounts of funds; and
  - E. Insurance covering cybersecurity risks.
2. Subject plant and equipment to improper wear and tear or insufficient maintenance.
3. Fail to protect intellectual property, information, and files from loss or significant damage.
4. Receive, process, or disburse funds under controls that are materially insufficient to meet the auditor's expectations.
5. Invest or hold capital in accounts or investments other than those permitted investments for the State of Washington.
6. Endanger the organization's public image or credibility, particularly in ways that would hinder accomplishment of its mission.
7. Manage the District's power supply for purposes other than meeting customer loads.

## **COMPENSATION AND BENEFITS**

**EL-8.** With respect to employment, compensation, and benefits to employees, the CEO/General Manager shall not cause or allow jeopardy to fiscal integrity or deviate materially from the established compensation and benefit program as approved by the Board annually.

Additionally, he or she shall not:

1. Change his or her own compensation and benefits.
2. Promise or imply permanent or guaranteed employment.

## **COMMUNICATION AND SUPPORT TO THE BOARD**

**EL-9.** The CEO/General Manager shall not permit the Board to be uninformed or unsupported in its work.

Accordingly, he or she shall not:

1. Neglect to submit monitoring data required by the Board (see policy on monitoring CEO/General Manager performance) in a timely, accurate, and understandable fashion, directly addressing provisions of Board policies being monitored.
2. Let the Board be unaware of substantial exposure, anticipated adverse media coverage, material external and internal changes, and particularly changes in the assumptions upon which any Board policy has previously been established.
3. Fail to advise the Board if, in the CEO/General Manager's opinion, the Board does not comply with its own policies on governance process and Board-CEO/General Manager linkage, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the CEO/General Manager.
4. Fail to marshal for the Board as many employee and external points of view, issues, and options as reasonably necessary for fully informed Board decisions.
5. Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation and incidental.
6. Fail to provide a mechanism for official Board communications.
7. Fail to deal with the Board as a whole when fulfilling individual requests for information.

8. Fail to report in a timely manner an actual or material noncompliance with any policy of the Board.
9. Fail to ensure that information provided to board members for policy decisions is provided to all board members.
10. Fail to ensure that items placed on the Board's agenda (except Consent Agenda items) fully reference all associated Board policies.

## **SECTION III GOVERNANCE PROCESS**

### **GLOBAL GOVERNANCE COMMITMENT**

**GP-1.** On behalf of the customer-owners of Snohomish County and Camano Island, the Board of Commissioners for Public Utility District No. 1 of Snohomish will govern to ensure the utility achieves desired results for customers-owners in accordance with strategic goals and objectives.

### **GOVERNING STYLE**

**GP-2.** The Board will govern with an emphasis on (a) outward vision rather than an internal preoccupation, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of Board and management roles, (e) collective rather than individual decisions, (f) future rather than past or present, and (g) proactivity rather than reactivity.

Accordingly:

1. The Board will cultivate a sense of group responsibility. The Board, not the employees, will be responsible for setting the direction of the organization. The Board may call on the experience of individual members to enhance the ability of the Board as a body, rather than to substitute the individual judgments for the Board's values.
2. The Board will direct, control, and inspire the organization through the careful establishment of broad written policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long-term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.
3. The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, codes of conduct, and ensuring the continuance of governance capability.
4. Continual Board development will include orientation of new Board members to the Board's governance process and periodic Board discussion of process improvement.
5. Board members will elevate and reinforce the District and the Board's presence in the community through involvement in community events, associations, and meetings.

6. The Board will allow no individual Board member to hinder or be an excuse for not fulfilling its commitments.
7. The Board will monitor and discuss the Board's process and performance. Self-monitoring will include a comparison of Board activity and adherence to policies in the governance process and Board-CEO/General Manager linkage categories.

### **BOARD JOB DESCRIPTION**

**GP-3.** Specific job outputs of the Board, as an informed agent of the people of Snohomish County and Camano Island, are those that ensure appropriate organizational performance.

Accordingly:

1. The Board will establish the link between the Public Utility and the people of Snohomish County and Camano Island.
2. The Board will establish and maintain written governing policies, which, at the broadest levels, address each of the following:
  - A. **Ends:** Organizational products, impacts, benefits, outcomes, and their relative worth for recipients.
  - B. **Executive Limitations:** Constraints on executive authority, which establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
  - C. **Governance Process:** Specification of how the Board conceives, carries out and monitors its own task.
  - D. **Board-CEO/General Manager Linkage:** How power is delegated and its proper use monitored; the CEO/General Manager role, authority, and accountability.
3. The Board will ensure the CEO/General Manager's performance (against policies in GP-3.2.A **Ends** and GP-3.2.B **Executive Limitations**).
4. To the extent required by law, as advised by the District's General Counsel from time to time, the Board will perform the following non-delegable, statutorily assigned duties (which is not an inclusive list):
  - A. Personnel
    1. Fix compensation of employees by establishing a scale of salaries for specific classes of work.

B. Finance

1. Adopt the District's yearly budget.
2. Approve vouchers for all warrants issued.
3. Authorize certain banks as depositories of District funds and surety bonds therefor.
4. Create certain special funds and authorize the issuance of revenue bonds.
5. Authorize the purchase of liability insurance for District officers and employees.

C. Rates/Fees

1. Establish and maintain rates and charges for electric energy and water and various other services, facilities, and commodities sold, furnished, or supplied by the District.

D. Local Utility Districts

1. Form and establish the method of procedure in all matters relating to local utility districts.

E. Contracts

1. Rule as to whether bids are "responsive" to call for bids and whether bidders are "responsible" under the conditions of bid.
2. Authorize certain wholesale contracts for the sale of energy or water.

F. Property

1. Authorize acquisition by condemnation and the disposition of certain properties and payment therefor.

G. Environmental

1. Adopt SEPA rules and procedures.

H. Other

1. Revise Commissioners' district boundaries.



### **Executive Session Materials and Information**

The Board may convene an executive session as permitted by law. It is a violation of Washington State law and this Policy to disclose publicly what is discussed and reviewed in executive session. All comments made and all written materials reviewed during an executive session are confidential by law and shall not be publicly disclosed or removed from the premises of an executive session by any Board member or attendee of the executive session absent an affirmative vote of majority of the Board on the record in a public meeting. This restriction applies to all executive session discussions and materials regardless of whether the District's counsel is present or not.

### **Attorney-Client Privilege and Work Product**

The District, and not any individual Board member, is the holder of any attorney-client privilege with the District's counsel or outside counsel and any attorney work product protection. No individual Board member shall make any disclosure or release any information, which would result in the waiver of the attorney-client privilege or work product protection absent an affirmative vote of majority of the Board on the record in a public meeting.

### **AGENDA PLANNING**

**GP-4.** The Board will follow an annual agenda, which (a) completes a re-exploration of Ends policies annually and (b) continually improves Board performance through Board education and enriched input and deliberation.

1. The cycle will conclude each year on the last day of September so that administrative planning and budgeting can be based on accomplishing a one-year segment of the Board's most recent statement of long-term Ends.
2. The cycle will start with the Board's development of its agenda for the next year.
  - A. Consultations with select groups will be determined and arranged in the first quarter and held throughout the balance of the year.
  - B. Governance education and education related to ends determination, (e.g., presentations by futurists, demographers, advocacy groups, employees, etc.) will be arranged in the first quarter, and held throughout the balance of the year.
3. Throughout the year, the Board will address consent agenda items as expeditiously as possible.

4. CEO/General Manager monitoring will be included on the agenda if monitoring reports show policy violations or if policy criteria are to be debated.
5. Any Board member may place an item on the agenda during a board meeting.
6. No item shall be placed on the Board's agenda without full reference to all associated Board policies.
7. During the month of February, CEO/General Manager remuneration will be decided after a review of his/her performance.
8. At the first regular Commission meeting in December of each year, the Commission shall elect officers of the Board to serve for terms of one-year or until such time as a successor has been selected for each such officer position. These terms will commence at the time of the first regular meeting in January of the year following election.
  - A. Board Officers serve at the pleasure of the Board. Officers may be removed from their position by an affirmative vote of two Board members. Any Board member may decline serving as an officer. In the event of such removal or declination of service, the vacated officer position shall be elected by the Board at the next regularly scheduled meeting.
  - B. The Board President shall assume any responsibility of the Board that is not specifically assigned to another Board member.

## **RULES OF PROCEDURES**

**GP-5. Regular Meetings.** Regular meetings of the Commission generally shall be held on the first and third Tuesdays of each month at the office of the District, 2320 California Street, Everett, Washington, with a phone or other electronic option available except as adjusted by the Board from time to time.

**Emergencies.** If, by reason of fire, flood, earthquake, or other declared emergency, there is a need for expedited action by the Commission to meet the emergency, the President of the Commission may designate a meeting location other than the regular meeting location, for a remote meeting without a physical location, or for a meeting at which the physical attendance by some of all members of the public is limited due to a declared emergency. If the meeting is held remotely or the public attendance is limited or prohibited, a cost-free phone or other electronic option will be provided.

**Special Meetings.** A special meeting of the Commission may be called at any time by the President of the Commission or by a majority of the members of the Commission as set forth in RCW 42.30.080 with notice being given at least 24 hours prior to the meeting. Every effort shall be made to ensure that all Board members can attend.

**Attendance/Appearance by Electronic Means.** One or more Commissioners may attend or appear at a public meeting by phone or other electronic means with no declared emergency. The Board member requesting to appear by electronic means is responsible for making all necessary arrangements with the Clerk of the Board in advance of the meeting. To achieve excellence in government, the Board prefers all Commissioners attend in person. Due to the confidential nature of Executive Session topics, remote attendance will not be allowed for those sessions.

**Attendance at Community Events and Conferences.** Commissioners may attend community events and conferences if they are related to the District's business. Commissioners will annually budget for the attendance of Commissioners at community events and conferences. Any community events and conferences outside the approved budget will be brought to the Board for approval.

Board members are expected to coordinate with or notify the Clerk of the Board of their planned schedule of attendance for the upcoming several months of attendance at activities and events. Individual board members may be offered specific opportunities to represent the District on official business. When visiting local Elected Officials, the board member whose election district the visit occurs will be offered the opportunity first.

To facilitate discussion and action while assuring consideration and decorum for all, the Board will abide by the following adopted Standing Rules of Order:

## **1. Introduction of Business**

All business shall be brought before the Board by a motion. All motions, including those made by the Chair, are automatically seconded. At any time prior to a vote on the main motion, the maker of the motion can modify it or withdraw it entirely. It is not necessary for the Chair to relinquish the gavel when making a motion.

## **2. Motions and Their Order of Precedence**

### **A. Privileged Motions**

1. *To Adjourn.* It takes precedence over all other motions. It is not debatable; it cannot be amended; nor can a vote on it be reconsidered.

### **B. Incidental Motions**

1. *Questions of Order or Appeal of a Ruling by the Chair.* It cannot be amended; it cannot be debated when it relates to indecorum; and it yields to Privileged Motions.

### C. Secondary Motions

1. *To Table*. This motion takes precedence over all other Secondary Motions and yields to any Privileged or Incidental Motion. It is not debatable and cannot be amended or have any other motion applied to it. It removes the subject from consideration until the Board votes to take it from the table, either at the same or some future meeting.
2. *The Previous Question*. This motion takes precedence of every debatable question, yields to Privileged, and Incidental Questions, and to the motion to Table. It is not debatable and cannot be amended. Its effect is to instantly close debate and bring the Board to vote upon the pending question.
3. *To Postpone to a Date Certain*. This motion takes precedence of a motion to amend or indefinitely Postpone, yields to any Privileged or Incidental Motion and to the motion to Table or a call for The Previous Question. Altering the time can amend it. It allows limited debate, and it must not go into the merits of the item any further than is necessary to judge the reasonableness of postponement.
4. *To Amend*. This motion takes precedence over nothing but the question, which it is proposed to amend, and yields to any Privileged, Incidental, or Secondary Motion, except to Indefinitely Postpone. It can be amended itself, but the amendment of an amendment cannot be amended. An amendment may be made either: (1) by adding; or (2) by striking out words or paragraphs; or (3) by striking out certain words and inserting others; or (4) by substituting a different motion on the same subject; or (5) by dividing the question into two or more questions as specified by the mover, so as to get a separate vote on any particular point or points.
5. *To Postpone Indefinitely*. This motion takes precedence over nothing except the principal motion, and yields to any Privileged, Incidental, or Secondary Motion except to Amend. It cannot be amended; it opens to debate the entire question it is proposed to postpone.

### D. Miscellaneous Motions

1. *To Rescind*. This motion has no privilege but stands on a footing with a new resolution. Any action of the Board can be rescinded regardless of the time that has elapsed.
2. *To Reconsider*. When the assembly has once acted upon any Principal Question or Amendment, it cannot be taken up again at the same session or any subsequent session, except by motion to Reconsider. A motion to Reconsider must be made by a member who voted with the prevailing side.

### **3. Debate and Decorum**

#### **A. Debate**

Discussions should be confined to issues immediately before the Board. The Chair should entertain a motion at the earliest opportunity and discussions should focus on the motion. Repetitive comments should be minimized and can be declared out of order by the Chair. The following questions shall be decided without debate: to Adjourn, To Table, The Previous Question, To Reconsider, Withdrawing a Motion, and Closing Debate.

#### **B. Decorum in Debate**

Members should confine remarks to the question and avoid personalities. Members should try to limit their remarks to ten minutes or less. Members should respect one another and conduct themselves in a professional manner. The use of profanity is prohibited.

#### **C. Closing Debate**

The following motions, which are not debatable, can close debate: To Table or call for The Previous Question.

### **4. Vote**

A. When a Vote is taken, the Chair should always announce the results.

### **5. Additional Comments**

A. Roberts Rules of Order will function as a guide on those issues not addressed by the above standing rules.

### **6. Resolutions**

A. In order to be valid, the original copy of a resolution must be signed by at least two Commissioners and will then be entered in a designated book and become public record.

### **7. Documentation of Decisions**

A. Board decisions shall be documented in the Board's resolutions as relevant, as well as in the Board's minutes.

B. Board minutes will document Board decisions. (action items only)

C. Audio recordings that may contain discussion and rationale may be available on the District's website and/or the Washington State Digital Archives website.

## **BOARD OFFICER ROLES**

### **GP-6.**

1. **President's Role.** The President assures the integrity of the Board's process.
  - A. The President is responsible for ensuring that the Board behaves consistently with its own rules and those imposed upon it from outside the organization.
    1. Meeting discussion content will be only those issues, which according to Board policy, clearly belong to the Board to decide, not the CEO/General Manager.
    2. Deliberation will be fair, open, and thorough, but also timely, orderly, and in conformance with the meeting's approved agenda.
  - B. The authority of the President is limited to decisions covered by Board policies on governance process and Board-CEO/General Manager linkage, with the exception of (a) employment or termination of a CEO/General Manager and (b) where the Board specifically delegates portions of this authority to others. The President is authorized to use any reasonable interpretation of the provisions in these policies.
    1. The President is empowered to chair Board meetings with all the commonly accepted power of that position, e.g., ruling, recognizing.
    2. The President has no authority to make decisions about policies created by the Board within ends and executive limitations policy areas. Therefore, the President has no authority to supervise or direct the CEO/General Manager.
    3. The President may represent the Board to outside parties by relaying Board decisions and approved policy statements.
    4. The President may delegate this authority but remains accountable for its use.
  - C. During the absence of the President, the Vice President will preside.
  - D. The President will generally represent the District when a Commissioner's presence is requested or needed by the CEO/General Manager. Individual Board members may be offered specific opportunities to represent the District on official business. When visiting local Elected Officials, the Board member whose election district the visit occurs will be offered the opportunity first.

2. **Vice President's Role**. The Vice President of the Board shall:
  - A. Perform such duties as are assigned by the President.
  - B. Have all power and duties of the President in the absence or inability of the President to act.
  - C. Have all powers and duties of the Secretary in the absence or inability of the Secretary to act, when not otherwise acting as President.
3. **Secretary's Role**. The Secretary shall:
  - A. Perform all duties incident to the office of Secretary as may be required by law or assigned to such office by motion, rule, or resolution of the Board.
  - B. When appropriate, attest to instruments and documents duly authorized by the Board.
  - C. Have all the powers and duties of the President in the absence or inability of both the President and Vice President to act.

### **BOARD MEMBERS' CODE OF CONDUCT**

**GP-7.** The Board stands in a fiduciary relationship to the District. In a broad overview, the Board's duty of care requires the Board to be attentive to the District's business, including being adequately informed as to decisions facing the Board, and to have a rational basis for decisions. Board members exercise utmost good faith in furthering the interests of the District and its customer owners. Board members will avoid even the appearance of impropriety to ensure and maintain public confidence in the District and the Board as a whole.

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum, at all times, when acting as Board members.

Accordingly:

1. In their capacity as a Board member, Board members represent the interests of District customer owners. This supersedes any conflicting interest such as that to advocacy or interest groups and membership in other organizations. It also supersedes the personal interest of any Board member.

2. In accordance with applicable law, members conduct themselves in accordance with all laws, including but not limited to, the Open Public Meeting Act, Chapter 42.30 RCW, and the Code of Ethics for Municipal Officers, Chapter 42.34 RCW, and must avoid conflict of interest with respect to their fiduciary responsibility. To avoid inadvertent violations of the Open Public Meeting Act, Board members may not “reply all” to any e-mail or other electronic communication received by all members of the Board.
  - A. The confidentiality of proprietary business information must be respected at all times. Board members are prohibited from disclosing such information, or in any way using such information for personal gain or advancement, or to the detriment of the District, or to individually conduct negotiations or make contacts or inquiries on behalf of the District unless officially designated by the Board to do so.
  - B. Board members are prohibited from acquiring or having a financial interest in any property that the District acquires, or a direct or indirect financial interest in a supplier, contractor, consultant, or other entity with which the District does business. This does not prohibit the ownership of securities in any publicly owned company, except where such ownership places the Board member in a position to materially influence or affect the business relationship between the District and such publicly owned company.
3. Board members will abide by applicable District policies and procedures, including policies regarding travel, use of credit cards, use of District vehicles, violence in the workplace, workplace harassment, health information privacy rights, and the use of District Resources, computers, internet, and electronic mail.
4. Board members recognize the following organizational protocols within the District. Board members may not attempt to exercise individual authority over the organization except as explicitly set forth in Board policies.
  - A. Members' interaction with the CEO/General Manager or with other employees must recognize the lack of authority vested in individuals, except when explicitly Board authorized.
  - B. Except for participation in Board deliberation about whether a reasonable interpretation of Board policy has been achieved by the CEO/General Manager, members will not make express individual judgments of either CEO/General Manager or other employees' performance.



- C. It is not unusual for a customer owner or a staff member to ask questions of or express concerns directly to a Board member. It is the responsibility of the Board member to appropriately refer operational and personnel issues and concerns to the CEO/General Manager. If there are concerns expressed by customer owners or staff members that the Board member believes require a different course of action, or the concern involves the CEO/General Manager, the Board member has the responsibility to appropriately inform or discuss the matter with the entire Board.
5. Board members recognize that, until formal action is taken by the Board as a whole, individual members do not speak for the Board. Members' interaction with public, press or other entities must recognize the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly stated Board decisions. Board members may not act in a manner, with respect to District business or policy that is contrary to the consensus or majority of the Board. Members of the Board may represent their own points of view. A vote of the Board majority shall be binding on all members of the Board as far as official acts are concerned.
- A. The Board acknowledges the right of each Board member to formulate and publicly express individual opinions regarding issues germane to their duties as District Commissioners. The Board further recognizes that Board members may articulate individual opinions on other matters of civic affairs or public interest not related to their duties as Board members.
  - B. When a Board member engages in communication of any type, he or she must recognize at all times that, in the eyes of the public, Board members are likely to be perceived as speaking as a District Commissioner, and as such, their communication will reflect on and impact the other Board members and District staff.
  - C. When communicating on matters on which the Board has taken a formal position, it is acknowledged that any written correspondence be done under the signature of the Board President or entire Board, or by the CEO/General Manager on behalf of the Board.
  - D. In the event the majority of the Board has not taken a position on an issue, or has taken a position different from an individual's position, the Board member holding a minority position, or any opinion a matter not yet before the Board for a decision, should, in any communication or correspondence on that matter clearly state that his or her opinion is their own, and is not the position of the Board or District as a whole. District letterhead shall not be used for such written communication.

- E. In the event an individual Board member fails to make the above referenced disclosure, the Board may itself, or through the CEO/General Manager, issue a communication stating the District's position on the matter, which may include information explanatory and supportive of the District's officially adopted position. If no position has yet been taken by the Board on the topic, the communication should disclose that fact.
  - F. Public Board meetings, as required by law, are intended to provide information from the staff and public to the Board members prior to decisions being made. Thus, Board members should refrain from taking or communicating positions on issues on which a public hearing is expected to be held prior to the holding of such hearings.
  - G. Board members shall not publicly state or imply that the CEO/General Manager is out of compliance with any policies or decisions of the Board or District absent a determination of non-compliance by the Board.
  - H. Board members shall not engage in nor encourage actions by others in any retaliatory conduct against any District employee, or any other Board member. This includes any action against District employees taken as a result of that employee reporting incidents of misconduct or violations of District policies by any Board member or other District employee.
- 6. Members will respect the confidentiality appropriate to issues of a sensitive nature. Unless required by law, there shall be no release of written materials, notes, or other privileged information distributed in Executive Session, unless each Commissioner agrees to such release, and any such release will be limited to a confidential basis to Commissioners and the CEO/General Manager.
  - 7. Members will be properly prepared for Board meetings and Board deliberation.
  - 8. Board members will obey parliamentary orders of the President and shall confine their remarks to the subject under consideration.
  - 9. Board members will always conduct themselves with the highest levels of decorum, civility, and respect for one another, staff and members of the public.
  - 10. Board members will endeavor to express their individual opinions in a responsible and professional manner.
  - 11. Board members will share the information and rationale on which they are making significant Board policy decisions.

12. Board members understand that all letters, memoranda and electronic communications or information, including email, which relate to conduct of the District, or the performance of any District function are public records that may be subject to disclosure under the Washington Public Records Act, unless otherwise exempt by law. In the event the District receives a request for such records, the Board member shall provide the records to the Public Records Officer of the District.

### **COST OF GOVERNANCE**

**GP-8.** Because poor governance costs more than learning to govern well, the Board will invest in its governance capacity.

Accordingly:

1. Board skills, methods, and supports will be sufficient to assure governing with excellence.
  - A. Training and retraining will be used liberally to orient new members, as well as to maintain and increase existing member skills and understandings.
  - B. External independent outreach may be requested as deemed necessary by the Board. The CEO/General Manager shall provide for such outreach to ensure the Board's ability to understand and respond to owner viewpoints and values.
  - C. The CEO/General Manager shall provide internal resources and staffing to support the Board's work.
2. Costs will be prudently incurred, though not at the expense of endangering the development and maintenance of superior capability.

### **BOARD COMPENSATION AND EXPENSES**

**GP-9.** Board members shall receive a monthly salary, and in addition, per diem compensation for appearances or participation in events primarily aimed at making District decisions, receiving information related to decision making, or speaking or directly participating in an activity representing the District in compliance with RCW 54.12.080. By submitting reimbursement for time spent, a Board member certifies that the request for reimbursement is made in compliance with the statute. Further compensation for expense reimbursement shall be in accordance with the District's travel policies and RCW 54.12.080, and Board members shall be afforded PERS, 401k, 457 plan and healthcare benefits consistent with other employees as appropriate, and as authorized by law and administered by staff.

## **VIOLATIONS OF GOVERNANCE POLICIES**

**GP-10.** The Board will conduct a biennial review of the Board's Governance Policies, update as warranted, adopt, and publish.

These governance policies are adopted with the intent that they are fully enforceable and that violations of the provisions of these policies will result in action against Board members as provided herein.

Accordingly:

1. A claim by a Board member of a violation of these Policies by a Board member shall be delivered to the Clerk of the Board for delivery to the entire Board. Any claim of violation must identify the conduct that is alleged to have constituted a violation and sufficient information to support the claim of violation.
2. If it is determined by a majority of the Board that the complaint is meritorious and the alleged conduct of the Board member constitutes a violation of these Policies, the board member may be subject to one or more of the following actions by a majority vote of the Board:
  - A. **Admonition.** An admonition shall be a verbal statement approved by a majority of the Board made in open session and recorded in the minutes.
  - B. **Reprimand.** A reprimand shall be administered to the Board member by letter. The letter shall be prepared by the Board and signed by a majority of the Board after action in open session to approve the letter. The letter shall be part of the minutes of the meeting at which it was approved.
  - C. **Censure.** A censure shall be a written statement administered to the Board member in public during a regular Board meeting. The statement shall be prepared by the Board and signed by a majority of the Board. The Board member may appear and may make any statement in opposition to or for mitigation of the censure. A censure shall be deemed administered at the time it is scheduled whether or not the Board member appears. The statement shall be included in the minutes of the meeting at which it is administered.
3. In the event a Board member does not cease conduct that has been deemed in violation of these Policies or of Washington law, the District may pursue legal action to remedy the violations. In the event a Board member intentionally violates provisions of these Policies, which cause harm or damages to the District, the Board may by affirmative votes, seek to recover those damages on behalf of the District.

**FILLING COMMISSION VACANCIES**

**GP-11.** If a vacancy occurs in the office of Commission, the Board of Commissioners will follow the procedures outlined in RCW 42.12.070. In order to fill the vacancy with the most qualified person available until an election is held, the Clerk of the Board and/or Commission & Executive Services Director will facilitate the process.

## **SECTION IV BOARD-CEO/GENERAL MANAGER LINKAGE**

### **GLOBAL GOVERNANCE-MANAGEMENT CONNECTION**

**BL-1.** The Board's sole official connection to the operational organization, its achievements, and conduct will be through the Chief Executive Officer (CEO)/General Manager.

### **UNITY OF CONTROL**

**BL-2.** Only officially passed motions and resolutions of the Board are binding on the CEO/General Manager.

Accordingly:

1. Decisions or instructions of individual Board members are not binding on the CEO/General Manager except in rare instances when the Board has specifically authorized such exercise of authority.
2. In the case of Board members requesting information or assistance without Board authorization, the CEO/General Manager can refuse such requests that require, in the CEO/General Manager's opinion, a material amount of employee time or funds or is disruptive.

### **ACCOUNTABILITY OF THE CEO/GENERAL MANAGER**

**BL-3.** The CEO/General Manager is the Board's only link to operational achievement and conduct, so that all authority and accountability of employees, as far as the Board is concerned, is considered the authority and accountability of the CEO/General Manager.

Accordingly:

1. The Board/individual Commissioner will never give instructions to persons who report directly or indirectly to the CEO/General Manager except as provided in BL-6.
2. The Board/individual Commissioner will refrain from evaluating, either formally or informally, any employee other than the CEO/General Manager.
3. The Board will view CEO/General Manager performance as identical to organizational performance, so that organizational accomplishment of Board-stated ends and avoidance of Board-proscribed means will be viewed as successful CEO/General Manager performance.

## **DELEGATION TO THE CEO/GENERAL MANAGER**

**BL-4.** The Board will instruct the CEO/General Manager through written policies, which prescribe the organizational ends to be achieved, and describe organizational situations and actions to be avoided, allowing the CEO/General Manager to use ***any reasonable interpretation*** of these policies. The Board will produce and maintain written policies that ensure a high quality of governance and clear roles in decision-making between the Board and the CEO/General Manager.

Accordingly:

1. The Board will develop policies instructing the CEO/General Manager to achieve certain results for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called ends policies.
2. The Board will develop policies, which limit the latitude the CEO/General Manager may exercise in choosing the organizational means. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called “executive limitations policies.”
3. As long as the CEO/General Manager uses ***any reasonable interpretation*** of the Board’s ends and executive limitations policies, the CEO/General Manager is authorized to establish all further policies, make all decisions, take all actions, establish all practices, and develop all activities.
4. The Board may change its ends and executive limitations policies, thereby shifting the boundary between Board and CEO/General Manager domains. By doing so, the Board changes the latitude of choice given to the CEO/General Manager. However, as long as any particular delegation is in place, the Board will respect and support the CEO/General Manager’s choices.

## **MONITORING CEO/GENERAL MANAGER PERFORMANCE**

**BL-5.** Systematic and rigorous monitoring of CEO/General Manager job performance will be objective, and exclusively limited to the following expected CEO/General Manager job outputs: (1) organizational accomplishment of Board policies on ends and (2) organizational operation within the boundaries established in Board policies on executive limitations.

Accordingly:

1. Monitoring is simply to determine the degree to which Board policies are being met. Data which does not do this will not be considered to be monitoring data.

2. The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the General Manager discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.
3. In every case, the standard for compliance shall be ***any reasonable interpretation by the CEO/General Manager*** of the Board policy being monitored.
4. All policies which instruct the General Manager will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method but will ordinarily depend on a routine schedule.

<b><u>Policy</u></b>	<b><u>Method</u></b>	<b><u>Frequency</u></b>
Financial Planning and Budgeting	Internal	Annually
Financial Condition and Activities	Internal & External	Quarterly



## **BOARD-CLERK OF THE BOARD RELATIONSHIP**

**BL-6.** The Clerk of the Board assists the Commission & Executive Services Director (Director) and the Board in fulfilling the proper functions of the Board. These may include, but are not limited to, communicating board members' requests to District management and staff related to constituent affairs, coordinating with District management and staff in responding to Board member requests related to constituent affairs, keeping, and maintaining Board minutes and resolutions, and establishing and publishing proper legal notices related to the Board's meetings and activities.

The Clerk is responsible for coordinating all activities of the board members.

The Clerk of the Board serves under the direction and control of the Commission & Executive Services Director. The Director may establish the duties of the Clerk of the Board in consultation with the Board.

The Director is responsible for evaluating the performance of the Clerk of the Board after consultation with and input from the Board.

## **SUSPENSION AND AMENDMENTS**

**BL-7.** Any provision of these rules may be temporarily suspended by a vote of the majority of the Commission.

These rules may be amended, or new rules adopted by Resolution of a majority of all members of the Commission, provided that the proposed amendments or new rules shall have been introduced into the record at a prior Commission meeting.

These Rules should be periodically reviewed every two years in January or February of even numbered years, or at such other times as the Commission deems appropriate.

## **SECTION V BOARD ENGAGEMENT PLAN**

The CEO/General Manager shall not fail to include the Board in activities that brings added value to the organization.

## **SECTION VI ENDS POLICY**

Public Utility District No. 1 of Snohomish County is owned and controlled by the people of Snohomish County and Camano Island, and they expect the following to be the guiding principles of their utilities:

As dependable, safe, and responsible, and

At the lowest possible cost consistent with sound business principles.

1. Utilities are valued.
  - 1.1. Customers are satisfied.
2. Utilities are dependable.
  - 2.1. Utilities are of high quality.
  - 2.2. Utilities are in adequate supply with reasonable reserves.
  - 2.3. Reliability is high.
    - 2.3.1. Utilities and related products and services are supplied timely to all customers who meet District requirements.
3. Utilities are safe.
  - 3.1.1. Customers and the community are safeguarded from undue danger from physical and health risks.
4. Utilities are responsible.
  - 4.1. Adverse environmental impacts are mitigated.
    - 4.1.1. Reasonable utility related opportunities to protect or enhance the environment are taken.
    - 4.1.2. The environment is enhanced by the use of renewable resources.
  - 4.2. Low-income customers receive assistance.
  - 4.3. Efficient use of utilities is enhanced with conservation programs.
  - 4.6. The public is educated about safe and efficient use of utilities.

5. Utilities are provided at the lowest possible cost consistent with sound business principles
  - 5.1. Financial health is reasonably assured.
  - 5.2. Costs are low compared to other utilities.
  - 5.3. Costs are reasonably predictable year to year.
  - 5.4. Sound business principles means taking account of
    - 5.4.1. Costs
    - 5.4.2. Products offered
    - 5.4.3. Value
    - 5.4.4. Dependability
    - 5.4.5. Safety
    - 5.4.6. Responsibility
    - 5.4.7. Risk Management
  
6. Utilities and related products and services are supplied inside or outside of traditional service areas when benefits are returned to the people of Snohomish County and Camano Island.



**BUSINESS OF THE COMMISSION**

Meeting Date: September 5, 2023

Agenda Item: 8A

**TITLE**

Governance Planning Calendar

**SUBMITTED FOR: Governance Planning**

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

**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 – 2023

## To Be Scheduled

- Broadband Resolution

## To Be Scheduled

# Governance Planning Calendar – 2023

## September 5, 2023

### Morning Session:

- Media
- Connect Up Quarterly Update
- Organized Markets Update
- WAVE Fiber Lease Agreement

### Afternoon Session:

- Governance Planning Calendar

## September 19, 2023

### Morning Session:

- Community Engagement
- Legislative
- 2022 Reliability Performance District System Reliability Overview
- Supply Chain Update
- Interurban Trail Easement with Snohomish County
- **Public Utility Regulatory Policies Act Briefing**

### Afternoon Session:

- Public Hearing and Action:  
→ Disposal of Surplus Property – 4<sup>th</sup> Quarter
- Governance Planning Calendar

# Governance Planning Calendar – 2023

## October 2, 2023

### Morning Session:

- Media
- Pole Attachment Rates
- IRP: Phase 4 and 5 Results
- 25MW Battery Project Briefing
- Beverly Station Easement with BPA
- Bell Land Lease for Storage Poles
- Energy Efficiency & Grid Harmonization Residential New Construction Program

### Afternoon Session:

- Public Hearing:
  - Open 2024 Proposed Budget Hearing
  - Public Utility Regulatory Policies Act
- Governance Planning Calendar

## October 17, 2023

### Morning Session:

- Community Engagement
- Legislative
- Energy Risk Management Report
- Water Supply Update
- Woods Creek Sustainability Center Update
- 2024 Load Forecast

### Afternoon Session:

- Public Hearing and Action:
  - Pole Attachment Rates
  - Public Utility Regulatory Policies Act
  - Bell Land Lease for Storage Poles
- Governance Planning Calendar



# Governance Planning Calendar – 2023

## November 7, 2023

### Morning Session:

- Media

### Afternoon Session:

- Public Hearing:  
→Continue Public Hearing on the 2024 Proposed Budget
- Monitoring Report:  
→3<sup>rd</sup> Quarter Financial Conditions and Activities Monitoring Report
- Governance Planning Calendar

## November 21, 2023

### Morning Session:

- Community Engagement
- Legislative
- Final Briefing on 2023 IRP Update Document

### Afternoon Session:

- Public Hearing:  
→Continue Public Hearing on the 2024 Proposed Budget
- Adopt Regular Commission Meeting Dates for the Year 2024
- Governance Planning Calendar

# Governance Planning Calendar – 2023

## December 5, 2023

### Morning Session:

- Media

### Afternoon Session:

- Public Hearing and Action:  
→ Adopt 2024 Budget
- Monitoring Report:  
→ Financial Planning and Budgeting Monitoring Report
- Elect Board Officers for the Year 2024
- Proposed 2024 Governance Planning Calendar

## December 19, 2023

### Morning Session:

- Community Engagement
- Legislative
- Connect Up Quarterly Update

### Afternoon Session:

- Public Hearing and Action:  
→ Disposal of Surplus Property - 1<sup>st</sup> Quarter  
→ Confirm Final Assessment Roll for LUD No. 66
- Adopt 2024 Governance Planning Calendar

# Governance Planning Calendar – 2023

## 2023 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**

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				

**March**

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	

**April**

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						

**May**

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			

**June**

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	

**July**

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					

**August**

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		

**September**

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

**October**

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				

**November**

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		

**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
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**\*\*For Planning Purposes Only and Subject to Change at any Time\*\***